



The World Trade Organization's Impact on Developing Countries: Opportunities and Challenges

Bobomurodova Mahliyo Rustam qizi

Master`s degree Student of the Diplomatic Academy
under the University of World Economy and Diplomacy

Abstract: The impact of the World Trade Organization on developing countries is examined in this article. Although the main agenda of the WTO is to open world trade and improve trade conditions, its regulations sometimes cause trouble for the economies of developing countries. However, by being a member of the WTO, these countries achieve benefits such as increasing exports, receiving foreign investment, adopting technology, etc. According to the article, the opportunities and constraints of the WTO for developing countries are mentioned, and suggestions are given to these countries.

Keywords: World Trade Organization, developing countries, international trade, economic policy, trade liberalization.

Introduction

The World Trade Organization (WTO) is one of the largest and most important institutions regulating the global trading system. Established in 1995, the main goal of the WTO is to facilitate trade between countries, reduce trade barriers, and resolve trade



disputes¹. WTO member countries strive to expand economic cooperation through trade under mutually agreed rules.

Developing nations play a significant role in the WTO because they possess a great deal of control over the stability and growth of the global economy. However, WTO membership is not only advantageous but also comes with certain constraints and hindrances for developing countries. WTO regulations, in certain cases, require adjustment of domestic economic policy, whereas in others, domestic producers are forced to adapt to foreign competition.

This article analyzes the economic and social impact of the WTO on developing countries and explores ways of effective implementation of WTO rules.

The Positive Role of the WTO in Trade among Developing Countries

The World Trade Organization is an important forum for developing countries to enhance trade. Its key principle is to deepen economic integration worldwide through liberalization of trade. This section analyzes the positive contribution of the WTO to the trade and economies of developing nations, such as the creation of new markets, broadening export opportunities, and so on.

1. Free Trade Agreements and Market Access

As developing countries join the WTO, they are provided with access to a free trade system. The WTO member countries need to lower customs tariffs and abolish trade barriers, providing new markets for developing countries to export their products². For example, due to the preferential policy of the WTO for developing countries, the majority of countries were able to export their industrial and agriculture products to the global

¹ WTO. The World Trade Organization. About WTO https://www.wto.org/english/thewto_e/thewto_e.htm

² WTO. The World Trade Organization. GATS:FACT AND FICTION
https://www.wto.org/english/tratop_e/serv_e/gats_factfiction3_e.htm



market. This has served as a boost for national economies³. Studies indicate that countries engaging with the WTO often experience a notable increase in export volumes⁴. For instance, Vietnam's joining of the WTO in 2007 saw its manufacturing and agro-based sectors increase hugely, with exports increasing by over 20% annually over the next ten years⁵.

Moreover, initiatives in terms of the WTO's "Free and Fair Trade" ideals facilitated greater markets like the European Union, the USA, and China to become open to developing countries⁶.

This has generated additional exports, raised revenues in currency, and fresh jobs for these countries.

2. Growth of Export Opportunities

WTO regulations create favorable conditions for greater exports for the developing countries. Specifically, the organization introduced the "special and differential treatment" idea into its agenda, under which the developing countries are provided with benevolent terms when they comply with their obligations⁷. Under such privileges, the underdeveloped countries can export products with more lenient customs tariffs and quotas compared to developed countries.

³ International Monetary Fund. Global Trade Liberalization and the Developing Countries, by IMF Staff, November 2001
<https://www.imf.org/external/np/exr/ib/2001/110801.htm>

⁴ CEPR. Trade effects of WTO: They're real and they're spectacular, Yoto Yotov, José-Antonio Monteiro, Roberta Piermartini, Mario Larch 20 Nov 2019 <https://cepr.org/voxeu/columns/trade-effects-wto-theyre-real-and-theyre-spectacular>

⁵ IMF. IMF Survey: Joining WTO Will Boost Vietnam's Economy, Patrizia Tumbarello Jan 29 2007
<https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar051a>

⁶ EveryCRSReport. Rising Economic Powers and U.S. Trade Policy, December 3, 2012
<https://www.everycrsreport.com/reports/R42864.html>

⁷ Open Knowledge Repository. The Role of Special Differential Treatment for Developing Countries in GATT and the World Trade Organization, Michalopoulos, Constantine, July 2000
<https://openknowledge.worldbank.org/entities/publication/04f9034b-00f8-5234-9e4b-32beb93619f9>



For example, agricultural products from African countries have been in a position to enter Asian and European markets due to the trade rules set by the WTO⁸. This has positively contributed to national income and infrastructure development.

