



Economic Commission for Africa

**The Doha Round and African Development:
Turning Words into Deeds**

ECA Position Paper Series
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I. Introduction

International trade is an important engine of growth and will play a major role in any meaningful effort aimed at accelerating the pace of development of countries in the African region. By providing access to foreign exchange, expanding markets, increasing foreign direct investment, facilitating the transfer of technology, and boosting domestic productivity, it can create employment and increase domestic incomes.

African countries have comparative advantages in the production and export of agricultural goods and a large percentage of the region's population rely on this sector for their livelihoods. Therefore, an increase in agricultural productivity and trade will be crucial to improving prospects for poverty reduction in the region. The benefits of trade are, however, not automatic. History and recent evidence have shown that they accrue to countries that have taken adequate steps to exploit them. Africa has not derived any significant gains from trade, reflecting largely the fact that it is not, and has never been, a major player in the global trading system. The region's share of world exports fell from 4.6 percent in 1980 to 1.8 percent in 2000 and almost half of its people live on less than \$1 a day.

Internal and external factors have contributed to the region's low participation and influence in world trade. The internal factors include: inappropriate domestic economic and social policies; and the lack of progress in regional integration efforts, which has limited the region's ability to reduce transaction costs and increase competitiveness through economies of scale in the development of infrastructure. On the external front, costly and unfair trading practices of member-states of the Organization for Economic Cooperation and Development (OECD) have made it difficult for African countries to penetrate export markets in developed countries.

Agricultural subsidies and other domestic support measures of OECD countries, which amount to over \$300 billion a year, wreak havoc on African economies and undermine the potential of agricultural trade to contribute to poverty reduction in the region. Recent evidence suggests that the elimination of trade barriers in the United States (US), the European Union (EU), Japan, and Canada would result in a 14 percent increase in non-oil exports and a 1.2 percent increase in welfare in sub-Saharan Africa (SSA). It also suggests that although the removal of these barriers would yield significant benefits to SSA, the costs to the developed countries would be insignificant because of Africa's low share of international trade.

African countries and governments have, in several rounds of trade negotiations, expressed concerns about these external factors limiting their ability to integrate fully into the world economy. An attempt to address this

issue at the 2001 Ministerial Conference of the World Trade Organization (WTO), held in Doha, Qatar, led to the declaration of the current round of trade negotiations as a Doha Development Round. In this paper, we outline the key promises made to developing countries under the Doha Development Agenda (DDA) and examine the degree of progress made so far in fulfilling them. We also highlight where the African region stands with the DDA as well as measures that must be taken for the current round to make a real contribution to African development. Finally, we examine Africa's strategy for the Cancun meeting and offer suggestions on what must be achieved at the meeting for the region to regard it as a success.

II. Doha Promises to Developing Countries

At Doha, WTO members made many promises to developing countries aimed at helping them derive more benefits from trade. Therefore, as the international community prepares for the Fifth Ministerial Conference in Cancun, Mexico, it is important to take stock of these promises with a view to ascertaining the extent to which they have been fulfilled. The key promises to developing countries in the DDA include:

- Interpreting and implementing the TRIPS agreement in a manner that gives developing countries the ability to deal with severe public health emergencies;
- Making progress on market access for agricultural goods as well as reduction of export subsidies and other domestic support measures used by developed countries;
- Ensuring that the liberalization of services is done in a way that increases the participation of developing countries in service trade and provides appropriate flexibility for them;
- Finding appropriate solutions to implementation concerns and addressing outstanding issues as a matter of priority;
- Dealing with tariff peaks and tariff escalation as well as non-tariff barriers to products of export interest to developing countries;
- Reviewing all Special and Differential Treatment (S&D) provisions to make them more effective and allow developing countries to take care of food security and rural development needs;
- Accelerating the accession of least developed countries (LDCs);

- Better and balanced rules to protect developing countries rights and interests in the trading system; and
- Providing more technical assistance and capacity building programmes to developing countries.

