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The interface of multilateralism and regionalism within the world trade organisation: contextualising the new partnership for Africa's development

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CHAPTER FOUR

INTEGRATION OF DEVELPING COUNTRIES WITHIN THE WTO

This chapter is concerned with the inclusion of developing countries into the multilateral trading system. Hence it will focus on the areas of organizational and political interest to the developing countries within the World Trade Organization (WTO). Organizationally, the chapter explores the representation and participation of the developing countries in the WTO. Transparency, consensus, reciprocity and intimidation in decision-making within the multilateral trade institution also form the focus of this chapter. From Singapore in 1996 to Cancun in September 2003, the ministerial meetings since the establishment of the WTO, help to shed light on the aforementioned elements of multilateralism.

The chapter also identifies agriculture as well as textile and clothing as agreements that signify the integration of the developing countries into the multilateral trade system and seeks to evaluate their implementation so far.

4.1 THE POLITICAL AND ORGANISATIONAL ELEMENTS OF THE DEVELOPING COUNTRIES IN THE WTO

The developing countries' representation and participation in the system is one of the key determinants of their involvement in the multilateral trade system. In the WTO, 30.0 per cent of the poor countries cannot afford to run permanent offices in Geneva. The "Majors", or "The Quad", comprising the United States (US), Canada, the European Union (EU) and Japan control global interaction.[185] Yet the Quad constitutes only 10.0 per cent of the world population. Moreover, trade missions of developing countries are understaffed and lack technical expertise. Many of these countries have no permanent Geneva representative[186] and are only able to attend to the affairs of the multilateral trade system through missions accredited in European capitals or New York.

Even those countries with representatives, Michalopoulos[187] noted that very small Missions represent them, and the people in these Missions would most likely have to deal with other matters as well, whatever their formal designation might be. Illustrating this point, Barry [188]observed that the same officials who represent their countries at the WTO are also representatives to the World Health Organization (WHO), the International Labour Organization (ILO), and other United Nations (UN) agencies in Geneva. Consequently, their capacity to deal with WTO matters becomes diluted and sometimes

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[185] Dot Keet, http://aidc.org.za/archives/dot-keet_2.html

[186] These countries are: Andorra, Antigua and Barbuda, Armenia, Belize, Benin, Botswana, Burkina Faso, Cambodia, Chad, Dominica, Gambia, Grenada, Guinea-Bissau, Guyana, the Solomon Islands, Laos, Macao, Malawi, the Maldives and Mali, Namibia, Niger, Papua New Guinea, the Central African Republic, Fiji, Saint Kitts-Nevis, Samoa, Saint Vincent and the Grenadines, Saint Lucia, Seychelles, Sierra Leone, Surinam, Swaziland, Togo, Tonga, Uzbekistan and Vanuatu.

[187] Constantine Michalopoulos, "The Participation of the Developing Countries in the WTO", http://econ.worldbank.org/docs/683.pdf

[188] Tom Barry, ""WTO & Developing Countries Overview"; http://www.soc.iastate.edu/soc640/Developing%20Countries%20Overview.pdf.

confused. An example in support of this assertion cited from Koppel, Haiti's sole representative to the WTO, Renald Clerisme, said quite frequently that he has little or no understanding of a particular issue in a meeting, because he is responsible for so much.[189] Nevertheless, though it is acknowledged that parties in the international system are not equal (economically) and therefore would not generate equal benefits from interdependence, it is important that those of lesser status be accorded treatment which would effectuate better integration into the international system.

Shahin[190] postulates that the main reason for developing countries signing the agreements in Marrakech was the fear of being left behind, rather than truly being convinced of any benefit to them from the agreements accruing. As a result of the lack of implementation capacity, these countries are still grappling with problems of executing the various agreements annexed to the WTO. The Associated Press[191] reported that developing countries are struggling to keep up with the more affluent countries at the WTO because of a lack of resources. Many others, such as Haiti, have limited representation and lack resources to participate on an equal footing with larger economies.

In this regard, Tom Barry makes reference to the Uruguay Round (UR) reforms of trade procedures[192] and regulations.[193] He cites the World Bank (WB) estimates that the least developed countries would require their entire year's development budget to effectuate the reforms and to make the UR trading rules functional. As an illustration, he asserts that while the least developed countries have in principle agreed to the sanitary and

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189 Naomi Koppel, "Small Countries Lack Representation" Associated Report, 25 June 2000; http://www.globalpolicy.org/socecon/bwi-wto/wto/resource.htm

190 Magda Shahin, "From Marrakech to Singapore: The WTO and Developing Countries"; TNW, http://www.twnside.org.sg/title/magda-cn.htm

191 UN Wire. June 28, 2000; http://www.unfoundation.org/ or see, http://sdnp.delhi.nic.in/resources/wto/news/unf-28-06-00-wto.html

192 Such as customs valuation and import licensing.

193 Including technical, sanitary and phytosanitary standards (SPS), and intellectual property law

phytosanitary standards (SPS), they might not have the financial resources to fund the associated plant inspections.

