

# Africa and the Doha Round

## Fighting to keep development alive

As a result of unfair trade rules and falling commodity prices, Africa has suffered terms-of-trade losses and increasing marginalisation. Ten years after the Uruguay Round, the poorest continent on earth, which captures only one per cent of world trade, risks even further losses, despite promises of a 'development round' of trade negotiations. This would be a great injustice. There cannot and should not be any new round without an assurance of substantial gains for Africa.

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## Glossary

ACP	African, Carribean, Pacific Group of States
AOA	Agreement on Agriculture
CAP	Common Agricultural Policy
DFQF	duty-free, quota-free
EPA	Economic Partnership Agreement
FIP	Five Interested Parties
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GSTP	Agreement on the Global System of Trade Preferences among Developing Countries
HIPC	Heavily Indebted Poor Country
IFI	international financial institution
LDC	Least Developed Country
MDG	Millennium Development Goal
MFA	Multifibre Arrangement
MRL	maximum residue levels
NAMA	Non-Agricultural Market Access
NFIDC	net food-importing developing country
NTB	non-tariff barriers
OAU	Organization of African Unity, now (since July 2002) African Union
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDT	Special and Differential Treatment
SPS	Sanitary and Phyto-Sanitary
TBT	Technical Barriers to Trade
TRIMS	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
USDA	United States Department of Agriculture

## Summary

As the poorest continent on earth, Africa needs debt relief, aid, and trade to help it to alleviate poverty and achieve sustainable development. Unfortunately, unfair trade rules and supply constraints impede Africa's capacity to trade. As a result, it captures a mere one per cent of world trade.

In 2001, African countries were reluctant to launch a new round of WTO negotiations at the World Trade Organisation (WTO), because the Uruguay Round rules had not been fully implemented, and African governments were concerned that a new set of rules could hinder rather than foster development. But rich countries promised them that this round would be different: the Doha 'Development Round' would focus on the reform of WTO rules, with the specific aim of boosting the participation of poor countries in international trade.

Over the past four years, African decision makers have stated repeatedly and explicitly what their countries need from the 'development round', and yet it is a constant struggle for them to make their voices heard and keep their key issues on the agenda. In fact, if negotiations continue along their current track, it is doubtful that the so-called Doha Development Round will bring tangible benefits to Africa in terms of enhanced opportunities for trading, business, and employment. There is, in fact, a risk that some of the main obstacles that limit African exports will not be addressed in a meaningful way during the round. They include dumping of products of interest to African countries, such as cotton; lack of duty-free, quota-free access to rich-country markets for Least Developed Countries (LDCs); overly complex rules of origin; and non-tariff barriers (NTBs).

In addition, the small advantage that African countries currently enjoy through preferential arrangements with developed countries will be reduced as the round is implemented. Some of Africa's main exports to Northern markets will face more competition as a result of the overall reduction in tariffs. On the import side, while LDCs are largely exempt from tariff reductions, other African countries are being asked to reduce their tariffs, with potentially adverse consequences for rural livelihoods and industrial employment. Finally, demands from African countries requesting 'Aid for Trade' to help them cope with the challenges linked to the implementation of the round and to relieve supply constraints, are unlikely to be fully met.

In this context, calling the current negotiations a 'development round' sounds like a cynical joke to many African governments and citizens. Key players in the Doha round should start taking African demands seriously. Fair and sustainable solutions must be found in time for the forthcoming WTO ministerial conference in Hong Kong in December 2005.

# 1. Introduction: Africa and the Doha Development Round

As part of a development round, African leaders should be expected to present their vision of an international trading system that promotes economic development – but in doing so they need an audience of WTO members willing to give serious consideration to their ideas and proposals.

The ‘Africa Group’ at the WTO has been active in the Doha talks, despite significant capacity constraints and unfair decision-making processes which have regularly excluded them from the negotiations. The Group has produced numerous negotiating proposals and intervened regularly in discussions on key issues, including agriculture, Trade-Related Intellectual Property Rights (TRIPS), cotton, commodities, and Non-agricultural Market Access (NAMA). In 2005, African countries endorsed the Cairo Declaration at the Africa Union Ministerial,<sup>1</sup> and Least Developed Countries (LDCs) published the Livingstone Declaration following their Ministerial meeting in Zambia.<sup>2</sup> Both documents identify the WTO rules that would promote economic development on the continent.

That rich countries routinely ignore such explicit recommendations illustrates the cynical attitude of certain members in the talks *vis-à-vis* not only African countries but other poor countries also. This paper discusses how Africa has fared under the Uruguay Round in a number of key areas, including agriculture, cotton, commodities, NAMA, and TRIPS. It then analyses the extent to which WTO members have, in the current round of trade talks, addressed the stated negotiating priorities of the African countries, such as the following:

**Stop the dumping of subsidised exports from rich countries, and guarantee the right of African countries to institute pro-development trade and agriculture policies.**

- The **Cairo Declaration** calls for a credible end-date for the elimination of trade-distorting support by developed countries for agricultural exports, along with ‘meaningful and effective reductions in the subsidies granted to their farming communities’, adding that disciplines should not lead to ‘box-shifting’.
- The **Livingstone Declaration** calls for ‘ambitious, expeditious and specific cotton-related decisions, in particular the elimination of domestic support measures and export subsidies that distort

international trade', along with a commitment to address the development-related aspects of the cotton crisis.

- The **Cairo Declaration** calls on members to agree 'meaningful modalities on special products and special safeguard mechanisms... to respond to the concerns of developing countries and LDCs related to food security, livelihood security and rural development', emphasising the need to safeguard 'policy space and flexibility'.

**Grant effective market access to developing countries, and duty-free and quota-free access to LDCs.**

- The **Livingstone Declaration** calls for 'duty free and quota free market access for all products from LDCs to be granted and implemented immediately', complemented by simplified rules of origin and assistance to help LDCs to comply with health and safety standards and product standards.

**Address key trade-related development challenges.**

- The **Cairo Declaration** calls for measures within the Doha talks to resolve the 'crisis of instability and secular decline in commodity prices'.
- The **Cairo Declaration** also states that 'specific and concrete mechanisms and solutions to the problems of preference erosion must be devised within the WTO context to fully address the concerns of African countries'.
- The **Livingstone Declaration** affirms 'the need to urgently amend the TRIPS Agreement to incorporate the August 30, 2003, decision' in order to facilitate poor countries' access to affordable medicines.

## 2. 2005: a make-or-break year for Africa

As the host of the meeting of G8 leaders in July 2005, the UK government launched an appeal early in the year for G8 members to provide an extra \$25 billion in aid money, increase aid to 0.7 per cent of GDP, provide 100 per cent debt relief to poor countries, and end harmful trade protectionism. An expert Commission on Africa called 2005 'a make-or-break year' for Africa in particular. In addition to the call to launch a war on global poverty, the G8 and Millennium summits would focus on poverty reduction, and WTO members would agree by December 2005 to reform unfair trade rules.

The G8 summit made some progress on the issues of increased aid and debt reduction. Significantly, the G8 agreed to cancel 100 per cent of the debt owed to the African Development Fund, the World Bank, and the International Monetary Fund (IMF) by 18 countries covered by the Heavily Indebted Poor Countries (HIPC) initiative. Donors also agreed increased aid commitments that could add \$16 billion to the global aid budget by 2010. But overall, the commitments fell far short of what is needed to enable poor countries to reach the Millennium Development Goals (MDGs); and the leaders' language on reforming international trade rules in favour of the poor was very weak.

At the UN summit two months later, little real progress was made towards tackling world poverty, and world leaders appeared nonchalant about the need for more aid, fairer trade, and debt cancellation. Rich-country governments now have one last chance to turn their development rhetoric from early 2005 into reality at the Hong Kong ministerial meeting in December.

There is no question that urgent action is needed to fight poverty in Africa. Approximately 315 million Africans – nearly one third more people than the entire population of the United States – survive on less than one dollar per day. Eighty per cent of the African population survives on less than two dollars a day. Largely because of the HIV/AIDS pandemic, the average life expectancy has fallen to 41 years, and one in six children dies before the age of five. The World Health Organisation estimates that more than two thirds of deaths from a combination of malnutrition and disease are readily preventable.

Africa is the only continent in the world to have grown poorer since 1979. From 1990 to 1999, poverty in Africa actually increased by 3 per cent, whereas in all other areas of the world poverty declined by about 7 per cent. The number of people living in extreme poverty in

sub-Saharan Africa has nearly doubled, from 164 million in 1981 to 315 million in 2001. Moreover, 33 of the 49 countries defined by the UN as 'Least Developed Countries' are in Africa.

Africa is not expected to meet the MDGs, which include halving the incidence of poverty, achieving universal primary education, reducing child mortality, combating AIDS and other diseases, and ensuring environmental sustainability. For Africa to achieve the MDGs would require a doubling of Official Development Assistance (ODA) flows, debt relief beyond the levels provided for by the HIPC initiative and the recent G8 deal, and new trade rules that respond to the needs of poor countries.