The WTO provides developing countries with flexibility in fulfilling their obligations through Special and Differential Treatment (SDT)⁹. These concessions benefit developing countries in the following ways:

- Delays in Obligations: It takes longer for these countries to reduce their tariff on imports or pursue other forms of trade liberalization compared to developed nations.
- Advantages in Market Access: Industrialized countries offer lower tariffs and quotas to products of developing countries through WTO agreements¹⁰.

For instance, the WTO "Generalized System of Preferences" (GSP) program has helped developing countries export both industrial and agricultural products. Developing countries can sell their products to the USA, the European Union, and other developed countries under preferential treatment¹¹.

3. Promoting Foreign Direct Investment (FDI)

WTO membership usually signals the fact that the country is practicing economic liberalization and conforming to international conventions in trade, thereby becoming a more attractive prospect to foreign investors. WTO-promoted reforms through greater

⁸ WTO. The World Trade Organization. Strengthening Africa's capacity to trade, 2021
https://www.wto.org/english/res_e/booksp_e/strengthening_africas_capacity_to_trade

⁹ WTO. The World Trade Organization. Special and differential treatment provisions
https://www.wto.org/english/tratop_e/devel_e/dev_special_differential_provisions_e.htm

¹⁰ United Nations. Special treatment regarding obligations and flexibilities under WTO rules, March 2023
<https://www.un.org/ldcportal/content/special-treatment-regarding-obligations-and-flexibilities-under-wto-rules>

¹¹ UNCTAD. Generalized System of Preferences, 2023 https://unctad.org/system/files/official-document/ditctsce2023d1_en.pdf



intellectual property protections and fewer restrictions on trade enhance investor confidence¹².

China's accession to the WTO in 2001 is the optimum case. Its adherence to WTO rules developed a more favorable climate for investment, which spurred an explosion in foreign direct investment and stimulated its economic growth¹³.

4. Fair Trade Rules and Mechanism of Arbitration

WTO is an effective forum in encouraging developing countries to conduct international trade in a fair manner. These standardized regulations benefit developing nations, protecting them against unfair trade restrictions by more powerful countries¹⁴. The arbitration system of the WTO ensures the speedy and open resolution of trade disputes¹⁵. This helps to improve competition conditions for developing nations. Developing nations can protect their interests through arbitration when they are negatively impacted by illegal subsidies provided by developed countries under WTO regulations. Nations such as India and South Africa have successfully used WTO principles to fight unfair trade practices¹⁶. Brazil also successfully used the WTO to challenge European Union subsidies for sugar, obtaining fairer competition for its national sugar industry¹⁷.

5. Economic Integration and International Partnerships through the WTO

¹² ODU. Old Dominion University, The future of the World Trade Organization and international free trade by Bolu Ayankoj, 2024 <https://www.odu.edu/sites/default/files/2024/documents/2nd-world-trade-organization.pdf>

¹³ The Park Place Economist. China's Accession to the WTO: Economic Benefits, by Graham Boden, 2012 <https://digitalcommons.iwu.edu/cgi/viewcontent.cgi?article=1364&context=parkplace&>

¹⁴ WTO. The World Trade Organization. Principles of the trading system https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

¹⁵ Georgetown Law. WTO & GATT Dispute Settlement, Nov 2024 <https://guides.ll.georgetown.edu/c.php?g=363556&p=3915307>

¹⁶ WTO. The World Trade Organization. Chronological list of disputes cases https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm

¹⁷ Harvard Business School. Brazil Sugar and the WTO: Agricultural Reform in the European Union, by Ray A. Goldberg, Kerry Herman and Irina Tarsis, April 2006 <https://www.hbs.edu/faculty/Pages/item.aspx?num=32812>



The WTO accelerates the integration of developing countries into the global economy. Multilateral negotiations in the organization allow developing countries to establish strategic partnerships with industrialized nations. These partnerships facilitate the acquisition of technologies, knowledge exchange, and foreign investment attraction.

For example, the "Doha Development Agenda" of the WTO aimed at increasing the involvement of developing countries in international trade. Through the program, various countries reshaped their economies and became more integrated in international trade¹⁸.

The WTO encourages knowledge transfer and technology transfer, especially under programs like Aid for Trade¹⁹. These programs help developing countries enhance their trade infrastructure, institutional capacity, and linkages into global value chains.

For example, Rwanda invested Aid for Trade funds in upgrading its transport and logistics infrastructure, reducing the cost of trade and becoming more competitive in coffee and tea exports²⁰.

