PolicyPennings by Dr. Daryll E. Ray

African countries tell us what they want from Doha

The discussion surrounding the World Trade Organization (WTO) Doha Round trade negotiations has intensified as the negotiators gear up to try to meet a self-imposed June 30 deadline for making a deal on trade liberalization in agricultural and industrial products. Based on most of that discussion, one could get the impression that there are only three sets of players: the US, The European Union (EU), and the Group of 20 which includes developing nations like Brazil, India, and China (G-20).

The US is reluctant to make any concessions in cutting agricultural subsidies without increased market access in the EU and the G-20. The EU on the other hand is reluctant to make greater cuts believing that the US needs to make deeper cuts to its farm subsidies. Like the US, it also wants steeper tariff cuts by the G-20 on industrial goods.

Brazil's Foreign Minister, Celso Amorim summed up the G-20 position when he said, "The US must make further cuts in the subsidies it pays to farmers if WTO members are to reach a far-reaching deal this summer."

But after the debacle at the WTO meeting in Seattle in 1999, an important dimension was added to the milieu that is WTO. It became clear in Seattle that another round of trade agreements could not be reached without making sure that some of the benefits of trade liberalization would be enjoyed by the less technologically advanced countries. When the WTO met in Doha in 2001 the ministerial delegates launched the Doha Development Round with the express purpose of tailoring the trade negotiations to provide preferential benefits to the least developed countries of the world.

The largest number of poor countries are located on the African continent. We know what the US, EU, and G-20 want. What is it that the African countries—the targeted beneficiaries of the Doha Development Round—want?

The African Group (an alliance of 41 African Countries) recently met and issued a proposal *(http://docsonline.wto.org/gen_search.asp?searchmode=simple* - into the document symbol box type TN/AG/GEN/18) to the WTO Committee on Agriculture. In their proposal they said, "The problems which African countries encounter in taking effective policy measures for alleviation of poverty and for improving living conditions in rural areas are compounded by the **long term trend of declining prices of primary agricultural commodities and their volatility** (emphasis added) which aversely affect both producers and exporters."

The Africans understand that market access, which in most cases they already have through a variety of measures, means little if the price of the products they have for sale become severely depressed. Without some control over prices, increased exports end up bringing in ever lower revenues and few benefits in terms of economic development.

Building on a document approved at the WTO meeting last December in Hong Kong that identified potential trade policies that could address key areas of concerns to commodity-dependent countries (Annex A), the African Group proposed four policies, one of which directly addresses the issue of the "long term trend of declining prices of primary agricultural commodities and their volatility."

Recognizing that "for commodities like coffee and cocoa, where the distortion of prices is the result of oversupply of a structural nature in international markets," the Africans call for the WTO Agreement on Agriculture to include provisions for the implementation of supply management policies on the part of producing countries themselves.

They propose that the supply management policies include among other measure, the "use of export restrictions and export taxes." Much of the excess capacity in tropical products has occurred due to World Bank and IMF prescribed economic structural changes that emphasized expansion of production/exports of those products, often in countries that had not previously produced these products.

One of the measures that developed countries have long used to provide and protect jobs within their borders is tariff escalation. Tariff escalation is the practice of increasing tariffs as the degree of processing increases.

Tariff escalation often makes the development of value-added further processing industries like the production of chocolate from cocoa in developing countries economically unprofitable because chocolates are charged a higher tariff than raw cocoa beans. If tariff escalation were to be eliminated as called for by the African Group then developing countries could use the further processing of their agricultural raw materials as a means of stimulating the industrialization process.

The other way that developed countries discourage the importation of further processed products is through the use of non-tariff measures like sanitary and phyto-sanitary standards. In this area, the African Group is calling for "the adoption of the suitable procedures for negotiations on the elimination of non-tariff measures affecting trade in commodities. They want a seat at the table when these measures are negotiated and adopted.

While US negotiators are concerned about market access, they might want to take a page from the African Group's playbook. Increased market access without some means of dealing with the inability of aggregate agricultural markets to self adjust in a timely manner can result in farm commodity prices and net returns remaining in the doldrums for long periods of time punctuated by brief price spikes brought on by adverse weather events.

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