TRADE POLICY DEVELOPMENT AND NEGOTIATIONS IN THE DOHA ROUND: DOCUMENTATION OF MAJOR ISSUES AND PROPOSALS ON AFRICA'S POSITION

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I. INTRODUCTION

Time it was when Africa, just emerging from colonial rule, was able to afford being a free rider under the old GATT arrangements. The participation of developing countries in the Tokyo Round of multilateral trade negotiations, which involved mostly developed countries, was minimal, (Schott, 2004). The majority of countries in the developing world, including Africa, were not involved and were not bound by the new GATT obligations. They were granted concessions under the GATT's most-favoured nation (MFN) principle, without having to adhere to the principle of reciprocity of opening up their own markets to foreign competition.

In essence, the developing countries were free riders on the GATT system—at least until the Uruguay Round. Their minimal or lack of participation however came at a cost. The negotiations did not result in improved access to industrialized country markets for the competitive agricultural and manufactured exports of developing countries. In an attempt to protect their own markets, developing countries had to maintain high foreign trade barriers against their most competitive exports, namely agricultural products.

This inward-looking policy did not yield significant economic benefits as much as they appeared to be politically convenient. The move of the world economy towards increased globalization and interdependency has led to increased marginalization of developing countries from the world trade system. Today, a growing number of countries admit to having a stake in world trade and have undertaken substantive international trade obligations under the Uruguay Round agreements and the new WTO. With currently 148 members and many more countries waiting for or already engaged in accession negotiations, there is hardly any country, including - African countries, which can ill-afford to continue to maintain an attitude of aloofness towards the goings-on in the WTO. It is no surprise therefore that Africa is teaming up with other developing countries to ensure its active participation in the ongoing Doha Round.

Following the Doha 2001 Declaration (WTO, 2001), the developing countries including Africa, have shifted their stance to become more involved in the trade negotiations. The WTO saw the need to address the developmental concerns, which were neglected during the previous rounds, such that the Doha Round was ostensibly dubbed the "Development Round". The Doha Round aimed at redressing the imbalances resulting

from the Uruguay Round of trade negotiations, which according to Stiglitz, largely benefited the developed countries at a ratio of 70:30 (DFID, 2004). Thus, the Doha Round sought to promote global efforts at tackling the problems of underdevelopment, by boosting economic growth in the developing world. Objectives targeting growth and development would redress the observed imbalances. These included: opening up rich countries' markets to developing countries' exports; providing effective special treatment to various countries to meet their development needs; and removing trade distorting domestic support in agricultural trade.

However, three years after Doha and just before the September 2003 WTO Ministerial Conference in Cancun, it became obvious that these laudable goals had not materialized. In fact, the word "development" was never brought up during the Doha Development Round negotiations, which ended up being just the "Doha Round" (McKinnon, 2005). Therefore, the outcome of the Ministerial Conference was predictable. The launching of the Doha Round in November 2001 was initially planned to dampen anti-globalization movement by focusing on growth and development issues alongside trade liberalization issues. However, instead of promoting growth and development in poor countries like in Africa, the agricultural support schemes in the OECD countries is still a major hindrance to the liberalization process. The negotiators had difficulties reaching an agreement on the agricultural trade negotiations. Hence, the developing countries responded to cloudy signals on agricultural reforms by withholding their support for the resumption of the negotiations on the Singapore issues (investment, competition policy, trade facilitation, and transparency in government procurement). Accordingly, the collapse of the talks in Cancun, rather than to accelerate the pace of the Doha Round, has not only stalled the negotiations but also made their conclusion, initially planned for December 2004, difficult and uncertain. Consequently, the threat that the developing world, including African countries, may lose faith in a rules-based multilateral trading system became clear. (Schott, 2004).

The little progress made in resolving the differences between the developed and the developing countries on the issue of agriculture is cited as the main cause for the collapse of the Cancun Meeting. Stronger commitments are needed to reform national agricultural subsidies programmes instead of cosmetic changes to the rules and procedures. The developing countries felt that the US-EU proposal on agricultural trade reforms tabled just before Cancun, were merely cosmetic and supporting the current agricultural policies in developed countries. The resulting mistrust led to a hasty formation of the G-20 alliance led by South Africa, China, and India among others, to push for the liberalization of the OECD countries agricultural trade, particularly that of the EU, the U.S. and Japan.

A major issue arising from the Cancun Meeting relates to the available options open to the developing countries as a group, sub-regional groupings or individual countries: Should Africa go back to the old free-rider strategy under GATT, or should the continent's involvement shift to a more convenient and less complex bilateralism? Evidence suggests that there is much to be said about the region promoting actively a global trading system governed by multilateral rules and agreements. The Doha Round still deserves the active involvement of African countries for at least three main reasons.

Firstly, while the collapse of Cancun may appear to be a victory for the developing world, in the absence of rules, developed countries stand more to gain from the ensuing disorder given their vantage position as strong and competitive economies. The weaker countries, including African countries, would benefit more from a set of multilateral rules reached at through negotiations, and which guarantees the protection of their interests (Boel, 2005). Secondly, results from major studies weighing the various options (Beghin, et.al, 2002) have shown that developing countries can make significant gains by committing to the negotiations aimed at reducing agricultural subsidies in OECD countries.