Chossudovsky[194] asserts that the WTO was established through the signing of the "technical agreement", negotiated behind closed doors by bureaucrats. Even the heads of country-level representatives to Marrakech in 1994 were not informed regarding the statutes of the WTO which were drafted in separate, closed sessions by technocrats. To Chossudovsky, the process of the actual creation of the WTO following the Final Act of the UR was obviously "illegal".

Despite the setback of poor representation and implementation capacity of WTO agreements, the operational meaning of the concept of consensus points to the fallacy of full participation of the developing countries in decision-making. Lack of consensus and transparency within the WTO seems to impact negatively on developing countries' participation in the multilateral trade regime.

4. 1. 1. CONSENSUS AND TRANSPARENCY

Consensus in multilateral institutions and specifically the WTO implies that economic and /or military significance as well as political orientation are not crucial aspects of international economic decision-making. This signifies that political and power considerations play little or no role in international trade decision-making. Hence membership comprises such economically and militarily powerful and democratic states as the United States of America (US), as well as states which are economically and militarily less powerful with an authoritarian regime, such as Iran.

Since all members are subject to WTO rules and principles, multilateralism in this respect means clearer rules for every member country. It therefore minimises the opportunity for

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[194] Michel Chossudovsky, "Seattle and Beyond: Disarming the New World Order" Transnational Foundation for Peace and Research, http://www.transnational.org/forum/meet/seattle.html

any state to take unilateral action. Consequently, for smaller countries this means a clearer voice in WTO affairs, and a better chance to settle disputes using agreed principles instead of naked bargaining power. Consensus also implies that all countries are on equal footing with respect to decision-making. It is in this regard that developing country governments believed that having equivalent voting strength with major economic powers such as the US, Japan and Germany will expand their influence in world trade.

Amrita Narikar argues that the principle of one-member-one-vote may allow a theoretical equality to developing countries with their more developed counterparts, but the consensus-based method of decision-making assumes the informed presence of developing countries in all meetings[195]. This means that the formal process of decision-making in Ministerial Meetings and the General Council is by a simple majority of the members present, with one member having one vote. However, Lal Das noted that there is barely any occasion of formal voting as, in practice, decisions are taken by consensus, and are held to exist when no member present at the meeting formally opposes the proposal.[196]

Though the Ministerial Conference is the topmost decision-making body of the WTO,[197] important decisions are taken in informal consultations and behind closed doors in the "Green Room", and the participants of the "Green Room" sessions are generally the Quad countries. Switzerland as the host country is usually invited, as well as Australia or New Zealand, or both. Out of 148 countries (now including Nepal and Cambodia), 104 are developing countries. From these, 30[198] countries are listed as least-developed

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195Amrita Narikar "WTO Decision-Making and Developing Countries", http://www.southcentre.org/info/southbulletin/bulletin26/bulletin26-01.htm

196 Bhagirath Lal Das, ""Why the WTO Decision-making System of 'Consensus' Works Against the South", TWN, http://www.twnside.org.sg/title/bgl3-cn.htm

197 For the legalities of the WTO visit, "Legal Texts: The WTO Agreements" http://www.wto.org/english/docs_e/legal_e/ursum_e.htm#Agreement

countries, and 25 thereof from Africa.[199] Yet out of 104 developing countries, hardly 5 to 10 get a place in the WTO informal discussions and negotiations.

Thus Bhagirath Lal Das[200], formerly India's Ambassador and Permanent Representative to the GATT and later a Director of International Trade Programmes in the United Nations Conference on Trade and Development (UNCTAD), concludes that the developed countries are almost fully represented, yet do not wield their economic and political power in order to dominate the proceedings but rather the weight of their numbers, despite the fact that they are outnumbered by the developing countries in the WTO.

Therefore, one can conclude that consensus implies that general agreement informs the approach to decision-making by all present, and not necessarily concerned. This is so since WTO meetings are characterised by non-transparency and consensus is "imposed from above" because not all members, and specifically developing countries, are invited or ever present in all WTO meetings. The functioning of the WTO seems to suggest that the theoretical and practical implications of consensus differ because, operationally, consensus does seem to be influenced by power considerations. Bello affirms that "consensus is a process whereby the big trading countries impose their consensus on the less powerful countries."[201] Citing C. Fred Bergsten, Bello further asserts that consensus arrangement is managed by the Quad: the US, Japan, European Union (EU) and Canada, who have to agree if any major steps are going to be taken.

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198 Angola Bangladesh Benin Burkina Faso Burundi Central African Republic Chad Congo, Democratic Republic of the Djibouti, Gambia, Guinea , Guinea Bissau Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar , Niger , Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda , Zambia

199 Other least developed countries like Bhutan, Cambodia, Cape Verde, Laos, Nepal, Samoa, Sudan, Vanuatu and Yemen, are awaiting accession. Equatorial Guinea, Ethiopia and Sao Tome & Principe are in observer status.

200 Bhagirath Lal Das, ""Why the WTO Decision-making System of 'Consensus' Works Against the South", TWN, http://www.twnside.org.sg/title/bgl3-cn.htm

201 Walden Bello, "Power, Transparency and Democracy: The Challenge of the Multilateral Institutions"; http://www.pcij.org/accessinfo/bello2.html

The historical record of the WTO attests to the fact that this multilateral institution is characterised by power considerations. In illustrating this assertion, the study looks at the WTO Ministerial meetings since 1996. The Singapore (1996), Geneva (1998), Seattle (1999), Doha (2001) and Cancun (2003) ministerial meetings seem to suggest that the objective of the WTO is to promote the goals of developed countries. In addition, these WTO ministerial meetings have proved that consensus is not about transparency and being present.