There is no doubt that the fulfilment of these promises would mark the beginning of progress in exploiting the potential of international trade to improve living conditions in developing countries. In this regard, the challenge facing the international community is how to translate these promises in the Doha mandate into reality without jeopardizing the trade liberalization objectives of the WTO.

III. Is the Doha Round on Track?

There is general consensus that very little progress has been made on the major development issues under the Doha Round. Deadlines have been missed in key areas critical to the realization of the mandates in the DDA. For example, the Doha ministerial declaration called for the conversion of S&D measures into mandatory provisions with clear recommendations for a decision by 31 July 2002. That deadline was missed. Furthermore, the 31 March 2003 deadline for establishing modalities for further commitments in agriculture has also been missed. Regarding market access for non-agricultural goods, WTO members were unable to reach an agreement on modalities for negotiations by the agreed target date of 31 May 2003. Other areas in which deadlines have been missed include: TRIPS and Public Health (31 December 2002); and Implementation Issues and Concerns.

The series of missed deadlines, especially on agriculture, provide the rationale for less optimism about the ability of the current round to make significant contributions to the development aspirations of poor countries. Several factors have contributed to the slow pace of progress in the current round of trade negotiations. These include:

- Overloading of the agenda. The Doha Round has a very ambitious work programme. It involves multilateral negotiations in very complex areas. In addition, several issues on the agenda are highly controversial and, as a consequence, it has been quite difficult to reach agreements on them;
- Lack of political will by leaders of OECD countries to compromise on sensitive issues because of fear of confrontation with powerful

domestic interest groups. The US stance on TRIPS is a clear manifestation of this problem. It rejected the TRIPS Chairman's draft text of 16 December 2002 in an apparent effort to protect and please domestic pharmaceutical firms. The main concern of US pharmaceutical firms was with disease coverage and eligibility. They wanted coverage to be limited to severe diseases such as HIV/AIDS, Malaria, and Tuberculosis. They also wanted eligibility to be limited to poor developing countries, mostly LDCs, who do not have the domestic capacity to manufacture essential drugs. Intense pressure from developing countries resulted in a change of the US position on this issue in the last week of August 2003. In a recent meeting with four key developing countries---Brazil, India, Kenya, and South Africa---it agreed to a compromise text that would allow developing countries to import generic versions of patented drugs from low-cost producers. The text, which was adopted by the TRIPS council, addressed the concerns of US pharmaceutical firms through the inclusion of a statement that the measure must not be abused or used by WTO members to further industrial or commercial policy objectives;

- Conflicting interests across countries on critical issues. The EU and Japan are interested in having negotiations on the four Singapore issues---investment, competition policy, trade facilitation, and transparency in government procurement---while developing countries are against the introduction of these issues but would like to see more progress in negotiations on trade in agriculture. The EU is unwilling to make serious concessions on agricultural trade if other members do not commit to negotiations on the Singapore issues. Recently, however, EU agriculture ministers agreed to a reform of their Common Agricultural Policy (CAP). A key feature of the proposed reforms is the decoupling of subsidies from production so that they do not distort trade. The reforms, however, do not go far enough because they focus on production subsidies alone and would not lead to a reduction in total agricultural support. More importantly, the reforms do not address problems in the other pillars of the negotiations on agriculture, namely: export subsidies and domestic support measures; and
- Capacity constraints in poor countries. Some of the issues in the DDA are so complex that developing countries need time, human resources, and technical expertise in order to analyse and understand their implications. With limited human and financial resources, many developing countries have not been able to critically examine these issues and so are concerned about making quick commitments in areas where they have very little knowledge.

