WTO and the Developing Countries

In the World Trade Organisation, there are around 146 members from developing countries, i.e., about 2/3rd majority of the WTO. They play an increasingly important and active role in the WTO because of their numbers, because they are becoming more important in the global economy, and because they increasingly look to trade as a vital tool in their development efforts. Developing countries are a highly diverse group often with very different views and concerns. The WTO deals with the special needs of developing countries in three ways:

- the **WTO agreements** contain **special provisions** on developing countries
- the **Committee on Trade and Development** is the main body focusing on work in this area in the WTO, with some others dealing with specific topics such as trade and debt, and technology transfer
- the **WTO Secretariat** provides **technical assistance** (mainly training of various kinds) for developing countries**.**

The WTO agreements include numerous provisions giving developing and least-developed countries special rights or extra leniency — *'special and differential treatment'*. Among these are provisions that allow developed countries to treat developing countries more favourably than other WTO members.

The least-developed countries receive extra attention in the WTO. All the WTO agreements recognize that they must benefit from the greatest possible flexibility, and better-off members must make extra efforts to lower import barriers on least-developed countries' exports.

The specific work on developing countries within the WTO can be divided into two broad areas:

1. the work of the WTO committees, and
2. the training for government officials and others.

1. WTO Committees:

The WTO consists of the following committees:

(a) Trade and Development Committee: The WTO Committee on Trade and Development has a wide-ranging mandate. It has the following priorities regarding the developing countries:

- implementation of provisions favouring developing countries,
- guidelines for technical cooperation,
- increased participation of developing countries in the trading system, and
- the position of least-developed countries.

Member-countries also have to inform the WTO about special programmes involving trade concessions for products from developing countries, and about regional arrangements among developing countries.

(b) Sub-Committee on Least-Developed Countries: The Subcommittee on Least-Developed Countries reports to the Trade and Development Committee, but it is an important body in its own right. Its work focuses on two related issues:

- ways of integrating least-developed countries into the multilateral trading system
- technical cooperation.

The subcommittee also examines periodically how special provisions favouring least-developed countries in the WTO agreements are being implemented. The following are the WTO member countries categorized as least-developed countries by the UN:

Angola, Bangladesh, Burundi, Cambodia, Central African Republic, Chad, Congo, Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Solomon Islands, Tanzania, Uganda, Zambia, etc.

Some additional least-developed countries are in the process of accession to the WTO. They are: Bhutan, Ethiopia, Laos, Sudan, and Yemen.

2. WTO Technical Cooperation:

The second area of working on developing countries within the WTO is associated with the technical cooperation or the training of government officials and businessmen from developing countries. It is devoted entirely in helping developing countries and countries in transition from centrally-planned economies to operate successfully in the multilateral trading system. The objective is to help build the necessary institutions and to train officials. The subjects covered deal both with trade policies and with effective negotiation.

The WTO holds regular training sessions on trade policy in Geneva. In addition, it organizes about 400 technical cooperation activities annually, including seminars and workshops in various countries and courses in Geneva.

Targeted are developing countries and countries in transition from former socialist or communist systems, with a special emphasis on African countries. Seminars have also been organized in Asia, Latin America, the Caribbean, Middle East and Pacific.

Funding for technical cooperation and training comes from three sources: the WTO's regular budget, voluntary contributions from WTO members, and cost-sharing either by countries involved in an event or by international organizations.

Challenges to the Developing World

The developing countries under the new WTO regime are faced with a considerable increase in their obligations particularly in respect of government procurements, subsidies, anti-dumping, customs valuation and import licensing procedures. Again, the new obligations that they have accepted in the area of services and intellectual property rights could have adverse economic impact on their development.

The developing world, which consists of two-third majority of the total WTO membership, has not reaped plausible benefits under WTO regime. They also have a strong feeling that their voice is not being heard, and the issues raised by them are not being addressed. However, some noticeable change of strategy at the WTO seems to have taken place in recent years.

Major share of the world trade is controlled by the developed world. According to a survey only 17 countries control 72% of the world trade. A major dilemma faced by the developing countries in the trade liberalisation process is that a country may be able to control the speed of trade liberalisation, but cannot determine by itself how fast its exports should grow. Exports performance depends on quality, price and competitiveness of exportable commodities. Also, to become competitive, investment is required in developing the infrastructure, technology, human resources, and enterprise capacity for new exports, which is a long-term process and not easily achieved. The interesting phenomenon is that the developed world continues to insist on free trade and services and bringing down the tariffs in order to ensure fair competition between local and imported products. While, on the other hand, the developed world itself continues to follow protectionist policies in the case of agriculture to safeguard its costly products against cheaper foodstuff from the developing world.

