THE DOHA ROUND - WHICH WAY FORWARD?¹

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Abstract

The WTO November 2001 Doha Declaration provided the mandate for negotiations on a wide range of trade issues. The declaration was dubbed the Doha Development Agenda (DDA) because it placed development concerns at the heart of the negotiations. The aim was to mainstream development into multilateral trade negotiations so that developing countries could benefit from increased trade liberalisation. Thus, trade openness is seen as a powerful driver of economic growth and poverty reduction. However, after failed efforts to narrow down differences among key players and achieve consensus, the Doha Round talks were suspended on 24 July 2006 because gaps remain wide on key issues. This paper examines these key issues in the Doha Round, which are of particular importance to developing countries namely, agricultural trade issues, none agricultural market access (NAMA) and special and differential treatment. Drawing on findings of recent studies, the paper examines the development promise of the Doha Round, illustrating the potential gains from successful negotiations. Following the collapse of the talks, the possible way forward is explored. The paper concludes that for developing countries to benefit substantially from global trade, they must build their production capacity and trade infrastructure, enhance the competitiveness of their economies and promote south-south cooperation.

1. Introduction

The November 2001 declaration of the Fourth Ministerial Conference of the World Trade Organization (WTO) in Doha, Qatar, provided the mandate for negotiations on a wide range of trade issues. The declaration places development concerns at the heart of the negotiations. It reconfirmed the long-term objective of the WTO to establish a fair and market oriented trading system through a program of fundamental reform. However, the Doha Round which was expected to have been completed by January 2005 was bogged down by missed deadlines due to serious differences between the developing world and the industrialized countries on key issues.

After the setback in Cancun, the July 2004 agreed framework, called the ‘July Package’ raised hopes for possible successful conclusion of negotiations. However, after various efforts to narrow down differences among key players and achieve consensus, the talks were eventually suspended on 24 July 2006 because gaps remain wide on key issues. In the words of the WTO Director-General, Pascal Lamy, in his statement to the

¹ The views expressed in this paper are those of the author and in no way represent the views of the African Development Bank.
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World Bank-IMF International Monetary and Finance Committee in Singapore on 18 September 2006, the biggest blockage lies in agricultural subsidies and market access where remaining differences are holding up progress in all other part of the Round. The fact that the Doha Round is guided by the WTO principle of ‘Single Undertaking’, which implies that ‘Nothing is agreed until everything is agreed’ has also hampered progress in the negotiations. With the collapse of the Doha Round talks, hopes for achieving a development round in world trade expected to open up opportunities for growth and poverty reduction in developing countries now seem dashed.

This paper examines the key issues for developing countries in the Doha Round namely, agricultural trade issues, none agricultural market access (NAMA) and special and differential treatment. It reviews the development promise of the Doha Round, illustrating the potential gains from successful negotiations, and explores possible way forward following the suspension of negotiations.

2. **The Development Promise of the Doha Round**

The Doha declaration was dubbed the Doha Development Agenda (DDA) because it placed development concerns at the heart of the negotiations. The aim was to mainstream development into multilateral trade negotiations so that developing countries could benefit from increased trade liberalisation. Trade openness is seen as a powerful driver of economic growth, which is indispensable to poverty reduction and development. The conventional argument is that if developed countries open their markets significantly more to developing countries and developing countries also become more open, incomes will rise and poverty would fall faster worldwide, including in most of the poorest countries. Adjustment programs involving trade liberalisation pushed by multilateral development banks (MDBs) in developing countries, especially Africa, are usually based on this premise.

A number of recent studies by the World Bank, Oxfam International, Organisation for Economic Cooperation and Development (OECD) and Carnegie Endowment for International Peace, have attempted to estimate the potential economic benefits (welfare gains) from the Doha Round. The findings of these studies show mixed results on gains for developing countries. The World Bank staff study, using a global computable general equilibrium model known as LINKAGE, estimated that the welfare impact of freeing merchandise trade completely (including removing all agricultural producer and export subsidies) over the period 2005-2010 would lead to global gains of US$287 billion per year by 2015. Of these annual gains in income, the study further indicates that two thirds would accrue to the high income countries. The gains for developing countries (estimated at about $900 billion) would come largely from radical services liberalisation in both developed and developing countries. When gains are