### **3. Trade: one important tool in the fight against poverty**

Radical reform of WTO rules is needed in order to reach the MDGs, given the imbalance and discrimination that characterise the current system. One MDG commits countries to develop a 'trading and financial system that is rule-based, predictable, and non-discriminatory'. Without such reforms, the number of people living in extreme poverty in sub-Saharan Africa is expected to increase by 2015 – the landmark year for reaching the MDG of halving the number of people living in poverty.

By many accounts, Africa faces great challenges under the current system of trade rules. With more than 10 per cent of the world's population, sub-Saharan Africa captures only 1 per cent of global export market share.<sup>3</sup> Reeling from the devastating impact of unilateral liberalisation under structural adjustment programmes, which is compounded by a significant debt burden, the HIV/AIDS pandemic, and domestic challenges including corruption and inequality, many African countries find it difficult if not impossible to overcome the additional development obstacles presented by unfair trade rules.

Trade, in combination with appropriate domestic policies, could be used to reduce poverty and foster development. An increase of just 1 per cent in world export market share could translate into a one-fifth increase in average income in sub-Saharan Africa, which would increase annual exchange earnings by \$70 billion.<sup>4</sup> This sum is not only twenty times more than the sum that the region received in aid in 2003, but it is more than one and a half times more money than the World Bank estimates is needed each year to enable Africa to reach the MDGs by 2015.<sup>5</sup>

Unfortunately this potential has not materialised, partly as a result of harmful trade practices by rich countries which are allowed under current WTO rules. Industrialised countries continue to export crops at subsidised prices far below the cost of production, depressing markets and putting at risk the livelihoods of millions of small farmers and their families. At the same time, they exclude agricultural goods and value-added products made by African countries, through the imposition of peak tariffs and the use of non-tariff barriers (NTBs) that include excessive regulations on allowable levels of pesticide residues. Tariff and non-tariff barriers undermine diversification and industrialisation – the very prescriptions that are sold to poor countries as the way out of poverty.

In addition to denying African countries trading opportunities and depressing the incomes of small farmers, many provisions in WTO rules restrict African governments' 'policy space' or room for manoeuvre in domestic policy making. Under the Agreement on Agriculture (AOA), TRIPS, Trade-Related Investment Measures (TRIMs), and other WTO agreements, officials are constrained in terms of the types of pro-development policies that they can enact in the areas of agriculture, tariffs, investment, and intellectual-property rights. Worse, in order to implement these agreements and fund compliance with hostile trade rules, poor countries are required to shift large sums of money away from investments in health care, education, or essential infrastructure. Moreover, WTO agreements, once agreed, are nearly impossible to revise, even when negative implications for development become evident, as happened with the TRIPS Agreement.

## The promise of the 'Development Round'

When in 2001 industrialised countries began discussing the possibility of launching a new round of trade negotiations, African countries were opposed to it. They did not want another round, because the provisions of the Uruguay Round, and in particular the provisions for Special and Differential Treatment (SDT) for developing countries, had not yet been fully implemented. They were particularly opposed to launching new talks on NAMA, having recently suffered disastrous consequences from enforced unilateral liberalisation, imposed as a condition for the granting of loans. But following the terrorist attacks in the US on 11 September 2001, it was difficult to resist pressure to support the international consensus on the need for greater trade liberalisation in order to strengthen ties among countries and inject new life into the global economy.

Moreover, rich countries promised the African leaders that this would be a different kind of round: a 'development round', which would address the needs of poorer WTO members. To illustrate their commitment to reform trade rules in favour of developing countries, rich countries agreed to prioritise amendments to the TRIPS Agreement to ensure that the poorest countries could obtain affordable medicines. At the same time, they promised reform of regulations in order to end the dumping of subsidised agricultural exports, and they agreed to curb their use of NTBs.

It is clear that despite the nice words uttered by rich countries in the fall of 2001, African countries were apprehensive about launching new talks when so many issues arising from the Uruguay Round agreements remained to be resolved. They also expressed concern

about 'overloading of the agenda' by rich countries, urging that first and foremost the impact of existing trade rules needed to be assessed, and rules that deterred development needed to be revised. They conditioned their willingness to launch NAMA talks on the provision of studies analysing the impact of past liberalisation and the potential future impact on African countries of further liberalisation.<sup>6</sup> To date, there have been no in-depth assessments of the impact of NAMA, and yet negotiations proceed apace, on terms dictated by rich countries.

The African negotiators laid out their negotiating objectives in a Declaration following an Organisation of African Unity meeting in Nigeria immediately before the Doha Ministerial Meeting (September 2001).<sup>7</sup> These objectives included duty-free and quota-free market access for LDCs; stricter disciplines on domestic agricultural support; more effective special and differential treatment; assistance to comply with Sanitary and Phyto-Sanitary (SPS) measures and Technical Barriers to Trade (TBT) measures; credit for autonomous liberalisation; and a host of other issues that were included in the Doha mandate but have not been effectively addressed, despite four years of negotiations. In addition, the African countries called for greater in-depth assistance with negotiations, the need for which, if African countries are to effectively analyse and defend their interests in the talks, is obvious and has always been obvious to all.

In November 2001, WTO members adopted the Doha Declaration on TRIPS and Public Health and agreed a negotiating mandate which prioritised SDT and less than full reciprocal commitments for developing countries. Immediately afterwards, however, in the face of opposition by African countries which had clearly stated that they still needed convincing 'of the potential of the proposed new multilateral agreements to deliver tangible benefits to them', rich countries sought to pack the agenda with the 'Singapore issues' and other issues of importance to their domestic industry lobbies.<sup>8</sup> Over the next three years, developing countries were forced to expend significant amounts of energy and negotiating capital to keep critical development issues on the table and to ward off attempts by rich countries to overload the agenda.

## Business as usual at the WTO?

The case for improving Africa's integration in world trade has never been stronger, but the prospects for fairer rules fade with every missed deadline. The Doha Round has become 'business as usual', with rich countries trying to extract as many concessions as they can from developing countries, including those in Africa. Every time a

negotiating deadline is missed – often due to failure by rich countries to muster the political will to make the tough concessions that are necessary for agreement – millions of poor people in Africa and elsewhere are consigned to further exclusion from the benefits of international trade.

Rich-country negotiators spent the first part of 2005 squabbling over tariff conversion and the issue of who should be the first to reform. Each small step forward taken by the European Union or the US has been followed by months of evasion and obstruction, amid claims that they have already given enough and should not be required to make further concessions.

African industries that survived structural adjustment are facing a new threat, as rich countries push for significant market opening by means of an aggressive tariff-cutting formula which could expose industries to competition before they are ready. There has been little effort by developed countries to finalise a TRIPS amendment which would facilitate access to affordable medicines for millions of Africans, including in response to epidemics such as HIV/AIDS, malaria, and tuberculosis. Many are asking whether the ‘development round’ label was a ruse to persuade reluctant African countries to support a new round of talks.

In a continuing effort to sell the round to developing countries, industrialised countries claim that liberalisation under a new round will mostly benefit South–South trade. They argue, therefore, that ambitious liberalisation would really be for developing countries’ own good. Some observers suspect an attempt to conceal self-interest behind pro-development rhetoric about the importance of increasing trade among developing countries.

Northern markets remain critical for developing countries, but these lucrative markets are protected by peak tariffs, tariff escalation, and a variety of NTBs. And developing countries are free to agree to reductions in the tariffs imposed on other developing countries through negotiations under the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) if they believe this to be in their interests. In this forum, they could boost South–South trade without having to extend the benefits to rich countries as well. Furthermore, they have been reducing their tariffs through unilateral liberalisation; for example, India’s peak tariff now stands at 15 per cent, with further reductions on the way – and South–South trade is growing faster than global trade. Rich countries should stop trying to defend their aggressive push for market access by raising the issue of South–South trade.

## 4. Agriculture: little progress on a priority issue for Africa

Agriculture provides a livelihood for 70 per cent of the population in Africa, constituting nearly 30 per cent of sub-Saharan Africa's GDP, and 40 per cent of its export earnings. In African LDCs in particular, agriculture is central to the economy, contributing a significant share of GDP: in Benin 40 per cent, in Burkina Faso 45 per cent, in Tanzania 50 per cent, and in Sudan 40 per cent. In these same countries, a very high proportion of the population is engaged in agricultural production: 70 per cent in Benin, 85 per cent in Burkina Faso, 85 per cent in Tanzania, and 80 per cent in Sudan.<sup>9</sup> The importance of agriculture in Africa in terms of food security, livelihoods, and the fight against rural poverty simply cannot be overstated.

