

LDC Positions in the World Trade Organisation-AoA

Introduction

Agriculture in Africa and LDCs is not just a business issue. It is difficult to overemphasize the importance of agriculture and the trade in agricultural products for Africa. Farming in LDCs employs some 70 per cent of sub-Saharan Africa's work force and generates an average 30 per cent of the region's gross domestic product. Yet rural Africans are among the poorest people in the world. Production in much of Africa is hampered by poor soils, erratic rainfall and severe under-investment in rural infrastructure and inputs. These domestic difficulties have been exacerbated by the current global trade rules in agriculture. For example, the 50 least developed countries (LDCs), representing 10.5% of the world population, have less than 1% of world exports. A group of 50 LDCs is not a small group, but more than the EU.

Therefore LDC positions at each ministerial conference should be taken to be a livelihood rather than a merely a business strategy. For LDCs a successful position is one that focuses on poverty alleviation and integration in the world trading system. Here LDC classification used is according to United Nations Conference on Trade and Development.

For any future strategy, it is important to take stock of earlier positions. This presentation takes note of the LDC positions at earlier ministerial conferences beginning with the Singapore Ministerial conference of 1996.

Background

LDCs at the Tokyo Round -1979

The greater needs of developing countries have been recognized in trade negotiations especially since the Tokyo Round. The subsequent Uruguay Round (UR) included special considerations for developing countries, particularly the least-developed countries (LDCs). UR participants also discussed whether the liberalization of agricultural and trade policies may have a negative impact on another set of developing countries called the net-food-importing developing countries (NFIDCs). The 18 NFIDCs have a population of some 380 million people, and an income per capita nearly five times that of the LDC average but still much lower than the world average.

By 1999, out of the 134 members of the WTO about two-thirds were developing countries while of the 48 LDCs worldwide, 29 were WTO members. Six more were in the process of accession and 3 were WTO observers. The LDCs as a group had a population of about 590 million people, with an income per capita about 4 percent that of the world average. Agricultural production per capita in LDCs had been on a downward trend for the previous four decades, though the same indicator for all developing countries had gone up by about 40 percent in the same period. LDCs represented only a small fraction of world trade (less than half of 1 percent for total trade and about 2 percent for agricultural trade). They had a positive (although declining) net agricultural

trade balance until the mid 1980s, at which point the balance turned negative. Almost 20 percent of their total imports are food items.

LDCs in the WTO

For agriculture, developing countries are allowed to reduce domestic support by two-thirds of the level required for other WTO members and to implement the commitments in a period of 10 years instead of 6. The “de minimis” clause, referring to the portion that does not have to be declared and reduced as part of domestic support reform because it is considered too small, is 10 percent for developing countries instead of the 5 percent for developed countries. Some categories of domestic support (in addition to the permitted measures of the “green box”) do not have to be reduced, including general rural development programs, some investment subsidies, input subsidies to low-income or resource-poor producers, and support to eradicate illicit narcotic crops. LDCs are completely exempt from any reduction in domestic support.

Agriculture in the Uruguay Round-1994

Preventing Adverse Effects on Food Imports

Concerns during the UR that liberalization of agricultural policies and trade may adversely affect food imports of LDCs and NFIDCs led participants to include several measures dealing with food security issues in the “green box” of permitted domestic support (for instance, public stockholding and provision of foodstuffs at subsidized prices). Participants also approved a ministerial declaration in Marrakesh in April 1994 to deal with possible negative effects of agricultural trade reforms on the food security of LDCs and NFIDCs.

The 1994 decision agreed to

- (1) Periodically review food aid needs;
- (2) Increase the proportion of basic foodstuffs provided “in fully grant form and/or on appropriate concessional terms”;
- (3) provide technical and financial assistance to LDCs and NFIDCs to improve their agricultural productivity and infrastructure;
- (4) Consider treating LDCs and NFIDCs favorably with regard to agricultural export credits; and
- (5) Assist developing countries with short-term difficulties in financing normal levels of commercial imports.

The WTO's Committee on Agriculture (CoA) received the mandate to review periodically the implementation of this decision, usually with the participation of international organizations such as the Food and Agriculture Organization of the United Nations, the International Monetary Fund, the World Bank, the World Food Programme, and the United Nations Conference on Trade and Development.

