



THE DOHA ROUND: Implications for Developing Countries

The South African Perspective

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Basic Issues

- Uruguay Round led to significant multi-lateral liberalisation, but highly uneven and unequal
- Agriculture and Agro industries offer major comparative and competitive advantage for developing countries
- But thwarted by UR (and current) rules and protection for agriculture in developed countries
- These permit large subsidies and high tariffs on competitive products from “south”
- Tariff peaks, escalation and NTBs on industrial products of export interest to developing countries



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The Doha Mandate

- Doha Round supposed to prioritize such issues and was the basis on which developing countries agreed to launch another Round
- 2001 Doha Ministerial Declaration agreed, “to place the needs and interests of developing countries at the heart of the work programme”
- In agriculture: agreement to remove export subsidies, “substantially reduce” trade distorting production subsidies, provide additional market access, particularly for products of export interest to developing countries

Doha Mandate cont...

- In NAMA to prioritise “substantial reduction” in tariff peaks, escalations and NTBs on products of export interest to developing countries
- Ensure commitments based on principle of Less Than Full Reciprocity in reduction commitments
- Prioritise needs of LDCs (a round for free)
- Address particular needs of LDCs (eg. DFQF and cotton)



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Negotiating Processes After Doha

- Doha Round negotiating process a saga of missed deadlines and collapsed meetings
- Latest was July Geneva Mini-Ministerial called in attempt to agree “modalities” on Agriculture and NAMA originally due to have been concluded by 2003
- Fundamental question: Why has a “development round” failed after nearly 8 years to make any real progress?



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Reclaiming Development

- For us, answer is found in development objectives having been lost, sidelined or subordinated in negotiating process: “Angels are in the generalities: devils in the details”;
- Inability to agree on “modalities” due to imbalance between offers of majors on issues of interest to developing countries, while making excessive demands on issues of commercial interest to themselves
- Agriculture proposals envisage cuts in production subsidies in “water” only; tariff cuts are overlain by extensive, complex provisions for treatment of sensitive products; inadequate response to overwhelming case of cotton producers;
- In NAMA by contrast excessive ambition directed at “advanced developing countries”



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The July Package

- Imbalances exemplified by content of “package” presented, but not agreed, at July Mini-Ministerial;



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Services Signaling Conference

- SA made significant Market Access and National Treatment commitments during the UR
- In the DDA, SA undertook further commitments in Telecoms, Finance, Legal Services, Transport and Environment
- It is expected that demandeurs lead by example by offering improved commitments
- Outcomes of Signaling Conference did not inspire confidence
- Imbalances remain in demands by majors compared to what they are prepared to offer



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Agriculture Issues

- Package reaffirmed Hong Kong commitment to remove export subsidies by 2013
- On “trade distorting” production subsidies proposed reducing OTDS ceiling for US from \$22-14.5 bn
- This compares to applied levels of around \$11 bn in recent years falling to between \$7-8 bn with higher food prices
- Bottom of range in chair’s text is \$13 bn



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Agricultural Issues cont ...

- Package reproduces Chair's complex proposals for designation of "sensitive products" with
- TRQ creation that likely means no additional market access for SA products excluded from bilaterals



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NAMA Issues

- July package proposes application of simple Swiss formula with coefficient of 8 for developed and 22 for developing countries taking formula cuts
- Developing countries allowed flexibilities – 5% of tariff lines can be excluded from cuts OR 10% subject to less than formula cut so long as it is not less than half formula cut
- Some variation around pivot allowing countries to take lower coefficient for higher flexibility or *vice versa*



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NAMA Issues cont ...

- New elements added, including Anti-Concentration Clause requiring full formula cuts in at least 20% of each chapter in tariff book, and
- Clause on “Sectorals” implying pressure to participate in two processes that would see cuts deeper than formula – this modified after pressure from China



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Application Effect of Proposed NAMA Formula Cuts

Tariff	Coeff 22	with flex
45	15	30
40	14	27
30	13	21
20	10	15
10	7	8

Reductions in ten equal cuts over 10 years



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Illustrative Example: Impact on SA and SACU

- SA took “developed country” cuts in Uruguay Round – means bound rates much lower than other “advanced developing countries”

	SACU	Brazil	India
Av bound rate	17	30	40
Av applied rate	8	11	19

- SACU means cuts would apply to a CU with 1 LDC and 3 SVEs that would not otherwise take formula cuts



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Impact on SA and SACU cont ...

- In recognition of historical injustice of classification as “developed country” chair’s text proposed an extra 1-6 points of flexibility for SA
- However, impact of July package would mean cutting 23% of lines by 30% or more *at applied rates after applying half cut flexibilities*



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Impact on SA/SACU cont ...

- Moreover, ACC would expose sensitive sectors where high level of substitutability of products exists
- In other words, in return for cuts in “water” by US on OTDS, and uncertainty over whether we would benefit from agricultural market access, we would have been required to take cuts in NAMA *in applied rates* at a level greater than other developed or developing countries



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SA Positions in Geneva

- We gave no concurrence to July package
- We negotiated for 21% flexibilities (11% additional) on the grounds that 21% of lines would be cut by 30% or more at applied rates with coefficient of 25
- We asked for 14% half cuts and 7% no cuts, as well as right to exclude 3 chapters from Anti Concentration Clause
- There was stubborn resistance to this



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Other Issues/Concerns of Developing Countries

- The Special Safeguard Mechanism (issue on which July talks broke down) a matter of significance for countries with large subsistence agricultural sectors vulnerable to surges in imports of subsidised products
- The cotton issue – this issue of vital concern to LDC cotton producers - was not even discussed in nearly two weeks of talks



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Other Issues/Concerns cont ...

- DFQF for LDCs – US proposal for 97% access would exclude competitive products from Bangladesh and was rejected by them...some divisions evident between LDCs with bilateral preferences and those without
- An Aid for Trade package – not even raised in July



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Development Issues

- Each of these issues are important to developing countries, but each is being held back by commercial demands of vested interests in developed world
- Any or all of these, including the NAMA issue, could have been sticking points (or even breaking points) in the process



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Where to From Here ?

- Members agreed on need for period of introspection and reflection
- Rush for early resumption based on picking up July package (with only some accommodation of G33 position on SSM) will not work in our view
- Differences on SSM a symptom of a deeper malaise of imbalances – between ambition in Ag and NAMA, between development needs and commercial interests of developed country interest groups – any one of a list of issues could open Pandora's Box



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Where to From Here cont ...

- A multi-lateral rules based trading system is important to developing countries
- We must defend it by working to reclaim Development content of the Doha Round
- Prioritise in immediate work programme issues of concern to developing countries marginalised from processes up to now, starting with cotton
- Assert principle that commercial interests of developed world must be subordinate to developmental needs in a Development Round



Thank You