The Negative Impact of the WTO on Developing Countries

While developing nations have been incorporated into the global trade system by the WTO, the process sometimes proves to be damaging for their social and economic development. In this section, the negative effects of the WTO on the domestic economies of developing nations are examined.

1. Failure of Domestic Industries to Counter Global Competition

Developing countries face challenges in adapting international trade policies promoted by the WTO, as their local industries may not be competitive well at the global

¹⁸ Congressional Research Service. World Trade Organization Negotiations: The Doha Development Agenda, Nov 2012
<https://crsreports.congress.gov/product/pdf/RL/RL32060/24>

¹⁹ WTO. The World Trade Organization. Aid for Trade https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm

²⁰ UNCTAD. RWANDA'S DEVELOPMENT-DRIVEN TRADE POLICY FRAMEWORK, 2010 https://unctad.org/system/files/official-document/ditc20092_en.pdf



level. They are dominated by developed countries' products in most cases and pose a risk to their industries²¹.

For instance, most African nations that are part of the WTO have lost the competitiveness of their agricultural products. Developed countries' subsidized farm produce inundated African markets, leaving local farmers in financial difficulties²². Additionally, most developing nations do not have the technological advantage or production capabilities to compete with high-income economies, resulting in market displacement and losses of employment opportunities in some industries.

For instance, Sub-Saharan African textile producers have not been able to compete with low-cost imports from Asia, with factories closing down and workers losing their jobs²³. The same is true for small farmers in developing countries who cannot compete with highly subsidized food grains from developed economies.

2. Trade Injustice Due to Subsidies

Subsidies by developed countries to their local farmers and producers reduce the demand for products from developing countries. It is challenging for developing countries to articulate their interests during WTO negotiations. Although they represent the majority in the membership of the organization, their collective voice is usually overcome by developed countries, which wield greater economic and political power. The Doha Development Agenda launched in 2001 to encapsulate the interests of developing countries has made very little progress with intra-fighting between advanced economies and

²¹ UNCTAD. Teddy Y Soobramanien and Leah Worrall. Emerging Trade Issues for Small Developing Countries <https://unctad.org/system/files/non-official-document/ditc-ted-oceans-commonwealth-9781848599642-en.pdf>

²² UNCTAD. Economic Development in Africa Report 2022 <https://unctad.org/publication/economic-development-africa-report-2022>

²³ United Nations. Loss of textile market costs African jobs, by Gumisai Muyume, April 2006 <https://www.un.org/africarenewal/magazine/april-2006/loss-textile-market-costs-african-jobs>



emerging ones²⁴. Key issues such as agricultural subsidy reforms continue to be unresolved, to the great frustration of most developing nations.

For instance, as per the World Bank, in a 2021 report, the US and the EU agricultural subsidies depressed world market prices artificially, leading to financial losses to developing country exporters²⁵.

3. Mandatory Rules of the WTO and Their Impact on National Development Strategies

WTO membership terms tend to call on developing nations to open their economic and trade policies. In the process, this may restrain their economic sovereignty. For example, in order to join WTO, some developing nations have to reduce their tariffs on imports, ease customs, and allow their economies to receive foreign investments²⁶.

Local enterprises, in such circumstances, find it difficult to compete with foreign businesses. For example, since India's agricultural sector was flooded with foreign products after India joined the WTO, domestic farmers suffered enormous losses²⁷. WTO rules limit developing countries from implementing protectionist policies for infant industries or adopting interventionist strategies. For example, WTO trade-related investment measures (TRIMs) and subsidy agreements restrict developing countries' ability to protect domestic industries using tariffs or subsidies²⁸.

²⁴ Congressional Research Service. World Trade Organization Negotiations: The Doha Development Agenda, by Ian F. Fergusson, December 12, 2011 <https://sgp.fas.org/crs/misc/RL32060.pdf>

²⁵ World Bank. Unfair Advantage: Distortive Subsidies and Their Effects on Global Trade, 2023 <https://thedocs.worldbank.org/en/doc/0534eca53121c137d3766a02320d0310-0430012022/related/Unfair-Advantage-Distortive-Subsidies-and-Their-Effects-on-Global-Trade-2023.pdf>

²⁶ GW Law. Mapping the Law of WTO Accession, Steve Charnovitz, 2013 https://scholarship.law.gwu.edu/faculty_publications/393/

²⁷ WTO. World Trade Organization. World Trade Statistical Review 2020 https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020_e.pdf

²⁸ International Trade Administration. WTO AGREEMENT ON TRADE-RELATED INVESTMENT MEASURES <https://www.trade.gov/trade-guide-wto-trims>



India's history in the economy of agriculture illustrates this dilemma²⁹. India has suffered controversies over policies of minimum support prices that do not align with WTO policies even though these are crucial in protection of its small-scale farmers. WTO-sponsored regimes and commitments are able to pressure developing countries into altering their development plans at national levels. Developing countries can lose their ability to help local industries adjust to terms of international trading.

