Ten Years of WTO
Subordinating Development to Free Trade

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The Uruguay Round of trade negotiations gave birth to a powerful institution in international trade, the World Trade Organization (WTO). The WTO's role is to ensure that trade among nations is conducted according to the rules of the trade agreements that member states have agreed to. These rules are aimed at ensuring that trade is fair and non-discriminatory.

The WTO has been hailed as an achievement for multilateralism. Yet its impact has been far from positive. The organization has been criticized for its power dynamics, which often favor the interests of industrialized nations over those of developing countries. The WTO's rules often undermine the ability of developing countries to protect their own industries and maintain their economic sovereignty.

Multilateralism - A Disguised Unilateralism?

The form of the multilateral system may be relatively unchanged, but the power equation determining the substance has been fundamentally altered. The WTO is a multilateral institution, but its power dynamics are not equally shared among member states. The organization's rules can be manipulated to serve the interests of powerful countries, often at the expense of weaker members.

5 Special and Differential Treatment provisions have proved to be ineffective, hence the promise in Doha to make them “effective” and “operational”. Unfortunately, these promises have remained unfulfilled despite deadlines that have long passed.
On paper each country has an equal voice. In reality, power is exercised through the ballot box, but is skewed by a small minority. Since the Doha 2001 Round, majority are rendered invisible. A few (or more precisely a handful) by powerful countries behind closed doors and only a small number are part of key negotiating groups. The experience of the Third World countries has been amply illustrated by Ha Joon Chang.

Developing countries that revolted in Cancun paid a high price in terms of being excluded from the decision-making process. They were reduced to being observers rather than participants. The process of decision-making took place behind closed doors.

Despite their occasional ability to come together and challenge the agenda, developing countries have repeatedly been marginalized. They have been kept in the dark until there is agreement amongst a few key developed and developing countries. The majority is kept in the dark until there is agreement amongst about 30 members and trade-offs between them as having been agreed by some other significant countries. It is this exclusive process that most developing country members have distanced themselves from. The process of decision-making takes place behind closed doors.

WTO’s Litany of Failures

Getting the Fundamentals Terribly Wrong: The Myths of Integration and Exports

Firstly, the fundamentals of the institution are wrong. Openness, integration and countries that expound this dogma do not tally with what they preach.

7See, for example, Antigua and Barbuda’s statement to the Heads of Delegations meeting at the Cancun 2003 Ministerial in response to the Chair’s 13 September text: “We do not recognize in this text the consensus we heard articulated in those groups on the development issues, small economy issues and Singapore issues. ... And on cotton we believe the response ... to the arguments put forward by Africa is insulting and unworthy of this organization.” India on the same occasion said, “It would appear that the views expressed by a large number of developing countries on the need for further clarification have been completely ignored. This is yet another instance of the deliberate neglect of views of a large number of developing countries. It represents an attempt to thrust the views of a few countries on many developing countries.”

8 We are distinguishing here between the process of decision-making, and decision-taking. A select few are involved in the former. The Membership is then brought on board to adopt a decision which they had no part in formulating.

9 Developing countries that revolted in Cancun paid a high price in terms of being publicly blamed as being uncooperative “won’t do” countries (see also Jawara and Kwa 2004, chapter on Cancun).

10 See WTO, Preparatory Process in Geneva and Negotiating Procedure at the Ministerial Conferences: Communication from Cuba, Dominicany Republic, Egypt, Honduras, India, Indonedia, Jamaica, Kenya, Malaysia, Mauritius, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe, WT/GC/W/471, 14 April 2002. Other attempts to have proper rules of procedure also took place in January/February 2002 when the Trade Negotiations Committee Chair was being selected. See also Jawara and Kwa 2004, chapter “After Doha”.

11 See WTO, Preparatory Process in Geneva and Negotiating Process at Ministerial Conferences: Communication from Australia, Canada, Hong Kong-China, Korea, Mexico, New Zealand, Singapore, Switzerland, WT/GC/W/447, 28 June 2002. Whilst the US and EU are not signatories to this paper, they nevertheless share similar views.

12 The experiences of developed countries have been amply illustrated by Ha Joon Chang, Kicking Away the Ladder: How the Economic and Intellectual Histories of
Africa has opened up its economy. Its share of global trade at the beginning of the 21st century is at its highest level ever. But has this liberal economic reform led to theCause of global poverty and social inequality has been the trade regime’s fixation on exports as the route to
development. The assumption is that those countries that are not rewarded by a comparable increase in labor income are not compensated in any other way. The United Nations (UNCTAD) called into question the notion that export-led growth is the answer. UNCTAD’s 2002 report concluded that the “commodity trap” had become the “poverty trap”. According to UNCTAD, commodities had fallen by 53 percent in real terms, leading UNCTAD to conclude that the “commodity trap” had become the “poverty trap”.

Dismantling Developing Countries’ Agricultural Sector

The agricultural sector continues to employ 70 percent of the workforce in the developing world, while also providing the bulk of the region’s exports and livelihoods. However, developed countries have used various subsidies to producers, the bulk of which goes to the farming community, in an effort to increase their competitiveness. The result is that the world’s poorest commodities to their early producers are up to 20 times lower than the US producers. This is a significant gap that makes it impossible for developing countries to compete. As a result, the developed countries’ agreement on agriculture has been less favorable to developing countries. The Agreement on Trade-Related Investment Measures (TRIMs) was brought into force in 1994, and it prohibited countries from imposing investment measures on foreign companies. Its purpose was to protect developing countries from being exploited by multinational corporations. However, the agreement has been widely criticized for its lack of enforcement and inadequate implementation.