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3 Pascal Lamy: Political heavy lifting at home needed to revive talks, WTO Speeches.
5 Ernesto Zedillo, Trade for Development, UN Millennium Development Project, 2005, page. 1
expressed as a percentage of national income, the study shows that Sub-Saharan Africa (excluding South Africa), would gain twice as much as the high income countries\(^7\). This would be even more so if Africa reforms were accompanied by complementary domestic policy reforms and investments in trade-facilitating infrastructure and institutions. Greater access to international trade would allow local producers to attain efficient production scales, thereby boosting output.

The Oxfam International report focusing on making trade fair, have also pointed to the benefits of international trade. It argues that international trade has the potential to act as a powerful motor for economic growth and poverty reduction, but that the potential is being lost. The report argues that the problem is not that international trade is inherently opposed to the need and interests of the poor, but that the rules that govern it are rigged in favour of the rich\(^8\). The report estimates that if developing countries increased their share of world exports by just five percent, this would generate US$350 billion, seven times as much as they receive in aid. It was further shown that the US$70 billion that Africa would generate through a one per cent increase in its share of world exports is approximately five times the amount provided to the region through aid and debt relief.\(^9\) The report also argues that well-managed trade has the potential to lift millions of people out of poverty and that if Africa, East Asia, South Asia, and Latin America were each to increase their share of world exports by one percent, the resulting gains in income could lift 128 million people out of poverty\(^10\). However, trade liberalisation has not been an automatic guarantee of poverty reduction. The realities in developing countries expose the gap between the potential benefits of trade and the disappointing realised outcomes. While in their rhetoric, governments of rich countries constantly stress their commitment to poverty reduction, the same governments use their trade policy to conduct what amounts to robbery against the world’s poor\(^11\).

The Organisation for Economic Cooperation and Development (OECD) in a 2006 report has also shown that a simultaneous reform involving a halving of trade protection and domestic support across all sectors could potentially generate US$44 billion in welfare gains globally\(^12\). Most of these gains will come from agricultural reform particularly market access measures. The most efficient agricultural exporters would gain significantly. However, the report also pointed out that, for many developing economies, the immediate benefits would be relatively small and would concentrate more in manufacturing than in agricultural trade\(^13\).

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\(^7\) Ibid. page 10.
\(^8\) Ibid. page 3 (forward to the report).
\(^9\) Ibid. p.8.
\(^10\) Ibid. p.5
\(^11\) Ibid. p.7
\(^12\) OECD: Agricultural Policy and Trade Reform: Potential Effects At Global, National and Households Levels, 2006.
\(^13\) Ibid.
The Carnegie Endowment study, “Winners and Losers: Impact of the Doha Round on Developing Countries”14 presents a new, path breaking model of global trade as a tool to analyze the potential gains of the Doha Round. This Carnegie model introduced several critical innovations notably, modelling unemployment in developing countries and separating agriculture labour markets from urban unskilled labour markets. The report’s major findings are striking: any of the plausible trade scenarios will produce only modest gains for the world; agricultural trade is not a panacea for most poor countries; the poorest countries may actually lose from any agreement; and additional special measure will be needed to ensure that the least developed countries succeed.15 The study projects that additional income from the Doha Round would be modest, less than US$50 billion per year, a figure much lower than the World Bank staff estimate. The study however uses a static model to estimate the values of new income that would be generated by the Doha Round that does not consider the cumulative effects of liberalisation16.

The study cautions against seeing simple liberalisation in the Doha Round as a panacea for development and argues that the bulk of the benefits of agricultural liberalisation will be limited to developed countries and a core group of highly competitive farm exporters – especially Brazil, Argentina and South Africa. It also recognises the impact of preference erosion in poorer developing countries when faced with steep farm tariff reductions in the developed world. Despite the emphasis placed on agriculture in the negotiations, the Carnegie scenario found that an increase in developing countries manufacturing exports could be the source of all their net-income gains from the round, especially labour intensive industries like shoes and textiles17.