African poverty is concentrated in rural areas. In North Africa, for instance, where 42 per cent of the population is rural, 60 to 70 per cent of the country's poor live in rural areas. In Morocco, data indicate that two thirds of the country's 5.3 million poor live in rural areas, and the urban poverty rate of 12 per cent is less than half of that in rural areas (27 per cent).<sup>10</sup>

Agricultural production in Africa takes place overwhelmingly on small farms, with many farmers using subsistence techniques. The dismantling of government intervention mechanisms under structural adjustment programmes in the 1980s and 1990s compounded rural poverty, leaving small farmers without extension advice, information about markets, credit, or secure access to seeds and other inputs.

The current WTO rules on agriculture reflect anything but fair conditions for African farmers. Because of unfair trade practices by certain WTO members, they face depressed prices and limited market access for their products. Sub-Saharan Africa is the only region to have actually lost international market share in agriculture trade: its share declined from six per cent in 1990 to around five per cent in 2003.<sup>11</sup> Farmers selling their produce domestically face depressed prices as a result of rich-country dumping, which has forced many to abandon farming altogether. The unfair rules of agricultural trade have grave implications for poverty reduction and food security in Africa.

## Stop the dumping

Under the Uruguay Round rules, agricultural dumping was not disciplined in any respect; in fact, Organisation for Economic Co-operation and Development (OECD) data show that producer support levels in rich countries actually increased from 1986 to 2001. Thanks to generous subsidies, the US exports its cotton and wheat at 35 per cent and 47 per cent respectively of their cost of production; the EU is able to export sugar and beef at respectively 44 per cent and 47 per cent of the internal cost of production. Developed countries provide a total of around \$260 billion per year to producers. This is more than fifty times greater than the GDP of the Central African Republic, where the livelihoods of 55 per cent of the population depend on agriculture.<sup>12</sup> The EU alone provides about \$100 billion per year to its domestic producers, or twice the entire GDP of Ethiopia, a country where 50 per cent of the GDP, 60 per cent of export earnings, and 80 per cent of total employment depend on agriculture.<sup>13</sup>

The Doha mandate says that WTO members must agree to ‘...reductions of, with a view to phasing out, all forms of export subsidies, and substantial reductions in trade-distorting domestic support’. But they have yet to set a firm date for the elimination of export subsidies, and agreement on elimination of hidden export subsidies looks far-off. Further, the July Framework is likely to have minimal or no effect in reducing the amount of support that rich countries can provide to their own domestic producers.

As part of the mid-term review of the Common Agricultural Policy (CAP), the EU re-allocated most of its current Blue and Amber payments to the Green Box. Oxfam estimates that, thanks to this ‘box-shifting’, the EU would under the July 2004 text be able to circumvent all subsidy-reduction commitments in this round. Estimates of the European budget for 2007–2013 suggest that the EU would be able to increase its fully distorting agricultural support by €28.8 billion (\$35bn). Despite this, it is trying to claim that any further reform will not be possible for several years – in effect denying in advance the possibility of introducing stricter criteria or caps for the Green Box.

The US would fare equally well under the July Framework, free to increase its distorting support by \$7.9 billion (€6.4bn) by the end of the implementation period. This would be possible thanks to the successful Blue Box-shifting strategy that it has pursued in the talks. Allowing the EU and US to succeed in actually increasing support levels under the final Doha agreement would constitute a huge step backwards in terms of disciplining programmes that lead to dumping, laying bare the rich-country cynicism that has

characterised the 'development round' negotiations on agriculture until now.

If these predictions become reality, small farmers in Africa and other developing countries will continue to suffer from rich-country dumping. Without substantial reductions in domestic support, combined with effective market access and measures to prevent box-shifting, there is a risk that many small farmers will be unable to survive and will have to leave their land. As long as rich countries refuse to stop subsidising exports, developing countries must have the right under WTO rules to use measures to protect their farmers, safeguard food security, and stimulate rural development and poverty reduction.

## Financing food imports of Net Food-Importing Developing Countries

In 1995, WTO members recognised that reform of agricultural support could lead to increases in the price of food imports, creating difficulty for least developed and net food-importing developing countries (NFIDCs).<sup>14</sup> They agreed that action would be needed to ensure adequate provision of food aid; short-term financing of commercial imports; favourable terms for agricultural export credits; and technical and financial assistance to improve agriculture productivity and infrastructures. These commitments, known as the 'Marrakesh Decision', have languished in the Committee on Agriculture, and no solution to any of the four challenges has been agreed. A genuine development round must include progress on this issue, which affects 53 WTO members.

The Africa Group tabled a proposal in July 2002, seeking affirmation of the commitments on food aid contained in the Marrakesh Decision: 'Developed country Members shall embody in their schedules of commitments undertakings on contributions to a revolving fund for normal levels of food imports, providing food aid in fully grant form, and maintaining food aid levels consistently with recommendations and rules under the Food Aid Convention.'<sup>15</sup> In June 2005, Egypt presented an informal proposal outlining a possible compensation mechanism, to be used during periods of food-import needs which exceed usual commercial imports. Despite these proposals - and three years' worth of attempts to prioritise these issues - there has been little progress.

A significant number of members need a solution to their rising food-import bills, which could increase still further if reform of Northern agricultural supports leads to higher prices in international markets.

The current combined cereal-import bill of the LDCs and the NFIDCs is estimated at around US\$9 billion, up slightly from 2002/2003 and the highest that it has been since 1995/96.<sup>16</sup> In addition to high international prices for cereals and expensive shipping costs, the substantial increase in import bills is attributed to greater import volumes. Imports by the LDCs and NFIDCs in 2004/05 are expected to be about 52 million tonnes, an increase of more than 3 million tonnes compared with the previous season. Imports of cereals are likely to increase in several countries, including Bangladesh, Egypt, Ethiopia, Pakistan, Peru, Malawi, and Tunisia.

LDCs are especially at risk: with few resources at their disposal, they face difficulty in meeting rising costs of food imports. The FAO has estimated that between 1993 and 2003, the volume of cereals imported by LDCs grew from 12 million tonnes to 17 million tonnes, an increase of nearly 17 per cent in just ten years. Dependence on food aid creates additional uncertainty for the LDCs, which depend on food aid for one fifth of their cereal imports.<sup>17</sup>

WTO members have an obligation to speedily implement the Marrakesh Decision, by means that would include the creation of an international food-import financing facility. Creation of this facility could count as part of the SDT in agriculture negotiations. WTO members should agree modalities for the implementation of the Marrakesh Decision as soon as possible.

## Pro-development market access rules needed

Generalised duty-free, quota-free (DFQF) market access has been promised to LDCs for years, and yet negotiations on this issue are blocked in the Doha Round, with the world's richest country, the US, reportedly refusing to grant market access to the world's poorest nations. DFQF access should be granted immediately and *bound* at the WTO; this is the minimum that rich countries must do by December 2005.

Rich-country negotiators like to point to their low average tariffs as evidence of their open markets, but this is true only in aggregate. Many countries maintain extremely high tariffs and prohibitive quotas on items such as cotton, sugar, beef, and dairy products, in addition to using a variety of NTBs.

'Tariff escalation' undermines efforts to diversify into higher value-added production and prevents developing countries from improving their terms of trade. For example, cocoa, a key export crop of Ghana, enters the US market at 0 per cent duty, while the processed product, chocolate, is taxed with a specific duty ranging



from 21.7 US cents/kg to 52.8 US cents/kg, depending on the specific product. In Switzerland, cocoa beans enter duty-free, while chocolate is subject to a specific duty that ranges from CHF 42 per 100kg gross (US \$33.6) to a huge levy of CHF 1971 (US\$ 1615.57).

Health and human-safety standards pose a barrier to African countries seeking to export to lucrative Northern markets. Most SPS measures genuinely aim to protect public health. However, they are often unduly burdensome for African exporters to comply with, and in some cases they are used as barriers. Côte d'Ivoire complained to the Sanitary and Phytosanitary Committee of the WTO<sup>18</sup> about a new EC regulation governing maximum residue levels (MRLs) for pesticides in fruits and vegetables, which affected Côte d'Ivoire's exports of pineapples, mangoes, papayas, cashew nuts, passion fruits, and green beans and posed special problems for small farmers. Côte d'Ivoire asserted that the MRL regulations were not based on an objective risk assessment, for example in the case of Ethephon. Technical questions raised in 2001 through different channels went unanswered by EU officials, and the EU continues to defer any discussions of how to resolve the problem. MRL barriers to Côte d'Ivoire's exports remain in place.

Rules of origin specify how much value must be added in the exporting country before a product can benefit from preferential market access available to that country. When unduly complex or burdensome, rules of origin can constitute yet another barrier to the exports of developing countries. For example, a vegetable exporter from Uganda who uses imported packaging from Kenya would not be eligible for the duty-free access to the EU under the Everything But Arms scheme. This is because the value of the Kenyan packaging outweighs the value of the products originating in Uganda.<sup>19</sup>

Simplifying rules of origin could greatly benefit African exporters, and this NTB should be discussed as part of the negotiations on access for agricultural and non-agricultural commodities.