The first ministerial conference of the WTO was held in Singapore from 09 to 13 December 1996. The primary purpose of the Singapore ministerial was to review the implementation of the new rules and undertakings, agreed to at the final meeting of the UR. The ministerial also saw the submission of the proposal to expand the agenda of the WTO by launching negotiations on new issues.[202] This proposal has since plagued the organization.[203]

In addition, the US wanted to make trade agreements contingent on higher labour standards.[204] An Information Technology Agreement (ITA) committing signatory countries to eliminate tariffs on telecommunications and information-processing products and services by the beginning of the year 2000 emerged at this Ministerial meeting. However, according to Tim Wall[205], this agreement was negotiated without any involvement of developing countries. Besides, it was conducted outside the preparatory process for the ministerial meeting and initially involved only the "Quad countries". In

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202 Trade And Competition Policy, Trade And Investment, Transparency In Government Procurement And Trade Facilitation

203 For more on the Singapore Ministerial visit- http://www.wto.org/english/thewto_e/minist_e/min96_e/min96_e.htm

204 For US and labour standards visit, Labour: US For WTO Working Party on Labour Standards; http://www.sunsonline.org/trade/areas/develope/ILO/06120096.htm

205 Tim Wall, " Africa Resists New Trade Conditionalities: Labour Issues Knocked off the World Trade Organization Agenda, But others Creep in"; Africa Recovery; Vol. 10 No. 4 January - April 1997; http://www.un.org/ecosocdev/geninfo/afrec/1997/trade.htm

response to the G-77 dissatisfaction with this sidelining, the US trade representative Charlene Barshefsky is reported to have remarked that the ITA established the principle that "major trade liberalization can occur through the WTO without governments having to call for a global round of trade negotiations."[206]Thus the Singapore Ministerial Declaration agreed to establish working groups on Investment, Competition, Government Procurement, and Trade Facilitation.

Khor noted that non-transparency, marginalisation and power considerations that dominated the Singapore Ministerial Meeting, continued at the Seattle Ministerial Meeting. [207] The Seattle ministerial[208] had as its main objective, the launching of a new round of trade negotiations.[209] Besides, some ministers from developing countries expressed their dissatisfaction with the non-transparency of the WTO meetings. They were not being notified about what meetings were taking place, did not understand why there were limitations imposed on the number of delegations being invited to take part and why a general notice on the meetings was not given.[210] These countries, mostly from Africa, the Caribbean Community and Common Market (Caricom) and some Latin American members also resisted being bullied by the developed countries, by not letting them hijack the agenda nor agreeing to any ministerial text in protest against the non-transparent manner in which the Seattle meeting was conducted.[211]

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[206] ibid

[207] See Martin Khor for the details of the proposal; "U.S. Proposal on Labour Splits WTO"; Third World Network, http://www.twnside.org.sg/title/1969.htm

[208] The 3rd Ministerial Conference of the WTO was held in Seattle in the United States from the 30th November to 3rd December 1999

[209] http://www.wto.org/english/thewto_e/minist_e/min99_e/min99_e.htm

[210] For details, see Martin Khor, "Seattle Debacle: Revolt of the Developing Nations" http://lists.essential.org/mai-not/msg00180.html

[211] For details see Sheila Mathrani, "Will Developing Countries Fare Better in 2000?" The Economic Times. January 11, 2000; http://economictimes.indiatimes.com/cms.dll/xml/uncomp/search

However, the developed and developing countries' differences led to the breakdown in talks at the Seattle meeting. This highlighted serious flaws in the transparency and consensus procedures of the WTO and the way in which the multilateral trade agenda is shaped. At the end of the Ministerial Conference that was supposed to launch a new Round, there was no Seattle Declaration and no new Round. The collapse of the Seattle Meeting could be seen in a positive light by developing countries in that it demonstrated that together, developing countries can be powerful, and that the closed negotiations dominant in the WTO working methods cannot continue.

Bridges Weekly[212] reported that a number of African countries[213]made a submission on 14 August 2003 proposing improvements in the decision-making process at Cancun. The proposal was concerned with a transparent, democratic, inclusive and consultative process, and called for the adoption of procedural rules to effect this change. Consequently, representatives of the developing countries were involved in the mini-meeting behind the closed doors. In the "Green Room", an alliance of developing countries, including the AU, ACP and LDC did not agree on any deal that included the "Singapore issues". Consequently, the meeting collapsed over whether and how to launch negotiations on these issues. Thus, the Fifth Session of the WTO Ministerial Conference closed without agreement on a Ministerial Text.[214] This discussion raises the question of reciprocity approach of the WTO. Together with transparency and consensus, reciprocity also forms much of the means of arriving at an agreement in the WTO.