Similarly, Lori Wallach and Deborah James also perceived smaller gains for developing countries from the Doha Round18. Quoting World Bank sources, they suggested that the most likely Doha scenario would yield annual benefits of only US$54 billion to the world by 2015, with developing countries receiving a meager 16 percent of these gains. They see this amounting to a miniscule of 0.14 percent of projected country GDP by that year, or about 0.23 percent of world GDP. Put differently, they see it as a little less than one cent per person per day for the developing world, or about four cents per person per day for the world as a whole.19 Wallach and James further indicated that under the “likely” Doha scenario, the Middle East, Bangladesh, much of Africa and Mexico would actually experience net losses20.

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15 Ibid.
16 For example in industrial goods liberalization there are spill-over benefits as imports rise competitively and industries learn from each other. The Carnegie research also concedes that it does not estimate the potential benefits of services negotiations.
17 Ibid.
18 Lori Wallach and Deborah James, Why the WTO Doha Round Talks Have Collapsed – and a Path Forward, published by Common Dreams News Centre, 14 August 2006.
19 Ibid. p.3
20 Ibid.
They raised several issues with studies projecting substantial gains from the Doha Round. They criticized the economic models used in such studies often based on the assumption of full employment. They indicated that the models capture alleged savings on consumer food prices as gains, but fail to show a loss if millions of subsistence farmers, who represent nearly half of the developing world, lose their livelihoods. Also the models fail to include the increased costs that consumers worldwide pay for medicines due to pharmaceutical monopolies, which has been estimated to outweigh the projected gains. Finally, they indicated that the models fail to adequately take into account the loss of tariff revenue for developing countries, which the United Nations Conference on Trade and Development (UNCTAD) estimated would be 2-4 times the projected gains for developing countries from the Doha WTO expansion.21.

This brief literature review about the welfare gains of the Doha Round shows mixed results for developing countries. It reveals that even though a successful Doha Round holds promise for global welfare gains, the gains would be disproportionately shared by the developed countries on one hand and the developing countries on the other, with the benefits to Africa even being much smaller. The sources of these gains for developing countries are also unclear. While some studies point to the importance of agriculture trade, others see more benefits in trade in industrial goods and services. In the current global trading arrangement, there is a wide gap between the potential benefits from trade and the disappointing realized outcomes in developing countries. If the expected gains from the Doha Round are to be realized by poor countries, equity in trade has to be guaranteed.

The review also throws some light on the complex relationship between trade and development. Rather than seeing trade liberalization as a panacea for economic growth and poverty reduction in poor countries, there is now an increasing recognition that there is more to development than just opening up markets to trade and investment – in fact, doing so prematurely can be disastrous.22 In a recent statement, WTO Director General, Mr. Pascal Lamy, himself acknowledged that it is not that trade opening in itself creates welfare or that welfare creation in itself reduces poverty, since the mechanisms that translate trade opening into poverty reduction are complex and necessitate appropriate policy context.23 Trade is a necessary ingredient, though not sufficient. This is what he called the “Geneva Consensus”24.

21 Ibid.
24 Ibid.
3. Key Issues for Developing Countries in the Doha Round

3.1 Agricultural Trade issues

The 1994 Agreement on Agriculture (AoA), reached in the context of the Uruguay Round, laid the groundwork for agriculture negotiations in the Doha Round. The AoA focused on four areas of reform namely, market access, domestic support, export competition and sanitary/phytosanitary issues. A lot of work was also undertaken in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of 121 members. In the Doha Declaration, members committed themselves to comprehensive negotiations aimed at substantial improvements in market access, reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

The liberalisation of agriculture trade has been a key issue for developing countries in the Doha Round. These countries attach fundamental importance to redressing the historical imbalances (uneven level playing field) in agricultural trade. The G-20 (the group of 20 developing countries led by Brazil and India) based their negotiations in agricultural trade on three pillars namely, market access, export subsidies and competition, and domestic support. Of these three pillars, many identified market access as technically the most difficult, but subsidy and domestic support proved to be the most sensitive. In view of the political implications for the developed countries, the attempt to open northern agricultural markets and curb their farm subsidies, with their severe impacts on poor farmers around the world, proved impossible and became the Achilles’ heel of the round. Emphasis in the talks was also put on the need for special and differential provisions that take into account the interest of developing countries given the differences between their agricultural sector and that of the developed countries.