The First Ministerial Conference-Singapore 1996-AoA

To elaborate their position on issues before the First Ministerial Conference (13-15 November, 1996) of the World Trade Organization (WTO), the 28 least developed countries (LDCs), Members of the WTO to be held in Singapore, the Ministers of the Least Developed Countries (LDCs) adopted a Declaration, calling upon the Conference to adopt a Plan of Action in favour of LDCs.

This Declaration was presented at the Ministerial Meeting of LDCs within WTO by the Coordinator of LDCs, Mr. Tofael AHMED, Minister of Trade and Industries of Bangladesh. It was elaborated and adopted during a private Ministerial Meeting organized with the support of UNCTAD. More than 25 Ministers from LDCs attended the Meeting. Senior officials from a number of LDCs that were not members of the WTO also participated.

The Ministers proposed a four-point programme to the Singapore Conference to enable LDCs' overcome challenges and to reap the full potential benefits of the Uruguay Round Agreements:

- concrete action for full and expeditious implementation of all special and differential measures accorded to LDCs under the Uruguay Round Agreements, including of the Marrakesh Declaration relating to LDCs, and the Ministerial Decision on Measures in Favour of LDCs, and for giving effect to the Ministerial Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Countries;
- providing adequate technical assistance to LDCs with a view to facilitating implementation of their obligations arising from the Uruguay Round Agreements and strengthening of their negotiating capacity;
- adoption of further measures in the area of market access for all items of exports of LDCs, in particular, by providing duty-free and quota-free treatment;
- adequate reflection of the particular situation of LDCs and their interests in the work of WTO.

The Ministers underscored that while LDCs should continue their efforts to strengthen their economic reform process and build supply and competitive capacities, they will require adequate assistance from their development and trading partners and the concerned international organizations in realizing the potential benefits from the Uruguay Round Agreements. They also called for development cooperation among developing countries to alleviate obstacles to the development of LDCs' trade.

The Ministers noted that in the early 1990s, the share of LDCs in both world exports and imports had fallen by one-half and one-third respectively from the already meagre levels of 0.6% and one percent respectively in 1980. "This trend indicates that LDCs as a group continue to be further marginalised in international trade."

During the SMC the 1994 Uruguay Round Decision on Agriculture was repeated viz; to

- (1) Periodically review food aid needs;
- (2) Increase the proportion of basic foodstuffs provided "in fully grant form and/or on appropriate concessional terms";
- (3) provide technical and financial assistance to LDCs and NFIDCs to improve their agricultural productivity and infrastructure;
- (4) Consider treating LDCs and NFIDCs favorably with regard to agricultural export credits; and
- (5) Assist developing countries with short-term difficulties in financing normal levels of commercial imports.

The Second Ministerial Conference-Seattle 1999

The Seattle Ministerial Conference of the World Trade Organization (WTO), held from 30 November to 3 December 1999, was unable to launch a comprehensive round of negotiations.

Nevertheless, Africa, which had 23 of the WTO's 29 least developed countries (LDCs), arrived in Seattle with anxiety that their special positions recognized by the Marrakesh decisions not be diluted or undercut.

LDCs Agriculture and the Doha Development Agenda

Notwithstanding the elaborate set of provisions set for LDCs, representatives from developing countries, LDCs, and NFIDCs argued that the special and differential treatment meant for them had fallen short, particularly when it has come to market access, food aid, and financial and technical assistance for developing agriculture. The agenda from the perspective of the LDCs was as that:

- LDCs should be granted free entry of their exports to high-income WTO members as a way of improving their market access. If this cannot be agreed upon, LDCs should push for:
 1. additional reduction of tariffs,
 2. the elimination of tariff escalation, and
 3. expansion of tariff rate quotas for their exports. They should also aim at increasing market access opportunities under the relevant provisions of the Agreement on Textiles and Clothing.

