



How to Strengthen the Development Issues in the Doha Development Round: A Synthesis of Proposals in Agriculture and NAMA¹

The Background

The WTO General Council reaffirmed in the July Package that provisions for special and differential (S&D) treatment are an integral part of the WTO Agreements. The Council recalled the Ministers' Decision in Doha to review all S&D treatment provisions with a view to strengthening them and making them more precise, effective and operational. The Council also recognized the progress made so far.

Agriculture

Export competition: The July Package underlined the fact that all form of export competition will be eliminated. However, developing country Members will benefit from longer implementation periods for the phasing out of all forms of export subsidies. State Trade Enterprises (STEs) in developing country Members that enjoy special privileges to preserve domestic consumer price stability and to ensure food security will receive special consideration for maintaining monopoly status.

Market Access: Having regard to their rural development, food security and/or livelihood security needs, special and differential treatment for developing countries will be an integral part of all elements of the negotiation, including the tariff reduction formula, the number and treatment of sensitive products, expansion of tariff rate quotas, and implementation period. Proportionality will be achieved by requiring lesser tariff reduction commitments or tariff quota expansion commitments from developing country Members. Developing country Members will have the flexibility to designate an appropriate number of products as Special Products, based on criteria of food security, livelihood security and rural development needs. These products will be eligible for more flexible treatment. The criteria and treatment of these products will be further specified during the negotiation phase and will recognize the fundamental importance of Special Products to developing countries.

Non-Agricultural Market Access

The WTO members agreed on the framework of the Doha Round on August 1, 2004. They recognized that "additional negotiations are required to reach agreement on (...) the formula, the issues concerning the treatment of unbound tariffs (...), the flexibilities for

developing-country participants, the issue of participation in the sectorial tariff component and the preferences”. However, the WTO members made clear commitments on the formula. They opted for a non-linear formula, meaning that the tariffs cut will be larger on high tariffs than low tariffs. It will thus harmonize the tariffs structure of each WTO member. The text implicitly refers to the formula proposed by the Ambassador² Girard in the Chair’s Draft Elements of Modalities prior to the Cancun Conference.

What options for Africa in Development Issues?

Agriculture Market Access

The July Package recognizes that a **Special Safeguard Mechanism** (SSM) will be established for use by developing country Members. It is what we could call the **explicit S&D**. It also recognises that a full implementation of the long-standing commitment to achieve the fullest liberalization of trade in tropical agricultural products and for products of particular importance to the diversification of production from the growing of illicit narcotic crops is overdue and will be addressed effectively in the market access negotiations. The main question here is how these products will be identified. Two criteria could be used, the level of initial protection but also the level of trade. However, the tariff structure could be seen as the main criteria. Basically, a product with a high tariff could be analysed as a strategic product. The authority would not be ready to liberalize this product in order to keep some policy space.

In a recent research study³, ECA proposed a new kind of S&D. The authors proposed a common formula for developed and developing countries. The only difference is that developed countries have to implement an adjustment coefficient that is different to developing countries. More precisely, the proposed formula for tariff reduction is as follows:

$$t_1 = (1 - a) \times t_0 \times \Phi$$

Where t_1 = new tariff rate; t_0 = old tariff rate; a = reduction rate; and Φ = adjustment coefficient. $\Phi = 1$ for developing

countries and $\Phi = \frac{a}{(1-a)(a+t_0)}$ for developed countries.

In that case a tiered harmonizing formula that includes the coefficient $\Phi = 1$ for developing country could be seen as an **implicit S&D**. It gives to developing countries more policy space and also more scope to protect their national producers if needed. Furthermore, the differentiation between developed countries and developing country would bring the most important gains for the African countries.

So, this differentiated formula $t_1 = (1 - a) \times t_0 \times \Phi$ with $\Phi = 1$ for developing countries and $\Phi = \frac{a}{(1-a)(a+t_0)}$ for developed countries offers the best perspectives for the continent

Non Agricultural Market Access

The WTO general council adopted an explicit S&D for developing countries. WTO Members agree that developing-country participants shall have longer implementation periods for tariff reductions (**less than full reciprocity**). In addition, they shall be given the following flexibility:

- a) Applying less than formula cuts to up to [10] percent of the tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [10] percent of the total value of a Member’s imports; or
- b) Keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] percent of tariff lines provided they do not exceed [5] percent of the total value of a Member’s imports.

They agreed that least-developed country participants shall not be required to apply the formula nor participate in the sectorial approach, however, as part of their contribution to this round of negotiations, they are expected to substantially increase their level of binding commitments.

Two ways are available to improve the output for Africa of the negotiations on NAMA. First, African countries obtain better results⁴ when the “**explicit S&D**” is larger, meaning that African states get more exempted tariff lines. Next, the results are also improved when the developing countries apply lighter tariff cuts, through higher coefficient Girard Formula, what is usually called “implicit S&D”.

Improving the explicit Special and Differential Treatment

The explicit S&D means that some tariff lines can be exempted from the tariffs cuts commitments. It enables non-LDCs African states and other developing countries not to open sensitive markets to the imports, keeping policy space and customs revenue in these sectors. If the number of tariff lines covered by the explicit S&D of the July Package were doubled, Africa would improve its benefits in the Doha round. The GDP growth would be slightly reduced, but terms of trade, trade balance and the general welfare would be improved⁵. Reinforcing the tariff-lines exemption is a solution to limit the commitments of the most developed African states and to help them pursuing their industrial development strategies.

Improving the implicit Special and Differential Treatment

The implicit S&D corresponds to the differentiation of the coefficient of the Girard formula between developing and developed countries. This measure was not officially adopted but is implicitly referred to the July Package. It implies that the eight African states concerned by the tariff cuts would have to **commit themselves proportionally less than the developed states**. Similarly to the explicit

S&D, the implicit S&D would enable African countries to keep larger policy space and customs revenues. It would be **complementary** to the explicit S&D, as it would keep room of maneuver on all the tariffs lines not exempted through the explicit S&D. It would lead to higher welfare gains in sub-Saharan Africa, reduced trade losses, and improve the African terms of trade compared to an equivalent scenario without explicit S&D.

(Footnotes)

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² The tariffs would be cut so that $t_1 = \frac{B \times t_a \times t_0}{B \times t_a + t_0}$, where t_1 is the final tariff, t_0 the initial one, t_a the initial national average and B the coefficient of the formula.

³ L'accès aux marchés agricoles : Une perspective africaine, Commission Economique pour l'Afrique, mai 2005

⁴ Better results in terms of policy space.

⁵ The welfare of the North-African states would yet slightly decrease.