In tackling these and other Doha Round issues, there emerged a multiplicity of negotiating groups such as the Cairns Group, the G-10 which includes Swaziland and Japan, the G-20 Group, the G-33 Group led by Indonesia and pressing for special treatment for developing countries, the African Group, the African-Caribbean-Pacific Group, and key members such as the US, EU and Japan. The inability of these various players to reach consensus on key agricultural issues was largely responsible for the collapse of the talks. These issues are further elaborated upon below.

25 Center for International Development at Harvard University: Global Trade Negotiations Home Page - Agriculture Summary.
26 Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.
28 Duncan Green, Oxfam GB’s Head of research, on the suspension of the Doha Development Round of trade talks.
3.1.1 Agricultural Market Access

Market access is an umbrella term for a number of measures that a country may use to restrict imports. The most common forms of such restrictions are tariffs on imported goods and non-tariff barriers including prohibitions, technical and safety standards, import quotas and import licensing. Different key players differ significantly on the extent of tariff cuts which they are willing to accept to provide market access. While the European Union (EU) initially proposed 39 percent tariff cuts but latter increased it to 46 percent, the United States of America (USA) insisted on 66 percent tariff cuts. The G-20 presented a middle ground by proposing 54 percent cuts in agriculture tariffs. A consensus around the G-20 proposal was encouraged by the Chair of the agriculture negotiation committee, but this was not accepted by all the key players.30

Related to the agricultural market access issue are disagreements by the key players on the treatment of the twin issues of ‘sensitive products’ and ‘special products’. Sensitive agricultural products are those which both developed and developing countries will be allowed to shield from tariff cuts based on economic, strategic, political and other reasons, while special products apply only to developing countries to enable them promote food security, livelihood security and rural development.31 Concerning the sensitive products, the G-20, the Cairns Group and the USA, on the one hand, proposed that 1 percent tariff lines be exempted from deeper tariff cuts. On the other hand, the G-10 (Group of Ten countries with highly protected agriculture sectors) sought 15 percent of dutiable tariff lines to be exempted from tariff cuts. In the middle range is the EU proposing 8 Percent tariff lines as sensitive products.32 No attempt was made to bridge the gaps in proposals.

However, these percentages can be misleading as they tend to mask their real effects on market access for developing countries, particularly African countries. For instance, 2-3 percent tariff lines of sensitive products in the industrialised countries may contain products that may account for over 90 percent of Africa’s exports, thereby restricting market access.33 With regards to ‘special products’, there is a sharp division even among the developing countries who are the sole beneficiaries of this scheme. On the one hand, the G-33 Group welcomes the idea, while on the other hand, some developing countries including Malaysia and Thailand, argued that designating a number of tariff lines as ‘special products’ is likely to hamper South-South trade.34

31 See African Development Bank; The WTO Doha Round on Trade Negotiations – Board Information Note No.2, 21 July 2006.
32 Ibid, paragraph 2.5.
33 Ibid.
34 Ibid, paragraph 2.6.
3.1.2 Export Subsidies and Trade Distorting Domestic Support

Leading up to the talks, developing countries and agriculture exporting countries, such as the Cairns Group, demanded equity in agricultural trade by requesting developed nations to liberalise their markets by phasing out export subsidies and massive domestic support, both of which distort trade in agriculture products. Estimates show that the level of agriculture export subsidy in the OECD countries amounted to an annual average of $311 billion during 1999-01 and $330 billion in 2002, representing over 1.3% of the combined 2002 GDP of these countries. By contract, only a few developed countries have been able to honour their pledge to commit 0.7% of their GDP to external aid for developing countries. In general, producer support accounts for about a third of total farm receipts in OECD countries; farmers in the USA derive 20% of their income from government support, while the corresponding figure for Japan is about 60%. Large subsidy by the developed countries to their farmers has damaging effects on developing countries’ agriculture. The subsidised products are dumped on the African and other developing countries’ markets, thus destroying their agriculture and livelihood of the domestic farmers who are unable to compete at the prevailing subsidized price of the imported products. At the same time, donor-funded adjustment programmes are used to pressurise developing countries to eliminate all forms of agricultural subsidies to their farmers. Thus, there is uneven level playing field in agricultural trade between developing countries on one hand and the developed ones on the other.