- The UR was a first step in imposing discipline on the unfair competition of subsidized agricultural exports, which hurt poor agricultural producers in developing countries irrespective of the net agricultural trade positions of these countries. In the next negotiations LDCs should push for the elimination of export subsidies, which would complete the first step taken at the UR. LDCs should also pursue stricter disciplines on export taxes and controls that exacerbate price fluctuations in world markets.
- The UR allowed developing countries to maintain domestic support through policies tied to poverty alleviation and agricultural development. The main concern LDCs have on this issue is that they receive technical assistance and financial support that is adequate for developing their agricultural sectors, a need affirmed in the ministerial declaration on the subject.
- Such technical and financial assistance is also vital if LDCs are to comply with the Sanitary and Phytosanitary Agreement and produce at the standards expected in the markets of the developed countries. Improvements in SPS measures will also benefit domestic consumers in the exporting LDCs.
- To assure food availability, net-food-importing countries (a group that includes not only those formally identified as NFIDCs in the WTO but also a great majority of LDCs) should seek adequate food aid, which has declined in recent years. But it is also important to make food aid available in grant form, to target it to poor groups, and to deliver it in ways that do not displace domestic production in the countries receiving it. Badly managed food aid, or cheap food imports due to export subsidies, may just reinforce the bias of economic policies against the rural sector, with a negative impact on poor agricultural producers. To offset the possibility of more volatile agricultural prices NFIDCs should insist on the need for adequate financial facilities during emergencies.

In general LDCs should emphasize to the international community the importance of implementing an integrated framework for economic and social development, with agricultural and trade policies playing a key part in it. The need for this framework was recognized in the WTO Plan of Action for LDCs in 1996, which mainly focused on trade. More generally, LDCs should emphasize the importance of creating and expanding a supportive international trade and financial environment.

On agriculture, the group wanted affirmation by the Ministers that all issues of concern to African members will be addressed as specified by articles 15, 16 and 20 of the Agreement on Agriculture. The LDC position was that

- negotiation should focus on the progressive reduction of the bound levels of tariffs;
- provision of enhanced market access opportunities for developing countries;
- phasing-out of trade distorting support in the developed world including in the area of export competition;
- full recognition of the S & D provisions for developing countries as well as the importance of trade preferences for African countries.

(For instance, on agriculture, the LDCs were seeking “bound, duty-free and quota-free market access” conditions to exports originating in LDCs covering all agricultural products in all forms i.e. primary, semi-processed and processed products. Another priority, was the abolition of export subsidies for agricultural products and reduction of trade and production distorting domestic support measures in developed countries which have adverse impact on exports of LDCs.)

Fifth Ministerial Conference LDC Position-AoA

The World Trade Organization Secretariat distributed the following communication, received from the delegation of Mauritius, that represented a common position of the African Union, the African Caribbean and Pacific Countries and the Least Developed Countries on agriculture issues being debated by the World Trade Organization meeting in Cancun..

The countries of the African Union (AU) and the African Caribbean and Pacific (ACP) and the Least Developed Countries (LDCs) have agreed on the following common negotiating positions on agriculture. These common positions draw from the various Ministerial Declarations adopted by the Groups as well as submissions made to the WTO and also from recent consultations here in Cancun.

1. The AU/ACP/LDC countries are concerned that the Draft Ministerial Text and the relevant Annex on agriculture fall short of the objectives envisaged in the Doha Declaration for further reform of agricultural markets. It is our view that further reform for agriculture should aim to attain the objectives as set out in the Doha mandate and that each Round of agriculture negotiations should aim at incremental reform, both in terms of value and rule-making. We stress that the "Framework", and the associated Modalities to be agreed upon, should address themselves fully on all the three pillars, in a balanced and equitable manner. We reiterate that, in accordance with the Doha mandate, S&DT should be an integral part of all elements of the negotiations on agriculture.

Market

Access

The Framework does not provide for meaningful tariff reduction by developed countries and hence does not address the issue of high tariffs, tariff peaks and tariff escalation. Furthermore, the proposed "blended formula approach" will allow developed countries to place the products with high tariffs under the "import sensitive category" and hence subject them to lower reduction commitments.