For example, it is shown that commitment to reduce agricultural subsidies in high-income countries has the potential of inducing substantial changes in world food prices and domestic agricultural rates of return and output, thereby leading to dramatic shifts in agricultural trade patterns. Overall trade would expand, and wages and incomes in developing countries would substantially increase especially among the rural poor. Rural incomes in low-income countries, including Sub-Saharan Africa, would be boosted by USD$60 billion over the period of analysis, far exceeding the figure for the most ambitious increases in development assistance grants to these group of countries. At the same time, it would result in substantive savings for OECD countries' taxpayers. Furthermore, recent estimates show that a rise in Africa's share in world exports of just 1 percent would be worth five times as much as the continent's share of aid and debt relief (DFID, 2005). The World Bank's estimates put the number of people who would be lifted out of poverty by 2015 to 300 million people, if the Doha Round negotiations result in a comprehensive deal, particularly if it leads to significant liberalization of South-South trade (Boel, 2005). Thus, in Mc Kinnon's words, a rules-based multilateral trading system could become a win-win situation that works in the best interest of all countries concerned, whether rich or poor (McKinnon, 2005).

The third major reason for committing to the Doha Round negotiations stems from the fact that the Round may still be the best strategy for African countries. Strong evidence suggests that the OECD countries, particularly the EU and U.S., may have misjudged the extent of mistrust that led to the creation of the G-20. They may now be willing to come to the negotiating table with substantive agricultural reforms that would meet the needs of developing countries. Available evidence shows that, as of 2005 considerable progress is being made in reforming EU's agricultural policies. Agricultural spending has been frozen until 2013, which means a decline by 8 percent in real terms of direct subsidies. The share of agriculture in the EU budget is expected to fall to 35 percent by 2013, as against 60 percent in 1989. Ten years ago, 0.61 percent of the EU's GDP was allocated to farmers, and now that figure stands at 0.43 percent with an expected further drop to 0.33 percent. The linkage between subsidies and production has been broken by a new set of reforms introduced in 2003 and 2004, which reduced trade-distorting effects of EU agricultural policies. These measures may account for the success of the Geneva talks in 2005. With the upcoming renewal of the U.S Farm Bill in 2007, the US may follow the EU's lead in establishing pro-trade reforms (Boel, 2005).

Furthermore, in the WTO framework agreement adopted in the summer of 2004, the EU committed itself to phasing out all agricultural export subsidies, long regarded as the

EU's sacred cow. This, however, would require reciprocity from their trading partners. The Doha Round is therefore expected to promote agricultural trade liberalization that would be far-reaching than during the Uruguay Round, substantial cuts in trade-distorting agricultural support, elimination of export subsidies, and increased agricultural market access (*Ibid)*.

The foregoing is, however, not to suggest that a resumption of the negotiations would necessarily be without difficulty and that the G.20 countries would easily have their way once they commit to the negotiations. Rather, it is to say that the developed countries appear to be willing to consider major concessions that would break the Cancun stalemate. Judging by a whittled down agenda, that is more focused on issues germane to the concerns of developing countries (UNCTAD, 2004), the prospects are brighter than at pre-Cancun and much progress may be achieved at the forthcoming December 2005 Ministerial in Hong Kong. If the current cooperative stance between the major negotiators is maintained, the chances are high of concluding the Round in 2006. Hence, it would be worth the while for the developing countries, including African countries, to implement the measures aimed at reviving and sustaining the Doha Round negotiations and to actively participate in the negotiations.

The paper will explore in Section II at the issue of policy coherence in the context of Doha Round. Section III will discuss the main outstanding issues in the negotiations from an African perspective. Finally, Section IV will sketch out the African bargaining position, if the region is to derive maximum benefits from the negotiations.

II. PROBLEMS OF POLICY COHERENCE IN THE CONTEXT OF DOHA

Liberalization of trade in goods and services leads *per force* to increased "internationalization" of a nation's economy. As exports and imports are exchanged, economies become more closely knit, thereby increasing linkages among enterprises at the micro level and connections among aggregate economic variables (such as balance of payments, exchange rates, interest rates, etc.) at the macroeconomic level. In addition, as a country becomes thoroughly integrated into the global market, trade and investment become interlinked and interconnected. While foreign direct investment (FDI) flows represents a small percentage of the overall domestic capital formation in developing (and developed) countries, they play a considerable role in developing and advancing some key leading sectors.

Trade and investment flows have become so closely knit that it is often unwise to develop innovative trade policies without considering their effects on FDI flows, and *vice-versa*. Regional trading agreements have been emphasizing on the importance of FDI, to the point that trade-related investment measures have been put under the auspices of WTO. According to many observers and as pointed out earlier, the Cancun WTO Ministerial Meeting failed because of the "Singapore Issues", which include the central but controversial issue of investment codes.

Most of the African states, like the majority of developing countries, have by and large adopted the idea that open trade and investment policies are necessary to sustain economic development. However, the current global economic governance is riddled with various problems that need to be sorted out. In this contribution, we will analyze the international trade governance as it relates to FDI, focusing particularly on the WTO– the only legal body dealing with international trade issues – and the Doha Development Agenda.