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[212] "WTO in Midst Of Negotiating Flurry", BRIDGES Weekly Trade News Digest - Vol. 7, Number 28 21 August, 2003

[213] including Kenya, Benin, Botswana, Mauritius, Nigeria, Senegal, Sierra Leone, Tanzania, Uganda, Zambia and Zimbabwe

[214] Bridges Daily Update on the Fifth Ministerial Conference - Special Update 14 September, 2003

4.1.2. Reciprocity

Finger and Winters[215] hold that reciprocity and consensus are connected when it comes to agreements in the WTO. For them, reciprocity simply means "balance" and the agreement defines reciprocity, as "an agreed outcome from a negotiating round, the system presumes, is an outcome that each member considers advantageous, by whatever standards the member chooses to apply."

The aforesaid authors further state that since negotiations involve equally sovereign members, each party using its criteria to identify the pluses and minuses is accorded the chance to determine whether or not an agreement is to its benefit. Thus consensus implies that an agreement is an outcome that each involved party considers being to its advantage. According to this view, if a member does not see any benefit from the outcome of negotiations, it cannot endorse the proposal and therefore will not sign the agreement.

However, the logic used by Finger and Winters to connect the notion of reciprocity to consensus seems to be normative, for in reality, the decision-making approach of the WTO is not guided by consensus in the ideal sense, but rather by consensus in the descriptive one, as illustrated by the Ministerial Conferences. As has been determined earlier on, it is worth recalling that the study has defined consensus as the approach used to arrive at a general agreement by the present parties and not necessarily all members concerned.

Therefore, reciprocity should also be used in the descriptive and not in the normative sense. Descriptively, it implies that economically powerful countries dominate trade negotiations and therefore decision-making, hence they always set the agenda for the

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[215] J. Michael Finger and L. Alan Winters, "Reciprocity in the WTO" in Bernard Hoekman et al (Eds), Development, Trade and the WTO: a Hand Book (Washington: International Bank for Reconstruction and Development/WB; 2002) pp. 50-52

WTO. For example, despite the WTO built-in-agenda, including agriculture and textiles, the inclusion of investment and competition, to mention a few, diverted the focus of negotiations from agriculture and textiles to those areas being of interest only to the industrialised countries. This would have negative repercussions for developing countries, where access to their markets, issues of implementation together with special and differential treatment, could be considered the most pressing ones.

As a point of reference, Ignatius Jean[216] asserts that the role of agriculture assumes even greater prominence when one considers the Caribbean region. Barbados, St Lucia, Jamaica and Trinidad and Tobago together with Cuba and the Dominican Republic are currently net food importing countries. "Issues such as food security and fluctuations in world food prices are therefore more than issues to be brought to the negotiating table" since they are a matter of survival. This is also applicable to Africa as agriculture accounts for approximately 30.0 percent of Gross Domestic Product (GDP), 70.0 percent of employment, and 66.0 percent of all exports in Sub-Sahara Africa (SSA).[217]

Nevertheless, developing countries succeeded in blocking an initiative to link labour issues with trade agreements in the Singapore meeting. They argued that such an arrangement could be used in a protectionist manner to deny them their comparative low-wage advantage in the global market. Thus the Ministerial Declaration rejected the use of labour standards in the WTO and agreed that the comparative advantage of countries, particularly low-wage developing countries, must in no way be compromised.[218]

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216 Ignatius Jean, "Equitable Trading System: The Vulnerability of Small Countries" Paper presented at the 22nd Conference of Members from Small Countries, 5-6 September 2002, Walvis Bay, Namibia
;http://www.cpahq.org/conference/scc/scc6.pdf.

217 "Africa and the International Trading System"; Trade and Development Centre; http://www.itd.org/issues/regaf3.htm

[218] For the Singapore Ministerial Declaration, visit http://www.sice.oas.org/trade/gatt/Singap_e.asp or WTO: Singapore Ministerial Conference, http://www.wto.org/english/thewto_e/whatis_e/eol/e/wto01/wto1_26.htm

It is in this light that the Geneva Ministerial demonstrated some level of reciprocity.[219]Owing to differing views on whether to focus attention on the built-in agenda or on preparations for the launching of a new Round, the Ministerial adopted an open-ended agenda, not explicitly excluding any subject. The developed countries brought up the issue of a new global round of negotiations and others, including several developing countries, saw the need to focus on the review and implementation of the UR Agreements (particularly agriculture and textiles) rather than discussing the possibility of new negotiations on additional subjects.

Regarding new negotiations, the debate was whether they should be limited to the built-in agenda[220]or be complemented by the inclusion of new issues like investment and competition,[221] or on totally new subjects like electronic commerce or genetically modified organisms (GMOs). Several developing countries resisted the inclusion of investment, competition or government procurement, arguing that working groups had already been established to deal with these issues, thus they should remain separate from any new negotiations.

Understandably, agreements in these areas would not be in favour of developing countries. Instead, they would prove to be detrimental to the developing countries' perspectives since they would attack the tools needed for economic development. For example, an agreement on investment would enable Multinational Companies (MNC) to

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[219]The second WTO Ministerial Conference was held in Geneva, Switzerland between 18 and 20 May 1998 for details, visit WTO Geneva Ministerial Declaration 1998; http://www.jus.uio.no/lm/wto.ministerial.declaration.geneva.1998/landscape.pdf.