In this regard the AU/ACP/LDC countries call for:

* Improved market access for our agricultural products and for developed countries to reduce tariff peaks and tariff escalation;

* A programme to support the enhancement of supply capacities in the agricultural sector

so as to take full advantage of market access opportunities;

* The setting of an overall target for tariff reductions by developed countries,

* Developed countries should address issues of non-tariff barriers, such as SPS and TBTs, as well as other market entry barriers,

* A more simplified and transparent tariff quota regimes that provide clear benefits to these countries;

* Bound duty free and quota free market access by developed countries for products of LDCs,

* No ceiling on level of maximum tariffs for developing countries,

* Self selection of special products,

* We reiterate the vital importance of long standing trade preferences for AU/ACP/LDC states and call on WTO members to provide for the maintenance and security of such preferences through flexible rules and modalities based on development needs. Accordingly, we call for the Framework on Agriculture to incorporate relevant proposals from the Harbinson Text as well as development of a compensatory mechanism to address erosion of preferences for these countries.

* The Draft Ministerial Text and its Annex have not fully taken into account a variety of developing and least-developed-country-specific concepts, such as the Special Products (SP) and Special Safeguard Measures (SSM), that are important to these countries. We insist that the proposed Framework on Agriculture should fully incorporate the proposals contained in the Harbinson's Revised First Draft Modalities.

Domestic Support

* All forms of trade-distorting domestic support measures by developed countries to be substantially reduced;

* The substantial reduction in the Amber and Blue Box measures, with a view to their phasing out and elimination;

* The capping of the trade-distorting element of Green Box support measures provided by developed countries;

* LDCs shall be exempt from reduction commitments under the Agreement on Agriculture.

Export Competition

* Substantial reduction of export subsidies, with a view to phasing out, within a specified period;

* In this regard, we welcome the proposal by the EC to eliminate subsidies on products of interest to African countries. In this respect these countries should be provided the leeway for self selection of products to benefit from this proposal, and have the scope for product diversification. We call on other developed countries to do like wise.

* The provision of appropriate differential treatment in favour of LDCs and NFIDCs in the development of disciplines on export credits as provided for in the Marrakech Decision.

Other

Issues

* Food aid in emergency situations in these countries should be addressed. Furthermore, food aid should be continued to meet chronic food deficits and/ or development goals;

* We reaffirm the Marrakech Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and Net Food Importing Developing Countries and call for its speedy implementation.

Post Cancun Work on AoA

On agriculture, the Derbez text was the starting point in consultations, with its elements and structure "generally acceptable" while divergences remain on substance.

On domestic support, he suggested the "more trade distorting measures" be the focus of greater reductions, with very substantial reductions of the total AMS or its total phasing out over a timeframe to be negotiated. The Blue Box should be capped and subject to reduction. On the Green Box, his reading is that the current Derbez text is "reasonable" and should be kept as such.

Future Negotiations- AoA

If and when developed countries reduce and eliminate protective support measures in sectors of export interest to developing countries, it will allow for relocation of investment and production to developing countries. Such an "adjustment" will promote development and industrialization in developing countries and provide the impetus for world economic growth from which all WTO members can benefit.

The agricultural policies harming developing countries involve not just high import tariffs in both rich and poor countries and tariff escalation, but also complex tariff rate

quotas and a vast array of technical barriers to trade such as product standards and quarantine restrictions.

Key aspects of Africa's agenda at the agriculture talks include:

- rapid elimination of export subsidies
- reductions in, and tighter criteria for, domestic "trade distorting" subsidies in developed countries
- reduction of tariff peaks and escalations on developing country exports
- tariff- and quota-free market access for least developed countries (LDCs)
- implementation of existing measures to help LDCs and food-importing developing countries overcome any negative effects of liberalization
- expansion of special measures for developing countries, including use of domestic supports and tariffs, to assist small-scale farmers and enhance food security
- prohibition of market liberalization and subsidy reduction requirements exceeding WTO standards by donors and international financial institutions
- standardization and rationalization of food safety and processing requirements
- maintenance of existing market access preferences under bilateral, and multilateral trade agreements, such as the US's Africa Growth and Opportunity Act.

The African Group proposal

This is “Proposed Elements of Modalities in Connection with the Sectoral Initiative in Favour of Cotton.

