



Press Release

Costs of WTO 'Development Round' Could Outweigh Benefits for Developing Countries

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Washington, DC -- "The World Trade Organization (WTO) negotiations in Hong Kong are being billed as a 'development round,' emphasizing the potential benefits that new trade agreements might bring to developing countries. But these claims exaggerate the potential gains and ignore many areas in which developing countries are being asked to make costly concessions.

The Center for Economic and Policy Research has noted that the World Bank projects very limited gains for developing countries, even for a very successful Doha round. Now, current negotiations indicate that the concessions being asked from developing countries could outweigh these small potential benefits of an agreement. In three sectors in particular, developing countries have much at stake:

Agriculture -- While some WTO-proponents claim that the current negotiations are crucial for development, recent World Bank projections suggest very limited gains of only \$86 billion, or 0.8 percent of GDP from complete trade liberalization -- with only \$54 billion from agriculture. And only \$18 - \$119 billion from the Doha round (a barely measurable 0.04 to 0.28 percent of developing countries' GDP).¹ Furthermore, the elimination of rich country subsidies, while benefiting some big agro-exporting countries and cotton farmers in Africa, would be a net loss for developing countries as a whole, according to the World Bank's estimates.²

Services -- The U.S. and EU are seeking to significantly expand the services agreement under the WTO. A controversial 'Annex C' would allow greater access to service markets around the world, forcing countries to give foreign companies the same preferences as domestic providers. One provision of this would place lower-paid workers in greater competition with foreign workers. Meanwhile, highly paid professionals in rich countries would continue to be protected from international competition, despite the fact that competition would yield the largest efficiency gains in these professions.³

Intellectual Property -- Intellectual property protection under the WTO creates very large economic distortions that are extremely costly for developing countries. These are exactly the same types of inefficiencies that the WTO seeks to reduce by lowering trade barriers, only many times larger. The TRIPS agreement may end up costing developing countries more than they would gain from the removal of remaining trade barriers in the rich countries. Developing countries must be cautious in dealing with the continuing implementation of the TRIPS agreement. In particular, the December 11 amendment to the TRIPS agreement regarding medicines will make it more difficult and expensive for developing countries to have access to life-saving medicines, as compared with the situation before TRIPS."

NOTES

[1] Table 1.3 (page 12) and Table 1.5 (page 14) in Anderson, Kym and Will Martin (2005). "[Agricultural Trade Reform and the Doha Development Round](#)," World Bank.

[2] Anderson and Martin, Table 2.8 (page 52).

[3] Dean Baker (2003). "[Professional Protectionists: The Gains From Free Trade in Highly Paid Professional Services](#)," CEPR.

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