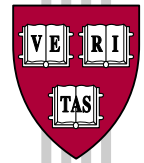


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G-24 Discussion Paper Series

The Millennium Round and Developing Countries: Negotiating Strategies and Areas of Benefits

Arvind Panagariya

No. 1, March 2000

**UNITED NATIONS CONFERENCE ON
TRADE AND DEVELOPMENT**

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**Research papers for the Intergovernmental Group of Twenty-Four
on International Monetary Affairs**



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PREFACE

The *G-24 Discussion Paper Series* is a collection of research papers prepared under the UNCTAD Project of Technical Support to the Intergovernmental Group of Twenty-Four on International Monetary Affairs (G-24). The G-24 was established in 1971 with a view to increase the analytical capacity and the negotiating strength of the developing countries in discussions and negotiations in the international financial institutions. The G-24 is the only formal developing-country grouping within the IMF and the World Bank. Its meetings are open to all developing countries.

The G-24 Project, which is administered by UNCTAD's Macroeconomic and Development Policies Branch, aims at enhancing the understanding of policy makers in developing countries of the complex issues in the international monetary and financial system, and at raising the awareness outside developing countries for the need to introduce a development dimension into the discussion of international financial and institutional reform.

The research carried out under the project is coordinated by Professor Dani Rodrik, John F. Kennedy School of Government, Harvard University. The research papers are discussed among experts and policy makers at the meetings of the G-24 Technical Group, and provide inputs to the meetings of the G-24 Ministers and Deputies in their preparations for negotiations and discussions in the framework of the IMF's International Monetary and Financial Committee (formerly Interim Committee) and the Joint IMF/IBRD Development Committee, as well as in other forums. Previously, the research papers for the G-24 were published by UNCTAD in the collection *International Monetary and Financial Issues for the 1990s*. Between 1992 and 1999 more than 80 papers were published in 11 volumes of this collection, covering a wide range of monetary and financial issues of major interest to developing countries. Since the beginning of 2000 the studies are published jointly by UNCTAD and the Center for International Development at Harvard University in the *G-24 Discussion Paper Series*.

The Project of Technical Support to the G-24 receives generous financial support from the International Development Research Centre of Canada and the Governments of Denmark and the Netherlands, as well as contributions from the countries participating in the meetings of the G-24.

**THE MILLENNIUM ROUND AND DEVELOPING
COUNTRIES: NEGOTIATING STRATEGIES
AND AREAS OF BENEFITS**

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G-24 Discussion Paper No. 1
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Abstract

Written prior to the WTO conference in Seattle, this paper identifies negotiating strategies and areas of benefits from a new multilateral round of trade negotiations for developing countries. Although the attempts to launch a round at Seattle failed, the strategy outlined in the paper remains relevant, should fresh efforts be made to launch a round.

From the viewpoint of overall strategy, developing countries should limit the agenda for a new round to the built-in Uruguay Round (UR), agenda plus trade liberalization in industrial goods. From the long-run perspective, they need to commit substantial human and financial resources to the creation of native research and negotiating capacity on WTO-related issues.

The areas covered in the paper include trade liberalization, multilateral agreement on investment, dispute settlement, anti-dumping, and labour and environmental standards. Expected benefits from liberalization in industrial products to developing countries justify their inclusion in the new round, even though they are not a part of the UR built-in agenda. In agriculture, developing countries must watch out against the proliferation of sanitary and phytosanitary (SPS) measures, which threaten to turn into the most important barrier against their agricultural exports as this sector is liberalized. On electronic commerce, a key objective should be to classify it as trade in services. Developing countries should then seek the liberalization of services by developed countries in sectors in which they can export services electronically.

There is an acute need to improve the access of developing countries to the legal and professional services necessary to get a fair hearing in the Dispute Settlement Body. Developed countries have substantial in-house resource to devote to disputes which developing countries lack. In the short run, this asymmetry must be corrected by the provision of resources that allow developing countries to hire private legal experts. In the long run, developing countries must develop their own in-house expertise.

Time is not yet ripe for a multilateral agreement on investment. Should developed countries nevertheless insist upon it, its scope should be limited to direct foreign investment. Even then, developing countries should insist on a parallel agreement on the movement of natural persons. On other non-trade agenda issues, labour standards should be taken out of the WTO and delegated to the International Labour Organization. Likewise, most of the environmental agenda should be delegated to the United Nations Environmental Protection Agency.

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THE MILLENNIUM ROUND AND DEVELOPING COUNTRIES: NEGOTIATING STRATEGIES AND AREAS OF BENEFITS*

Arvind Panagariya

I. Introduction

The Uruguay Round Agreement, which led to the creation of the World Trade Organization (WTO), stipulates that the member countries launch a round of negotiations for trade liberalization in agriculture and services beginning 1 January 2000. With that date approaching, WTO members are now seriously discussing the possibility of a “Millennium Round” of multilateral trade negotiations (MTNs). The next WTO Ministerial, to be held in Seattle at the end of November 1999, is likely to launch this round.

Prior to the Uruguay Round (UR), developing countries had not participated actively in multilateral negotiations. Virtually all liberalization commitments in the Kennedy and Tokyo Rounds were made by developed countries. On the one hand, this fact gave developing countries a “free ride” since, under the most favoured nation (MFN) rule of the General Agreement on Tariffs and Trade (GATT), a tariff reduction granted to one trading partner must be granted

ment (MFA). The MFA was not only protectionist, it was entirely against the spirit of the GATT. It allowed the United States, the European Union and a few other developed countries to use quantitative restrictions, which effectively violated Article XI; through country-specific quotas, it also introduced discrimination across trading partners, thus, effectively violating Article I.

All this changed in the UR, however. Developing countries participated actively in this MTN, accepting the GATT tariff bindings on a large scale for the first time. Whereas they had generally refrained from signing various plurilateral agreements negotiated by developed countries during the Tokyo Round, they signed the Uruguay Round Agreement in its entirety. This even included the Agreement on Trade-Related Intellectual Property Rights (TRIPs) that, taken by itself, was detrimental to their interests but was, nevertheless, a necessary cost of obtaining concessions in other areas, most notably, the Agreement on Textiles and Clothing, which promises to dismantle the highly distortionary MFA regime.

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