More recent European Commission (EU) statistics show that in 2004, the European Commission paid out Euro 28.2 billion in direct subsidies out of a total Common Agricultural Policy (CAP) budget of Euro 45.6 billion, with the biggest 7 percent of Europe’s producers getting more than half of these payments. The figures show that the EU paid its biggest 2,460 farmers an average of Euro 524,000 each. As part of the Farm Bill, US agricultural support is also similarly skewed in favour of its biggest producers, with the top 10 percent biggest agricultural producers getting more than 72 percent of the $23 billion subsidy program in 2005. It has also been shown that the EU and US most current offer in the context of the Doha Round will actually allow the EU to increase its subsidy payments from $22.9 billion to $36 billion and the US from $19.6 billion to $22.5 billion. These subsidies continue to promote over-production and dumping, thus hurting poor farmers in developing countries. So, while the rich countries promised to deliver a new WTO deal that would rein in their farm subsidies and stop dumping, the emerging realities show that nothing is changing.

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36 Ibid.
37 Ibid.
38 Ibid.
3.1.3 The Special Case of Cotton Subsidy

At Cancun, four West African countries (Benin, Burkina Faso, Chad and Mali), on behalf of western and central African states, presented a good case describing the damage that their economies have suffered from cotton subsidies in richer countries and called for their elimination. They showed that cotton subsidies in the USA alone, amounted to $3.9 billion in 2001-02, thus constituting the single most important force driving down world cotton prices to the detriment of poor cotton producing nations. In 2001, the value of USA cotton subsidies actually exceeded the market value of its cotton output by 30%. By contrast, the cumulative export revenue loss suffered by African cotton exporters in 1999-2001 was estimated at $334 million. These subsidies have caused economic and social crises in African cotton producing countries. For example, it has cost Burkina Faso 1% of GDP and 12% of its export revenue, Mali 1.7% of GDP and 8% of export revenue, and Benin 1.4% of GDP and 9% of export revenue. Thus, the example of the African cotton offers a conspicuous illustration of a case, where a level playing field in trade could provide substantial and immediate trade benefits to African States belonging to the world’s poorest countries. As the WTO Director General, Mr. Spachai Panitchpakdi, correctly indicated following Cancun, these countries were not begging for favours or concessions, they were demanding fair play and respect for the WTO rules.

3.2 None Agricultural Market Access (NAMA)

As a result of tough negotiations on market access during the Uruguay Round, many of the developed countries have cut tariffs significantly, and have adopted tariff bindings – levels above which tariffs may never rise – for almost all imports. However, the reduction and removal of trade barriers in industrial goods and services still remains an issue in the Doha Round. The developed countries are particularly interested in reducing tariff barriers to imports of industrial goods in developing nations. However, countries differ in their approaches to tariff reduction. While the United States pushes for ‘deepening’ of market access, the EU pushes for widening of the WTO’s mandate in general and covering more global and governance issues.\(^\text{39}\) On the other hand, many developing countries, including African countries, are reluctant to reduce industrial tariffs, as they are significant sources of government revenue.\(^\text{40}\) They also worry that opening up domestic industries to aggressive foreign competition will result in the decline of these industries and job losses.

A number of approaches to tariff reduction have been proposed over the course of negotiating market access. The four most prominent are: request offer, formula, zero-for-zero and sectorial approaches.\(^\text{41}\) In the first, each country puts forward tariff reductions to other nations and negotiates on a bilateral basis. The formula approach, in contrast,


\(^{41}\) Descriptions from Sidley et all, pp.21-22.
consists if a universal and mathematical formula to be applied to tariffs of all sectors, with supplementary negotiations around sectors where countries do not want the formula to apply. The zero-for-zero approach involves scrapping all tariffs on specific sectors, often the ones which already have low tariffs. The sectorial approach singles out specific sectors which are of particular importance to developing countries for reduction or elimination\(^{42}\).