Agricultural trade is the most important development issue in the DDA and it is becoming clear that the success of the Doha Round will depend in part on progress in this area of negotiations. In recognition of this fact, the EU and the US made an attempt recently to inject new life into the negotiations by agreeing on a joint plan for reform of agricultural trade. They made a joint proposal that was presented to the WTO on 13 August 2003. The proposal calls for cuts in domestic support payments, reduction of export subsidies, and lowering of barriers to agricultural trade. It has, however, been criticized by some trade analysts as being vague because it does not put any figures to its call for reforms in the three key areas of agricultural trade. Furthermore, there are concerns by the Cairns Group of commodity-exporting states that the “blended formula” for tariff reductions adopted in the proposal would not lead to significant reductions in agricultural trade barriers. Although African trade officials and civil society groups welcomed the move, they were disappointed that it did not go far enough in dealing with the issue of domestic support and export subsidies, especially on sensitive products such as sugar, beef, and cotton. Export subsidies offered by developed countries have devastating effects on African economies. Between 1999 and 2001, African cotton exporters lost approximately \$334 million dollars in export revenue because of the decline in world cotton prices arising from OECD export subsidies on the product.

IV. Africa and the Doha Development Agenda

Where does the continent stand with the Doha Round? So far, the DDA has not made any significant in-roads in meeting the development needs of the African region, and this is reflected in the series of statements that have been made by African leaders and trade negotiators since the inception of the round.

At a recent Conference of African Ministers of Trade, held in Grand Baie, Mauritius, from 19-20 June 2003, trade ministers adopted a common position on negotiations under the current round. They also made a declaration on the Fifth WTO Ministerial Conference, endorsed by African leaders at the Second Ordinary Session of the Assembly of African Heads of State and Government held in Maputo, Mozambique, from 10-12 July 2003. At both the Ministerial and Heads of State meetings, African leaders expressed concerns about the lack of progress in on-going negotiations and the ability of the current round to meet the development aspirations of African countries.

There are three aspects to these concerns. The first is the unequal representation of African countries at the WTO and their exclusion from the decision making process on key issues of importance to the continent. Although the WTO is a member-driven organization, a number of sensitive issues are discussed in informal “Green Room” meetings and African countries are not invited to these meetings. The second aspect of Africa’s concerns is the fact that the missed deadlines are all in key areas of interest to the continent, namely: Agriculture, S&D, and Implementation-related Issues and Concerns. The final aspect of Africa’s concerns is the lack of an effective mechanism to address problems of capacity constraints in the region. African countries need technical assistance and capacity building to adjust to new trade rules, implement obligations, and exercise the rights of membership of the WTO.

How can the Doha Round make a real contribution to African development? There is an understanding that progress in agriculture is the key to improving prospects for poverty reduction in African countries due in part to the large number of people on the continent who depend on the sector for their livelihood. Consequently, a necessary but not sufficient condition for the Doha Round to make a real contribution to African development is that there must be concrete achievements in negotiations on agricultural trade. In particular, the negotiations must lead to significant improvements in market access for African exports and a reduction in subsidies and other domestic support measures used by OECD countries. Other measures that would enhance the contribution of the round to African development include:

- Better integration of development issues into the work programme of the WTO as well as mechanisms to make them fully effective and operational;
- More flexibility in WTO agreements to enable African countries deal effectively with poverty reduction and food security issues;
- Change of attitude by developed countries as evidenced in their willingness to honour commitments made to developing countries on previous rounds of multilateral trade negotiations;
- More sensitivity to the implementation costs of WTO agreements for poor African countries. These costs are enormous, divert attention away from important development priorities, and make it difficult for several countries to finance investments--in education, health, and infrastructure--that would have positive consequences for poverty reduction;
- More meaningful and effective capacity building and technical assistance programmes. Existing programmes tend to have a short-

term focus and do not deal with the problems posed by supply-side constraints and the lack of competitiveness of African economies. Carefully thought-out programmes are needed to enhance the ability of African countries to address supply-side constraints and also allow them to analyse and understand the implications of trade agreements before committing themselves.

