Preparing for the WTO 2000 Negotiations:
A Proposal to Enhance Developing Country Participation

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Preparing for the WTO 2000 Negotiations: Executive Summary

The goal of this 3-year project is to strengthen the capacity of developing countries to formulate negotiating objectives and strategies in the WTO negotiations scheduled to begin by 2000. It seeks to achieve this through an integrated program of research and dissemination of knowledge and policy advice. Much of the research will be done by developing country scholars, in collaboration with a team of international specialists. Research results will be presented to a global policy audience in the period leading up to the next WTO ministerial meeting. These will also figure centrally in a series of follow-up dissemination and training activities in developing countries. The project has four major dimensions:

First, the preparation in 1999 of 40 region- or country-specific papers by scholars working in developing countries. These papers will build on a set of issue papers currently in preparation, and will generate information on the status quo set of policies maintained by developing country governments, identify the policy options confronting governments in the context of a multilateral negotiation, and analyze the costs and benefits of these options. This region-based research will be undertaken through partnerships with national research institutes and regional research networks. It will be supported by a team of international specialists. These advisors will work with developing country authors through electronic mail and through interaction before, during and after meetings to be held in each region.

The second part of the project involves commissioning a set of thematic papers that incorporate the findings of the regional meetings. These will be presented at a conference in September 1999. An overview paper summarizing the findings of the research, and a press release, will be used as vehicles to publicize a series of recommendations regarding the interests of developing countries in establishing the agenda of the WTO 2000 round of negotiations. A handbook for trade negotiators will also be prepared during 1999, to be completed in early 2000. This handbook will include practical software tools that can be used to evaluate market access conditions and negotiating options.

The third aspect of the project is assisting developing country policy makers after the negotiations have commenced, using the handbook and research results as inputs. This will involve a series of dissemination meetings and workshops during 2000 targeting policy advisors and senior policy makers, complemented by outreach activities for the press, Chambers of Commerce and relevant NGOs. These events will be implemented in cooperation with WBI and the Integrated Framework for Least Developed Countries’ Trade Development activities.

Finally, the project will continue supporting research capacity-building in low income countries during 2000-01, with emphasis on Africa and South Asia, in collaboration with local institutions. These will involve commissioning new research and organizing several meetings in both regions to discuss and publicize results, and will culminate in a major conference at the end of 2001 in Africa.
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Introduction

The role of the developing countries in the world trading system has been transformed in the last fifteen years. Since the beginning of the Uruguay Round in 1986, developing country membership of the General Agreement on Tariffs and Trade (GATT) has increased dramatically. Developing countries and economies in transition now provide over 80 percent of the membership of the World Trade Organization (WTO), and the entire 30 strong queue of countries seeking accession. Most importantly, the basic policy stance of most developing countries has changed from obtaining concessions without offering market access in return, to one of full participation in the system.

While the multilateral trading system has, in the past, relied heavily on the leadership of the industrial countries, its future is critically dependent upon the active participation of the developing countries. The developing countries have a great stake in a multilateral system based on strong rules both to protect them against pressures from more powerful countries, and to help them improve their own trade regimes (Whalley 1996). The importance of this system to developing countries has increased greatly as they have become more integrated with the world economy. In the Uruguay Round, the last major set of multilateral negotiations, World Bank research (Martin and Winters 1996) demonstrated that the gains to developing countries were much larger relative to their GDP than the gains to developed countries. This was despite the fact
that this was the first Round in which the developing countries had participated actively, and that developing countries were not required to cut their protection as deeply as developed countries.

One of the innovative features of the Uruguay Round agreement was that it embodied a built-in negotiating agenda for various subjects, most importantly in two of the major areas in which it established new rules but only began the process of liberalization—agriculture and services. New multilateral negotiations on agriculture are scheduled to begin by the end of 1999, while those on services are to begin in 2000. In May 1998, the second Ministerial meeting of the WTO began the process of preparation for these negotiations. The final agenda for the WTO “2000” negotiations will not be determined until late in 1999. A major focus of discussions among WTO members in the next year or so will be the extent to which the agenda should extend beyond agriculture and services to include market access in manufactures more generally or address new issues such as multilateral disciplines on competition law, government procurement and policies affecting foreign direct investment (FDI). Another key issue will be the terms of reference for each negotiating issue. The outcome of these deliberations (negotiations in themselves) is impossible to predict, but some of the broad outlines of an agenda are already visible (Croome 1998). The agenda is likely to extend beyond agriculture and services, but to be considerably less ambitious than the Uruguay Round in encompassing new areas.

**Summary of Objectives and Design**

The goal of this project is to help developing countries influence the agenda of the next set of WTO negotiations and to formulate negotiating objectives and strategies in the areas that are likely to be on the agenda. It aims to achieve this through an integrated program of research
and dissemination of knowledge focused primarily, but not exclusively, on the developing countries. The project contains an important component of research capacity-building needed to sustain full developing country participation in the multilateral system and continuing progress on trade and regulatory reform.

To summarize, the project has three main objectives. The first is to influence the outcome of the pre-negotiation phase leading up to the expected launch of a new round at the end of 1999. It will seek to do so by commissioning research assessing the potential welfare impact for developing countries of international agreements on a variety of policy issues and using this to assist policymakers in identifying a negotiating agenda that will include the issues that are of most importance to developing countries. This research will comprise a large number of studies to be prepared by developing country analysts, who will be able to draw on a series of thematic studies undertaken by international specialists (currently under preparation). In each region, papers will focus on issues related to the liberalization of services and agriculture, participation of developing countries in the WTO system, as well as “new” agenda issues such as investment and competition policy. The guiding principle for selection of topics is to focus on the issues that: (i) are likely to be of greatest importance for developing countries; or (ii) figure prominently on the “wish list” of major traders such as the US and EU.

