

IS THE WTO DISPUTE SETTLEMENT PROCEDURE FAIR FOR POOR (PARTICULARLY POOR AFRICAN) COUNTRIES?

On January 24, 1995, Venezuela requested consultations at the World Trade Organization (WTO), alleging that a United States (US) gasoline regulation discriminated against Venezuela's producers. The WTO Dispute Settlement Procedure (DSP) established a Panel and released its findings on January, 29 1996. The panel's report found the US regulation to be inconsistent with GATT articles. On August 19, 1997, the US government announced implementation of the recommendations of the DSP. Since then, other developing countries including Brazil, Chile, Costa Rica, Guatemala, Honduras, India, Mexico, Pakistan, Peru, Philippines, and Thailand have successfully complained to the DSP about measures implemented by either the European Union or the US and have obtained a withdrawal of a trade measure or an

adjustment of a measure to conform with WTO law.

The WTO's DSP is considered by many to be one of the great achievements of the

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multilateral trading system, but is the DSP fair for developing countries? Bouët and Metivier¹ construct a database on

trade disputes initiated at WTO DSP between 1995 and 2014 and conduct an econometric estimation to determine whether the DSP is rules-based (i.e., litigations are open to all countries and settlements are only based on rules) or power-based (i.e., litigations are not open to all countries and settlements are not only based on rules, but also on economic power).

What could be the reasons for a power-based DSP?

First, litigations are costly. The literature specifically mentions the importance of the real financial cost implied by diplomats' and lawyers' wages participating in DSP

AGRODEP is a Modeling Consortium of African researchers living and working in Africa with research interests ranging from economic modeling to regional integration and development to climate change, gender, poverty, and inequality. There are currently 183 members from 27 countries; our members work at top research institutions and universities in their own countries as well as various government agencies and non-profit organizations.

The benefits of being an AGRODEP member include opportunities for research grants, free access to cutting-edge economic research tools, data, and training. Members also gain access and exposure to large global networks of economic researchers and experts. [Click here to learn more.](#)

¹ Bouët, A., and J. Métivier, 2017, Is the WTO Dispute Settlement Procedure

Fair for Developing Countries?, IFPRI Discussion Paper, forthcoming.

activities and the cost of access to the information needed for litigation, even if legal aid is provided through the WTO's Advisory Centre. Second, no institutional arrangement has thus addressed the issue of the DSP's power to enforce its rulings. The multilateral institution cannot oblige one of its members to adopt a DSP ruling, and some authors have argued that, in fact, the system relies on the ability of the complainant to implement retaliatory measures. If a country lacks retaliatory capacity, this may prevent that country from lodging a complaint in the first place. Third, another concern for developing countries may arise either from trade preferences given by rich countries to poor ones or from financial or development-related aid given by the former to the latter. In these cases, the threat of expected retaliation may prevent poor countries from complaining about the trade policy of a preference-giving or aid-giving country.

Are trade litigations open to all countries? A preliminary test looks at the list of countries participating in the WTO DSP. From 1995 to 2014, a significant number of member countries have been absent altogether from formal trade litigation, including all WTO-member African states. This simple

observation may raise the question of bias in the litigation procedure itself. However, the predominance of rich countries as either complainants or respondents of trade disputes cases may simply reflect the predominance of rich countries in international trade and their high number of traded products and partners.

Bouët and Metivier construct a database on trade disputes litigated by WTO DSP between 1995 and 2014 and regress the probability that each country files at least one complaint against another WTO member. They conclude that the structure of trade between country i and j is an important determinant; the number of products exported by i to j is particularly significant. Their findings also indicate a bias in the DSP based on country j 's specific features: any country is more likely to complain against the policy of a democratic country. The authors interpret these results by stating that countries are not likely to complain against an authoritarian regime since they do not expect that such regimes will follow WTO rulings.

However, the authors do not demonstrate that bilateral economic relationship between countries i and j have an impact on dispute initiation.