### **Preference erosion**

In some cases, developed countries provide enhanced, or preferential, market access to some of the products exported by certain developing countries and LDCs. An example is the Everything But Arms initiative, under which LDCs have had duty-free and quota-free market access to the EU market for most products since 2001. Preference programmes, while imperfect, have provided additional opportunities for LDC and African exporters.

Multilateral tariff reductions threaten to erode these preferences, and could lead to significant losses for LDCs, African countries, and

Caribbean countries. For example, the average tariff faced by US exports of beverages and tobacco into the EU is 23.5 per cent, while the tariff faced by African countries is only 2.2 per cent. If implementation of a new Doha agreement results in a tariff of 7.7 per cent for US exporters, while leaving the tariff faced by African exporters intact, this would reduce the preference margin for Africa from 21.3 per cent to 6.7 per cent. As a result, African countries might lose market share to other exporters.<sup>20</sup>

Agreement of criteria for identifying preference-dependent countries and the products most affected, along with measures to offset the losses due to preference erosion, must not be put off any longer. This is a critical issue for a number of African countries. It deserves more attention than it has been given so far, building on the agriculture section of the July Framework.

### **Protecting poor farmers and food security**

African countries must be allowed to regulate trade in agricultural products, to protect food security and rural development, and to foster long-term economic development. The 2004 July Framework states that 'developing country members should be able to pursue agricultural policies that are supportive of their development goals, poverty reduction strategies, and livelihood concerns'. WTO members must respect this principle, and stop pressuring developing countries to liberalise their agricultural imports.

Agreeing a tariff-reduction formula has been one focus of the WTO negotiations on agriculture. These negotiations will have a strong influence on development prospects, as the formula used will determine the impact on current applied tariffs in developing countries and therefore the increase in imports that could result from the round.

The aggressive market opening urged by rich countries in the talks would prevent African governments from using tariffs strategically, by locking them into application of very low tariffs. Under the most recent proposals tabled by the US and EU, some countries would end up with dramatically lower tariffs. Based on the assumption that the tariffs cuts for developing countries would be two-thirds of the cuts for developed countries, the US proposal is particularly aggressive and would cut deeply into African countries' applied tariffs on a number of products. The EU proposal would also affect applied tariffs, for example those classified in the highest band, but is not as aggressive as the US approach.

Poultry provides a clear example of how African countries' tariffs would be affected by these proposals. Botswana, Egypt, Ghana,

Mauritius, Morocco, and Nigeria have bound tariffs on poultry ranging from 56-150 per cent; these would be cut to 24 – 60 per cent under the US approach, and to 40 – 90 per cent under the EU proposal. These cuts would not be eliminating “water”, or the space between bound and applied tariffs, as these countries all apply tariffs equivalent to the levels bound at the WTO. Therefore, cutting their bound tariffs so drastically would lead to cuts in applied tariffs and would completely eliminate the flexibility available to these governments to use tariffs to protect small farmers and food security.

Tariff reduction enables rich countries to export agricultural products at prices below the cost of production, thanks to subsidies. Floods of cheap subsidised goods displace local production, preventing thousands of farmers from selling their goods in local markets, while also reducing the income of those farmers who manage to sell their produce. While LDCs are exempt from tariff reductions, those involved in customs unions such as SACU (Southern Africa Customs Union) and UEMOA (Union Economique et Monétaire Ouest Africaine) would face tariff reductions because these customs unions include non-LDC African countries whose tariffs are subject to reduction commitments.

African countries must be allowed to retain flexibility in setting tariffs on agricultural products. Maintaining bound tariffs higher than applied tariffs gives these countries some policy space to raise and lower tariffs as needed, to control import flows and protect the livelihoods of small farmers.

Pressures to reduce tariffs are exerted outside as well as inside the WTO negotiations. In bilateral trade negotiations, rich countries are pushing for even more drastic tariff reductions than at the WTO – with no restrictions on their trade-distorting subsidies. This is a recipe for disaster for small farmers. And the international financial institutions such as the International Monetary Fund (IMF) and the World Bank have made import liberalisation a condition for their loans. Beginning in 1999, Ghana faced rising rice imports; when the Parliament tried to raise rice tariffs from 20 per cent to 25 per cent in 1999, pressure from the IMF led to the decision being reversed.

In order to protect the agricultural products that are key to food security and rural livelihoods, the July Framework exempts ‘special products’ from tariff-reduction requirements, and foresees a special safeguard mechanism that could be used by developing countries to protect their farmers against sudden import surges. Both of these mechanisms will be critical to achieving a pro-development agreement, and they should be available only to developing countries. Considering that rich countries continue to dump

subsidised goods on world markets, developing countries must have the right to protect poor farmers.

## Cotton: African farmers paying the price of US intransigence

Well over half the populations in West and Central Africa live below the poverty line, mainly in rural areas.<sup>21</sup> The economies of some of the world's poorest countries – Mali, Burkina Faso, Benin, Chad, and Cameroon – are highly dependent on cotton-export revenues, and cotton is a significant contributor to GDP. In these West and Central African countries, the cotton growing and processing sector currently provides one of the only options for access to cash income and employment for an estimated 10 million poor people in rural areas. Their incomes and wages, in turn, stimulate local demand and markets, and pay for education and health care for their families, and tools and inputs for cultivation.

West African cotton is already produced at one of the lowest costs in the world: in Burkina Faso, cotton costs only 21 cents per pound to produce, compared with 73 cents per pound in the US.<sup>22</sup> And yet West African farmers have to struggle to compete in world markets with US producers. While West African cotton farmers are among the most efficient in the world, the US still exports the cheapest cotton, because the price is offset by subsidies, which totalled \$16.8 billion between 1997 and 2004. In fact, in years when prices are low, the US exports at a net loss to the US economy.<sup>23</sup>

In the past, West Africans referred to cotton as 'white gold', but the value of the commodity began to slide in the mid-1990s. One major factor in the slump has been over-production and the dumping of cotton below the cost of production by the US.<sup>24</sup> Already poor, African farmers saw their incomes contract sharply. Oxfam estimates that every year, starting in 2001 when the slump in cotton prices began, Africa has lost on average \$441 million as a result of trade distortions in world cotton markets. In 2001/02, total subsidies to US cotton farmers by the Commodity Credit Corporation of the US Department of Agriculture (USDA) amounted to \$3.9bn, while the value of US cotton production in world market prices was \$3bn.<sup>25</sup> During that same period, US cotton farmers enjoyed a guaranteed price of around 52 cents per pound, which, along with other payments, gave them a target price of 72 cents per pound, or a price 71 per cent above the world market price of 42 cents per pound.<sup>26</sup>

At the 2003 WTO Ministerial meeting in Cancun, rich countries promised African cotton farmers that the problem of subsidies would

be solved through special negotiations. A year later, the framework agreement signed in July 2004 again singled out cotton for separate treatment in the Doha talks, in light of the urgency of the situation faced by African producers. Cotton, it was again promised, would be addressed in a specific, ambitious, and urgent manner.

In the years since Cancun there has been no progress for the cotton-producing countries. The US is still refusing to co-operate with the cotton negotiating committee, claiming that a deal on cotton should be conditional on agreement on ambitious reforms in the broader negotiations on agriculture, and insisting – in the face of overwhelming evidence to the contrary – that its subsidies are not the real problem. In March 2005, a WTO panel confirmed that certain subsidies provided by the US – many of which it had failed to notify properly – were illegal and should be eliminated. Thus far, the US has made a very paltry effort to comply with the ruling, by doing the absolute bare minimum and dragging out fundamental reforms as long as possible. Although the ruling gave additional credibility to the African position in the talks, providing a legal basis for their claims, the negotiations on cotton remained stalled.

## Commodities crisis: off the radar?

Many African countries remain highly dependent on the export of a small number of agricultural raw materials or commodities. Some African countries rely on agricultural commodities such as coffee and cocoa for more than half their export earnings – Burundi relies on coffee exports for over three-quarters of its export earnings – while others depend on the export of minerals such as oil, copper, or diamonds. Almost all of the countries most severely affected by falling commodity prices are also among the world's poorest: more than half are in sub-Saharan Africa, and 16 are HIPC countries.<sup>27</sup>

Commodity dependence has condemned poor countries to dependence on declining and highly volatile prices, in a market increasingly controlled by small numbers of international trading companies or Western retailers. In the early 1990s, coffee-producing countries earned US\$ 10–12 billion from exporting coffee with a retail value of about US\$30 billion. The current value of retail sales exceeds US\$70 billion, but coffee-producing countries receive only US\$ 5.5 billion. Over the past four decades, real prices for agricultural commodities declined by about 2 per cent per year.