The first stage of the project will culminate in a conference in September 1999 designed to publicize a series of recommendations regarding the interests of developing countries in establishing the agenda of the WTO 2000 round of negotiations. A key set of thematic papers that incorporate the findings of the regional meetings will be presented. Many of these papers
will be done by authors that are currently preparing background papers, who will be asked to revise their papers to take into account the findings emerging from the regional research effort.

The second objective is research capacity building. To support the research efforts in developing countries, the project envisions “twinning” international experts with partner researchers and research institutions in developing countries. These specialists will act as a resource for local researchers, advise them, and assist in the design and implementation of research strategies. Such capacity strengthening and assistance is an important dimension of the regional meetings that will be organized in June and July 1999, and will continue during 2000-2001. This process of collaboration will be complemented by training activities under the auspices of WBIEP’s core course in “Global Integration and the New Trade Agenda.”

The third objective of the project is to assist developing country policy makers after the negotiations have commenced. This will involve a series of meetings and workshops during 2000 targeting policy advisors and senior policy makers, complemented by outreach activities for the press, Chambers of Commerce and relevant NGOs. A key output around which these sessions will revolve is a handbook for trade negotiators, along the lines of the World Bank’s highly successful Uruguay Round handbook, that will be prepared for use throughout the negotiations. This handbook will include software tools facilitating the ability of developing country-based analysts and officials to assess and evaluate negotiating options. These meetings will involve inputs from regional researchers, and will also be used to strengthen research capacity in the regions. These activities will again be undertaken in cooperation with WBI training efforts, as well as technical assistance activities of the Integrated Framework for Least Developed Countries’ Trade Development.
The remainder of this proposal is structured as follows. The next section considers the policy questions to which the project is addressed, together with the audiences targeted for the work. This is followed by a review of the information sources and background work that have informed the design of the project. We then describe the proposed approach and the timetable. The project aims to complement, not duplicate, ongoing and planned efforts by other organizations and donors in the trade area. The research and capacity-building dimensions of the project therefore will be pursued with a number of partner institutions. These are described in the final section. Appendices present the terms of references for the studies to be commissioned; and the table of contents of the Handbook.

**Policy Questions and Audience**

This project is addressed to three distinct, but related, policy questions:

1. What issues should be included in a multilateral negotiation from an economic growth and development perspective?
2. How should these issues be addressed in the WTO?
3. How can the WTO framework help to establish domestic incentive regimes that are conducive to fostering international trade and investment?

Many of the issues that will likely figure on the WTO 2000 agenda are challenging and complex, in large part because they revolve around regulatory policies and related institutions. Policy areas that are likely to figure prominently on the agenda include public procurement practices; the design and enforcement of food and environmental standards; adoption and implementation of competition law; liberalizing foreign access to service markets; and whether and how to reform policies pertaining to foreign direct investment. In many of these areas there is a need for careful analytical work that identifies what the policy issues are and what
developing countries interests are. Questions to be addressed include: Do the benefits of competitive tendering outweigh the possible costs? How might procurement mechanisms be designed to maximize value for money? How can national safety or health concerns be met in ways that minimize the negative impact on international trade? What institutional options exist for countries at different levels of per capita incomes to enforce technical product regulations efficiently? What is the appropriate sequencing of services liberalization? What are the linkages between competition policy and the protection of intellectual property rights, FDI, or opening of service markets.

There are also important questions concerning how developing countries should respond to pressures to pursue deeper integration through harmonization of regulatory regimes and standards. Under what conditions is this in their interests? Alternatives to harmonization may be mutual recognition agreements, a path being pursued by the EU and the US. What are the preconditions for developing countries to benefit from such agreements? Are they a feasible option? These are questions that will be prominent in any discussions on services. Other questions in the services area concern the relative importance of liberalization across different sectors. What is of most importance to developing countries in terms of potential domestic efficiency gains and improvements in foreign market access conditions?

Such analytical issues must be complemented by a solid empirical foundation that accurately reflects local policies and practices in developing and industrialized countries. Even more so than in past negotiations that centered mostly on tariffs and quotas, the reform agenda is domestic, but how to proceed and how to identify and assess the feasible set of policy options is considerably more complicated. A crucial input into any formulation of negotiating objectives
and strategies must be the development of a good base of information on and analysis of the status quo policy stance that exists in developing countries. Such information and analysis is best done by local scholars and researchers. A key dimension of the proposed project is to mobilize interest in and support for such work.

The target audience for this project consists primarily of two groups. The first are policy advisors and decision makers in both developing and industrialized countries. The second is the research community in developing countries. An aim of the project is to assist the latter in undertaking policy-relevant quality research, in part by involving the former more into the identification of researchable questions that are of policy importance. The policy-making community that is targeted extends well beyond trade ministries and negotiators to include the relevant sectoral ministries and regulatory authorities that are increasingly affected by liberalization efforts and multilateral negotiations.

**Background Preparatory Work and Consultations**

The Bank’s analysis of the Uruguay Round agreement (Martin and Winters 1996) included a good deal of analysis of the unfinished business in the Round, and of the calls for further consideration and negotiations of particular issues. Subsequent work has further drawn out some of the implications of the agreement in practice, and considered the need for future reform (e.g., Hoekman 1997, 1998; Hoekman and Primo Braga, 1997; Ingco and Ng 1998). This earlier analysis has been complemented by recent work on the key interests of developing countries in the WTO process (Finger and Winters 1998) and their participation in the trading system (Michalopoulos 1998).
The project also builds on the extensive interaction between the Bank and the WTO on policy and operational issues. This interaction includes day-to-day work with the WTO on policy issues addressed by WTO bodies; cooperative ventures such as the joint web site maintained by WBI and the WTO; and the extensive collaboration between the Bank, the WTO and other international institutions under the Integrated Framework for the Least Developed Countries (World Bank 1998).