However, non-agricultural export products of developing countries still have to content with a range of market access barriers in developed countries, which significantly reduce the real benefits of trade to these countries. These tariff barriers take the forms of tariff peaks and tariff escalation. There are also non-tariff barriers, including domestic regulations and product standards that deny products of developing countries access to international markets. These forms of market access barriers are elaborated below.

### 3.2.1 Tariff Peaks

Tariff peaks are generally defined as tariffs that are 15% and higher or tariffs that are about three times higher than the average tariff level in industrial countries. Direct border barriers to trade remain high in both developed and developing countries. Even though most developed countries now have lower average tariff, with import duties falling significantly from about 11% in the early 1980s to 6.2% by the end of the 1990s, as a result of the Uruguay Rounds, the tariffs that apply to a large range of exports from developing countries are, in general, multiples of the average tariff level. In Canada, United States, European Union, and Japan, over 30% of least-developed countries exports (where African countries belong) face tariffs of 15% or higher. The EU and the United States retain high to very high tariffs in agriculture, textiles and clothing – sectors of major export potential for developing countries - while both in the EU and Japan, tariff peaks are concentrated on agricultural products in which low-income countries generally enjoy a comparative advantage, especially dairy products, vegetables, processed coffee, tea, cereals, cocoa and tobacco products. For non-agricultural products, labour-intensive manufacturing products are subjected to tariff peaks, which are of significant export interest to African and other low-income countries. The average tariff-peak in these developed countries is 28%, a multiple of the 6.2% average tariff rate on all products. Developed countries tariff and quotas on agricultural imports, on the average, depress world agricultural prices by over 6%.

### 3.2.2 Tariff Escalation

The Tariff structures of developed countries also feature tariff escalation, in the form of higher tariff on processed agricultural goods from developing countries than on raw materials, thus discouraging these countries from moving into higher value-added products, thereby inhibiting diversification. Thus, market access to developed countries for processed agricultural products from developing countries is more restricted than that for raw materials, thus discouraging the processing of agricultural products to semi or

\(^{42}\) Market Access Summary, Global Trade Negotiations Home page – Centre for International Development at Harvard University.
final finished stages. Such tariff escalation is common in agriculture product chains that are of export interest to developing countries such as cocoa, coffee, tea, spices, tea, oil seeds and vegetable oil, tobacco, tropical fruits and nuts, fisheries, hides and skins. This practice tends to affect the structure of developing countries’ exports to the developed countries. For example, while developing countries produce 90% of world cocoa beans, they produce only 44% of world cocoa liquor, 30% of cocoa butter, 29% of cocoa powder and 4% of global chocolate output\(^4\).

3.2.3 Non-Tariff Barriers

Non-tariff barriers against the developing countries’ manufactured products into developed countries’ markets have been significantly curtailed by the Uruguay Round agreements, but they have not been completely eliminated. Non-tariff barriers are prevalent in the form of quota, and widespread and onerous food safety, technical and other standards that have a chilling effect on the exports of Africa and other developing countries. Non-tariff barriers therefore still represent market access issue in the Doha Round negotiations.

3.3 Special and Differential (S&D) Treatment

WTO members agreed that special and differential (S&D) treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments, and as appropriate, in the rules and disciplines to be negotiated so as to effectively take account of the development needs of these countries, including food security and rural development\(^4\). The WTO agreements contain S&D provisions, which give developing countries special rights and allow developed countries to treat them more favourably than other WTO members. These special provisions include:

(i) longer time periods for implementing agreements and commitments;
(ii) measures to increase trading opportunities for these countries;
(iii) provisions requiring all WTO members to safeguard the trade interests of developing countries;
(iv) support to help developing countries in building trade infrastructure and to undertake WTO work, handle disputes, and implement technical standards; and
(v) provisions relating to least-developed country (LDC) members.