[220] Agriculture and services. It also includes reviews of, and other work on numerous separate agreements such as: reviews and other work on Anti-Dumping, Customs Valuation, Dispute Settlement Understanding, Import Licensing, Pre-shipment Inspection, Rules of Origin, Sanitary and Phytosanitary Measures, Safeguards, Subsidies and Countervailing Measures, Technical Barriers to Trade, Textiles and Clothing, Trade Policy Review Mechanism, Trade-Related Aspects of Intellectual Property Rights and Trade-Related Investment Measures.

[221] where WTO working groups had already been established by the Singapore Ministerial Declaration

take over the business of local firms and citizens as well as curb the right and ability of governments to devise and implement development policies. This would not only have a negative impact on the economies involved, it would affect whole societies as well.

In the spheres of competition, economies of scale are the driving force behind most modern products and particularly those with high added value, which countries are especially eager to produce. Understandably developing countries find it hard to develop economies of scale. So one way to deal with this problem is to restrict competition, in order to protect infant industries against the more efficient and competitive international environment. This is done with the hope that protection will enable uncompetitive industries to grow and develop efficiencies, and ultimately be able to strategically integrate into the global competitive arena.

The Geneva Ministerial finished with a Ministerial declaration, dealing with both the issues of implementation and a future work programme in a reciprocal way. With regards to developing countries, the declaration emphasised the need to address marginalisation of the least-developed countries and certain small economies. Subsequently, the situation in Doha proved to be characteristic of the previous WTO Ministerial meetings.

The WTO fourth Ministerial conference in Doha on 10-14 November 2001[222] launched the "Doha Development Round" or "Doha Development Agenda", scheduled to conclude at the end of 2005. The main theme was how the WTO and developed countries will help the developing countries better integration into the world trade system and benefit from its advantages. The *WTO Watch*[223] reported that Doha represented raw power politics and a non-transparent and non-inclusive process of consensus building. The two mini-ministerial meetings continued in the form of "Green Room" meetings in Doha with the same configuration of more or less 23 countries[224]

[222] http://www.wto.org/english/thewto_e/minist_e/min01_e/min01_e.htm

[223] WTO Watch; rhttp://www.globalpolicy.org/ngos/int/wto/2002/1104reject.htm

[224] These countries were: Brazil, Canada, China, Columbia, Egypt, the European Commission, Hong Kong, India, Indonesia, Japan, Kenya, Korea, Lesotho, Malaysia, Mexico, New Zealand,

Ignatius Michalopoulos, Special Economic Advisor at the WTO, as secondee from the World Bank (WB), maintains that though the developed countries are agenda-setters, the agreements would not be reached without the approval of developing countries. He makes reference to the Telecommunications, Information Technology and Financial Services agreements reached in the WTO during 1997, in which developing countries represented the largest number of participants. However, Michalopoulos makes it obvious that none of these agreements could have been put in place without the active support provided by a number of developing countries from East Asia and Latin America, but does not elaborate on the why and how. Perhaps one can think along the lines of intimidation.

4.1.3. INTIMIDATION

The declaration resulting from Doha launched a limited round of new negotiations for trade liberalization that most developing countries were not interested in and had been opposed to before the ministerial. The study conducted by Bello concluded that it was only through arbitrary procedures, non-transparent mechanisms such as the "Green Room," and intimidation that the developed countries managed to get the developing countries to agree to the declaration issued by the Fourth Ministerial.[225]

In addition, *WTO Watch* further reported that the WTO Secretariat staff, supposed to be neutral "international bureaucrats", often advocate positions of the powerful members, for example by encouraging negotiations on new issues. This process seems to be illegitimate and biased. The report further postulates that the resultant Declaration endorses the possibility of launching new negotiations in investment, competition and government procurement at the Fifth Ministerial Meeting.

Nigeria, Senegal, Singapore, South Africa, Switzerland, Thailand, the US and one representative from the Caribbean.

[225] Walden Bello, "Multilateral Punishment: The Philippines In The WTO, 1995-2003"; 20 June 2003; http://www.apl.org.ph/ps/multilateral-punishment.pdf

Among the interests of the developing countries represented in Doha was the implementation of the resolutions of the UR. Agriculture and textiles as well as trade concessions are the key areas that signify the developing countries' participation in multilateral negotiations since the establishment of the WTO at the UR in 1995. However, instead of addressing progress on Agriculture and Textile and Clothing Agreements, Doha portrayed developing countries as losers. The Cairns Group's demand that there be a quick phase-out of agricultural export subsidies was watered down owing to the strong objections by the EU; there was no commitment to an early phase-out of textile and garment quotas because of the strong resistance by the US and other developed countries. The demand for a "development box" to promote food security and development, which was being pushed by a number of developing countries, was completely ignored. Hence Ritchie and Bello[226] reported:

> ...Doha was a defeat for the developing countries, notwithstanding the resistance they --- and in particular, India --- put up against arm-twisting, blackmail, and intimidation from the big trading powers. Those of us in Doha were witness, as the Equations team puts it, "to the highhanded unethical negotiating practices of the developed countries - linking aid budgets and trade preferences to the trade positions of developing countries and targeting individual developing country negotiators.