A number of recent papers have provided suggestions for approaches to various parts of the WTO agenda (e.g. Josling 1998; Feketekuty 1998; Laird 1997; Messerlin 1998). The OECD (1998) provides a useful assessment of protection barriers in the major industrial countries. While useful in many respects, none of these papers addresses these issues from a developing country perspective. The nature of this project proposal was greatly influenced by two background studies commissioned by DECRG to ensure that the work would be well-targeted. The paper by Croome (1998) evaluates the current situation and positions taken by the major players regarding prospective WTO negotiations, while the paper by Krueger (1998) provides a number of suggestions on ways that developing countries might maximize their gains from negotiations in the WTO context. Both of these studies are available upon request. Both studies conclude that there are strong arguments favoring a broadening of the agenda to maximize the potential gains for developing countries. This proposal has also benefited from the extensive background work done for the related research project focusing on agricultural trade policy reform issues (Ingco 1998). Finally, we have had extensive discussions with WTO representatives, prospective partner institutions, World Bank staff in all of the regions; and
numerous academic experts. These consultations aimed to ensure that the work is well-focused and complementary to research and capacity-building efforts supported by other institutions.

The research to be undertaken will build on background studies commissioned in 1998 using funding from WBI and DRG. Some are intended to be literature surveys and issues papers; others are intended to provide analytical frameworks or empirical assessments of specific policy questions. Initial versions of these papers will provide a basis for the regional work program proposed in this study. The papers currently being prepared are listed in Table 1.

**Table 1. Thematic background papers**

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<thead>
<tr>
<th>Topic</th>
<th>Author/Institution</th>
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<tr>
<td>Agricultural policy reform challenges</td>
<td>Kym Anderson (University of Adelaide)</td>
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<tr>
<td>Options for services liberalization</td>
<td>Patrick Messerlin (Sciences Politiques)</td>
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<tr>
<td>Tariff liberalization: the outstanding agenda</td>
<td>Thomas Hertel (Purdue University)</td>
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<tr>
<td>Trade and Investment: A Framework for Analysis</td>
<td>James Markusen (University of Colorado)</td>
</tr>
<tr>
<td>Competition Policy and Developing Countries</td>
<td>Peter Holmes (Sussex University)</td>
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<tr>
<td>Trade Facilitation: Institutional Options</td>
<td>Brian Staples (Independent consultant)</td>
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<tr>
<td>WTO Dispute Settlement: An assessment</td>
<td>Henrik Horn (WTO) and Petros Mavroidis (Neuchatel)</td>
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<tr>
<td>Telecoms liberalization: what was achieved?</td>
<td>Peter Cowhey (University of California)</td>
</tr>
<tr>
<td>Product Standards and Mutual Recognition</td>
<td>John Wilson (ITI)</td>
</tr>
<tr>
<td>Liberalizing Government Procurement</td>
<td>Simon Evenett (Rutgers)</td>
</tr>
<tr>
<td>The WTO Trade Policy Review Mechanism</td>
<td>Joseph Francois (Erasmus University Rotterdam)</td>
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<tr>
<td>Patterns of Global Protection</td>
<td>Samuel Laird, (WTO)</td>
</tr>
<tr>
<td>Developments in Services Trade Data</td>
<td>Obie Whichard, (Bureau of Economic Analysis)</td>
</tr>
<tr>
<td>Implications of Outsourcing for Trade and Wages</td>
<td>Alan Deardorff, (U of Michigan)</td>
</tr>
<tr>
<td>Quantifying the Impacts of Barriers to Trade in Services</td>
<td>Drusilla Brown (Tufts) and Robert Stern (Michigan)</td>
</tr>
<tr>
<td>A Primer on Parallel Imports of Intellectual Property</td>
<td>Keith Maskus, (University of Colorado)</td>
</tr>
<tr>
<td>Implementing the Agreement on Textiles and Clothing</td>
<td>Dean Spinanger, (Kiel)</td>
</tr>
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**Overview of the Proposed Approach and Timetable**
The goal of this project is to assist developing countries identify the subject areas that should be included (or excluded) from the agenda of a WTO 2000 negotiation and enhance both their negotiating capacity and ability to participate in and benefit from the multilateral trading system. It aims to achieve this goal by strengthening the capacity of researchers in developing countries to undertake policy-relevant analysis in WTO-related areas and developing practical tools and products that will be useful to policymakers in pursuing growth-enhancing policy reforms and identifying market access constraints.

The project will, first, create a team of leading specialists with expertise in analyzing trade-related policy issues and in-depth knowledge of the WTO. This team will be drawn in part from the group of authors of the above-mentioned background papers, augmented by other experts from both developing and industrialized countries. Second, it will identify developing country think tanks, institutes and individual scholars to undertake research on WTO trade-related issues from a national or regional perspective. Third, efforts will be made to identify key policy advisors and stakeholders in developing countries who will be brought in to advise researchers on the major policy questions that are of concern. These three groups will be brought together in regional meetings to discuss papers and policy options.

Achieving developing country objectives in a WTO negotiation involves an ever-wider range of economic and legal considerations. There is a relatively small pool of leading scholars with the training and experience needed to ensure that research in this area is analytically sound and policy relevant. Given the complexity of the issues, it is important that some of these leading scholars be involved in the project. In order to increase the relevance of research for developing country policy makers it is even more important that it is not restricted to global analyses, but
takes into consideration local circumstances, issues and concerns. The best way to achieve this is to rely on knowledgeable and reputable local analysts and policy advisors located in developing countries in the project. It is crucial that research is responsive to the concerns of, and understood and “owned” by, developing country policy makers and advisors. We hope to ensure this as much as possible by involving policy advisors in the research process.