One of the major problems with the WTO is the issue of exceptions and contradictions. The establishment of free-trade areas (FTAs) and customs unions (CUs), subject to a number of conditions, under Article XXIV contradicts the basic principle of Most-Favored Nation (MFN) enshrined in Article I. Article XXIV was, in fact, created as an exception to the MFN rule. In this context, how can the WTO be effective when the exception becomes the rule and *vice versa*? With currently over 300 FTAs, CUs and other preferential trading arrangements—well over half in just the past 10 years—and with every OECD country embracing regionalism, the trend is posing a serious challenge to Africa. This is especially true since the new accords include all developing countries that compete with Africa in its richest and largest markets, thereby leading either to a deterioration of Africa's competitive edge (as in Europe) or outright discrimination (as in the United States).

The issue of regionalism should be examined in light of the "traditional" problems of the WTO in terms of market access in many labor-intensive areas, particularly in agriculture. In addition to the distortions of the international trade system caused by the failure to liberalize international markets, producers in developing countries are impacted negatively by the agricultural export subsidies. All these issues constitute key challenges to global governance. Developing countries were insisting that the "Doha Development Agenda" should be an agenda for development. Hence, any agreement would necessarily include all sensitive sectors, since the developed countries have their own ambitious liberalization agenda of a wide range of sectors—from Intellectual Property Protection to traditionally sensitive service sectors.

This section will define and explore the issue of "policy coherence" within the OECD, with respect to developing countries in general and Africa in particular. Following, the regionalism trend, which is the potential source of policy incoherence, and its implications for Africa will be discussed. The section will then examine the stakes at the Doha Round and how unilateral and regional policies can improve the region's economic prospects.

(a) Policy Coherence Challenges

As defined by the OECD (Fukasaku et.al., 1995), "policy coherence" relates to the degree to which policy objectives and instruments are consistent. Thus, the lack of policy coherence emerges when there is a serious mismatch between the OECD policies on the one hand, and the goals and effects of OECD policies, on the other hand.

All OECD countries have set up development assistance programs designed to foster growth in developing countries. Economic development, and particularly poverty alleviation/eradication, are considered as critical elements of OECD foreign policy goals with respect to developing countries. Despite the shortfall of OECD funding of these programs, at least the intent is clear.

Furthermore, the OECD countries have always provided policy recommendations to developing countries on how to exit the poverty trap and move up the development ladder. While policy prescriptions differ—and sometimes considerably—all emphasize the importance of integrating the international marketplace over the medium and long terms - as a means of promoting development. For example, as *prima facie* evidence, developing countries in Asia have experienced high—and, in some cases, spectacular—economic growth, much of which was based on an outward-oriented approach to development (see, for example, EPANET 2004). By embracing trade liberalization, China and, to a lesser but ever-increasing extent India, have both been able to spur spectacular growth. The number of poor people in these two countries, which comprise about 1/3 of humanity, has fallen dramatically, particularly in China. Myriad of formal economic studies have underscored the fact that outward-looking countries grow more rapidly than others. Even Dani Rodrik, a well-known economist for his unconventional views on globalization, has suggested that a country that has been relatively closed to international trade and investment has never been able to develop successfully. Therefore, the major debate is on the sequencing of trade and investment liberalization.

However, the problem arises when policies formulated by the foreign ministries and development assistance agencies of the OECD countries are trumped by government bureaucracies, which are often more powerful. In particular, specific interest groups in the developed countries strive to limit market access and, in some cases lobby using the political channels for policies that distort international prices, thereby making it difficult or even impossible to achieve development assistance objectives. If the policies advocate for the adoption of economic reforms and the use of global markets and development assistance in support of reforms and capacity building efforts in developing countries, while the major markets in which developing countries have comparative advantage remain closed, these policies will be seriously hampered, given the importance of developed-country markets. This is the essence of "policy incoherence".

This issue is particularly crucial to Africa, where development assistance has been provided with the objectives of alleviating/eradicating poverty. Nonetheless, a number of key OECD markets have not sufficiently liberalized labor-intensive areas important to Africa, including agriculture. This lack of policy coherence on market access and agricultural subsidies has been hindering development in the region. Even selected liberalization under ostensibly pro-development programs such as the Generalized System of Preference (GSP) have had limited effects as the sensitive areas were excluded.[2]

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[2] Some economists (e.g., Brown 1989) have noted that, since the GSP tends to limit exports to the traditional sectors, the resulting negative terms of trade effect can be detrimental to developing countries.

The Uruguay Round did make some progress in reducing many non-tariff barriers in agriculture as well as phasing out quantitative restrictions in textiles and clothing. However, agricultural trade barriers remain extremely high in relative terms. In addition, the phasing-out of quotas under the Uruguay Round Agreement on Textiles and Clothing has produced mixed results. Although quotas have been removed, recent data show that China in particular has accessed the US and EU markets, which was not the case of the other developing regions, including Africa. Moreover, growing imports from China has become a concern to OECD countries that need to rethink their liberalization strategy.

The Doha Development Agenda was designed to inject more "coherence" into OECD policies by including sensitive areas such as agriculture and labor-intensive industries. However, as referred to above, the offer made at the Cancun Ministerial Meeting was disappointing enough to convince some developing countries to reject the deal than to accept the limited and unbalanced offer. The "July Package" in 2004 resulted in a compromise and provided a framework for negotiations. But much remains to be done in terms of liberalizing sectors of primary importance to Africa and a successful Doha is by no means a foregone conclusion. It will take a great deal of political will to push it through, both in the developed and the developing countries.