This form of intimidation was also witnessed in fifth WTO Ministerial in Cancun. The objective of Cancun[227] was to review the negotiation progress on the Doha Round and decide whether to launch negotiations on "new issues".[228]WTO members disagreed with the agenda. The bone of contention was how to address imbalances in agricultural trade,

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[226] Mark Ritchie & Walden Bello, "Fighting To A Draw In Doha?", Agribusiness Examiner No 134 11/26/01; http://www.organicconsumers.org/corp/doha112601.cfm

[227] The Cancun Ministerial Conference was held in the Mexican city of Cancun from 10-14 September 2003http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm

[228] Investment, Competition Policy, Government Procurement and Trade Facilitation

market access improvements for industrial goods, and whether to launch negotiations on the four so-called "Singapore issues." The African Group and least-developed countries, as well as India, Pakistan, Cuba and others, adamantly opposed the Singapore issue, arguing that it would result in more costs than benefits, whereas others, particularly the US, European Commission (EC) and Japan, were pushing for negotiations in these areas.[229]

However, there was some form of intimidation characteristic of the previous WTO Ministerials. It was hinted in the *Bridges Weekly*[230] that prior to Cancun, the US President, Mr Bush had telephoned the leaders of the G-21 members: South Africa, Brazil and India, in an unsuccessful bid to prevent those countries from taking a strong stand against developed countries on agriculture. In addition, the US and EC were trying to prevent other countries from joining the G-21. It was also reported that the EC was pressurising the African, Caribbean and Pacific (ACP) group of countries to refrain from increasing the membership of the G-21.

Poor representation and implementation of agreements, lack of consensus and transparency, reciprocity, as well as intimidation, are not the only factors hindering the integration of developing countries into the multilateral trading system. Agriculture and labour-intensive manufactures, like textiles and clothing, are heavily protected in the industrial countries. The special ministerial agreement approved in Marrakech in April 1994,[231] declared that special compensatory measures would be taken to counteract the negative effects of trade liberalization on the net food-importing developing countries;

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229 Bridges Daily Update on the Fifth Ministerial Conference - Issue 1
10 September, 2003; http://www.ictsd.org/ministerial

230 Bridges Daily Update on the Fifth Ministerial Conference - Issue 2
11 September, 2003

231 See "Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-developed and Net Food-importing Developing Countries".
http://www.wto.org/English/docs_e/legal_e/35-dag.doc

and the Agreement on Textiles and Clothing (ATC)[232] consented that the system of quotas on the developing country exports of textiles and garments to the developed countries would be dismantled within ten years. Thus the Agreement on Agriculture (AoA) and the Textile and Clothing Agreement seek to liberalise trade in these areas, thereby incorporating them under the GATT system, and therefore integrate the previously marginalized developing countries into the multilateral trading system. Details of each of these sectors and agreements merit exploration.

4. 3. AGREEMENT ON AGRICULTURE

Agriculture is strongly protected and subsidised in the developed world's markets, and this is the sector in which the developing countries have a comparative advantage. For example, the Common Agricultural Policy (CAP) provided European farmers with market price supports, direct payments, and rural development schemes aimed at protecting the EU agriculture farmers workers against competition from the developing countries. Estimates presented in the *Doha Development Agenda* indicate that removing all subsidies to agriculture in the OECD countries alone could benefit the poorest countries threefold the development assistance (ODA) they currently receive. In addition to agriculture, the complete liberalisation in services and manufactures would benefit these countries by eightfold the ODA.

According to Hans Peter Lankes[233], the Chief of the Trade Policy Division of the IMF's Policy Development and Review Department, the subsidization of agriculture in the OECD countries depresses world prices of commodities and increases price volatility. This has negative repercussions for poor countries and their poorest citizens, where agriculture is the dominant economic activity in rural areas and where three-fourths of the world's poor live. Agriculture accounts for about 27.0 percent of GDP in developing countries, 27.0 percent of exports, and 50.0 percent of employment.

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232 See "Agreement on Textiles and Clothing";
http://www.wto.org/English/docs_e/legal_e/16-tex.doc

233 Hans Peter Lankes, "Market Access for Developing Countries", Finance and Development; Volume 39 (3), September 2002; http://www.imf.org/external/pubs/ft/fandd/2002/09/lankes.htm

Thus at the core of the AoA is: market access, domestic support, export competition, and sanitary/phytosanitary issues. Under the agreement, members commit themselves to reducing import tariffs, export-promoting subsidies, and total aggregate support to agricultural producers. Tariffs are to be reduced by an average 36.0 percent in the case of developed countries and 24.0 percent in the case of developing countries, with minimum reductions for each tariff line being required. Reductions are to be undertaken over six years in the case of developed countries and over ten years for developing countries.

Least-developed countries are not required to reduce their tariffs. However, it is recognized that during the reform period, least-developed and net food-importing developing countries may be adversely affected in respect to supplies of food imports on reasonable terms and conditions. Therefore, the Agreement also offers provisions to curb such effects. For example, the AoA exempts rural development programs and development-oriented domestic support when calculating total aggregate support, thus allowing countries to maintain certain subsidies and supports during the process of liberalization.