To support the research efforts in developing countries, the project envisages “twinning” the international experts with partner researchers and research institutions in developing countries. These specialists will act as a resource for local researchers, advise them, and assist in the design and implementation of research strategies. The objective is both capacity-building and the generation of country and region-specific datasets and analyses of key negotiating issues. Such local analysis and data are crucial inputs into the policy formation process, and will also be very useful in enhancing the understanding of the incentive regimes and policy challenges that confront developing countries.

Initial research output will be discussed at a series of regional meetings to held from June to December, 1999. Most of the activity in shaping the WTO 2000 negotiating agenda will take place in the lead-up to the WTO Ministerial meeting that is expected to take place in the United States in November 1999. In order to have an impact on the process of agenda formulation, our objective is to release initial research results at a global conference to be held in September in Geneva, immediately after a meeting of trade ministers, as well as at a panel during the World Bank’s 1999 annual meetings. These will be used as vehicles to publicize the conclusions that have emerged regarding the design of a negotiating agenda that includes the major issues from a developing country perspective.
During 1999 work will also begin on the preparation of a handbook for policymakers. This will embody practical tools for policy analysis and summarize the economics of the issues on the agenda in accessible language, drawing largely upon the set of scholars and advisors involved in the capacity-building effort. In 2000 and 2001, attention will focus on assisting developing countries to achieve their negotiating objectives through dissemination efforts, collaboration, training and further research capacity building, with particular emphasis on Africa and South Asia.

What follows describes in greater detail the design of the project.

**Capacity building and local research**

As mentioned, the project envisages commissioning developing country-based researchers to prepare studies on WTO-related subject areas from a country- or region-specific point of view. The objective is both capacity building and the generation of local policy relevant research, data and analyses of the status quo situation existing in different developing countries and regions. The researchers that will participate in each of the regional meetings will be identified through consultation with partner institutions and already existing regional research networks (such as the Economic Research Forum in MENA; the African Economic Research Consortium in Africa; and the Latin American Trade Network). We anticipate that these networks will play an important role in organizing regional meetings and ensuring broad-based participation by the policy community. Identification of counterpart scholars and think tanks in developing countries will be completed by December 1998.
In order to provide a focal point and structure for the regionally-based research and capacity building effort, we propose to organize at least five regional meetings in 1999. These meetings will allow researchers from developing countries to present and discuss drafts of papers and to interact with their partners/advisors. Possible locations for these meetings are Cairo (MENA), Manila (East Asia), Dar-es-Salaam and Abidjan (Africa), and New Delhi (South Asia). In each case meetings will be co-organized with local partner institutions. (As discussed below in the section on Partnerships, we do not envisage initiating an independent research effort in Latin America—instead, we will cooperate with the Latin American Trade Network (LATN) that has begun a program of research with support from the International Development Research Centre of Canada (IDRC)).

The regional papers are intended to build on the research methodologies and policy options identified and discussed in the general issue-specific papers, and incorporate an analysis of the existing policy stances maintained by countries in each region. Researchers from each region will not only generate policy-relevant analysis of the options that confront developing country decision-makers, but will also contribute to the Bank’s understanding of the particular concerns in the region, and to help disseminate knowledge obtained from participation in the meeting throughout the region.

We envisage commissioning 5-15 new papers for each of the regional workshops, and three in Latin America, where we will be supporting the LATN program. The papers will include a number of country-specific case studies analyzing the services policy regimes that are maintained by governments (see Appendix for draft Terms of Reference). These will play an important role in increasing the understanding of all concerned of the status quo policies, and
how this compares to the commitments that were made by these countries in the GATS. Such
information, complemented by analysis of market structures and barriers to entry, is a critical
input into any analysis of the negotiating options and policy reform priorities that should be
considered by the governments concerned. Comprehensive data on services policy regimes are
generally lacking for most countries, in part reflecting the limited sectoral coverage of the
commitments made by most developing countries. Without such information it is impossible to
determine policy options and reform priorities.

An important dimension of the project is that experienced analysts who are
knowledgeable about the relevant policy issues and methodologies will provide guidance and
assistance to participating institutions and researchers. Much of this interaction will occur
through electronic mail. This will not necessarily be restricted to bilateral exchanges. Instead, we
envisage using the home page for WBI’s core course on Global Integration and the New Trade
Agenda as a vehicle through which all participants in this research project can interact, ask for
advice, and share data-sets and materials. (This web page will be linked to the joint WBI/WTO
home page International Trade and Development—www.itd.org). Each international expert will
act as advisor to two or three developing country-based researchers. This will involve a
commitment on their part to devote three weeks of their time per year to this effort, including a
stay of five days in regional locations to work with local researchers before or after the regional
meetings.

At each of the regional meetings, members of the international team, complemented by
DRG staff, will participate by giving presentations based on the thematic background papers
discussed earlier, and acting as discussants and resource persons. The regional papers will focus
on particular concerns and issues arising in the countries of the region. Each of the papers will be discussed by members of the international team and economists from the region. Key policy advisors—to be identified with the assistance of partner institutions and World Bank resident missions—would also be invited to participate in each meeting to provide feedback and ensure that analyses are policy-relevant.

The various background papers prepared as part of the project, as well as trade policy-related papers and analyses prepared under auspices of DRG more generally will be made available to all participants. Bank support with data and analytical tools will also be provided. The latter include a series of software programs and spreadsheets that have been developed for the WBIEP core course on Global Integration and the New Trade Agenda, and the new version of the World Bank/UNCTAD SMART software (which can be used to organize trade and protection data obtained through the Bank’s partnerships with the UN and WTO into aggregates with which to assess the impact of market access barriers on developing country exports).

