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A hot time for developing countries

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TERMS of trade among nations have always attracted keen attention, at times evoking emotional responses. So it was at the recent Group of Fifteen (G-15) Summit held in Jakarta when discussions turned to matters pertaining to the World Trade Organisation (WTO).

Representatives of 19 developing nations from three continents who made their way to Indonesia for the gathering from May 25 to 31 had much to say about the WTO, the de facto conductor directing the music for rules of trade among nations. The heat emanating from the discussions carried a number of feelings: fear, disappointment and a certain degree of helplessness, tempered with some level of hope.

While the host country struggled with its own fast-unfolding political developments, with demonstrations outside its Parliament, the G-15 delegates meeting less than a kilometre away tried to piece together their position on the WTO.

Two key issues played on their mind: the next WTO meeting in Doha, Qatar, in November and the burden they are carrying from previous engagements with the Geneva-based organisation.

'Decisions made this year at the WTO will have an important effect on which direction the trade system will head,' said Martin Khor from a Malaysian-based non-governmental organisation who took the stage at Jakarta during discussions on WTO.

The fears are real for G-15 member-countries, Malaysia included. It's almost the same with other developing countries as well, though the intensity of their fears may vary from nation to nation, and from region to region.

In a nutshell, developing countries are arguing the more powerful and well-oiled developed countries are trying to bulldoze their way on the international arena at the expense of developing countries, which are clamouring for space to grow.

These worries in striking a working relationship with developed countries were expressed in the joint communique released at the end of the summit on May 31. Among other things, G-15 members urged developed countries to address the development concerns of developing countries in international fora.

Khor from the Penang-based Third World Network articulated some of the positions held by developing countries. 'The developed countries have not lived up to their liberalisation commitments, yet they still proclaim it is unquestionably beneficial for developing countries to liberalise their imports and investments as fast as possible,' he said.

They are talking about some old wounds here. As old as the WTO which came into being in 1995 as a successor of the General Agreement on Tariffs and Trade (GATT) established in the wake of the second World War. The 1986-1994 Uruguay Round, in essence a series of trade negotiations, led to the creation of WTO.

With the conclusion of the Uruguay Round, developing countries' main expectation was that a number of sectors would be opened up to their products, giving them hope of increasing their exports to bolster their fledgling economies. High on the agenda were agriculture and textile exports, two sectors that remained highly protected in the old GATT system.

Six years later, both sectors remain closed, noted a number of delegates

to the 11th G-15 Summit. Here comes the disappointment, perhaps bordering helplessness, among developing countries with the unfulfilled promises of the WTO.

The mood was most explicitly expressed by Prabir Sengupta, India's commerce secretary, who addressed the meeting of trade and commerce ministers at the summit. 'What has been our experience over six years of WTO agreements? We find there has been a non-realisation of anticipated benefits in the agricultural and textile sectors.'

Take agriculture for example. Tariffs of various agricultural items of interest to developing countries are prohibitively high, some over 200-300%. Domestic subsidies in the powerhouse Organisation for Economic Cooperation and Development (OECD) countries have risen from US\$275 billion (annual average for base period 1986-88) to US\$326 billion in 1999, instead of declining as expected.

In textiles, only few items of direct export interest to the developing countries have been taken off the quota list even though more than half the implementation period has passed.

A WTO study released in April 2001 acknowledges the fact that significant trade barriers remain after the Uruguay Round. And in a recent speech, WTO director-general, Mike Moore, mentioned that support for agriculture in OECD countries amounts to a billion dollars a day.

'This raises doubts whether all or most of the quotas will really be removed by 2005,' said Khor, who presented a paper on the multilateral trading system at one of the G-15 sessions. Expressing the frustration of developing countries, he said the countries are being asked to bear for a little while the pain of rapid adjustment.

At the same time, developed countries, which advocate the policy themselves, are asking for more time to adjust in agriculture and textiles which had been protected for so many decades.

The consequences of such an imbalance can be disastrous, as many developing countries do not possess the factors required for sustained export growth. Malaysia is equally hurt by this slow-paced liberalisation on the part of the giant economies.

As economists note, one of the main objectives of Malaysia's trade policies is improved market access for exports of primary commodities and manufactured products.

'If import liberalisation proceeds whilst the conditions for successful export growth are not yet in place, there can be adverse results,' said Khor. Among them are an increase in the trade deficit and balance of payments difficulties, leading to retardation of economic growth and increased unemployment.

Such issues and worries set the stage for the next WTO meeting in Doha from Nov 9-13. The meeting will be a ministerial conference, which is the topmost decision-making body of the WTO and required to meet at least once every two years. The powerful ministerial conference is the fourth after earlier conferences in Singapore (1996), Geneva (1998) and Seattle (1999).

The Uruguay Round created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement, and trade policy reviews. The complete set runs to some 30,000 pages consisting of about 60 agreements and separate commitments (called schedules), made by individual members in specific areas such as lower customs duty rates and services market-opening.

With so many issues already crowding the platter before them, developing countries are wary of moves by developed countries to introduce new issues in WTO negotiations.

Among the issues are environment, linking labour standards with trade liberalisation, and investment. There is also a push for a new round of

negotiations to further the position of the WTO agreements.

The matter was highlighted by Prime Minister Datuk Seri Dr Mahathir Mohamad in a speech made to the G-15 Summit on behalf of Asian members of the grouping. He noted that aside from being already disadvantaged by the imbalances contained in the Uruguay Round agreements, developing countries are being pressured into agreeing to a new round of WTO negotiations, incorporating new issues.

'Indeed if these new issues were to be included, developing countries would ultimately lose whatever limited policy discretion they still possess in pursuing their development dimension and nation-building process,' he asserted.

Leave the Doha meeting to tie-up existing loose ends, seemed to be message from New Delhi. 'Any open-ended fresh round of negotiations will only further compound the problems of developing countries as they would once again be expected to give concessions,' said India's Prabir Sengupta.

But the pressure is building up on developing countries. The Asia Pacific Economic Cooperation (APEC), whose member countries generate 60% of the world's output and about half the global trade, is bent on getting a new round initiated at the WTO meeting in November. This was one of the message contained in a communique released at the end of its trade ministers' meeting in China in early June.

The joint communique by the G-15 heads of state and governments made substantial reference to the WTO issues, reflecting its importance. Seven out of 40 points in the document centred on the matter, with one stressing that importance of the development dimension should constitute an overarching theme in the WTO agenda.

In a tersely-worded rebuke to developed countries, the document notes that developing countries had sustained their efforts to open their markets, strengthen institutions and orient their economies to the challenges of the new global economy. What they got in return was far from satisfactory.

'We note, however, that tariff peaks, tariff escalations and non-tariff barriers, including new restrictions under the pretext of sanitary measures, persisting in industrial countries on products of export interest to developing countries, have adversely impacted on the export performance of these products and growth in developing countries,' states the communique.

In light of future engagements in Doha and beyond, Malaysia's Martin Khor emphasised that many developing countries currently lack the factors required for sustained export growth, yet have been under pressure to rapidly liberalise their imports. 'Trade liberalisation should not be pursued automatically or rapidly, as an end in itself,' he said. 'Rather, what is important is the quality, timing, sequencing and scope of liberalisation.'