At a policy level, this paper concludes that the WTO could

further improve the fairness of its dispute settlement procedure. First, the WTO could more systematically and substantially provide both legal and economic aid to all its member states, particularly lower middle-income and low income countries. This assistance already exists, but is only offered once a country has initiated a case at the DSP. It is apparently not efficient enough for poor countries in general and for African countries in particular, who may need *ex ante* assistance to detect disputable trade measures.

More ambitious reforms may include the enforcement power of the dispute settlement procedure. When a WTO ruling confirms the validity of the complaint, some mechanism (multilateral sanctions as well as retroactive sanctions) could give strong incentives to the respondent to comply. At a time when more and more policymakers are tempted to support protectionist measures, even in large and powerful countries, a strong WTO that can guarantee the fairness of trade litigations could represent a key element of the world trading system.

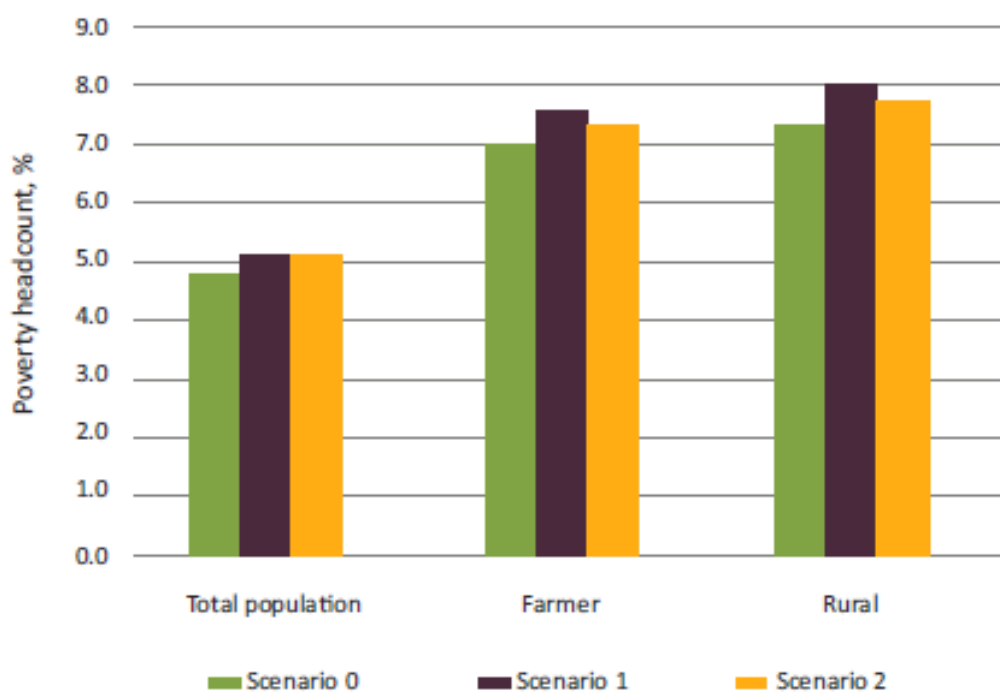
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DATA

Recent statistics about Africa

Over the past 25 years, large economic growth in many developing countries has contributed to a dramatic drop in the global extreme poverty rate: from 37 percent to 13 percent between 1990 and 2012. However, more recently, the global economic outlook has deteriorated. The latest International Monetary Fund (IMF) forecast for the level of world gross domestic product (GDP) in 2017 is more than 5 percent below the level forecast in 2012, and the expected growth rate for 2017 is down by a quarter. Laborde and Martin² analyze two scenarios involving changes in growth projections with respect to projections based on the 2012 IMF forecasts (scenario 0). The first focuses on the impacts of a slowdown in the leading economies of the rich world plus Brazil, China, and Russia (scenario 1). The second incorporates changes in growth rates around the world (scenario 2). Their findings clearly show that this global economic slowdown will imply more poor people worldwide than initially expected.