There is a substantial amount of research activity focusing on the WTO 2000 and trade policy more generally that is being or will be supported by other institutions. It is our intention to collaborate actively in a number of ongoing and planned initiatives. One result of this is that each regional meeting is expected to have an agenda that extends beyond the eight or so papers that will be commissioned under this project. Other papers that are being supported by institutions such as UNCTAD, the Organization of American States, the Brookings Institution, the American Enterprise Institute, the Centre for Economic Policy Research (London) and the IDRC, as well as independent research funded by regional network-based organizations such as the ERF, AERC, PECC, and industry bodies such as the Coalition for Service Industries, are expected to figure on
the agendas of these meetings and/or to be distributed as room documents. Conversely, we expect members of this project to participate in meetings organized by these institutions on trade-related topics. This project is designed to complement, not duplicate, ongoing efforts by other organizations that are active in research and capacity-building.

**The Global Conference**

In the spring of 1999 authors of a number of the background papers that have already been commissioned, complemented by a number of additional scholars, will be asked to revise their papers to incorporate the initial findings of the regional research efforts. These revised papers will be presented at a global conference to be held in Geneva in September 1999 (as well as in a panel at the Bank/Fund Annual Meetings) to facilitate participation by developing country policy makers and allow better opportunities for media coverage. The topics that have been selected either figure on the WTO built-in agenda (i.e., where it is certain negotiations will commence—agriculture and services), or are important for developing countries. An Annex lists the various papers and authors. An overview paper based on the findings of the research, and a press release, will be used as vehicles to publicize a series of recommendations regarding the interests of developing countries in establishing the agenda of the WTO 2000 round of negotiations.

**A Handbook for Negotiators**

Many of the papers that will be prepared under this project will be relatively technical, although in all cases the policy implications and basic messages will be highlighted in non-
technical summaries. Experience suggests that there is great value in preparing materials that set out in plain English what the major issues and policy options are in the many areas that are likely to figure on the WTO agenda (but also in regional and bilateral discussions), and describe cross-country experience. Such materials can be very useful not only to negotiators and staff of Ministries, but also to the press, parliamentarians, the private sector, NGOs, and the academic community. Past efforts by the World Bank to compile “handbooks” for the Uruguay Round proved to be very successful—e.g., Finger and Olechowski (1987) and Messerlin and Sauvant (1990).

We therefore propose to prepare a handbook by early 2000 on the “New Trade Agenda and WTO 2000.” This will include some material on the WTO as an institution and a mechanism for negotiations, but will mostly be devoted to a number of short and accessible chapters on the many subjects and issues that are likely to confront developing country policymakers in trade negotiations during the next decade. An Appendix provides a tentative table of contents.

**Capacity Building Activities in 2000 and 2001**

During 2000 and 2001 the project will focus on dissemination of research results and supporting new research. In addition to finalizing the handbook, during 2000 a series of meetings with key policy advisors and decision-makers in developing countries will be organized in collaboration with local partner institutions. The focus of these meetings will be on disseminating the results of the analysis regarding negotiating options for developing countries. They will be relatively short (one day) and focus on presenting the key conclusions and recommendations of the research effort. The meetings will be led by experienced economists and
leaders with well-established reputations for solid policy advice and analysis. These “eminent persons” will be given the task of briefing senior policy advisors and decision makers on the policy options, and engage in a constructive dialogue, drawing upon the findings of the regional studies and the global conference papers. Participation at these meetings will target the major stakeholders, and extend beyond the trade ministries to include affected sectoral ministries and regulatory authorities. One such meeting will also be held in Geneva, targeting the various country delegations and missions, as well as the staff of the WTO and other relevant Geneva-based institutions.

Each meeting with senior policymakers and advisors will be supplemented by an outreach activity that targets the press, the private sector (chambers of commerce), and NGOs. These sessions will again present the main results emerging from the research effort and serve as a forum for profiling the handbook. The speakers at these events will include some of the authors from developing countries. We hope to link some of these events to the delivery of WBIEP’s core course on the new trade agenda.

The negotiations that will begin in 2000 are likely to continue for several years. A range of new questions is likely to arise, only some of which can be answered using research focussed on the questions anticipated at the beginning of the negotiations. Continuing the capacity-building program into 2000-2001 will allow us to support research on questions that arise during the negotiations as well as deepen the analyses emerging from the first phase of the project.

The most pressing need for in-depth policy-relevant research capacity-building is in Africa and South Asia. The problems of beneficial participation in the trading system are most intense in Africa, while the South Asia region merits particular attention because it is home to
another extremely large group of the world's poor—marginalized in large part by their historical isolation from world trade and investment.

During 2001, we propose to deepen our partnerships with other key actors in this field to support new research. Two major research programs have helped build capacity in Africa to understand the new WTO trade environment: the AERC project Africa and the World Trading System, and the Coordinated African Program of Assistance on Services (CAPAS) managed jointly by UNCTAD, ITU and UN-DESA. Much of the focus has been on the implications of the Uruguay Round and participation in the General Agreement on Trade in Services (GATS). However, CAPAS is now beginning to explore service-sector issues likely to be covered in the WTO2000 round, while the AERC is interested in building on its past work with a new, forward-looking agenda.

Both programs are keen to work with the World Bank on new research. Cooperation would yield some important synergies. The CAPAS program has been particularly effective at drawing in policymakers at an early stage, and ensuring that the results are useful to them. It has also managed to cover 19 countries over its 6-year history. The AERC has a well-established reputation for research excellence, and has tackled important questions beyond the services sector. The World Bank brings in-house technical expertise, a network of other specialists, global experience in trade reform, and convening power. With all three programs targeting the same, over-stretched officials, it will also be important for us to coordinate our capacity-building efforts to make the best use of their time, and to present consistent information and advice.