V. Strategies and Scenarios for the Cancun Meeting

To advance Africa's interests and position in the current round of trade negotiations, there is the need for African countries to have clear goals for the Cancun meeting as well as coherent strategies for achieving them. Elements of this strategy should involve identifying issues that are critical to African development and making concessions on those that are not expected to have any far-reaching implications for the region.

The current approach of supporting demands by developing countries, even when they are not expected to yield any significant benefits to the majority of African countries, has not advanced the region's agenda and is making it difficult for the region to obtain much-needed concessions from developed countries in certain areas of the negotiations. In the run-up to the Cancun meeting, African countries must therefore identify and, in some areas, differentiate their interests from those of other developing countries in order to derive maximum benefits from the negotiation process.

There is some understanding amongst analysts and policymakers that the outcome of the Doha Round would depend in part on developments at the Fifth WTO Ministerial Conference in Cancun. Given the current stance of key and influential members of the WTO—the US, the EU, and Japan—three scenarios are possible at the Cancun meetings.

- A Crisis Scenario: in which most of the countries are unwilling to make concessions on the key issues, resulting in a Seattle-style fiasco. This would increase the credibility problems of the WTO and undermine its role as a major player in the global trading system;
- A Development-Friendly Scenario: in which the developed countries make concessions on the contentious development issues in the run up to the Cancun meeting; and
- An Early-Harvest Scenario: in which agreements are reached on some, but not all the contentious issues, and the target date for completion of

the round is extended to allow time for more negotiations on the issues.

Based on developments in negotiations since the end of the WTO Ministerial Conference in Doha, most analysts are of the view that it is unlikely that the round would be successfully completed by 1 January 2005 as envisaged in the Doha mandate. There is therefore the likelihood that the three-year period (2001-04) earmarked for the round would be extended for a few years. Based on experience with previous rounds, this is not surprising. For example, the Uruguay Round was originally scheduled to last four years (1986-90) but it took seven years (1986-94) to complete. Although extending the date for completion of the current round would not be unprecedented, it is worrisome that the spirit and momentum that surrounded its launching is waning faster than anticipated, and there are concerns that the developed countries may be losing a great opportunity to build the trust and confidence of developing countries in the multilateral trading system.

VI. What Africa expects from the Cancun Meeting

Given the multiple and complex development challenges facing several African countries, any future commitments and decisions on the trade issues under the Doha Agenda must reflect the very nature, structure, and dynamics of their economies if they are to yield maximum benefits to the region. The forthcoming meeting in Cancun presents an opportunity for developed countries in the WTO to demonstrate that they sincerely want the current round to make a real contribution to the development of poor countries. In this regard, trade ministers of developed nations must deliver substance at Cancun to avoid discrediting themselves as well as the WTO.

From an African perspective, the Cancun meeting would be deemed successful, if there is binding commitment by WTO members to make international trade work for the region. This requires:

- Progress in negotiations on market access for agricultural goods produced by African countries, as well as the reduction and elimination of export subsidies and other forms of domestic support provided by developed countries to their farmers;
- Review of all S&D provisions in the WTO agreements with a view to strengthening them and making them more precise, effective, binding, and operational;

- Renewed commitments to find effective solutions to the implementation problems faced by African countries;
- Establishment of compensatory mechanisms to help African countries deal with the potential negative consequences of the erosion of benefits received under existing preferential market access arrangements; and
- Giving African countries more opportunities at the WTO to actively participate in taking decisions on key trade issues of interest to them.

Ultimately, Africa's overall assessment of the Doha Round would depend on the extent to which it is able to deal effectively with the problems inhibiting the region's ability to fully integrate into the global economy and share the benefits of the multilateral trading system. This paper has outlined the essential requirements for the round to fulfil its promise to African countries. What remains to be done in order to accomplish this task is for WTO members, and the developed countries in particular, to turn their words into action. There is no doubt that with political will, determination, and selflessness, leaders of the developed countries can make the Doha Round a success and set the stage for a brighter future for all.