More specifically, the Doha Declaration (together with the Decision on Implementation-Related Issues and Concerns) mandates the Trade and Development Committee to identify which S&D treatment provisions are mandatory, and to consider the legal and practical implications of turning those that are currently non-binding into mandatory obligations. In addition, the Committee is to consider ways in which developing countries, particularly the least developed countries, which include most African countries, could make the best use of S&D treatment. The WTO is grappling

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\(^4\) Doha Declaration, 14 November 2001.
with 88 proposals on S&D treatment made by developing and least-developed countries. Most of the proposals came from the African Group and the group of least-developed countries. The proposals relate to most of the WTO agreements including the General Agreement on Trade in Services (GATS), the GATT and Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Of the 88 proposals, the then WTO Director General, Supachai Panitchpakdi, stated in Cancun on 9 September 2003, that agreement had been reached on 25 proposals and that there was a clear commitment by members to address the remaining issues. Notably, WTO members reached an historic agreement to resolve the issue of access to medicines (generic drugs) for countries without manufacturing capacity. Consequently, poorer countries can now make full use of the flexibilities in the WTO’s intellectual property rules to deal with the diseases that ravage their people, especially HIV/AIDS.

4. Which Way Forward?

4.1 Grounds for Restarting Talks: The Doha Round is not formally dead; it is in a state of comma, having been poisoned by national politics. As pointed out in an Oxfam Press Release, on why the talks failed, “The US Congress refused to give its negotiators the room to make meaningful reductions in US agricultural support; similarly, the EU was hostage to its member states, for example France and Ireland, who refused to accept meaningful reductions in their farm tariffs.” What agribusiness lacks in economic weight in developed countries in terms of its contribution to GDP, it makes up for in political noise. The Doha Round is in suspension with no credible way forward. For talks to resume, the developed countries need a complete change of mindset. They need to realise that for the Doha Round to be meaningful, it must deliver on its development promise to poor countries. What the rich countries have so far put on the table is far from a development deal for poor countries.

A prerequisite for further talks would be taking seriously the positions of the South. Rich countries should come back to the negotiation table, only if they have a clear commitment on ending their harmful agriculture subsidy and domestic support, improve market access to the products of developing countries, and recognise the need for flexibility and special treatment for developing countries on the pace of opening up their markets to the products of the developed countries in view of the differences between the agricultural sector of both group of countries. Moreover, protectionist and trade distorting practices in rich countries are particularly damaging because they undermine political commitment to pro-market reforms in the developing countries, where a lot of trade reforms are still imperative. While recognising the need for developing countries to mainstream trade issues into their development framework, this has to be done in a way that is beneficial to them. The current global trading practices do not guarantee such benefits.

46 This position is documented in the statements by the G20, G33 and NAMA-11.
4.2 Escalating Bilateral Trading Arrangements: Following the collapse of the Doha Round talks, commentators have predicted the proliferation of regional and bilateral free trade arrangements, and warned that “Free trade deals in the form favoured by the EU and the US pose a considerable threat to developing countries.” Having caused the breakdown of the Doha Round talks, rich countries are now focussing on gaining better access to developing countries’ markets though regional deals that only serve their interests”, said Celine Charveriat, Head of Oxfam International Make Trade Fair Campaign. She quarried that if the rich countries are serious about using trade as a way to help reduce poverty and meet the millennium development goals, they must resist the temptation to push harmful free trade deals. They should rather push for the success of the multilateral trade deal by concentrating on savaging some of the good things from the wreckage of Doha Round including increased market access for the poorest countries, more aid for trade and the reform of their harmful trade subsidies.

4.3 Using Aid for Trade as a Mechanism for Building Production Capacity in Developing Countries: The heart of the Doha Round is “trade and growth” agenda that is of central importance in helping developing countries to reach the Millennium Development Goals. Since the WTO Hong Kong ministerial meeting, Aid for Trade has become an important political and economic complement to negotiations that can contribute greatly to unlocking the full growth potential of a successful Doha Round. There are two components of Aid for Trade namely, the short-term and the long-term components. The short-term Aid for Trade involves grants to meet cost that can be directly linked to the negotiation Round, including preference erosion, terms of trade losses, and implementation cost of compliance with WTO provisions. On the other hand, long term Aid for Trade involves larger support to address infrastructure and other supply-side constraints in countries that cannot respond to new opportunities. Where these cannot be funded through national resources and the private sector alone, effective international response has been deemed imperative.