If funding is obtained to enable World Bank participation, we will prepare, in conjunction with CAPAS and the AERC, a research and capacity-building program for 2000-01. As both
programs have done in the past, this will undoubtedly include a combination of regional papers and national projects. With the benefit of past experience, we will be able to focus on the most committed teams. Between these programs and the World Bank's contribution, we are likely to have sufficient financial resources and experience to have a major impact. This program will involve longer research grants than the first phase, continued external advice, and at least two authors' meetings during the course of preparation of the papers.

A similar effort will be undertaken in South Asia. Possible partners in this region include the Indian Council for Research on International Economic relations, the National Council on Advanced Economic Research and the South Asian Association for regional Cooperation (SAARC).

Providing the opportunity for researchers from Africa and South Asia to interact with those from other developing country regions in the course of the project is an important objective of the project. Cross-fertilization between policymakers and researchers in different regions is likely to have significant positive effects. An important element of our approach will be to encourage learning from developing countries that are “ahead of the game” and have dealt with challenges that are similar to those confronting the low income countries of Africa and South Asia. Authors from East Asia and Latin America, for example, are likely to be able to provide important insights to African policy makers on the process of trade liberalization and the move from import substitution to outward orientation; reducing agricultural production disincentives; and liberalizing trade and investment in services. There are many countries in other regions which have already liberalized in sectors that will be up for discussion during the WTO 2000 round for African and South Asian governments. We will identify such countries and bring
experienced researchers and policymakers from them to the African and South Asian meetings to share the lessons learned, both positive and negative. In those cases where there is a need for commissioning of research that focuses on the experience of these “model” countries, the project would undertake to finance the requisite analysis.

**Outputs**

The project will have two types of tangible outputs. The first output of the project will be the policy recommendations that will emerge from the planned conferences and meetings regarding the interests of developing countries in establishing the agenda of the WTO 2000 round of negotiations. The second type of output will be several publications. The regional workshops will give rise to about 40 country- or region-specific papers. Once revised to take into account feedback and suggestions from mentors and policy advisors, papers that satisfy a process of arms-length review will be collected in an edited volume. These studies are expected to play a prominent role in WBI and WTO training courses. The global conference papers will be submitted for publication as a special issue of the *World Bank Economic Review*. A third publication is the handbook on the WTO and new trade agenda mentioned previously and described in greater detail in the appendix. All papers will be placed on the internet (WBI trade core course home page; linked to the joint WTO-WBI International Trade and Development website) for world-wide distribution.

**Collaboration with partners**
A major feature of the project is collaboration between partners both inside the Bank and outside. This project itself involves collaboration within the Bank between the World Bank Institute and the Development Research Group with a view to exploiting complementarities between research and dissemination and training. WBI intends to leverage some of the regional meetings with training workshops and courses, and will contribute the resources required for management of the project.

As noted earlier, this project will complement a parallel research effort focusing on agricultural trade liberalization developed by Merlinda Ingco (East Asia and Pacific Region, World Bank, in association with DRG). This will generate a set of comprehensive analyses of the agricultural policy issues and options confronting developing countries, as well as an assessment of the economic implications of existing distortions in this sector, both in industrialized countries and developing countries. It is planned that detailed papers focused on agricultural sector problems and issues will be presented at specialized workshops held in conjunction with the regional meetings outlined earlier in this proposal. Reports emanating from the agriculture-focused research will be incorporated into the Handbook.

A key part of this project is to build on the Bank’s ongoing cooperation with the WTO through participation of WTO staff in seminars and as mentors to developing country researchers. This is of vital importance because of the expertise in and up-to-date knowledge of WTO-related issues that WTO staff can bring. Participation by WTO staff is valuable to the WTO because of the insights it provides them into the problems facing developing countries, the perceptions of these problems in developing countries, and the approaches by which these
concerns might be addressed. This cooperation will bring a substantial input of WTO staff time, in the order of six person months during the first two years of this project.

Both the research and the capacity building dimensions of the project will be facilitated and leveraged through efforts to cooperate with and link into existing efforts by donors in some regions to support collaborative research efforts on trade and investment issues. Two such efforts are IDRC-supported initiatives in Africa and Latin America, including the preparation of studies by the Latin American Trade Network (LATN) and the Coordinated African Program of Assistance on Services (CAPAS). The CAPAS program, supported by UNCTAD, UNDP, ITU, IDRC, and the Carnegie Foundation, focuses on providing technical assistance to countries in the area of services, and is explicitly targeted on the GATS process. These initiatives are extremely important and we envisage complementing this work through participation in meetings organized under their auspices.

In Africa, we hope to collaborate with the African Economic Research Consortium, and with the Trade and Industrial Policy Secretariat in South Africa, UNECA, and the CAPAS project. In MENA, we plan to collaborate with the Economic Research Forum. In Asia, we plan to work with the Pacific Economic Cooperation Council.

Finally, we will be coordinating with a number of efforts to mobilize research on service-sector issues. These include a major congress that is being organized by the Washington DC-based Coalition of Service Industries (CSI), in cooperation with the American Enterprise Institute and the Brookings Institution (each of which will host stand-alone meetings in the US as well) and a conference on services to be held in Latin America under the auspices of the Organization
of American States. These efforts will give rise to a large number of papers, many of which will be distributed and discussed in the context of the planned regional meetings.

In order to ensure sustainability of the capacity building and networking dimensions of the project, international researchers/advisors will be drawn in part from institutions that have a strong interest and expertise in the area of training trainers. The Tinbergen Institute of Erasmus University, Rotterdam through Professor Joseph Francois is a confirmed partner. Other likely partners are the Global Trade Analysis Project (GTAP) led by Professor Thomas Hertel of Purdue University, the International Economics Program of the Institute of International Affairs in Rome, headed by Professor Paolo Guerrieri, and the University of Adelaide’s international trade policy program, led by Professor Kym Anderson.
References


APPENDICES

Regional Meetings on the WTO 2000 negotiations

Objectives

To explore opportunities for developing countries to gain from the WTO 2000 negotiations.