(b) The Emerging Dominance of Regionalism

While a successful Doha would mitigate the trade diversion of the global trade towards regionalism, a number of potentially discriminatory aspects of regionalism could possibly be included in the Doha agreement. This raises the issue of the relative benefits of regionalism as compared to the global trading system, and its inherent "coherence" in terms of the OECD development goals. Does regionalism support unilateral/multilateral reform goals, or does the discrimination inherent to a trade block lead to a "second best" outcome at best, or an inward-looking one at worst? In the case of the latter outcome, the trend could be highly detrimental to African development prospects.

The answer to the questions is dependent to some degree on the type of agreement and the stance adopted by the trade block member states. If outward-looking economies form a regional grouping, regionalism is likely to promote domestic policy reforms and multilateral liberalization. This is due to at least 4 factors: (1) a country promoting outward-looking policies could not possibly support a regionally-closed system; (2) reductions of trade barriers within a preferential trading arrangement would encourage a country to lower its external barriers, in effect "MFN-izing" regional concessions, thus decreasing trade diversion and related costs resulting from regionalism; (3) a preferential trading arrangement would affect a country's production structure by weeding out the least competitive industries and ensuring a conducive political economy for trade liberalization over the long term; and (4) the membership to the preferential trading arrangements would expand and become more diversified over time, thereby weakening regional support for protectionism in a particular country and/or industry, as well as reducing the overall potential for trade diversion.

If correct, this answer would be good news for Africa: OECD countries are outward-oriented, and they generally enter in agreement with open economies in the developing world. The EU is finalizing a number of bilateral FTAs with African countries, and the United States has followed the trend with its own proposal to the Sub-Saharan Africa, the African Growth and Opportunities Act (AGOA). However, these agreements generally take a long time to complete, whereas much is happening in the meantime. There is also the fear that critical sectors will ultimately be excluded from agreements or that deals harmful to non-partners will be concluded.

Four examples come to mind: (1) In the US-Australia FTA, not even a developed country like Australia was able to finalize the agreement that included the sensitive sugar sector, which has been excluded from this FTA. For the beef sector, negotiations have been undertaken for almost 2 decades. (2) Despite the fact that NAFTA is fairly open, there are some exceptions. From the developing country standpoint, the openness is particularly true for textiles, where the rules of origin have been put to 100 percent NAFTA. (3) During the EU-MERCOSUR FTA discussions, various agricultural products were put on the table; but according to some analysts (e.g., the *Financial Times*), these offers were intended to "buy" the votes of the MERCOSUR countries in return of their support to the EU's limited offer at Doha. However, the discussions did not yield anything, and the negotiations were postponed for 2004 (and, as of March 28, 2005, they were postponed again, mainly due to the issue of agriculture). (4) Japan has been considering or has entered into FTA negotiations with many countries in East Asia, but most of these agreements were not concluded because of the agricultural issue. In fact, the only FTA that Japan successfully negotiated to date has been with Singapore (2002), and the agreement does not include the agricultural sector. Given the pressures for Japan to conclude deals in East Asia—particularly with the Association of South-East Asian Nations (ASEAN), as China has scored an FTA of sorts with the Association at the end of 2004—it will eventually have to yield on the agricultural issue. As a result, Japan may probably be more reticent to liberalize its agricultural trade with non-partner countries, given the strong political influence of the agricultural lobby in Japan.

In sum, while regionalism could prove to be a "building block" instead of a "stumbling block" to global free trade, there are some possible adverse scenarios. Preferential trading arrangements that harm third countries in the developing world pose an important challenge for policy coherence. In fact, developing countries are forced in some cases to the negotiating table to score FTAs of their own, as a means of preserving MFN treatment; hence, the irony of regionalism.

Among the positive developments, the EU has the intention of creating a number of FTAs with Sub-Saharan Africa and some countries have already started benefiting from the "Everything but Arms" initiative. The United States have succeeded in bringing African countries to the negotiating table by creating FTAs through the AGOA initiative. In addition, these FTAs, particularly those concluded with the United States, will be comprehensive and include liberalization and policy reforms that will be beneficial to Africa's long-term development prospects. It will be important, however, to ensure that the agreements will focus on the key sectors for the region. This, in turn, poses a serious

challenge to Africa, given that these agreements will fall under a general category and that they will be negotiated at a bilateral level. In this case, the asymmetry in the negotiating power will become all too obvious, as the stakes of reaching an agreement on the issue of regionalism are particularly high.

(c) Doha and African Regionalism

Although regionalism has become the current trend of the international trade policy, it is a many-edged sword. Despite the benefits of regionalism, the numerous potentially negative effects clearly outweigh the positive aspects of the trend. After all, regionalism is a second-best policy. However, as noted above, a vibrant WTO and a successful conclusion to the Doha Development Agenda would mitigate most of the potentially negative aspects of regionalism. Hence, it is certainly in Africa's interest to contribute to the success of the current negotiations. But it is equally important to note that "success" refers to an agreement that favors "development" and therefore, includes key sectors of the least-developed economies, many of which are in Africa.