In addition, there is a reference to the possibility of short-term financial assistance from the International Monetary Fund (IMF) and the WB. The objective would be to finance commercial food imports during hard times.[234] However, with the Collapse of the Cancun Ministerial Conference in September 2003, decisions on major issues such as export subsidies, trade access, and domestic support were left hanging and trade delegates scrambled to get negotiations back on track. The exporters and importers were seemed more polarized than ever at the Ministerial Conference. The Cairns Group demanded that developed nations move to liberalize their markets by phasing out export subsidies and massive domestic supports.

On the other hand, the developed countries, specifically the US, EU, and Japan, are reluctant to remove these supports. They back their stance by uttering concerns for the social and environmental consequences of an open agriculture market. Besides these

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[234] For the actual agreement visit
http://www.wto.org/english/docs_e/legal_e/ursum_e.htm#aAgreement

concerns, these countries' trade representatives face pressure from strong agriculture lobbies who oppose the removal of the subsidies that sustain the farming industry in those countries. Though the In June 2003, the EU took a step towards liberalizing trade in agriculture by approving reforms to its CAP,[235] together with US at Cancun it tabled the Derbez Proposal[236] and wanted to extend the 'Peace Clause,'[237]. Nevertheless, the talks ended before they had a chance to negotiation on these issues.

One study by the *Center for International Development* [238]at Harvard University posit that, in a way of holding the Doha trade round hostage until they get their concessions, the developing countries, specifically the EU are abusing "single undertaking" principle of the WTO. This principle basically states that all members must agree on all issues for the Round to succeed. The developed countries seem to hold that concessions in agriculture will only come when investment talks begin. The study concludes that the linkage of agriculture with investment, besides putting undue pressure on both sectors' negotiations, it undermines the multilateral framework of the WTO. In the same vein, the US and EU have made the extension of the 'Peace Clause' a pre-condition for renewing negotiations, "while the developing world refuses to agree to an extension before negotiations resume." [239]

However, this is not the only agreement in favour of the developing countries. Textile and clothing is another sector that is supposed to benefit developing countries.

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[235] For more and latest on the CAP see the Department for Environmental Food and Rural Affairs; http://www.defra.gov.uk/; also see EU Policies: The CAP, Natural Resources, and Illegal Logging," BRIDGES Trade BioRes Weekly, Vol. 3, Number 18, 16 October 2003, for the contents of these reforms.

[236] that called for gradual reforms

[237] Expired in December 2003, it protects the US and EU from being challenged by other WTO members on certain subsidies that could be seen as violating WTO rules.

[238]See Global Trade Negotiation Page (GTN); "Agriculture Summary" at http://www.cid.harvard.edu/cidtrade/issues/agriculture.html

[239] Ibid

4.4. AGREEMENT ON TEXTILES AND CLOTHING

Textile and clothing sector is the engine of economic growth and development in many developing countries. Besides being considered to be an opportunity for the industrialization of developing countries in low value added goods, this sector is particularly important since it has a significant share in the export earnings and provides employment opportunities to unskilled workforce. For instance, textiles and clothing exports together represent 86 percent of Bangladesh's total exports; 80 percent for Cambodia; 74 for Pakistan; 57 for Mauritius and 56 for Sri Lanka.[240]

Major importers are the US and the EU together with Japan. According to the European Commission (EC), the EU was the world's second largest exporter of textile products in 2004, accounting for a 12.5% share of world textile exports, and the world's second largest exporter of textile and clothing accounting for a 7% share.[241] Developing countries are basically exporters

During the GATT years, textile and clothing trade was subject to quotas which were negotiated bilaterally. Quotas were set up when a surge of imports threatened to cause serious damage to a country's indigenous producers. The quota system began as the Long Term Agreement Regarding International Trade in Cotton Textiles (LTA) under the auspices of the GATT in 1962. In 1974, this agreement was extended to include materials other than cotton, hence it became the Multifibre Arrangement (MFA). However, the quota system was in stark contrasts with the rules and principles of GATT and particularly the principle of non-discrimination. The MFA has been widely used by the developed countries to discriminate against developing countries' imports.

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[240] International Labor Organization (2005), "Promoting Fair Globalization in Textiles and Clothing in a post-MFA Environment", International Labor Office, Geneva. 06-1284

[241] European Commission, Trade Issues;
http://ec.europa.eu/comm/trade/issues/sectoral/industry/textile/index_en.htm

Nevertheless, the MFA had different effects on different countries and regions. For example, one study found that in Bangladesh, textile and clothing trade under the MFA yielded benefits with implications for human development. In that country, the ready-made garment business grew from US$1 million in 1978 to US$4.5 billion in 2001. But in Africa, it has been a different story, between 1974 and 1994 the region's market share for eight textile products declined by an average of nearly 2.0 percent a year, and its market share of cotton yarn decreased by 0.1 percent a year. Even though the MFA has allowed the African textile industry some preferences, the industry has shrunk.[242] In addition, Lankes[243] noted that as many as 19 million jobs for low-skilled workers may have been forgone in developing countries because of MFA quotas, 27 million because of quotas and tariffs combined. Each job saved in a developed country by tariffs and quotas is estimated to cost about 35 jobs in developing countries.