Possible Topics and Draft Terms of Reference

Agriculture

What are the key agricultural exports for the region? What are the most important barriers restricting expansion of these exports? What forms of liberalization would contribute most to expansion of these exports? Cuts in tariffs? Expansion of tariff rate quotas? What procedures might help bring about the desired reductions in protection? Would formula cuts be most appropriate, or request-and-offer?

What forms of agricultural protection are applied in the region? How restrictive are these barriers? How transparent are they in their effects? What approaches might be used to reduce these barriers? Are there particular types of trade barrier that might be constrained by changes in WTO rules? e.g. variable tariffs used for price stabilization? Can the WTO process be used to improve domestic policies? What forms of WTO liberalization would be the most effective in bringing about productive liberalization?

Do some currently legal trade policies cause particular problems in the region? Are there concerns about the reliability of supply from major exporters that might be addressed through policies that preclude export controls?

How best might any adverse consequences of liberalization be addressed? Financial support? Policies that facilitate adjustment to changes in market conditions?

Industrial policies

What are the major exports of industrial products from the region? Where do these exports face the greatest obstacles? What seems likely to be the best way to bring about reductions in these areas? Formula cuts? Request and offer procedures focused on particular products? Is a large-scale single undertaking likely to be more effective than a series of sectoral negotiations in gaining the market access needed by the region?

How restrictive are tariff and nontariff barriers in the region? What are average tariff rates and how much do they vary between products? How much have tariff rates changed since the beginning of the Uruguay Round? What products are subject to high (“peak”) tariffs? What proportion of tariffs are subject to WTO bindings? Which product groups remain
substantially unbound? Is contingent protection (antidumping, countervailing duties and safeguards) in use in the region? If so, how extensively has it been used?

How can industrial policies be designed to promote development of efficient, internationally competitive industries? What is the desirable balance between policies that encourage acquisition of the skills and capital needed for product upgrading and price-based policies that encourage development of particular industries? Is infant-industry protection necessary or desirable? Has infant industry protection been successful in developing mature, internationally-competitive industries?

Services Trade
What are the main policies applied in major service sectors (e.g., finance, telecommunications, transport, distribution) that restrict competition. Are there subsidies granted to service industries? Which of these domestic policies need to be reduced with the highest priority? Do current restrictions on imports of services have a detrimental impact on the ability of industries to compete on world markets? How can the GATS process be used to diminish them? In what areas might liberalization of the domestic services sector produce substantial reductions in the costs of other export industries?

Can GATS liberalization strengthen competition in domestic service industries? Will other measures be needed to protect a competitive environment? Where might GATS liberalization be able to generate substantial productivity gains in key service sectors?

What are currently the main service exports from the region? Which of these exports are most severely restricted by barriers in partner countries? Are these barriers most severe for a particular mode of supply? How might these barriers be reduced through strengthened GATS disciplines? Might the pro-competitive impact of liberalizing services trade create new market opportunities for service exports?

Services sectoral studies
Airlines: How are airline services for passengers and freight regulated in the region? What is the impact of existing regulatory regimes on the cost and quality of air services? How do the quality and cost of service compare with best practice?

What might be gained from, liberalizing entry and adopting an open skies policy? (Estimates of the gains from liberalization could be generated through the use of CGE models, or with the help of input-output table data on the importance of air transport to the rest of the economy).

How might the regulatory environment be improved and made to be more pro-competitive? Might there be role for embedding liberalization commitments in the GATS?

Maritime Services What is the regulatory structure for maritime services in the region?
How does this structure affect the costs of shipping services, and the quality of service provided? How might liberalization improve the efficiency and quality of shipping services to the region? Should negotiations begin from the proposals on the table in the Maritime Services negotiations, or from a fresh start?

**Trade Facilitation**

How do customs clearance procedures in the region compare with best practices? What is the average cost on trade implied by status quo procedures? What could be gained from adoption of best practices? What is needed in terms of institutional upgrading to improve the process? What role could be played in this connection by electronic data interchange? Is paperless clearance an option for countries in the region in the foreseeable future?

Have countries in the region applied the WTO customs valuation agreement? Would further WTO disciplines to facilitate trade be desirable? How would the adoption of such standards fit with regional initiatives such as APEC’s trade facilitation proposals and UNCTAD-based initiatives? What has been the experience with trade facilitation efforts and programs undertaken through UNCTAD? What do these suggest for possible WTO disciplines?

**Returning Textiles and Clothing to GATT Disciplines**

How important are textiles and clothing exports for the region? How important are markets subject to quotas under the Agreement on Textiles and Clothing (ATC) relative to unrestricted markets? Which products are exported subject to quotas and which remain unrestricted? Have the initial stages of liberalization created new export opportunities? Has there been any expansion of exports in categories that were previously subject to quotas, but not subject to active restrictions?

How are the export quotas administered in the region? What approach is used for the initial allocation of quotas to firms? Is resale of quotas allowed? What are the main means used for quota transfers between firms? At what price, or other consideration, are quotas transferred between firms? Have the transfer prices of quotas increased or decreased since the introduction of the Agreement on Textiles and Clothing?

Do some or all exporters in the region benefit from preferential market access? If so, for what types of products? Are preferential exports subject to quota limits?

What changes are expected following complete abolition of the quotas? Do producers in the region expect to be able to expand their exports following liberalization? What do they see as the main constraints on expansion of their exports?

**Trade and Investment**

What are the investment incentive regimes generally used in the region? To what extent do investment authorities select between different types of investment proposals? On what criteria? Export promotion? Regional development? Do investment incentive regimes include tax concessions? Guarantees against nationalization? Promises of
protection from competition? Other incentives? Are these policies seen as effective in attracting favored types of firms?