African countries themselves should strive to improve their competitiveness and their position on the international marketplace. However, the trade regimes of many African countries inhibit export-oriented growth. An inward-looking trade regime ultimately limits the potential of the export sector. In addition, Africa countries should also work to improve their own economic integration programs. While the region can boast many regional integration agreements, few would be considered as successful. Factors impeding integration are many and include: (1) inefficient physical infrastructure, including telecommunications, transportation, banking, and insurance systems; (2) non-tariff barriers in the context of formal preferential trading arrangements; (3) costly transit routes; (4) time-consuming registration procedures for entrepreneurs; (5) time-consuming customs practices; (6) inefficiency and lack of "transparency" within customs offices; and (7) restrictions on financial/banking services. Most of these non-tariff barriers lead to inefficiency, with little or no offsetting "trade-off" effects. For example, tariffs, though causing distortion, are at least transparent and generate government revenue; but time-consuming customs practices and lack of customs facilities lead to economic waste. Others involve the strengthening of economic infrastructure in the region.

It is important to point out that for many member countries of various African agreements, their respective economic structures are competitive, (especially with respect to their endowments in natural resources) and are engaged in inter-industry trade. Hence, they will trade more with countries that have complementary economic structures[3]. Furthermore, some imports, particularly high-technology products, can only be procured in a competitive manner from the developed economies outside the region.

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[3] This would not be the case if countries engaged more in intra-industry trade, e.g., cars for cars, electronics for electronics, and the like. Most of the world's intra-industry trade takes place among developed economies, which have generally competitive economic structures.

Therefore, the African integration process should not cut off the region from these traditional markets. An inward-looking approach would undoubtedly work against the region's development prospects. Nevertheless, intra-regional trade needs to be further developed as it falls short of what it could be.

(d) Conclusions on Policy Coherence

In sum, the development goals of Africa and the OECD are essentially the same: alleviating/eradicating poverty, formulating policies that will increase in the long run *per capita* GDP and improve social development indicators, particularly in the areas of health and welfare. However, progress should be made in resolving the issue of incoherence of OECD policies in order to help Africa reach developmental objectives. Most importantly, African countries need to strengthen their capacity to take advantage of new opportunities created by an integrated international marketplace. Far from being perfect, the system has benefited countries that have implemented a set of effective macro- and microeconomic policies. Although Fukasaku, et.al. (1995) offered a plethora of criticisms of OECD policy incoherence in the context of the Association of South-East Asian Nations (ASEAN), its main conclusion was the following:

> "The development experience of ASEAN countries over the past decade suggests that the direct influence of OECD countries' economic policies is important but should not be exaggerated. The policies adopted respectively by ASEAN countries are largely responsible for their own successes and failures. The indirect role of the OECD countries such as securing an open and stable international marketplace ("international coherence") is a necessary, but not sufficient, condition for ASEAN's successful development." (Fukasaku, et. al., 1995, p. 14).

The same argument applies to African countries as well. The Doha Round will be important and Africa should work hard to ensure that the outcome would be beneficial for the region. Africa should form closer economic ties at the sub-regional and regional levels to increase its competitiveness on the world market. It should also pursue and expand its cooperation with key OECD markets such as the United States and the EU in order to sharpen its competitive edge, maintain existing beneficial arrangements, or at least mitigate the impact of other arrangements set up by these major markets. But ultimately, national policies promoting macroeconomic and political stability, social investment, microeconomic efficiency, and the like will determine the effectiveness of these strategies.

III. ANALYSIS OF MAJOR ISSUES OF CONCERN TO DEVELOPING COUNTRIES AND STAKES FOR AFRICA

(a) Outstanding Issues in the Doha Round Agenda

The Doha Round, launched at the WTO Doha Ministerial in 2001, was initially intended to address the imbalances and loopholes caused to the global multilateral trading system following the Uruguay Round. Accordingly, the Doha Round focused on a wide range of trade and trade-related issues in relationship to development.

The issues included: trade in services; market access for non-agricultural products; trade facilitation; transparency in government procurement; subsidies; antidumping provisions; relationship between trade and investment; Trade–Related aspects of Intellectual Property Rights [TRIPS]; agriculture; Dispute Settlement Understanding [DSU]; trade and environment; and, trade in textiles and clothing. These various issues were to come under seven negotiating bodies which are: services; agriculture; non-agricultural market access; rules; environment; geographic indicators for TRIPS and Dispute Settlement Understanding negotiations (Price, 2002). However, in the aftermath of Cancun negotiations in September 2003, and following the July 2004 Framework prepared by the WTO Secretariat to resume the negotiations, the long list has whittled down to four main issues namely, agriculture, industrial market access, development issues, and the current highly contentious so-called Singapore issues which include trade facilitation, investment, competition and transparency in government procurement (Bridges, 2004), as discussed above.

On 16 July 2005, WTO Director-General Supachai Panitchpakdi and General Council Chair Shotaro Oshima circulated a first draft Framework Text on the Doha Round trade negotiations, which Members were expected to adopt by the end of July. In the pre-December 2005 Hong Kong Ministerial negotiations, the OECD countries are led by the so-called Five Interested Parties' (FIPs) group—the US, EC, Australia, Brazil and India, while the interest of the developing countries is championed by the G-20 group of developing countries, led by Brazil, India, China and South Africa. Negotiations between the two groups will be held on all issues and in different configurations ahead of the December 2005 Ministerial.