For instance, the WTO rules on subsidies to industry made South American countries cut programs benefitting local manufacturers. Subsequently, production locally decreased and had a degrading effect on economic growth³⁰.

Conclusion and Recommendations

A key major organizations in offering stable growth of the international trade system and equitable terms is considered the World Trade Organization. It has also been significantly involved in the economic growth of developing countries. Rules of trade have been harmonized by activities within WTO, and markets across the globe have been opened up for developing countries. The WTO's positive contribution is the expansion of opportunities for exports, attraction of foreign investment, and economic integration.

Nevertheless, the norms and policies of the WTO have a tendency to violate national sovereignty interests of developing countries. Difficulty in protecting local industries against foreign competition outside their borders, unfairness with respect to subsidies given by developed countries, and impact on economic sovereignty due to commitments owing to WTO are major challenges to these countries.

At the same time, reforms in WTO aim to ensure that developing countries benefit from the global trading system in a level playing field. Special and differential treatment,

²⁹ ibid

³⁰ IMF Annual Report 2021 <https://www.imf.org/external/pubs/ft/ar/2021/eng/downloads/>



technical assistance schemes, and the Doha Development Agenda form important elements of the WTO approach to these countries. The dispute settlement mechanism of WTO is an important platform for the protection of developing country interests in international trade.

Suggestions for developing countries to derive maximum advantages from WTO membership and counter any adversity are as follows:

1. Regional trade agreements can complement WTO membership by fostering economic integration between neighboring nations and addressing specific regional requirements. For example, the African Continental Free Trade Area (AfCFTA) provides a platform for African nations to create regional value chains and enhance their collective bargaining power in WTO negotiations.
2. Developing countries must be engaged meaningfully in WTO negotiations to press for reforms geared towards their own concerns. These are to push for reductions in farm subsidies in the developed economies, greater leeway in setting trade policies, and stronger technical assistance programs.
3. Diversification of the economy from primary commodities is also key towards sustainable economic stability. The developing nations can focus on deepening their export base by developing the manufacturing and service sectors. For instance, countries like Kenya and Ethiopia have diversified their exports to cover processed agriculture produce and textiles, thereby insulating them from volatility in commodity prices.
4. Capacity at the institutional level to address WTO rules and harness available opportunities must be ensured. This entails strengthening policymakers, formulating trade-related infrastructures, and opening up association with other global bodies for technical assistance.



Eventually, the WTO's role in shaping more conducive terms for developing countries will be crucial to remain relevant in the world trade regime. Strengthening the voice of developing countries, limiting subsidies, and accelerating technology transfer needs to be top agendas of WTO reforms. Through these reforms, the WTO can become a better-balanced system that addresses the interests of developed nations and developing countries.

References:

1. Bhagwati, J. (2004). In Defense of Globalization. Oxford University Press – The role of the WTO in advancing global trade and its economic consequences.

<https://scholarship.law.columbia.edu/books/191/>

2. CEPR. Trade effects of WTO: They're real and they're spectacular, Yoto Yotov, José-Antonio Monteiro, Roberta Piermartini, Mario Larch 20 Nov 2019

<https://cepr.org/voxeu/columns/trade-effects-wto-theyre-real-and-theyre-spectacular>

3. Congressional Research Service. World Trade Organization Negotiations: The Doha Development Agenda, by Ian F. Fergusson, December 12, 2011