The recognition of the importance of Aid for Trade in supporting the conclusion of the Doha Round made the WTO Ministers, in Hong Kong, to mandate the WTO Director General and a Task Force of members of governments to work on how to raise additional financial resources for Aid for Trade and make the initiative operational. The WTO Director General is also working closely with the World Bank, the IMF and regional financial development institutions on the initiative. Since Aid fro Trade is not part of the WTO single undertaking, the initiative is expected to progress despite the suspension of negotiations. However, Aid for Trade is not yet well developed and some commentators have seen it as an attempt to change the subject from a development package to an aid liberalisation package – a massive diversion and a sweetened pill for the rest of the package on agriculture, services and NAMA. It has also been perceived as

48 Ibid.
49 Ibid.
51 Ibid, page 2.
another empty promise by the North, a smoke screen to smuggle in other issues that would not benefit the South and a bribe to buy further liberalisation. Whether they are right or wrong will depend on what happens to the initiative and the magnitude of resources mobilised while negotiations remain suspended. Aid for Trade can only work if the resources are diverted towards helping poor countries to address their supply-side constraints e.g. build and maintain good transport infrastructure, modernise ports, make customs more efficient and build their production capacities, without trade-offs. Donors should not set the agenda and Aid for Trade should be completely untied, comprehensive, incremental to existing programmes, predictable and available in the long term.

However, with or without Aid for Trade, it is imperative for developing countries to build their production capacity and to enhance the efficiency of their economy if they are to benefit from global trade. Simply dropping trade barriers will not automatically increase the trade shares of developing countries if they lack the capacity to produce and the infrastructural (e.g. power, telecommunications and transport) and administrative (e.g. improved customs arrangements) capabilities to take advantage of any improved trading regime. They also need to enhance their marketing infrastructure, trade negotiation capability as well as policy analysis and implementation capacities. They need to improve the competitiveness of their economies, especially their manufacturing and their service industries, and enhance the environment for private sector investment which has been recognised as engine of growth in many of these countries.

4.4 Promoting South-South Cooperation: The South-South collaboration in the WTO trade negotiations has been responsible for their steadfastness in the talks. There is the continued need for these developing countries to forge alliance, in pressing for the elimination of trade distorting domestic support and export subsidies by developed countries and elimination of tariff peaks and tariff escalation against their exports. This will give their higher value-added goods a better chance of penetrating the markets of the developed countries. More importantly, there is the need to forge South-South trade links. Africa in particular should strengthen intra-African trade links through regional economic integration.

In fostering South-South Cooperation and trade links, cognisance should however be taken of the emerging impact of the rising competitiveness of exports from China and India in world markets on exporting countries in sub-Saharan Africa (SSA). Recent research by the Institute of Development Studies, University of Sussex, has shown that exports of clothing and textiles, and to a lesser extent, the furniture sector, have been negatively affected by Chinese exports. For example, exports of clothing and textiles from Kenya, Lesotho, Madagascar, South Africa and Swaziland have been seriously affected following the end of the Multifibre Arrangement (MFA) on 1 January 2005. This has led to many job losses with damaging consequences for poverty in the region. Findings on the furniture industry have also shown that SSA producer cannot compete with China and other Asian countries on price and that the furniture producer are

retreating into less profitable activities such as exporting timber and logs\textsuperscript{53}. For South-South cooperation to be meaningful, SSA firms need to become more competitive and collaboration should be based on mutual benefits.

VI. CONCLUSION

This paper examines key issues for developing countries in the Doha Round and the global benefits of the round. It shows that a successful Doha Round holds promise for global welfare gains, but that these gains would be disproportionately shared between the developed countries and the developing countries, with the benefits to Africa even being much smaller. The paper also throws some light on the complex relationship between trade and development, since the mechanisms that translate trade opening into development and poverty reduction are complex and necessitate appropriate policy context. As for the way forward for the Doha Round talks, it appears that there is currently no credible way forward. For developing countries however, possible way forward discussed includes building substantial production capacity and trade infrastructure, enhancing the competitiveness of their economies and promoting south-south cooperation. The proliferation of regional and bilateral free trade arrangements in lieu of a multilateral deal, is unlikely to be beneficial to developing countries.

\textsuperscript{53} Ibid.