The African Group (Rwanda speaking) said the proposal reflects the urgency of the issue. The heart of the paper contains proposals on all three “pillars” of the agriculture negotiations, which the group says are in line with the 1 August 2004 “framework” decision and are intended to speed up the negotiations. The group wants cotton included in the planned text of July 2005, when the agriculture negotiations chair, Ambassador Tim Groser of New Zealand, aims to produce a “first approximation” of the agriculture “modalities”. The African Group’s cotton proposal would amount to full modalities for the sector, with only some procedural details to be sorted out.

On the three pillars:

Market access: This would be “improved”, with duties and quotas scrapped for cotton and its by-products when exported by least-developed countries and net exporters.

Domestic support: Distorting supports to be eliminated by 21 September 2005 at the latest (the Africans explained in the meeting that this relates to dates in the cotton dispute (DS267, ruling adopted by the Dispute Settlement Body on 24 March 2005)). Also proposed are disciplines for preventing “box-shifting” (recategorizing supports without reducing their distorting effect), and “ambitious cotton-specific criteria” to be developed for “the measures authorized under the green and blue boxes”.

Export subsidies: All types of export subsidies on cotton to be eliminated by 1 July 2005 at the latest (also related to dates in the cotton dispute).

Other proposals include:

Emergency support fund: Amounting to 20% of the highest value of cotton production in the last three years in each country concerned, to “contain the serious socio economic consequences for the farming communities” of loss of revenue, and managed by representatives of donors, producers and governments. The amount would decrease proportionately as subsidies and supports are eliminated.

The discussion

African countries (Benin, Zambia, Guinea, Burkina Faso, Zimbabwe, Senegal, Mali, Tanzania, Uganda) and some others (Cuba) supported the proposal in full.

Paraguay, Brazil, Argentina and China were more broadly in favour. However, China said the reductions in the three pillars should not apply to developing countries, and opposed including industrial “by-products” such as textiles — these would come under the non-agricultural market access (NAMA) talks, China said. China, now a net importer but with over 100 million people involved in the cotton sector, and Paraguay with cotton sometimes exceeding 40% of its export earnings, described how important the sector is to their poorer farmers too. Chairperson Groser said the information provided by China, Paraguay and others is an important reminder that the African countries’ problems are shared elsewhere as well.

The EU repeated the recent statement of its trade commissioner, Peter Mandelson, on fast-tracking cotton by implementing reductions in trade barriers and domestic supports and eliminating export subsidies from “day one” (the date that the results of the agriculture negotiations would take effect) rather than phasing them in over an implementation period. Other actions could also be achieved by countries taking autonomous actions in addition to whatever is agreed multilaterally, the EU said.

The US stressed it is committed to dealing with the problem because it understands the critical role cotton plays. But, the outcome should be part of the “single undertaking” of the Doha negotiations and part of the ambitious and comprehensive package on agriculture, the US said (Canada agreed). The US cautioned that a “early harvest” on cotton would undermine the “cross-cutting” approach of the negotiations. The US added that its position on an emergency fund is unchanged — a stabilization fund would not work and would be anti-competitive, it said. Instead, members should focus on better aid programmes, the US said. Japan had similar reservations about the proposed fund.

The end of end-July, 2005 has been set as a target for "first approximations" of an eventual agriculture deal rapidly approaching.

Members tabled some new ideas about the controversial tariff reduction formula, and developing countries expressed several key concerns related to special products and declining commodity prices. In addition, the G-20 tabled a new paper on the 'Green Box,' i.e., permissible farm subsidies that are at least in theory not trade-distorting.

At the end of the week, Groser said that the July approximations would likely not include an actual tariff reduction formula. Instead, the big political issues would be left for the December WTO Ministerial Conference in Hong Kong, and the first approximations are to take the form of something resembling an expanded version of the compromise in the 2004 July Package, including further convergence among Members in all three pillars of the negotiations (domestic support, export competition and market access). Other issues, such as the extension of geographic indications beyond wines and spirits, would be dealt with later, as Members' views on them have not yet begun to converge.

Conclusion

Here, there must be recognition that the key national objective of developing countries, and LDCs in particular, is not trade volume per se; but rather it is poverty reduction.