<https://sgp.fas.org/crs/misc/RL32060.pdf>

4. Congressional Research Service. Rising Economic Powers and U.S. Trade Policy, December 3, 2012

https://www.everycrsreport.com/reports/R42864.html?utm_source=chatgpt.com



5. Georgetown Law. WTO & GATT Dispute Settlement, Nov 2024
<https://guides.ll.georgetown.edu/c.php?g=363556&p=3915307>
6. GW Law. Mapping the Law of WTO Accession, Steve Charnovitz, 2013
https://scholarship.law.gwu.edu/faculty_publications/393/
7. Harvard Business School. Brazil Sugar and the WTO: Agricultural Reform in the European Union, by Ray A. Goldberg, Kerry Herman and Irina Tarsis, April 2006
<https://www.hbs.edu/faculty/Pages/item.aspx?num=32812>
8. Hoekman, B., & Kostecki, M. (2009). The Political Economy of the World Trading System. Oxford University Press – An analytical approach to the WTO's rules and the experiences of developing countries in utilizing them.
https://www.researchgate.net/publication/375119496_The_Political_Economy_of_the_World_Trading_System_The_WTO_and_Beyond
9. IMF. IMF Survey: Joining WTO Will Boost Vietnam's Economy, Patrizia Tumbarello Jan 29 2007 <https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar051a>
10. IMF. Global Trade Liberalization and the Developing Countries, by IMF Staff, November 2001 <https://www.imf.org/external/np/exr/ib/2001/110801.htm>
11. International Trade Administration. WTO AGREEMENT ON TRADE-RELATED INVESTMENT MEASURES <https://www.trade.gov/trade-guide-wto-trims>
12. Nwachukwu Sunny Nnabuihe, Nwachukwu Tobechukwu Odunze and Nwosu Ezekwesiri Okebugwu. WORLD TRADE ORGANIZATION AND THE DEVELOPING WORLD NIGERIAN ECONOMY: A CASE STUDY



<https://eujournal.org/index.php/esj/article/view/4109>

13. Open Knowledge Repository. The Role of Special Differential Treatment for Developing Countries in GATT and the World Trade Organization, Michalopoulos, Constantine, July 2000

<https://openknowledge.worldbank.org/entities/publication/04f9034b-00f8-5234-9e4b-32beb93619f9>

14. ODU. Old Dominion University, The future of the World Trade Organization and international free trade by Bolu Ayankojo, 2024

<https://www.odu.edu/sites/default/files/2024/documents/2nd-world-trade-organization.pdf>

15. Rodrik, D. (2011). The Globalization Paradox: Democracy and the Future of the World Economy. W. W. Norton & Company – Discussions on the social and economic implications of the WTO and global trade policy.

<https://drodrik.scholar.harvard.edu/publications/globalization-paradox-democracy-and-future-world-economy>

16. UNCTAD. Economic Development in Africa Report 2022

<https://unctad.org/publication/economic-development-africa-report-2022>

17. UNCTAD. Generalized System of Preferences, 2023

https://unctad.org/system/files/official-document/ditctsce2023d1_en.pdf

18. UNCTAD. RWANDA'S DEVELOPMENT-DRIVEN TRADE POLICY



FRAMEWORK, 2010

https://unctad.org/system/files/official-document/ditc20092_en.pdf

19. United Nations. Loss of textile market costs African jobs, by Gumisai Muyume, April 2006 <https://www.un.org/africarenewal/magazine/april-2006/loss-textile-market-costs-african-jobs>
20. United Nations. Special treatment regarding obligations and flexibilities under WTO rules, March 2023 <https://www.un.org/ldcportal/content/special-treatment-regarding-obligations-and-flexibilities-under-wto-rules>
21. World Bank – The experiences and strategies of developing countries that are members of the WTO
<https://documents1.worldbank.org/curated/en/261821468739472628/pdf/multi-page.pdf>
22. WTO. The World Trade Organization. Aid for Trade
https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm
23. WTO. The World Trade Organization. Chronological list of disputes cases
https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm
24. WTO. The World Trade Organization. GATS: FACT AND FICTION
https://www.wto.org/english/tratop_e/serv_e/gats_factfiction3_e.htm
25. WTO. The World Trade Organization. Principles of the trading system
https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm
26. WTO. The World Trade Organization. Special and differential treatment provisions



https://www.wto.org/english/tratop_e/devel_e/dev_special_differential_provisions_e.htm

27. WTO. The World Trade Organization. Strengthening Africa's capacity to trade, 2021

https://www.wto.org/english/res_e/booksp_e/strengthening_africas_capacity_to_trade

28. WTO. The World Trade Organization. World Trade Statistical Review 2020

https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020_e.pdf

29. WTO. The World Trade Organization. About WTO

https://www.wto.org/english/thewto_e/thewto_e.htm

30. WTO. The World Trade Organization. Chronological list of disputes cases

https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm

31. Yusuf, S., & Nabeshima, K. (2009). Tiger Economies Under Threat: A Comparative Analysis of Malaysia's Industrial Prospects and Policy Options.

<https://openknowledge.worldbank.org/entities/publication/067c4f3d-b570-5929-937f-b6306ce517bb>