Suggestions to the Developing Countries:

The developing world has tried to raise its voice on various forums but without much success. Apart from raising hue and cry for better treatment by the WTO and the developed world it should have its own strategy for economic development. Following are the suggestions for the developing countries:

- Identification of core strengths and competitive edge,
- Concentrate mainly on industries which use local raw material,
- Improve efficiencies, lower costs and upgrade quality of products in order to be able to make them export oriented to earn valuable foreign exchange,
- Develop small and medium enterprises,
- Continue to improve productivity in agriculture / fishing in order to remain self reliant in food production and earn good value for their exports,
- Develop human resource through education, training, healthcare and social justice, and
- The Government should reduce its role in running business.

But, unfortunately, most of the developing countries to-day is plagued by inefficiency, corruption, dishonesty, low productivity and a lack of will and desire on the part of elected representatives to improve the status quo. The developing countries cannot prosper on the prescriptions laid down by the World Bank, IMF or regular dole from rich nations. South Asian economies, especially Malaysia, Singapore, South Korea and China are a glaring example of what can be achieved through following a pragmatic path. Even the Indian economy has grown rapidly over the past decade with real GDP growth averaging some 6% annually, in part due to continued structural reform, including trade liberalisation. In recent years, though, Pakistan has also shown a remarkable performance in real GDP growth rate: 8.4% during the fiscal year 2004-05, 6.4% during 2003-04 and 5.1% during 2002-03, but yet there are many reforms to be made especially in manufacturing and service sectors.

The developing countries have a tough task ahead. If they do not take corrective measures they will be rendered producers of raw materials and operating locally produced agro-based industries only. They will, obviously, miss the opportunity to benefit from global trade. According to a research report by David Dollar of the World Bank, the growth rate of the developing countries during 1990s has been 5% (3.5% excluding China against 2% of the rich countries. He believes that there is solid evidence available to prove that this has happened due to participation in the free trade and globalisation process.

According to WTO Annual Report 2002, poor countries need to grow their way out of poverty and trade can serve as a key engine of that growth. But currently products of developing countries face many obstacles in entering the markets of rich countries. Rich counties need to do more to reduce trade-distorting subsidies and dismantle their existing barriers on competitive exports from developing countries.

Challenges faced by Pakistan

Two schools of thought prevail in Pakistan in regard to impact of WTO regime on the economy. One group favours WTO Trade Agreements completely as it believes that free trade will have a strong positive effect in enabling conditions for poverty reduction through employment opportunities, social welfare services, and infrastructure that can potentially benefit the poor. On the other hand, the second school of thought believes that everything going wrong in the developing world is the result of the WTO regime. They feel that the WTO has been formed to further the interests of the developed world only. The fact of the matter is that we lack any empirical study and the different opinions are based on assumptions only.

Major challenges faced by Pakistan are as follows:

- Lowering of tariffs leading to cheaper imports would pose serious threat to the local industry, which, in spite of inefficiencies, has thrived to-date owing to protectionist policies,
- An end to the quota system in textiles in early 2005 poses a serious challenge to our key foreign exchange driver,
- Due to lowering of tariffs the taxes earned by the Government on imports are constantly showing a marked reduction as a percentage to total taxes collected,

- Lack of a clear and transparent policy by the Government towards WTO regime – and lack of understanding of implications of Trade Agreements on our economic life.

Considering the challenges, the Government has identified the following industries with core strengths that need most attention for development:

- Oil, gas and energy,
- Chemical, fertiliser and pharmaceuticals,
- Textile and allied industries,
- Light engineering,
- Information technology,
- Small and medium enterprises.

Other industries, which have been identified for improvements, are sports, surgical, cement, sugar, automobile, etc. These industries will cater both for local and export markets. Needless to mention that a number of industries will be at the risk of partial or complete closure, as they will not be able to compete with the onslaught of cheaper imports. The local electronics industry, where product replacements are extremely rapid, faces the risk of being phased out.

The industry, which needs our utmost attention, is textiles, as it contributes almost 60% to our exports. With the start of new open trade policy from January 2005, Pakistan is facing a serious problem of tough competition from China, India, Bangladesh and a number of other countries. Our machinery is old, productivity is low, costs are higher and the manpower is not well-trained. We need to invest at least US $ 6 to 7 billion in order to overcome these problems, and remain competitive in the world market through exporting value added products.

It is heartening to note that the Government is well aware of this problem, and constant efforts are being made to produce contamination free cotton, and modernise the present outdated machinery and infrastructure. However, both the Government and the industry will have to move much faster in order to meet the foreign demands. If we are competitive with better quality of products and acceptable prices, we may be able to gain a greater share of the textile trade in the world market.

Conclusion

In the present scenario of the global trade, both developing and developed worlds have their roles to play. The WTO and the developed world must make further concessions for the developing countries, which are in majority and have a very small portion of the total world trade, and are not in a position to compete with the advanced industrialised nations. On the other hand, the developing world has its own responsibilities to share. They cannot continue to live on grant-in-aids and consider others responsible for all their ills, while squandering their own resources. They have to put in serious efforts for overall improvement in the quality of life of their impoverished masses, through sustained economic growth. This would help them achieve their due share in the global trade, rather than see it marginalized further.