WTO PERSPECTIVES ON DEVELOPING COUNTRIES

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About two thirds of the WTO's around 150 members are developing countries. 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. An attempt is made in this paper to examine whether the WTO policies have positive or negative effect on the trade of developing countries. The paper further discusses that the Doha Round of Talk is a myth, a fiction, or is it a reality. Can the spirit of Doha, which launched a new round of negotiations and work with an explicit pledge to deliver development-friendly results, be redeemed or not? Finally, it analyses the special differential treatment (SDT) for developing countries.

Key words: *WTO, Developing countries, Trade, Productivity Agriculture.*

1.0 Introduction

The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements which are signed by representatives of member governments and ratified by their parliaments. Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986–1994) (Wikipedia, 2012). The organization is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on addressing the needs of developing countries. According to a European Union statement, "The 2008 Ministerial meeting broke down over a disagreement between exporters of agricultural bulk commodities and countries with large numbers of subsistence farmers on the precise terms of a 'special safeguard measure' to protect farmers from surges in imports." The position of the European Commission is that "The successful conclusion of the Doha negotiations would confirm the central role of multilateral liberalisation and rulemaking. It would confirm the WTO as a powerful shield against protectionist backsliding." An impasse remains. As of May 2012, the future of the Doha Round remains uncertain (Wikipedia, 2012). Functions of WTO Among the various functions of the WTO, these are regarded by analysts as the most important: the WTO oversees the implementation, administration and operation of the covered agreements. It provides a forum for negotiations and for settling disputes. Additionally, it is the WTO's duty to review and propagate the national trade policies, and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making. Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training. The WTO is also a center of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization. Finally, the WTO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank (Wikipedia, 2012).

2.0 Impact on Institutional Setup

After more than four decades of legal limbo, during which the GATT was essentially a provisional arrangement, it was, on January 1, 1995, finally transformed into the WTO — a permanent organization with a sound legal basis. Under the GATT 1947, all decision-making authority was attributed to (and then delegated by) a single organ, the "Contracting Parties" acting jointly. The framers of the Agreement Establishing the WTO, however, carefully negotiated a more complex institutional structure under which separate judicial and political bodies are empowered to make binding decisions that confirm, define or alter the rights and obligations of members. The decision-making in the WTO is divided between: · The membership of the WTO acting under the amendment and other rule -making provisions of the WTO Agreement (the "legislative branch"); The political organs of the WTO, such as the Committee on Regional Trade Agreements, the Committee on Subsidies and Countervailing Measures, the Safeguards Committee, and the Committee on Balance-of-Payments Restrictions (the "executive authorities"); and · The judicial organs of the WTO, in particular the panels, arbitrators, and the Appellate Body (the "judicial powers"). The Uruguay Round resulted in the most profound institutional reform of the multilateral trading system since the establishment of the GATT in 1947. The trading rules were reformed across the whole spectrum, and the new rules were brought in under the aegis of the WTO. Some of the distinct features, which make the WTO a potentially better-equipped organization to administer the world trading system, are discussed below in brief.

3.0 Trade Policy Review Mechanism

The first major result of Uruguay Round negotiations was the decision to establish a trade policy review mechanism. Participants agreed to start the reviews at the December 1988 ministerial meeting that was intended to be the mid-way assessment of the Uruguay Round. Initially, these reviews took place under the GATT, and like the GATT, they focused on trade in goods only. With the creation of the WTO in 1995, their scope was extended, like the WTO, to include services and intellectual property. The objective was to increase the transparency and understanding of countries' trade policies and practices, through regular monitoring, as well as to improve the quality of public and intergovernmental debate on the issues and to enable a multilateral assessment of the effects of policies on the world trading system. While the reviews focus on a member's own trade policies and practices, they also take into account countries' wider economic and developmental needs, their policies and objectives, and the external economic environment.

4.0 Dispute Settlement System

No review of the institutional achievements of the Uruguay Round would be complete without mention of the dispute settlement system. The dispute settlement procedures of the WTO are substantially stronger than those of the GATT. A procedure for settling disputes existed under the GATT too, but it had no fixed timetables, and rulings were easily blocked. Many cases dragged on over several months inconclusively. The Uruguay Round agreement introduced a more structured process with more clearly defined stages in the procedure. It introduced greater discipline for the length of time a case should take to be settled, with flexible deadlines set in various stages of the procedure, all on the understanding that prompt settlement was essential if the WTO was to function effectively. The Uruguay Round agreement also made it impossible for countries losing a case to block the adoption of a ruling, a complete reversal from the previous GATT provisions for settling disputes. Under the previous GATT procedure, rulings could only be adopted by consensus, meaning that a single objection could block the ruling. Now, a ruling is automatically adopted unless there is a consensus to reject it. The new WTO system is stronger, more automatic , and more credible than its GATT predecessor. This is reflected in the diversity of countries now using it. In 2000, the number of complaints filed under the WTO's Dispute Settlement Understanding (DSU) since the start of the WTO had reached 200 (WTO 2001a). This indicates a continued heavy use of the dispute settlement procedures by WTO members. In contrast, only some 300 cases were brought before the GATT during its entire life span.

