

Motivating African Support for a New Round of Multilateral Trade Negotiations

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I Introduction

As African countries prepare for the 4th Ministerial Conference of the World Trade Organization (WTO) holding in Doha in November 2001, they must be acutely aware of the tremendous pressures being exerted on them to support the launch of a new and comprehensive Round of multilateral trade negotiations. The consensus that appears to have been reached by the United States and the European Union to jointly push for the launch of a new Round at Doha makes the pressures particularly intense. This note seeks to explore the following questions for African preparations for Doha and the great likelihood that African countries will be expected to indicate whether or note they will support the launch of a new Round:

- should African countries support the launch of a new Round?
- what issues must be included in the agenda of a new Round to justify African support?
- what issues must be excluded from the agenda?
- what should be the modalities of the negotiations in the new Round?

These questions are discussed sequentially in the rest of this note.

II Should African Countries Support a New Round?

Clearly, many African countries are quite reluctant to support a new Round of multilateral trade negotiations with a comprehensive and probably complex agenda. The basis of their reluctance is generally well founded. Many of them are still grappling with the problems associated with the implementation of the Uruguay Round (UR)

Agreements. They are confronted with difficult administrative, institutional and financial constraints in meeting the obligations imposed by the agreements. Many of them face similar problems in the process of internalising the implications of the agreements and trying to realize the benefits that the agreements promised. Their fundamental difficulties in fulfilling obligations and actualising benefits are further compounded by the problem being experienced in articulating the trade and development strategies that should underpin their negotiating interests and options in the context of a new Round.

In these circumstances, one might be tempted to render a negative answer to the question under consideration. But there are other important factors to consider. First, the UR results have not been favourable to African countries; due largely, perhaps, to their inadequate participation in the negotiations that led to those results. Second, the UR results reflect significant imbalances whose overall effect has been to penalize African countries. For instance, issues of special interest to them were not adequately covered in the UR agenda. On top of that, African countries accepted many binding obligations in exchange for non-binding promises from the developed countries. There was in addition, insufficient understanding, on the African side, of the eventual implications for their economies of several of the UR agreements which they supported.

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A new Round may provide an opportunity for African countries to “re-balance” the UR results, undo the damage they have inflicted, and place more development-oriented issues on the agenda. This last element is particularly critical. The GATT/WTO framework has traditionally focused on market access issues, with the presumption that enhanced access to foreign markets would promote exports, growth and development for all participating countries. The experience of African countries suggests that this presumption does not always hold. In particular, the links between market access, growth and development may be weak in low-income countries which are characterized by acute supply response capacity constraints. To strengthen the links, such countries must insist that multilateral trade negotiations should be oriented toward development and poverty alleviation by recognizing and explicitly providing for appropriate policy measures aimed at building robust supply response capacity. If African countries can prepare themselves to seize these opportunities, they should be willing to support the launch of a new Round. Their support should, of course, be made explicitly conditional on the agenda issues of the proposed Round and the modalities of negotiations.

III “Must-Include” Agenda Issues

Based on the perspectives and development needs of many African countries, there are several “must-include” agenda items that may be suggested for the new Round. These broadly reflect the need to strengthen the development focus on the Round.

First, much of the development concerns of African countries can probably be accommodated in the WTO framework by a suitable redefinition of the existing concept of “special and differential treatment” (SDT) for developing and least-developed countries. The multilateral trading system is made up of countries at markedly different levels of development. The development-oriented trade policy and strategy that may be regarded as appropriate for low-income countries are likely to be quite different from those for the developed countries. The recognition by the world trading system of the consequent asymmetry of obligations gave birth to the original SDT concept in the late 1960s. As formally codified during the Tokyo Round, SDT provisions were meant to take account of the diversity of conditions and capacities in various member countries. In explicitly acknowledging the disparities among members and the growing divergence in the economic situation and capacities of different countries, SDT provisions constituted an attempt to relate them to the benefits that different countries could reap and the obligations and commitments that they would be expected to undertake. In particular, SDT

provisions were designed to enhance market access conditions of low-income countries and permit them derogation from certain multilateral trade disciplines; while the former took the form of trade preferences the latter provided for flexibility in the use of various trade and trade-related measures. It is important to note the inherently complementary nature of these two elements of SDT provisions. The special capacity-building measures were to enhance the output and export supply response capacities of low-income countries with a view to enabling them to take fuller advantage of special market access preferences.

Thus, the SDT concept provides a basis for integrating the development concerns of low-income countries into the WTO framework and could have been built upon to more fully achieve this objective. But instead of moving in this direction, the UR agreements radically changed both the form and content of many of the key SDT provisions in the opposite direction. They are now expressed in terms of transitional periods, differences in threshold levels and non-mandatory offers of technical assistance. In addition, transitional periods and threshold levels appear to have been set in an ad hoc and haphazard way; they have not been determined in relation to an objective set of criteria reflecting differences in levels of development or country human and institutional capacities.

Placing SDT on the agenda of a new Round must be regarded as an issue of significant strategic importance for African countries. The fact that this was not done in the UR may be largely responsible for the patch-work nature of the resulting post-UR SDT provisions. Better informed and multilaterally negotiated decisions regarding SDT forms and contents taken before the sectoral and rules negotiations begin could more appropriately guide these subsequent negotiations. It is necessary, in particular, to negotiate and reach multilateral agreement regarding the classification of WTO members (into the three recognized groups of developed, developing, and least-developed), the objective and measurable development, trade and other indicators to be used in classifying countries, the rules for which full or partial derogation might be granted as a means of enhancing the supply response capacity of low-income countries, and the multilateralization of market access preferences for the appropriate set of countries.