On 1 January 1995 the MFA was replaced by the WTO Agreement on Textiles and Clothing (ATC) which sets out a transitional process for the ultimate removal of these quotas over a ten year period. Thus, the ATC provides for the elimination of tariffs in this sector and seeks to integrate it into the general rules and principles of GATT/WTO. Integration of the sector into this system is four-phased. In phase 1, started on 1 January 1995, each party would integrate into the GATT/WTO products from the specific list in the Agreement, which accounted for not less than 16.0 percent of its total volume of imports in 1990.

In Phase 2, which began on 1 January 1998, a further 17.0 percent of products accounting for not less than 17.0 percent of the year 1990 were integrated. Phase 3 began on 1

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[242] Author Unknown "Textile and Clothing", http://www.rbf.org/pdf/08-chapter%208.pdf

[243] Hans Peter Lankes, "Market Access for Developing Countries", Finance and Development; Volume 39 (3), September 2002; http://www.imf.org/external/pubs/ft/fandd/2002/09/lankes.htm

January 2002. In this phase, products accounting for not less than 18.0 percent of the imports of 1990 are be integrated. At each of these first three stages, products are chosen from each of the following categories: tops and yarns, fabrics, made-up textile products, and clothing. Finally, all remaining products were to be integrated at the end of the transition period on 1 January 2005.[244] However, Tariff preferences for developing countries under the Generalised System of Preferences (GSP) and initiatives for least-developed countries, such as the European Union's "Everything but Arms" initiative and the United States' "Africa Growth and Opportunity Act" (AGOA) remain.[245]

Under AGOA, Sub-Saharan African countries enjoy duty free access to US textile markets. From the inception of AGOA in 2000 to 2004, these countries increased their clothing exports to the US from $ 748 million to $1.78 billion. In the post-ATC period January-September 2005, sub-Saharan countries'combined textile and clothing exports to the US suffered a decline of 11.3% in value and 12.4% in volume compared to the same period in 2004.[246]

In East Asia, China has recorded a significant increase in its textile and clothing exports to the US as well as the EU markets in the post ATC period: by 61% in value and 46% in volume to the US; by 49% in value and 40% in volume to EU. In South Asia, India has registered large gains in both US and EU markets: by 25.6% in value and 20.3% in volume to the US; 19.5% in value and 6.3% in volume to the EU. Blangadesh has seen its exports to the US increase by 19% in value and 20% in volume in the period since the abolition of quotas, i.e., January – September 2005 compared to the same period in

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[244] To see this agreement go to
http://www.wto.org/english/docs_e/legal_e/ursum_e.htm#cAgreement

[245] See Supachai Panitchpakdi; "The Importance of Quota Elimination for The Strengthening of the Multilateral Trading System" paper presented at a *Conference on the Future of Textiles and Clothing after 2005 Impact of the Elimination of Textiles and Clothing Quotas on Trade, Industry and Development World-Wide*, Brussels, 5 May 2003

[246] Munir Ahmad, 2005

2004[247]."The end to the quota regime had resulted in member businesses setting up 92 new factories, creating 100,000 new jobs" and that "we have now targeted $1 billion in knitwear exports to the United States in 2006".[248]

Citing the IFM (2004) labour shifts estimates, Christoph Ernst et[249] al point that all regions except for China and India which gain jobs in both the textile and clothing sector, lose jobs. According to the study conducted by the Progress, Harmony, and Development Chamber of Commerce and Industry (PHDCCI)[250] in 2004, with the completion of phasing out of the MFA by 1st January 2005 and owing to the country's inherent cost and operational advantages, India's share in total world textiles and garments exports is poised to reach 8.0 percent by 2010 from 3.9percent in 2004.

The establishment of the WTO raised hopes for economic development on some of the countries of the South. The inclusion of previously excluded sectors, that is, agriculture and textiles, in which the developing countries have a comparative advantage, into the WTO signified the integration of these countries into the multilateral trading system. However, the slow pace of implementation as well as reluctance on the part of developed countries to abide by the agreements renders the system weak. This factor is compounded by the lack of transparency and the undemocratic nature of decision-making in the system. In recognition of marginalisation and powerlessness in the WTO, and in an effort to push for change in the multilateral trading system and as well as to enhance their

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[247] Munir Ahmad, Executive Director, International Textiles and Clothing Bureau "Textile and Clothing, One Year of Evidence" Paper presented at Geneva, Panel discussion organized by Asia Pacific Trade and Investment Initiative, United Nations Development Programme (UNDP) o n the occasion of the WTO Ministerial Conference in Hong Kong
16 December 2005

[248] President of Bangladesh Knitwear Manufacturers and Exporters Association cited in Munir Ahmed

[249] Christoph Ernst et al, "The end of the Multi-Fibre Arrangement and its Implication for Trade and Employment" Paper Number 2005/16 Employment Analysis Unit; Employment Strategy Department; International Labour Organization; pp 22-25

[250] PHD Chamber of Commerce and Industry; 04 November 2004;
http://www.phdccimail.com/aboutus.html

economic development, the countries of the South are resorting to developmental regionalism. On the other hand, by way of retaining the status quo, the Northern countries promote competitive plurilateralism. The following chapter looks at the contending forms of regionalism.