If prices for the ten most important agricultural commodities exported by developing countries had risen in line with inflation since 1980, these exporters would have received around US\$112 billion more in 2002 than they actually did. This is equivalent to more

than twice the total amount of aid distributed worldwide. Although mineral prices have surged in recent months, largely due to increased demand from China, market prices of tropical commodities such as coffee and cocoa continue to languish.

**Box 1: More than 50 per cent of Africa's export earnings is derived from a single commodity<sup>29</sup>**

This list shows African countries which depend for more than 50 per cent of their export earnings on one sole commodity. Numerous countries are dependent on two commodities for the vast majority of their export earnings (for example, adding cobalt for Democratic Republic of Congo accounts for an additional 14 per cent of export earnings, totalling 85 per cent). And countries such as Burkina Faso (41 per cent), Chad (37 per cent), Benin and Mali (both 41 per cent) depend heavily on cotton for their export earnings, while not reaching the 50 per cent mark.

**Crude petroleum:**

Angola\* (92%)  
Congo (57%)  
Gabon (70%)  
Nigeria (96%)  
Libya\*\* (61%)  
Equatorial Guinea\*\* (91%)

**Copper:**

Zambia\* (52%)

**Diamonds:**

Botswana (91%)  
Democratic Republic of Congo\* (71%)

**Coffee:**

Burundi\* (76%)  
Ethiopia\* (62%)  
Uganda\* (83%)

**Tobacco:**

Malawi\* (59%)

**Uranium:**

Niger\* (59%)

(\* denotes LDC)

(\*\*Libya and Equatorial Guinea are observer countries)

Other changes have compounded the impact of the commodity crisis in recent years, notably the demise of a number of international commodity agreements, which, with varying degrees of success, managed to stabilise prices at higher levels for crops such as coffee. Moreover, in sectors such as cotton, the destruction of state marketing boards under the structural adjustment programmes promoted by the World Bank and other donors has left many small farmers vulnerable to volatile and declining prices, and has increased concentration among buyers.

Although the WTO's founding agreement, the General Agreement on Tariffs and Trade (GATT) 1994, calls for 'measures designed to stabilise and improve conditions of world markets in [commodities] including measures designed to attain stable, equitable and

remunerative prices for exports of such products', rich countries argue that the WTO is largely irrelevant to the problems of commodity markets, since Northern tariffs on tropical commodities are in general very low, and African LDCs already have duty-free and quota-free access to most Northern markets.

A number of African countries disagree, however. The most determined drive for a comprehensive approach to the issue has come from a group of East African countries (Kenya, Uganda, and Tanzania), in two submissions to the Committee on Trade and Development in 2003 and 2004. These submissions argued that non-LDCs such as Kenya and Ghana face tariff escalation which deters them from processing their products, while Northern subsidies depress markets for so-called 'competing commodities' such as sugar and cotton. The submissions also discussed supply management, technology transfer, the impact of structural adjustment and market concentration, and the case for linking debt repayments to commodity price fluctuations.

The most recent submission by the African countries was made to the agriculture negotiations in June 2005. Uganda presented a proposal co-sponsored by Côte d'Ivoire, Kenya, Rwanda, Tanzania, and Zimbabwe on the crisis facing African countries created by the decline in commodity prices. The proposal called for ambitious improvements to market access for commodities, including elimination of tariff peaks, escalation, and NTBs, plus fast-track elimination of export subsidies and significant reductions in trade-distorting domestic supports on commodities of export interest to commodity-dependent developing countries. The countries proposed that a 'transitional compensation mechanism' be created, to offset subsidy-related losses.

Unfortunately, these proposals have so far fallen on deaf ears. Rich countries refuse to discuss the commodities crisis in the Doha talks, claiming that it is not part of the mandate even as they crowd the agenda with their own issues. The WTO Secretariat has also indicated its lack of support for the African submissions. For many countries, the fact that WTO negotiations seem incapable of addressing perhaps their most pressing trade and development issue is indicative of the Doha round's wider failure to take Africa's development crisis seriously.

## **5. TRIPS: broken promises on access to medicines**

Africa faces severe challenges to the health of its people, including the threats posed by infectious diseases such as HIV/AIDS, malaria, and tuberculosis. Sub-Saharan Africans account for more than 60 per cent of HIV-positive people worldwide, and AIDS is a leading cause of death on the continent. Only 10 per cent of those in need of treatment are receiving it;<sup>30</sup> their lives have been saved or prolonged because the price of antiretroviral drugs (ARVs) has fallen dramatically, from \$10,000 to \$150 per person per year. This decline has offered some African HIV/AIDS patients a new lease on life. But patent rules will keep new drugs for this and other health problems out of reach for most poor people in Africa.

There are very few resources available in the region to be spent on improving public health. Per capita spending on health in Africa is very low, particularly in sub-Saharan Africa. According to the World Health Organization, in 2002 Benin spent \$44 per person on health care, Zambia spent \$51, and Uganda spent \$77. To put this in context, France's per capita spending on health care in 2002 was more than \$2700 – sixty times that of Benin. It is imperative that the limited health-care resources in Africa be stretched as far as possible, to treat the maximum possible number of patients. This means purchasing low-cost generic drugs of quality. Where only expensive patented medicines are available, many poor patients must simply do without the medicines that could save their lives, because they are priced out of reach and not provided by the public health system.

The availability of cheap generic drugs is threatened by WTO patent rules, which grant monopoly power to patent owners for a minimum of twenty years. Facing no competition, companies are free to charge as much as they like for new patented products, including life-saving medicines, even if this means that only a small minority of the population can afford them.

African countries reluctantly agreed to launch a new round of trade talks in 2001, in large part because rich countries agreed to reform WTO rules on agriculture and intellectual property. African officials insisted that in exchange for their support for a new round, all WTO members must agree changes to intellectual-property rules to lessen their negative impact on access to affordable drugs. Of special concern was the challenge faced by the poorest countries. As of January 2005, they would be left with no developing-country suppliers of generic drugs, no production capacity to manufacture



their own generics, and not enough money to buy the expensive patented medicines. Basically, TRIPS rules would make it impossible for them to obtain life-saving medicines.

The 'Doha Declaration on TRIPS and Public Health' was unanimously adopted by all WTO members in 2001, with ministers promising to uphold TRIPS flexibilities so that intellectual-property rules would not undermine access to medicines. In paragraph 6 of the Declaration, ministers agreed to amend the TRIPS agreement to solve the above-mentioned challenge faced by the poorest countries.

When agreement was finally reached in July 2003 (after much delay due to the intransigence of the US government), there was little cause for celebrating the diluted 'paragraph 6 solution'. The agreed amendment would be unnecessarily difficult to use, requiring notification to the WTO, a proven lack of domestic manufacturing capacity, and the issuing of two licences for production and export of the drugs. Many observers doubted that it provided a feasible solution.

Turning that weak solution into a permanent amendment has become a major challenge. This year, the Africa Group tabled a proposal suggesting how this might be done, proposing a very straightforward translation of the deal into an amendment of Article 31 of TRIPS. But rich countries have opposed or ignored the proposal and yet have so failed to table any ideas of their own. The US pharmaceutical lobby is pushing US negotiators to refuse anything but the most minimal changes to TRIPS, even if this means leaving millions of poor African without access to affordable drugs.

With blockage in agriculture – and nearly every other area of the talks – the TRIPS and public-health issue appears to have fallen off the agenda and is no longer a priority for rich countries. As in most areas of the negotiations, they seem to have forgotten the promises made in the Doha Declaration.

## 6. NAMA: industrialisation and development under threat

Africa's performance in international trade in manufactures has grown only marginally in recent years, and the continent has not captured a share of international export markets equal to that of other regions. Africa has hardly benefited from the boom over the past two decades in manufactured exports among developing countries, which overall have gone from a position in which 75 per cent of their exports were primary commodities to one in which 70 per cent of their exports are manufactures today. As of 2000, manufactures only represented 30 per cent of Africa's merchandise exports – only a slight improvement on 1980, when it was 20 per cent.<sup>31</sup>

Part of African countries' difficulty in developing their industries can be attributed to premature and poorly planned import-tariff liberalisation, imposed by the IFIs in the 1980s and 1990s. African countries cut tariffs dramatically during these decades. By the end of the 1990s, average tariffs in sub-Saharan Africa were around half of the level at the start of the 1980s, and the number of NTBs in sub-Saharan Africa had been cut in half.<sup>32</sup> In the late 1990s, Zambia cut its average tariff to 11.5%, well below the average tariff for developing countries today, which stands at 29 per cent.<sup>33</sup>

### **Box 2: Kenyan workers pushed into the informal sector**

Like many developing countries, Kenya pursued an import-substitution policy in the 1960s and 1970s, which led to the rapid development of an industrial sector. GDP growth averaged 5 per cent in the years after independence, and manufacturing grew even faster, by 10 per cent each year.

However, Kenya's increasing fiscal difficulties led the World Bank and IMF to advocate a course of structural adjustment in the 1980s. By the early 1990s most controls on international trade had been abolished, and by 1996 the country's top import tariffs had been reduced by four fifths from their peak value.