The WTO expects the draft document to form the basis for further negotiation among Members. The text, which is the draft decision of the General Council, agrees on actions to be taken in the areas of agriculture, industrial market access, development and other negotiating bodies. According to the draft decision, WTO Members are also expected to launch negotiations on trade facilitation. While specific sections of the text need to be amended, there is a general consensus among Members that the text provides a basis for negotiations (Bridges, 2004). The UNCTAD´s assessment of the July package finds that the WTO document reinforces multilateralism, revives the Doha Round, and highlights the centrality of developmental concerns. As a result, the new Framework proves to be helpful in reducing uncertainty in the multilateral trading system and calming protectionist fears (UNCTAD, 2004).

As might be anticipated, the importance given to outstanding issues are differently perceived across regions, among developed and developing countries and even among individual member countries. Developing African countries view the agricultural and developmental issues as vital and their willingness to get involved in other areas of the negotiations is linked to the progress that will be made in these two critical areas. Following, the two key areas –development and agriculture– will be analyzed alongside other less critical areas included in the WTO Draft Framework, in relation to the aspirations of developing countries, and particularly of Africa.

(b) Development Issues

The Framework Text specifies that all developing countries shall benefit from special and differential treatment (S&D). The text goes on further to say that the specific concerns of preference-dependent, commodity-dependent countries and net food-importing developing countries should be taken into account, as should the concerns of small, vulnerable developing economies, "without creating a sub-category of Members"(Bridges, 2004). The development dimensions of the different elements of the July package include agriculture, non-agriculture market access, services, trade facilitation, and development issues. Other issues were also taken up, including the implications of the expiry of the WTO Agreement on Textiles and Clothing at the end of this year (UNCTAD, 2004).

A number of developing countries have raised concerns regarding the treatment of development issues in the text. Brazil echoed by other Latin American countries as well as some Asian countries have opposed differentiation between developing countries and are calling for a stronger focus on the actual substance. The African Group members on the other hand are expressing concern about lack of progress in this particular area more generally, and feel the text could be more ambitious in its recommendations. The group wants a clear roadmap and an accelerated process on S&D, and is asking for issues such as commodities, intellectual property protection and public health to be included in the text. In effect, from the perspective of developing countries, the WTO framework is still far from making development the centerpiece of the negotiations. It is to be expected therefore that, in the ongoing pre-Hong Kong negotiations, the G-20 group would strive at extracting more concessions that would highlight the need to give developmental issues the place of importance they deserve in the Doha Round. This was the original intention of the 2001 Ministerial Declaration, which tagged the Doha Round "The Doha Development Round". In other words the G-20 working on behalf of the developing world want to ensure that the development promises of Doha are effectively delivered.

(c) Agriculture

At the inception of the Doha Round in November 2001, the most contentious issues that emerged and that have since dominated every development in the negotiations thereafter, have been the issue of direct and indirect producer support for agricultural exports, particularly in the North, and the loss of opportunities in terms of production, employment and trading for farmers in the South (Beghin, et.al. 2002). The contentious

nature of the agricultural agenda debate may in fact be said to date back to the Uruguay Round of the WTO (Kennedy, et al 2001; WTO, 2001). These contentious issues include, among other issues, lack of access in high-income countries, tariff rate quotas (TRQs), and other trade barriers that block access to markets in which developing-country products are competitive. There is also the issue of large agricultural production subsidies in high-income countries, which lead to depressed world market prices (Anderson, et. al 2001). The Doha Declaration states that the agricultural negotiations should try to achieve "substantial improvements in market access, reduction of, with a view of phasing out, all forms of export subsidies; and substantial reductions in trade distorting domestic support" (WTO, 2001 para.13). While these distortions are not necessarily limited to the North as they have a South-South dimension, the former has been the major source of concern for developing countries.

(d) Protective Instruments against free agricultural trade

There are three types of instruments used to protect agriculture in OECD countries. The first involves trade protection measures and market price support schemes that ensure domestic producer prices exceed international prices. Secondly, there are direct production-related subsidies, and thirdly there are indirect support through, for example, research support and support for training, marketing and infrastructure among others. Available evidence show that average annual support to agriculture in OECD countries reached $330 billion during the 1999-2001 period, that is 1.3 percent of OECD member GDP. As a result, prices received by OECD farmers were on average 31 percent above world prices (measured at the border) even if this varied among OECD countries and across commodities. Other than the price support schemes, almost 24 percent of domestic production in OECD countries is protected by TRQs, which cannot easily be converted into tariff equivalents. It is a widely held view that agricultural trade liberalization to remove these distortions would yield large gains globally and especially to developing Sub-Saharan African countries that have comparative advantage in producing most of the agricultural goods protected in OECD countries (Beghin & Aksoy, 2003). The resulting expansion in agriculture and trade would benefit not only the poor in these countries but also the consumers in advanced countries who would make savings from lower taxes (Mc Kinnon, 2005).

(e) The nature and magnitude of subsidies

The experience of West African countries in respect of trade in cotton, exemplifies the nature of the current imbalances in the international trading system and the reason for occupying such an important place in the negotiations, particularly from the standpoint of developing countries. In the Benin Republic, for example, the cotton industry accounts for nearly 85 percent of total exports and 20 percent of total GDP. Benin and three other West African cotton producers, Burkina Faso, Chad, and Mali, are believed to be potentially competitive cotton producers. They have in trying to comply with the outcomes of the Uruguay Round, liberalized into highly distorted markets for cotton in the U.S. and the EU. Consequently, their cotton industry has been engulfed in crisis with terrible micro and macro level consequences on their monocultural economies. This is because they have to compete with heavily subsidized EU and U.S producers. In 2001

alone, it is estimated that cotton growers in the U.S. received nearly U.S.$4 billion in assistance, an amount that is more than the entire GDP of Benin (DFID, 2005). The EU (Greece and Spain) provided $0.7 billion subsidy to European growers. These subsidies account for a significant share of the value of global cotton production, which stood at $20 billion in 2001, (Beghin & Aksoy, 2003).