Figure 1. Global poverty headcount under alternative scenarios by 2030 (%)



Source: Authors' calculations

Note: Poverty is defined by the \$1.90 PPP 2011 threshold. The 2014 global poverty headcount level is equal to 13 percent.

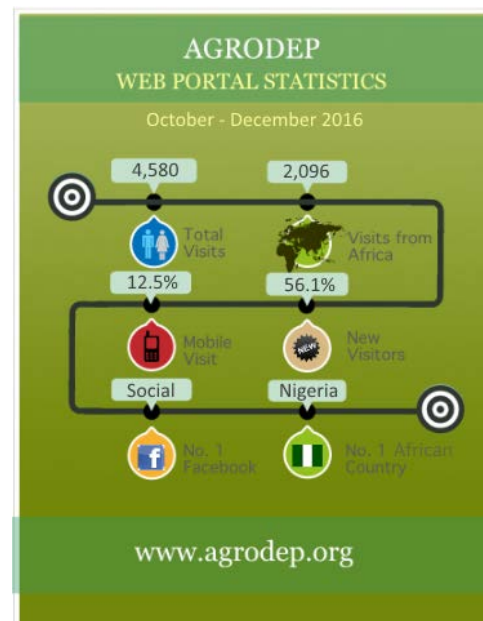
² See Laborde D., and W. Martin, 2016, Implications of Slowing Growth in Emerging Market Economies for Hunger and Poverty in Rural Areas of Developing Countries, IFPRI Discussion Paper, 01554.

TWO NEW AGRODEP WORKING PAPERS RELEASED

Working Paper Series Grows to 38

AGRODEP has released two new papers in its [working paper series](#), making a total of 38 papers. [“Why Can’t MENA Countries Trade More?”](#), by Fida Karam and Chahir Zaki, looks at the relationship between institutions and trade in the Middle East and North Africa (MENA) region. Using a gravity model that looks at bilateral trade in disaggregated goods and services sectors for 21 MENA countries, the authors find that poor institutions can help explain some countries’ zero probability of trade. Thus, institutions do matter for trade in the region and should be an important policy concern.

[“Female Labor Outcomes and Large-Scale Land Investments in Tanzania”](#) was written by Evans S. Osabuohien, Raoul Herrmann, Uchenna R. Efobi, and Ciliaka M.W. Gitau. This paper examines to what extent Africa’s current agricultural transformation has delivered on its promises of job creation and rural development, especially for women. The paper looks specifically at the trend of large-scale land investments (LLIs) in Tanzania and finds that these LLIs have no significant impact on women’s agricultural wages. However, the investments do appear to have a negative effect on the welfare of female-headed households in communities where the LLIs are located. These results suggest that the use of LLIs to stimulate agricultural transformation requires better targeting of potential beneficiaries, particularly rural women.



LATEST AGRODEP TRAINING COURSE

2016 Training Course Series Ends in December

AGRODEP’s last training course for 2016 was held on December 13-15 in Dakar, Senegal. [“Multi-country, Multi-sector General Equilibrium Analysis: MIRAGRODEP AEZ”](#), instructed by David Laborde and Fousseini Traore of IFPRI, focused on MIRAGRODEP AEZ, a new model that assesses how technological innovations impact agricultural growth and food security at the sub-national level using agro-ecological zones. The model was built at IFPRI under the Program of Accompanying Research for Agricultural Innovation (PARI), in partnership with the Center for Development Research (ZEF)-University of Bonn.

A total of eleven AGRODEP members from seven countries participated in the three-day course, which provided hands-on training on how to use the model based on real examples from Ghana. Course participants also participated in an online training module prior to the event in Dakar.

WHAT IS AGRODEP?

The African Growth and Development Policy (AGRODEP) Modeling Consortium is an initiative led by the International Food Policy Research Institute (IFPRI). The goal of AGRODEP is to position African experts to take a leading role in both (1) the study of strategic development questions facing African countries as a group and (2) the broader agricultural growth and policy debate, which traditionally has been dominated by external actors and concerns.

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