Like many African countries, Kenya's experience with structural adjustment was painful. Import competition led to major job losses in textile and clothing production. Around 35,000 workers in these industries lost their jobs in the decade after liberalisation.

The transport-equipment sector witnessed the largest proportional decline in employment, largely because of used-car imports from Japan. Other sectors that struggled included beverages, tobacco, sugar, cement, and glass.

The most startling result of liberalisation was the displacement of workers from formal-sector jobs into the informal sector. Whereas formal wage employment made up nearly 80 per cent of all non-smallholder agricultural employment in

1988, by 2000 this share was down to a mere 28 per cent. Informal sector work replaced almost all of this.

Contrary to expectations, manufactured exports have not achieved their potential in Kenya. By the end of the 1990s, export-processing zones (EPZs) accounted for only 1 per cent of Kenya's manufacturing employment. The manufacturing sector that has done best since liberalisation – food products – has succeeded largely on the basis of independent growth in Kenya's horticultural sector.

In the WTO NAMA talks, Kenya is being asked to increase the number of product lines covered by bound tariffs from 1.6 per cent to 100 per cent – more than some industrial countries. And if it binds them at a tariff rate of 29 per cent (the average tariff of developing countries), as is currently being demanded by Northern countries, Kenya, like Ghana, will have to lower its tariffs even further than it has already done unilaterally.

The industries that survived liberalisation were in many cases kept out of markets abroad, because under the Uruguay Round rules WTO members could block competitors' products using NTBs (in some cases of questionable legitimacy), anti-dumping measures, and peak tariffs. Deeming certain tariff lines 'sensitive', rich countries have maintained extremely high tariffs on certain products, particularly those of interest to poor countries: agricultural products, textiles, apparel, and footwear. Industrialisation and diversification into activities with higher value-added is discouraged by tariff escalation. Sensitive items are also often omitted from trade-preference agreements.

Even LDCs – countries with per capita income of less than \$750 per year and low development indicators – have not been granted full duty and quota-free access to rich-country markets, even though this has been promised for years. This is their stated priority in the current round, set forth in the Livingstone Declaration, and there is a strong economic and moral case for agreeing to it. Full duty-free, quota-free access for LDCs to the US, EU, Canadian, and Japanese markets would result in an 11 per cent increase in their total exports, translating into a gain of \$2.5 billion.<sup>34</sup> Industrialized countries should immediately grant full market access for LDCs, bound at the WTO. The US is reportedly blocking progress on this matter, trying to deflect attention from its lack of generosity by telling LDCs to target the 'advanced developing countries' instead.

Rich countries have put developing countries on the defensive, by pushing for extensive liberalisation in the NAMA talks, using a variety of tools which include a tariff-reduction formula, sectoral initiatives, and rules on unbound tariff lines. Not all African countries will have to apply the tariff-reduction formula that comes out of the talks: the current text exempts LDCs as well as countries which have less than 35 per cent of their tariffs bound at the WTO. But the

African countries that will have to reduce their tariffs in this round are concerned about the extent of reductions demanded, in the light of the risk of de-industrialisation. Many have pointed out that pushing for extensive tariff commitments from developing countries contravenes the negotiating mandate, which calls for 'less than full reciprocity' in commitments, and effective special and differential treatment. And this comes at a time when many countries are already experiencing severe hardship as a result of the phase out of the Multi-Fibre Arrangement (MFA), including for instance Lesotho, Mauritius, and Kenya.

**Table 1: More than full reciprocity? Tariff reduction scenarios under the US proposal**

<i>Member</i>	<i>Average bound tariff</i>	<i>Average applied tariff</i>	<i>Simple Swiss: c= 8</i>	<i>Simple Swiss: c=12</i>	<i>Simple Swiss: c=20</i>	<i>Simple Swiss: c=50</i>
Botswana	15.8	5.2	5.31	6.82	8.83	12.01
Egypt	28.3	21.2	6.24	8.43	11.72	18.07
Gabon	15.5	...	5.28	6.76	8.73	11.83
Namibia	15.8	5.2	5.31	6.82	8.83	12.01
Morocco	39.2	28.1	6.64	9.19	13.24	21.97
South Africa	15.8	15.2	5.31	6.82	8.83	12.01
Swaziland	15.8	5.2	5.31	6.82	8.83	12.01
Tunisia	40.6	24.9	6.68	9.26	13.40	22.41
USA	3.2	3.9	2.29	2.53	...	...
EU	3.9	4.3	2.62	2.94	...	...

Table 1, based on WTO data from 2001 (except for Tunisia and the United States, for which 2000 data were used) demonstrates the impact that the rich countries' proposed formula would have on African countries. The outcome depends on the coefficient used, with smaller tariff cuts resulting from higher coefficients. All members have indicated acceptance of differentiated coefficients for developed and developing countries under any tariff approach.

It is clear that the approach urged by the US and supported by the EU and other rich countries – a simple Swiss formula with 'coefficients in sight of each other' – would result in an outcome that contravenes the principle of 'less than full reciprocity'. For example, coefficients of 8 for the US and 12 for Swaziland would result in cuts of 30 per cent and 57 per cent respectively to their tariffs, with Swaziland making a far greater effort. Even if a coefficient of 20 was applied to determine Swaziland's tariff cuts, it would exact a 44 per cent cut (versus 30 per

cent for the US), and the result would again reflect more than full reciprocity. The US approach would require developing countries in Africa and elsewhere to make much greater cuts than rich countries. It does not respect the negotiating mandate and it should be rejected.

Because the types of intervention used in the past by today's developed countries are no longer available to poor countries – due to commitments under the agreement on subsidies, TRIMs, and TRIPS, not to mention the impact of structural adjustment programmes – poor countries must rely in large part on tariffs to promote industrialisation. Protecting the policy space of governments to raise and lower tariffs to attain employment and development goals is therefore crucial. Binding tariffs is a significant commitment: once tariffs are bound, governments can no longer raise them strategically, and the tariffs are ripe for reduction in subsequent rounds, irrespective of concerns about development or industrialisation. Even LDCs are not exempt from pressure to increase their level of tariff bindings substantially in this round.

In addition to concerns about de-industrialisation, some countries fear the impact of preference erosion and loss of tariff revenue on their future development. Many developing countries are highly dependent on tariffs for government revenue; for example, Morocco, with tariff-revenue dependence of 18.8 per cent, stands to lose a significant share of its government income, which will mean less money for expenditure on health services, education, and infrastructure. Rich countries have suggested instituting a value-added tax to replace lost tariff revenue, but IMF studies show that the full value of the income lost cannot be recovered.<sup>35</sup>

For some countries, addressing preference erosion as it relates to both agriculture and NAMA is a top priority in the Round. The African, Caribbean and Pacific Group of States (ACP) and the Africa Group have tabled proposals on preference erosion in the NAMA talks, but these appear to have been set aside as talks have focused instead on the formula and treatment of unbound tariffs. Rich countries and certain developing countries have criticised the suggested approaches in these proposals without offering any alternative ideas, and without offering to work with the affected countries to devise solutions. There has even been talk of transferring the problem to the international financial institutions (IFIs) to deal with, through packages of 'Aid for Trade' which would address a variety of trade-related challenges faced by poor countries, including preference erosion – although the World Bank and IMF claim that there is no need for new assistance programs.

Preferences have proved valuable in the past, despite low rates of utilisation in some cases, and they could be used to foster future development. Development-minded countries should be looking for ways to improve the effectiveness of preference schemes, not rejecting them. Binding commitments to address challenges related to preference erosion should be agreed within the NAMA and agriculture packages; measures for consideration include compensation, additional trade-related development assistance, simplifying rules of origin to improve use, and deepening preferences where possible.

## 7. SDT and implementation: withering on the vine

For years, developing countries have drawn attention to the numerous difficulties that they face in engaging in the multilateral trading system. All GATT members agreed that developing countries would need special and differential treatment (SDT), in consideration of their different economic circumstances and needs, in order to participate effectively in international trade.

The incorporation of special pro-development provisions in multilateral trade agreements has been considered a fundamental and necessary component of the General Agreement on Trade and Services (GATS), and then of WTO systems. In fact, the preamble and objectives of the WTO specifically call for positive efforts to ensure that developing countries and LDCs 'secure a share in the growth of international trade commensurate with their economic development', and the stated goal of the Uruguay Round was to create a fair and equitable multilateral trading system which would lead to development and prosperity.

Many African countries signed up to the Uruguay Round rules in the belief that because they permitted SDT, they would encourage development. The African countries were assured that flexibilities would provide them with space to liberalise at a pace appropriate to their development, i.e. slower than rich countries. They also believed that the SDT provisions would require rich-country WTO members to provide positive support to them as they sought to integrate in the world trading system, through enhanced financial and technical assistance and technology transfer.