Destroying the Industrial Base of the Developing World

The Uruguay Round of the World Trade Organization (WTO) was the first major round of negotiations that included developing countries. It was expected to lead to significant improvements in access to markets and to development in the developing world. However, the agreement was reached at the expense of developing countries, who were forced to open up their markets and reduce tariffs on industrial products. The result has been a significant loss of industrial capacity in the developing world.

The trade regime’s fixation on exports as the route to development has led to a significant decrease in industrial capacity in the developing world. The trade regime has been to blame for this, as it has imposed a range of measures that have led to the loss of industrial capacity. These measures include the elimination of industrial tariffs, the imposition of non-tariff barriers, and the enforcement of intellectual property rights.

According to Buffie, the automobile industry is a case in point. Between 1995 and February 2004, the US and EU imposed a 5 percent tariff on imports of automobiles, while developing countries were forced to reduce their tariffs on imported automobiles to 0 percent. As a result, many developing countries lost their ability to manufacture automobiles.

According to the Report, “there is no guarantee that export expansion will lead to positive changes in private consumption per capita (that is, poverty alleviation) in only three LDCs – East Asia and the Pacific, and the four African countries. In fact, in over half the number of cases studied, the commodity trap had become the poverty trap.” Export expansion has led to positive changes in private consumption per capita in only three LDCs – East Asia and the Pacific, and the four African countries. In fact, in over half the number of cases studied, the commodity trap had become the poverty trap.
developing countries, following much the same pattern of declining terms of trade as developed countries. In much of Africa and Asia, the skills needed for manufacturing are lacking, and the potential for marketing is low. \[21\] In addition, no sector is a priori excluded in GATS. GATS does not mandate privatization, but its liberalization agenda provides the frameworks to begin with. Current GATS negotiations could easily lock in these mistakes and lock out developing countries, according to UNCTAD, are misleading. Much of the skills in these exports come from components that are still produced in the developed world.

Erosion of Basic Services for the Poor

Even though the GATS has a “positive list” architecture (that is, governments list the services that they are willing to liberalize or restrict), GATS negotiations are driven by the interests of WTO members, primarily the EU and US, whose objective is to force developing countries to liberalize their services. The EU and US have consistently sought to liberalize services markets that are considered lucrative to WTO members, while less frequently seeking to liberalize services that are considered unimportant to WTO members. These contentious issues include: the non-linear tariff cutting formula (ie very aggressive tariff cuts); the treatment of tariff bindings; and the sectoral approach. \[22\] Built into the GATS agreement was a clause that said new market access negotiations would commence in 2000 (after an assessment). GATS market access negotiations take place first bilaterally. Requests to liberalize services markets are made to trade partners who can then decide whether or not to make offers of liberalization. Offers are negotiated bilaterally. The offers are subsequently provided to all WTO members.

A large number of developing countries do not have good regulatory frameworks to begin with. \[19\] Statistics showing expansion of technology and skill-intensive exports from developing countries, according to UNCTAD, are misleading. Much of the skills in these exports come from components that are still produced in the developed world.

How does GATS affect the poor? Access to water, health, education, housing, and an end to cross-subsidization. In the area of utilities, Kessler and Alexander argue that liberalization of services usually means that access to services is based on a market model rather than a universal model and this disproportionately affects the poorest sectors of society who are unable to pay for services. Privatization mostly leads to the “unbundling” or dismantling of public services and an end to cross-subsidization. In the area of utilities, Kessler and Alexander argue that liberalization of services usually means that access to services is based on a market model rather than a universal model and this disproportionately affects the poorest sectors of society who are unable to pay for services. Corporations have little incentive to invest in ‘unprofitable people'.

Public opinion and pressure from trade unions has forced the EU to withhold commitments and current offer, yet the EU continues to be aggressive in asking developing countries to privatize essential services such as water, health care and education from its GATS partners.

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weak systems and present any future regulatory measures to limit the powers of monopolies and protect public and essential services.

Intellectual Property

Ensuring the Technological Dominance of

A viable trade regime cannot prescribe a 'one-size-fits-all' solution, but must be flexible enough to allow for a wide diversity in its members' economic development stages and needs. It must effectively balance the interests of many developing countries who are not allowed to follow the tried and true practice of using seeds for the same freedom as industrialised countries to set their own economic policies.

The Way Forward

The failures of trade liberalization and the single-minded obsession with exports that have led developing countries to the stagnation and disintegration of their industries, is purely accidental. The WTO institutionalizes the subordination of development to corporate free trade.

Fundamental principles for a new trade regime

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Strategies for change

Perhaps the most striking feature of the WTO in the last ten years is its members' agenda of the deeply entrenched political and economic interests behind its creation and its compliance with its ever-changing rules and regulations.

Can this scenario change? Yes, although it would require concerted effort by the WTO to address the key issues that confront the developing countries. It must take a regulatory framework as an integral part of that programme. The experience in Latin America has not been vastly different, where widespread privatization has been encouraged, but transfer of ownership has been hurried or performed under constraints that overlook the importance of regulating private monopolies (Kessler and Alexander 2004).

28 Whilst not undermining the importance of foreign exchange remittances for many developing countries, there are also huge social and personal costs involved with Mode IV, and these costs are greatest for women and children. A more holistic strategy to development in the long term is to invigorate the domestic economy so that people can remain employed in their home country if they choose to, instead of being forced by poverty to leave.


The leadership of the G20 and the G90 led to the developing world being able to hold their ground during the 5th WTO Ministerial. The high level of unity in Cancun, and what that achieved, is a model that if reproduced and sustained, can certainly shift the power dynamics within the institution.

For the immediate term, the objective is to stall further negotiations in the Doha Round since these negotiations are pulling the organization in the wrong direction for the world's poor.