Second, in many of the UR agreements, offers of technical assistance have been made to low-income countries as a means of helping them fulfil specific obligations. These offers have remained largely unimplemented because they are not legally binding. From the African perspective, it is

important that the issues of technical assistance be placed on the agenda of a new Round so that multilaterally negotiations, establishing a fund within the WTO as a mechanism for operationalizing technical assistance offers, and including a “recourse” clause that would permit low-income countries not to carry out their corresponding obligations if their legitimate technical assistance needs are not met.

Third, the issue of governance in the WTO framework is one which would be important for African countries to place on the agenda of a new Round. While its formal decision-making process may appear “democratic” and likely to protect the interests of small and poor countries such as those of Africa against the rich and powerful countries, in reality the applicable informal decision-making arrangements often lead to the opposite result.

Because they are resource-constrained, effective participation in the WTO process places an enormous burden on African countries. This process requires the permanent presence in Geneva of a fairly large, versatile and skilled delegation from each country which stands ready to participate in the virtually continuous consensus-building consultations and meetings that take place in and around the WTO. Many African countries are not adequately represented to ensure effective participation.

The broad aim of an improved WTO governance arrangement should be to involve African and other low-income countries more effectively in the WTO process. Such a governance system should be equitable in representation, efficient in decision-making as well as transparent and accountable. It could involve several key elements, including the establishment of a smaller body made up of representatives drawn from multi-country constituencies selected by countries involved and hence more directly accountable to them; a strengthened secretariat able to assist the smaller and poorer countries in analysing complex and technical issues; and a set of regional WTO offices through which Members can be assisted in an advisory capacity.

IV “Must-Exclude” Issues

There are several “new” issues that are being vigorously pushed by certain developed countries for inclusion in the agenda of a new Round. As a condition for supporting the launch of a new Round, it is important for African countries to insist that many of these issues should be kept off the agenda. The most prominent among these include investment, competition policy, labour and environmental standards, and transparency in government procurement.

It has been proposed that the new Round should include negotiations leading to a multilateral agreement on competition policy. Clearly, competition policy has an important role to play in all countries in promoting an environment in which enterprises are not permitted to behave collusively and market power is not exploited to the detriment of societal welfare. Even low-income countries would gain from a policy that reduces mark-ups by foreign suppliers to their markets and limits concentration those markets. Both of these gains are achievable through liberalization, deregulation and enhance competition measures in the national markets and they are thus not necessarily attributed to multilateral competition rules. This suggests that the interest which low-income countries may have in pursuing an active competition policy can and should be pursued through domestic initiatives and independently of the WTO.

There may, of course, be particular reasons for requiring some international cooperation in competition policy. For instance, differences in national competition policies may need to be eliminated through better international coordination; and some multilateral arrangements may be need to protect low-income countries from the abuse of market power by multinational companies whose activities they may lack the power to control on their own. But the establishment of multilateral rules and surveillance mechanisms in this area is likely to impose a stiff price on low income countries in terms of harmonised rules and implementation infrastructure that most of them can ill afford.

There is a similar proposal to establish a comprehensive set of multilateral principles and rules on investment within the WTO framework. But, as in the case of competition policy, there does not appear to be a convincing case to justify the support of African and other low-income countries for moving in this direction. These countries must be wary of an uncritical and undifferentiated approach to foreign investment which a multilateral agreement might directly or indirectly endorse. In any case, some existing agreements (such as TRIMs and particularly GATS) do provide ample scope for pursuing further liberalization in the area of investment. Through its “commercial presence” mode of supply of services, GATS offers an opportunity to liberalize foreign direct investment to the extent desired by particular members.

The proposal to negotiate WTO rules relating to labour and environmental standards is essentially an attempt to benefit from the enforcement mechanism of the WTO which appears lacking in the more appropriate institutional arrangements for dealing with these two issues. There are several

reasons why African and other low-income countries should stand firmly against this proposal. Clearly, attempts to impose unnecessarily high labour and environmental standards on low-income countries will amount to depriving them of significant elements of their comparative advantage in global trade. If WTO rules are developed for enforcing labour and environmental standards, the effect would be of trade policy for dealing with problems that are not necessarily caused by international trade. Poor labour and environmental standards are problems of development which cannot be solved in an effective and sustainable way by using trade policy measures. Both environmental and labour standards tend to be related a country's level of development; hence attempts to impose "international standards" based on some harmonized higher levels on low-income countries are likely to be unsustainably costly for them and, in the end, counter-productive.

V Negotiating Modalities

The experience of African countries in the UR negotiations leads to at least two lessons which may be expected to guide their attitude regarding the modalities to be used for the negotiations in a new Round. First, African countries should insist that the "single undertaking" principle must not be

adopted for reaching decisions in new Round. Given the huge resource and power diversity in the membership of the WTO and the increasing complexity of the issues under negotiation, it is inherently unfair for low-income countries, such as those in Africa, to be asked to accept binding obligations under all agreements, especially when many of the issues generating these agreements are dictated by domestic special interests in the developed countries. A return to a more selective approach (as in the Tokyo Round) would provide a firmer basis for ensuring that the agreements that are signed by African countries are actually fully understood and owned by them.

The second lesson from the UR experience is that, because of their resource constraints, low income countries are inherently unable to participate effectively in multilateral trade negotiations in which too many complex issues have to be dealt with simultaneously over a short period of time. It should be clear that countries that are unable to maintain more than an average of two permanent representatives in Geneva cannot really be expected to be effectively "present" in as many as 15 parallel negotiating meetings! Therefore, African countries should insist that the negotiating modalities for a new Round be carefully structured to accommodate their inherent disability in this respect.



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