However, the special and differential treatment that was provided proved inadequate in promoting development, since it consisted in many cases merely of extended deadlines for compliance with WTO rules that were not necessarily pro-development in the first place. Further, the timelines for compliance were arbitrary and unrelated to the level of members' economic development. This meant that at some arbitrary point in time, developing countries and LDCs would have to implement Uruguay Round rules, whether their economies were ready or not. And the provisions requiring rich countries to assist developing countries with technology transfer, enhanced market access, or other development needs consisted of 'best endeavours' language only and were never enacted.

## Doha talks on SDT and implementation issues

The Doha Work Programme, in prioritising development issues in general, while providing negotiating space for SDT and implementation in particular, seemed a good opportunity to redress some of the imbalances in implementation, to strengthen and render more effective existing SDT provisions, and to introduce new forms of SDT. Although this was clearly a priority of the African countries going into the round, the lack of progress on this issue has been extremely disappointing. SDT negotiations have effectively come to a standstill, while talks in other critical areas for development – including agriculture and NAMA – move forward. SDT and implementation issues should figure prominently in the first draft declaration for the upcoming Hong Kong Ministerial Conference.

Rather than discussing ways to improve SDT and enforce implementation of pro-development provisions, rich countries have tried to use the SDT discussions to introduce the issue of differentiation among development countries through the back door. Seeking to divide the developing countries, rich countries have insisted that they will not provide expanded SDT to all members, in an attempt to exclude certain developing countries which are competitive in certain sectors.

Five, LDC-specific SDT proposals remain on the table in the Committee on Trade and Development talks; all of these have been deemed by LDCs to be critical to their survival and should be quickly agreed. At the very least, members should confirm that LDCs should not be required to undertake commitments or make concessions that are inconsistent with their development needs. An acknowledgement that new commitments should ‘do no harm’ to development seems a fundamental component of a development round.

Another proposal which should be immediately agreed would grant DFQF market access for LDC products, bound at the WTO and complemented by simplified rules of origin, to ensure that the preferential access can actually be used. This is called for in MDG 8, which commits countries to ‘address the LDCs’ special needs... [including] tariff and quota-free access for their exports’.

Faced with the possibility that they will lose – not gain – from the round overall, African countries are trying at the very least to safeguard their capacity to institute pro-development policies and ensure some flexibility in the rules, in order to enhance their participation in international trade. They have found themselves blocked at every turn, asked to ‘give something’ in order to get meaningful pro-development provisions. And the LDCs have found their requests ignored on the grounds that they are not asked to



undertake reduction commitments and so cannot ask for anything in return.

African countries explicitly said that they needed agreement on implementation and SDT before negotiating new (and costly) WTO obligations. If the remaining five SDT proposals are not accepted, and more meaningful SDT is not incorporated in the current texts, it is unclear what benefits (if any) African countries, especially LDCs, can expect from the round.

## Aid for trade

To assist developing countries and LDCs with adjustment challenges arising from implementation of the Doha package, while at the same time helping them to overcome supply constraints and take advantage of new trade opportunities, the provision of new trade-related development assistance has been proposed. The concept, known as "Aid for Trade", has been discussed intensely in Geneva and Washington since earlier this year.

The World Bank and IMF recently issued a paper claiming that there is no need for a new Aid for Trade initiative, since the Integrated Framework (IF) already exists to support LDCs' participation in global trade and could be enhanced. The IF has been perennially under-funded and this has undoubtedly contributed to its inability to deliver results; a significant injection of new money, as proposed in the World Bank/IMF paper, would be welcome, provided the IF is restructured to accommodate the additional resources.

But the paper, published following consultations in Geneva with various stakeholders, did not take up the recommendation of those consulted: the creation of a separate fund to address trade-related adjustment challenges and supply constraints in a holistic manner. This idea should be given serious consideration, although more thinking is necessary as to what the implementing organization would be, whether the commitment to provide Aid for Trade should be bound as part of the new WTO package, and what amounts would be necessary.

A new Aid for Trade initiative providing new money and which is demand rather than donor-driven, could benefit African countries, especially LDCs. But the provision of additional trade-related assistance must not be used as a carrot to induce developing countries and LDCs to agree to liberalize their trade policies, including in current WTO talks. Developing countries and LDCs should be firm in refusing to make concessions in the talks that

would hurt their development prospects, irrespective of the trade-related assistance package.

Furthermore, Aid for Trade must be complemented by far-reaching reforms to current WTO rules, including effective SDT in all agreements and implementation of the pro-development commitments made during the Uruguay Round. Additional development assistance cannot be a replacement for fairer trade rules which effectively discipline harmful practices like agricultural dumping.

## In Geneva, rich countries are not listening

Organised into negotiating blocs including the ACP, the LDC, and the Africa Groups, African countries have sought to engage actively at every step of the Doha Round, making submissions and interventions in debates/discussions. During 2003, the three groups joined forces to create the G90, ultimately succeeding in removing three out of four of the so-called Singapore Issues from the WTO negotiating agenda. They have been organised and vocal, despite the many challenges constraining their attempts to participate effectively in the talks, but rich countries are failing to prioritise the needs of African and other developing countries, as promised.

African negotiators are often excluded from small group negotiations, during which key issues are discussed and in some cases agreed. Small groups such as the Five Interested Parties (the FIPs) remain the WTO basis for decision making, despite the officially endorsed principle that within the democratic WTO system each country has equal weight in decision making. FIPs meetings on agriculture have not included any African country, even though reform of agricultural policies in the North will be critical to their survival.

LDCs are in a particularly difficult position. Under-resourced and under-staffed, they often have only one or two overworked staff members trying to follow all areas of WTO talks, if not those of all international organisations in Geneva. For obvious reasons, LDC officials report great difficulty in following the talks. In addition, LDCs often lack leverage in the talks: rich countries tend to dismiss their concerns on the grounds that because they are not expected to make any concessions, they should not expect much in return. Despite their pro-development rhetoric, rich-country negotiators clearly believe that if they want something, WTO members should give something in return – even LDCs.

## 8. Conclusions and recommendations

African countries – especially LDCs – are facing serious challenges under current trade rules, with grave implications for poverty reduction and economic development. These are unlikely to be addressed if the current negotiating texts are retained. African negotiators have outlined their concerns and have identified specific reforms to WTO rules that would help them to integrate and compete in the world trading system, but their concerns continue to be sidelined by other members as a matter of routine.

The WTO is ostensibly a democratic system, where decisions are based on consensus. If WTO members want support for a new package of trade rules, they must ensure that all members' needs are addressed, not just those of the rich and powerful. While they will undoubtedly face great pressure to co-operate with the other members, rich countries should bear in mind that African countries and their allies in the G90 have the power to block agreement if the round offers no benefits for them.

A pro-development Doha package must achieve the following results:

### **An end to dumping by rich countries**

- Elimination of all export subsidies, including export credits and commercial use of food aid, by 2010. There should be an immediate freeze on levels of export subsidies, and back-loading of commitments during the implementation period should be prohibited.
- A tiered reduction formula that requires bigger cuts in trade-distorting subsidies than those currently proposed by the USA and the EU, respectively, by the end of the implementation period. Measures such as product-specific ceilings in the Amber and Blue Boxes should be agreed in order to limit box-shifting. These should be complemented by tighter criteria for the Green Box to avoid box-shifting.
- Agreement that the use of *de minimis* provisions by rich countries will be reduced by 50 per cent.
- Reduction of the permitted Blue Box level by 50 per cent, down to 2.5 per cent of the value of total agricultural production. There should be no expansion of the current Blue Box.
- Agreement that all trade-distorting support on cotton will be eliminated, including – by the Hong Kong ministerial meeting in

December 2005 – a timetable for elimination. An emergency support fund for African cotton-producing countries should be set up.

- Introduction of a defense mechanism for developing countries to use against subsidized exports. Developing countries should be allowed to add to their bound tariffs a percentage tariff equivalent to the dumping margin on the basis of data from the WTO secretariat (in collaboration with other institutions such as the OECD and the FAO) about costs of production and export prices for agricultural products receiving subsidies.

### **Protection of the right of developing countries and LDCs to institute pro-development trade, agriculture, and industrial policies**

- Agreement in the agriculture negotiations on a ‘special safeguard mechanism’, to be used by developing countries only, and exemption from all tariff reductions for ‘special products’, to be self-selected by WTO members.
- Agreement of a pro-development tariff reduction formula in the agricultural negotiations that does not exert excessive pressure on developing country tariffs. There should be specific tiers and thresholds for developing countries, along with percentage reductions equivalent to two-thirds of those required of developed countries, and longer implementation periods. LDCs should remain exempt from any tariff reductions.
- Agreement in the NAMA negotiations of a tariff approach that reflects the principle of “less than full reciprocity”. The simple Swiss formula proposed by the United States and backed by other rich countries, with “two coefficients in sight of each other,” does not reflect the mandate and should be rejected.
- Agreement in the NAMA negotiations that members are free to bind tariffs at levels of their choosing and to decide the extent of binding coverage. Agreement that no tariffs bound in this round should be cut, because binding is a significant concession. All LDCs should be exempted from tariff commitments.