5.0 Distortions in Agriculture Trade

The WTO Agreement on Agriculture (AoA) marked an important step in improving access to sheltered agricultural markets in high-income countries. A wide range of non-tariff barriers were abolished and converted to ordinary tariffs (tariffication). Existing and new tariffs were bound, and these bindings were subject to reduction. Developing countries were allowed more flexibility through longer implementation periods and lower reduction commitments. Even seven years following the implementation of the Uruguay Round Agreement on Agriculture (URAA), the agriculture market was still highly protected. Developed countries continued to apply several measures to protect their farm sectors. Some of them are discussed below in brief. Since the international agricultural prices in the base period for the URAA (1986-88) were way below high domestic prices supported by quotas, the conversion of quotas into tariff equivalents resulted in high rates of tariff protection (OECD 2001a). Tariff peaks in agriculture occur frequently on processed products and temperate commodities. They are less common on unprocessed fruits and vegetables and tropical commodities, which are not produced in high-income countries but are major export crops of LDCs. At an estimated $245 billion in 2000 (which was about five times the level of annual international development assistance), support to agricultural producers in high-income countries remained sizeable (OECD 2001b). Total support to agriculture (as defined by the Organization for Economic Co-operation and Development (OECD)) was even higher, at about $327 billion in 2000 (i.e., 1.3% of OECD countries' GDP). Export subsidies in agriculture allow countries to export production surpluses to the world market at prices below the high prices prevailing in their domestic markets. In 1995-98, export subsidies were about $7 billion, on average, of which 95% was granted by the EU.

6.0 CEFTA's limitations

The Central European Free Trade Agreement (CEFTA) is harmonised with the World Trade Organization (WTO) principles. A specific feature is that it combines the multilateral general part (basic text) with bilateral agreements on the liberalisation of trade among members. As regards sanitary and phytosanitary measures, the CEFTA countries chose to be bound by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

Separately, CEFTA hasn't the similarities with the model of the EU's Common Agricultural Policy in any of its provisions. First of all, unlike the EU, the CEFTA Parties do not have the budget to finance a common agricultural policy. Export subsidies on agricultural products as well as domestic subsidisation to the extent where it distorts international trade are prohibited in the framework of WTO law. This means that the CEFTA Parties who already adhered to the WTO cannot introduce export subsidies on agricultural products. Furthermore, the CEFTA Parties who are not members of the WTO yet, aspire to adhere. In their effort to do so, even the non-WTO members of the CEFTA cannot introduce export subsidies of any sort, including on agricultural products, as they are prohibited to do so according to the WTO Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

7.0 Moldova trade facts

Particularly since the conditions in foreign markets are very inauspicious – war in Ukraine, trade sanctions imposed by Russia on Moldovan exporters, worsening economic situation in Russia and lack of any signs of sustainable economic recovery in Europe – exports grew in 2014 by 1% only, and decreased in the first quarter of 2015 by 15%. Moldovan exports on the main markets are in freefall: Italy – minus 25%; the Russian Federation – minus 50%; and Ukraine – minus 70%. The shrinking of remittances by one quarter mirrors yet again the worsening regional economy, although judging by the uneven rates of remittance declines – minus 34% for those coming from Russia, compared with minus 11% for the ones coming from Italy – the migrants to the East seem to be in a worse situation than those in the West.

Trade is increasing significantly, thanks to Moldovan exports. A sharp rise in trade began already in 2014, prior to the signature of the Association Agreement.

The European Union is Moldova's biggest trade partner. 46.4% of its trade takes place with the EU, followed by Russia (21.9%) and Ukraine (11.8%). For the EU, trade with Moldova accounts for 0.1% of its overall trade. Moldova ranks 71 among the EU's trade partners, with a total turnover of EUR 3.51 billion in 2014, an increase of 8% since 2013.

In 2014, covering the start of DCFTA application, EU exports to Moldova amounted in 2014 to EUR 2.35 billion, an increase of 3% since 2013. Key exports are machinery and appliances, mineral products, transport equipment, and chemical products.

In the same period, the EU imports from Moldova grew very dynamically. Total imports increased by 20%, to EUR 1.16 billion. Imports of agricultural goods grew particularly strong, noting a 30% increase. Among imported goods are mainly textiles and textile articles, machinery and appliances, vegetable products and other foodstuffs and beverages.

8.0 Conclusion

The overall impact of the Uruguay Round trade negotiations on the multilateral trading system is mixed. It brought some really significant institutional changes, which have resulted in relatively better governance of the world trading system under the aegis of the WTO. The Uruguay Round did also advance the integration of the world economy, especially the integration of developing countries into the multilateral trading system. It has contributed to the liberalization of developing countries' own trade regimes and improvements in the conditions affecting access to the major markets for their export products. However, unilateral liberalization is not enough to integrate any economy into the world unless it is reciprocated. So far, the integration process has been especially impressive for only 15-20 middle- and higher-income countries in Latin America and Asia. For many others, especially LDCs, progress has been slower. The implementation record of Uruguay Round agreements is still very poor. Until the fourth Ministerial Conference at Doha, some 90 implementation issues raised by developing countries were unresolved. At Doha, trade ministers issued a separate declaration on implementation, addressing half of these issues. Openness to trade has long been seen as an important element of good economic policy. Certainly, empirical evidence indicates that trade liberalization can be a positive contributor to poverty alleviation. If the international community is serious about establishing a free and fair multilateral trading system and sharing the fruits of global trade expansion with the poor countries, the factors enhancing their trading opportunities must be addressed on a priority basis. For the world's 2.8 billion poor, reducing barriers to agricultural products, textiles and clothing, apparel, and several other labour intensive manufactures are crucial. Both the high- and middle-income countries will have to reduce their levels of protection in agriculture.

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