(f) On potential gains from agricultural trade liberalization

Commodity studies using global models show that trade liberalization in agriculture will induce significant world price increases, for example, 10-20 percent in respect of cotton and 15-20 percent in groundnut markets, both of which are major export cash crops in Africa. Similar studies show a potential rise of 20-40 percent in the price of sugar and dairy products, and up to 90 percent in the grain rice market. Such increases in prices would greatly improve the income of producers of these commodities in developing countries. It is estimated for example that cotton producers in Africa could increase their gross revenue from production by as much as 19 percent, and would increase their revenue by as much as $250 million, if all current cotton subsidies in the US and EU were to be removed. This compares to total ODA of $1.9 billion received by the entire region, over a given year and, of which 15-20 percent typically goes to agricultural assistance. In respect of groundnuts, it is shown that groundnut producers in Senegal, Gambia, Nigeria, South Africa and Malawi would gain about $124 million in producer profits, if China, India and other countries liberalized their groundnut products markets (Ibid). Thus, these studies amply demonstrate that significant trade liberalization is capable of reducing rural poverty in developing economies, especially in countries that have comparative advantage in the production of affected commodities and where agriculture accounts for a high percentage of income and employment, as in the case of most Sub-Saharan African countries.

These are quite significant potential gains even if they do not translate to equally high price changes in all domestic markets, due to lack of effective market integration in some countries especially in Africa. Also one needs to take into account the existence of substitutes for these products – synthetic fibers for cotton, other proteins sources for dairy, other oil seeds for groundnuts, inter-grain competition for rice, and sweeteners for sugar. These may have a lowering effect on expected price resulting from agricultural trade liberalization. Supply side constraints such as bad weather, poor infrastructure, and inconsistency in quality, which may militate against full realization of these potential benefits, should also be taken into consideration. As pointed out by McKinnon (2005), additional development assistance capable of inducing significant supply responses would be required for most developing countries, particularly Africa, to enable poor farmers in these countries take full advantage of higher world prices.

There is hardly any doubt that agriculture has de facto become the centerpiece of the Doha Round negotiations, partly because it is closely linked with the concerns on development, and partly because judging by the stalemate in Cancun and its aftermath, progress in other areas appear to be hinged on the extent of progress achieved in sorting out the modalities for dealing with the substantive issues in respect of agriculture. Protection in agriculture and textiles has survived eight previous rounds of multilateral

trade negotiations, and this is of major export interest to developing countries. The central issues in the negotiations include export subsidies and restrictions; market access, and domestic support for farmers. The EU members and the US–by far the largest users of export subsidies–are reluctant to agree to the total elimination of export subsidies. They want to be able to use these trade-distorting subsidies as long as possible. Most developing countries on the other hand, would want to see the developed countries eliminate export subsidies, grant them increased market access, while allowing them the flexibility to use export subsidies for marketing selected products. African countries in particular have submitted proposals in the past calling for separate rules for developed and developing countries. They argue that differential rules are necessary to support their agricultural and rural development, maintain large populations on the land, and address the different agricultural methods used in producing food. Thus, among the allowances being sought are domestic subsidies to ensure food security, and support small-scale farming (Schott, 2004).

These arguments form the basis for the demands of the G-20 countries whose primary objective is to get the United States, Europe, and Japan to commit to significant reforms in this long-standing protection of agriculture and in some manufacturing sectors. The outcome in Cancun has highlighted the reluctance of the United States, the European Union, and Japan to change their current policies. Indeed, as far as the G-20 countries were concerned, the August 2003 US-EU compromise proposal on agriculture seemed to have been structured on maintaining existing farm programs by all trading partners. The ensuing lack of trust led to the creation of the G-20 group, whose goal is to push the US and the EU to lift their agricultural trade barriers (Ibid).

(g) Some Other Outstanding Issues in the Negotiations

Although development issues and agriculture dominated the negotiations, other areas of less direct interest to developing African countries, but which require some form of consensus regarding the overall reform packages that would be acceptable by all parties, need to be negotiated. A brief discussion of the two most critical areas is found below.

(h) Industrial market Access

On non-agricultural market access (NAMA), the July 2004 WTO Framework Text includes the draft negotiated but never adopted in Cancun—the so-called Derbez text—as a 'platform for further negotiation'. The text remained in annex form because real negotiations had never taken off on industrial market access, with Members waiting first for an outcome in agriculture. Nigeria, acting on behalf of the African Group, feels the Group could not accept the Derbez text as a basis for negotiations, and has asked for clarification of the text's legal status. Brazil is also worried on how the discussions would proceed, given that a number of countries are opposed to the Derbez text. Both the EU and US however feel that the text represents a bottom line, and negotiations should be based on it (Bridges, 2004).