How costly are the investment incentives currently offered, in terms of foregone tax revenues and other costs? Are there major losses from competition between one country and another in offering incentives to attract favored firms? How cost-effective are incentives believed to be in attracting firms?

Do the current TRIMs rules affect investment incentives in the region? Are they seen as a constraint?

Have countries in the region made substantial commitments on right of establishment under the GATS? Have these commitments helped to attract investment?

Would extension of the rules along the lines proposed in the Multilateral Agreement on Investment (MAI) allow development objectives to be achieved? Would commitments under a WTO investment agreement be more attractive to investors than incentives offered unilaterally?

Would alternative approaches, such as regional arrangements, be better than multilateral agreements? Could WTO rules build on, or complement, regional initiatives such as the APEC nonbinding investment code?

**TRIPS**

Where does the region (country) stand in terms of intellectual property right protection? What is the status quo on trade and FDI in IP-intensive products? What types of intellectual property is most important for the region/country from a growth perspective?

What is the cost of implementing TRIPS? What will happen to the average cost of imports? What has been achieved in terms of implementation of the TRIPS agreement? What can be learned from the experience to date? How do TRIPS regulations interact with regulations governing goods such as pharmaceuticals? How have parallel imports been handled in the region? Would WTO rules on parallel imports be helpful in promoting competition and enhancing welfare?

Should new types of intellectual property be included in the negotiations? What changes in the rules governing TRIPS should be made from a technology transfer and acquisition perspective?

**Dispute Settlement Procedures**

On of the major changes achieved in the Uruguay Round was in dispute settlement. The changes should have made use of the system much more attractive to developing countries as large players can no longer block the process. How effective are the current dispute settlement procedures in allowing countries to defend their interests? How capable is the country to defend its rights? How intensively has it been used?
What are the perceptions of the private sector regarding the relevance of the system? How much awareness is there of the opportunities offered by the WTO to contest illegal market access barriers? What are the major constraints on use of the system? Are the costs prohibitive? Do firms have access to enough information to be able to petition the government to initiate dispute procedures? Is the government responsive and does it have the ability and willingness to act? What might be done to make the WTO procedures more effective?

**Participation in the WTO System**

What problems do countries in the region face in being active participants in the global trading system? Does information flow from WTO representative offices to the capital and to the various stakeholders? What scope is there to cooperate in participating and monitoring the many meetings in Geneva?

How might the private sector be involved more in providing the necessary information to the government in order to raise issues in WTO meetings? How might the various constraints to effective participation be reduced?

**Government Procurement**

Efficient public procurement is of vital importance to any government. Most developing countries are not members of the WTO agreement on procurement. What is the reason for this? This paper would describe the formal rules that currently regulate government procurement decisions in selected countries the region, and compare these to the requirements of the WTO. The paper would also seek to provide information on the situation on the ground—are the formal rules applied? To what extent do procuring entities discriminate in favor of domestic firms? What proportion of procurement is sourced internationally? What is the average size of a tender? What is the breakdown between goods and services?

In what way would adoption of the Government Procurement Agreement (GPA) rules affect public procurement? Would it require large changes? What are the benefits and costs of accession?

**Competition Policy**

Where are problems of abuse of monopoly power or anticompetitive practices most serious in the region? Is there a valid concern about the behavior of foreign multinationals? Have anti-competitive practices reduced the benefits of trade liberalization? Are there regulatory regimes or laws that restrict competition and entry into markets?

Do countries in the region have competition legislation? What are the main features of existing statutes? Are they enforced? What is the main focus of competition authorities in enforcement?
How might the incorporation of principles relating to the application of competition policy in the WTO context improve market performance in the region? Could the adoption of common WTO rules help countries deal with competition problems better than they could alone?

**Standards and Mutual Recognition Agreements**

How important are technical product regulations as a barrier to trade, both imports and exports? How consistent are national standards with international norms? Do the relevant government agencies accept foreign conformity assessment and certification? Are private certification bodies active in the region? What is the experience with these types of entities?

What are the most promising approaches to avoiding that standards are used as disguised protection, while ensuring that valid public interest concerns are addressed? Is harmonization of standards an option in some cases? Where harmonization is neither feasible nor desirable, could mutual recognition be an option? What would need to be done in terms of institutional strengthening in order to make mutual recognition work?

What are the most serious problems created for the region by standards enforcement by major trading partners? Do producers know about the relevant WTO agreements (on technical barriers to trade and phyto-sanitary restrictions)? Does the capacity exist to contest protectionist use of standards in export markets?

**Trade and the Environment**

What are the most pressing trade-related environmental problems currently arising in the region? How might these problems best be addressed? Would WTO rules be helpful? How might WTO rules interact with other environmental agreements?
HANDBOOK: TENTATIVE TABLE OF CONTENTS
(Average length of each chapter not to exceed 2,500 words)

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Part 5. Services
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Part 6. The “New” Trade Agenda
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2. Foreign direct investment
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4. Trade facilitation and electronic data interchange
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7. The TRIPS agreement—implications for developing countries

Part 7. Tools for Negotiators and Analysts
1. Getting to yes: negotiating theory and WTO practice
2. Modeling and simulation analysis -- a “consumer” point of view
3. Modeling and simulation analysis--a review of available tools
4. Descriptive statistics and datasets for negotiators
5. An introduction to SMART Rev. 2

Bibliography

Appendices

A. The New SMART
CD ROM to be included in back cover of the Handbook

B. Spreadsheet-based analytical tools for trade policy analysis
A review and guide map to existing tools that can be downloaded from the EDIMP trade website
(part of the EDI core course Global Integration and the New Trade Agenda)

C. A guide to general equilibrium tools
The 1-2-3 model; the GTAP initiative.

D. Useful web-based resources