### **Effective access to rich-country markets for developing countries and LDCs**

- Genuine improvements in market access conditions for developing countries into developed country markets in the agricultural negotiations, including ambitious targets for tiers, thresholds, and percentage reductions, limitations on the scope of

sensitive products, improved rules of origin, and disciplines governing the imposition of SPS and TBT measures.

- Elimination of tariff peaks and escalation in rich countries.
- Disciplines on the use of NTBs, including SPS and TBT measures and anti-dumping actions. Technical and financial assistance should be provided to help developing countries to comply with SPS and TBT measures.
- Granting of full, immediate duty-free and quota-free access for LDCs to rich-country markets, bound at the WTO and complemented by measures to maximise utilisation, including simplified rules of origin.

### **Critical development issues addressed**

- Measures to address the commodities crisis. A WTO committee should be formed to focus on this issue, and proposals on the table should be given serious consideration in the talks.
- Quick implementation of the Marrakesh Decision on NFIDCs. A food-import financing facility should be made available to developing countries, and more development aid should be provided to relieve food-supply constraints, develop local production capacity, and reduce NFDIC dependency on food imports.
- Agreement on a solution to preference erosion, in connection with agriculture and NAMA, as part of the Doha package. The solution should draw on solutions proposed until now, including deepening of preferences where possible, improved rules of origin, disciplines on NTBs to boost utilisation, or compensation.
- The interim TRIPS waiver that was agreed to in August 2003 is overly restrictive and cumbersome. WTO members must ensure that the amendment will effectively improve access to low cost generic medicines; the Africa Group proposal could guide the TRIPS amendment process. In addition, the deadline for LDC compliance with TRIPS should be pushed back to at least 2016, and a fundamental review of the TRIPS Agreement should take place.
- Commitment to provide additional, demand-driven technical and financial assistance, especially for LDCs, to enhance their participation in the negotiations. Impact assessments and analysis were promised at the start of the round, but never provided.
- Clarification of the relationship between regional trade agreements and WTO provisions is urgently needed, especially

since WTO-plus provisions in RTAs can undermine hard-won gains made by blocs of developing countries at the WTO Members should agree an interpretation of GATT Article 24 that includes adequate special and differential treatment, for instance flexibility on “substantially all trade” provisions for developing countries.

- Quick agreement on outstanding Special and Differential Treatment (SDT) and implementation proposals. Progress on SDT and implementation was a condition for agreeing to launch the round, and yet nothing has been agreed in four years.
- A properly structured and funded, and without trade policy conditionality, “Aid for Trade” mechanism to help benefit developing countries and LDCs, which face numerous challenges in taking advantage of opportunities in global trade.
- The Chairs of the negotiating committees and the Director-General must ensure that all delegations are consulted in the talks and that there is adequate and transparent reporting back of all developments in the negotiations. Members should not be presented with agreement at the last minute for quick ratification, or risk being blamed for the collapse of the round.

## Notes

- <sup>1</sup> 'Cairo Declaration and Road Map on the Doha Work Programme', African Union, 9 June 2005.
- <sup>2</sup> Livingstone Declaration, LDC Group, 25-27 June 2005.
- <sup>3</sup> Oxfam International: *Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty*, p. 70 (Oxfam GB, 2002). World Bank data relate to 2001.
- <sup>4</sup> *Ibid.*, p. 48.
- <sup>5</sup> Calculations based on OECD and World Bank data.
- <sup>6</sup> [www.uneca.org/eca\\_resources/conference\\_reports\\_and\\_other\\_documents/esp/20](http://www.uneca.org/eca_resources/conference_reports_and_other_documents/esp/2001/WTO_related/Declaration.Final.PDF)
- <sup>7</sup> Abuja Ministerial Declaration on the Fourth Ministerial Conference of the WTO – OAU/AEC/TD/MIN/Decl.1 (IV) Rev.3  
[www.uneca.org/eca\\_resources/Conference\\_Reports\\_and\\_Other\\_Document\\_s/esp/2001/WTO\\_related/Declaration.Final.PDF](http://www.uneca.org/eca_resources/Conference_Reports_and_Other_Document_s/esp/2001/WTO_related/Declaration.Final.PDF).
- <sup>8</sup> *Ibid.*
- <sup>9</sup> [www.fao.org/documents/show\\_cdr.asp?url\\_file=/docrep/x0250e/x0250e03.htm](http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/x0250e/x0250e03.htm)
- <sup>10</sup> 'Morocco 1998 standard of living survey', cited in [www.rrz.uni-hamburg.de/Globale\\_Zukunft/ausarbeitungen/benjelloun.htm](http://www.rrz.uni-hamburg.de/Globale_Zukunft/ausarbeitungen/benjelloun.htm)
- <sup>11</sup> Note by the WTO Secretariat, 'Agricultural trade performance by DCs 1990 – 2003'.
- <sup>12</sup> [www.oecdwash.org/NEWS/LOCAL/oecdwash-aug-sept2003.pdf#search='PSE%20OECD%20countries%202003H'](http://www.oecdwash.org/NEWS/LOCAL/oecdwash-aug-sept2003.pdf#search='PSE%20OECD%20countries%202003H'). CIA World Fact Book, 2004 data for GDP of Central African Republic, and numbers of people engaged in agricultural production.
- <sup>13</sup> CIA World Factbook, Ethiopia.
- <sup>14</sup> Least developed countries as recognised by the Economic and Social Council of the United Nations: plus Barbados, Botswana, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, Egypt, Gabon, Honduras, Jamaica, Jordan, Kenya, Mauritius, Mongolia, Morocco, Namibia, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia, and Venezuela.
- <sup>15</sup> WTO document TN/CTD/W/3/Rev. 2, paragraph 52.
- <sup>16</sup> Food and Agriculture Organization data, 2004.
- <sup>17</sup> Food and Agriculture Organization data. 2004.
- <sup>18</sup> Document G/SPS/GEN/204/Rev.5/Add.2 dated 25 February 2005.
- <sup>19</sup> United Nations, Human Development Report, 2005, pg.128.

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<sup>20</sup> Institute for International Integration Studies, Policy Coherence in Trade and Agriculture, The University of Dublin, June 2005

<sup>21</sup> See:

Hwww.ub.rug.nl/eldoc/cds/200215/200215.pdf#search='what%20is%20poverty%20line%20west%20africaH'. The poverty line in Benin is defined as income below US\$ 600 a year.

<sup>22</sup>

Hwww.oxfam.org.uk/what\_we\_do/issues/trade/downloads/bp30\_cotton.pdfH, page 11.

<sup>23</sup> Hwww.oxfam.org/eng/pdfs/pp020925\_cotton.pdfH, page 12.

<sup>24</sup> CCC net outlays by commodity and function.

<sup>25</sup> Hwww.oxfam.org/eng/pdfs/pp020925\_cotton.pdfH, page 12.

<sup>26</sup> Oxfam (2002): 'Cultivating Poverty: The Impact of US Cotton Subsidies on Africa', Oxfam Briefing Paper No. 3, p.12.

<sup>27</sup> S. Page and A. Hewitt (2001): 'World Commodity Prices: Still a problem for developing countries?' Overseas Development Institute, www.odi.org.uk/iedg/Publications/commodities.pdf.

<sup>28</sup> Based on chart contained in 'Conspiracy of Silence: old and new directions on commodities', paper by Duncan Green presented to Strategic Dialogue on Commodities, Trade, Poverty and Sustainable Development (Barcelona, 13-15 June 2005). Data from Hewitt and Page *op. cit.*, updated using UNCTAD data (2003).

<sup>29</sup> Based on chart contained in 'Conspiracy of Silence: old and new directions on commodities', paper by Duncan Green presented to Strategic Dialogue on Commodities, Trade, Poverty and Sustainable Development (Barcelona, 13-15 June 2005). Data from Hewitt and Page *op. cit.*, updated using UNCTAD data (2003).

<sup>30</sup> 'Aids Epidemic Update', UNAIDS, 2004.

<sup>31</sup> UNCTAD report TD/B/50/6.

<sup>32</sup> Oxfam International: *Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty*, p. 124 (Oxfam GB, 2002).

<sup>33</sup> The simple average tariff of developing countries is 29 per cent, while the weighted average is estimated at about 12 per cent.

<sup>34</sup> B. Hoekman, F. Ng, and M. Olarreaga, 'Tariff Peaks in the Quad and Least Developed Country Exports', World Bank, February 2001.

<sup>35</sup> T. Baunsgaard and M. Keen (2004), 'Tax Revenue and (or?) Trade Liberalisation', IMF working paper, draft version, 20 September 2004, www.imf.org.



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