(i) Negotiations on trade facilitation

The Framework Text, in its current format, launches negotiations on trade facilitation, while the other three Singapore issues are to be left out of the Doha Round. The modalities for negotiations on trade facilitation are included in an annex, which spells out the need for technical assistance, capacity building and special and differential treatment (S&D) for developing countries. The African group of countries wants the remaining three issues to be dropped not just from the Doha Round but from the entire WTO work programme. The group has cautioned against putting trade facilitation on a fast track, and instead is calling for clear decisions first on issues such as technical assistance and the applicability of dispute settlement.

IV. FORMULATING AN AFRICAN POSITION AT DOHA

Developing African countries should not be considered as being opposed to trade liberalization. Rather the emphasis of the negotiating stance should be on how to preserve their existing comparative advantage in some products while they aspire to gaining comparative advantage in new areas, especially in manufacturing. Furthermore, every effort should be directed to ensure that development issues that had hitherto suffered relative neglect become front burner issues once again. In pursuing these primary objectives at the negotiations, the following areas would appear to stand out as deserving particular focus and emphasis.

- Substantial cuts in domestic subsidies for each major product in which African producers are competitive such as cotton and groundnuts.

- Elimination of agricultural export subsidies, including the subsidized component of official export credits, for products of export interest to developing countries.

- Sharp reductions in high farm tariffs and major expansion of tariff rate quotas, which has remained one of the most contentious aspects in the negotiations.

  The foregoing would enhance increased market access for products from the LDCs. Such a framework would mean ending most export subsidies soon after the completion of the Doha Round and achieving real reductions in domestic subsidy disbursements by the United States and the European Union on cotton and other major products.

- Removing protection from non-agricultural market as early as possible should be a priority, with flexible implementation procedures for developing countries, and provision of technical assistance for African countries that rely heavily on trade taxes to generate government revenue.

- Continuing to press for the exclusion of the highly contentious Singapore issues, and moving forward exclusively on the topic of trade facilitation.

It may be true that developing countries stand to gain from greater transparency of government regulations and policies on all four issues under review. There is hardly any doubt that more transparency would yield important dividends in terms of strengthening their ability to fight corruption, reducing uncertainty about rules for accessing and competing in national markets, and encouraging investment. But it is equally true that there are infrastructural and institutional capacity limitations in most of these countries that would militate against effective administration and enforcement of these requirements. This has been borne out by their inability to enforce many aspects of the Uruguay Round accords. Therefore, they run the risk of retaliation by way of blocking access to foreign markets for their goods, if these regulations are put in place and the countries appear to be violating them.

- Finally, developing countries should endeavor to win major concessions on special and differential treatment (S&D).

WTO members explicitly committed in the Doha Declaration of 2001 to liberalize restrictions that adversely affect the trade of developing countries. Paragraph 16 of the Doha Declaration states as follows: "to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries." Moreover, WTO agreements should provide the opportunity for developing countries to undertake "less than full reciprocity in reduction commitments." (Schott, 2004). According to the standard practice of the WTO, developing countries commit to market access reforms to the extent possible, given their level of development, and are granted a longer transition period to implement those reforms. This should not be misconstrued as an opportunity to go back to the pre-Uruguay free-riders days. Rather the emphasis of the negotiations should be on how to ensure that development goals are supported by flexible implementation schedules and narrowly focused exceptions from WTO reforms, plus generous technical and developmental aid from national and international financial institutions (Ibid).

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THE ACBF WORKING PAPER SERIES

Overview: The ACBF Working Paper Series (AWPS) was launched in October 2004 as one of the instruments for disseminating findings of ongoing research and policy analysis works designed to stimulate discussion and elicit comments on issues relating to capacity building and development management in Africa. A product of the Knowledge Management and Program Support Department of the African Capacity Building Foundation, a Working Paper very often ends up as an Occasional Paper, a book or some other form of publication produced by the Foundation after a thorough review of its contents. It offers a means by which the Foundation seeks to highlight lessons of experience, best practices, pitfalls and new thinking in strategies, policies and programs in the field of capacity building based on its operations and those of other institutions with capacity building mandates. AWPS also addresses substantive development issues that fall within the remit of the Foundation's six core competence areas as well as the role and contribution of knowledge management in the development process.

Objectives: AWPS is published with a view to achieving a couple of objectives. Fundamental among these are the following:

- To bridge knowledge gaps in the field of capacity building and development management within the African context.
- To provide analytical rigor and experiential content to issues in capacity building and the management of development in Africa.
- To highlight best practices and document pitfalls in capacity building, the design, implementation and management of development policies and programs in Africa.
- To systematically review, critique and add value to strategies, policies and programs for national and regional economic development, bringing to the fore pressing development issues and exploring means for resolving them.

Focus: AWPS focuses on capacity building and development management issues. These are in the following areas:

- Capacity building issues in the following six core competence areas and their relevance to development management in Africa:
  - Economic Policy Analysis and Development Management.
  - Financial Management and Accountability.
  - Enhancement and Monitoring of National Statistics.
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  - Strengthening of Policy Analysis Capacity of National Parliaments.
  - Professionalization of the Voices of the Private Sector and Civil Society.
- Engendering of development
- Development challenges, which include issues in poverty reduction, HIV/AIDS, governance, conflict prevention and management, human capital flight, private sector development, trade, regional corporation and integration, external debt management, and globalization, among others.

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