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 **STUDY OF**

**development from an acp perspective in the**

**WTO dOHA DEVELOPMENT AGENDA negotiations**

**REVISED FINAL STUDY**

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# ABBREVIATIONS

|  |  |  |
| --- | --- | --- |
|  |  |  |
| ACP | African Caribbean and Pacific Countries  |
| AFT | Aid For Trade |
| AGOA |  Africa Growth and Opportunities Act  |
| CBB | Convention on Biological Diversity, |
| DC | Developing Countries |
| DDA | Doha Development Agenda |
| DFQF | Duty Free Quota Free  |
| DR | Doha Round  |
| EGS | Environmental Goods and Services  |
| EPA | Economic Partnership Agreements  |
| EU | European Union |
| G20 | Group of 20 |
| G33 |  Group of 33, |
| G90 |  Group of 90  |
| GATS | General Agreement of Trade in Services |
| GDP | Gross Domestic Product |
| GIS | Geographical Indications |
| IMF | International Monetary Fund  |
| LDCS  | Least Developed Countries |
| MFA | Multi Fibre Agreement,  |
| MFN | Most Favoured Nation  |
| NAMA | Non Agricultural Market Access |
| NON- LDCS | Non Least Developed Countries  |
| PPMS | Processing and Production Methods  |
| PTAS | Preferential Trade Arrangements |
| REC | Regional Economic Communities. |
| RTA |  Regional Trade Agreements  |
| SDT | Special and Differential Treatment |
| SPS | Sanitary and Phytosanitary Measures |
| SSA | Sub Saharan Africa  |
| SSM | Special Safeguards Measures |
| SVES | Small Vulnerable Economies |
| SVES | Small Vulnerable Economies  |
| TBT | Technical Barriers To Trade  |
| TRIPS | Trade- Related Aspects of Intellectual Property Rights Agreement:  |
| UK | United Kingdom |
| US | Unites States |
| USA | Union States of America |
| WTO | World Trade Organisation |
| WTO DG | World Trade Organisation Director General |

# EXECUTIVE SUMMARY

After a record ten years of negotiations, the Doha Round appears to have run into the sand. As a result, very few people are hopeful about any meaningful or substantive conclusion being reached soon. Having been launched as a Development Round, an obvious question to ask is whether branding the Round a Development Round contributed to the painfully slow progress of the negotiations. To answer this question demands that we look at three aspects of the negotiations: (a) how the development dimension has been interpreted; (b) how the negotiations have coped with external developments, in particular a changing development context; and (c) more importantly assess how far current proposals on the table go in meeting the aspirations of developing WTO members.

The experience of ACP countries in the Doha Round is the focus of this study. In particular, the paper seeks to contribute to a constructive and evidence-based debate on what might constitute development from an ACP perspective in the Doha Development Agenda (DDA) negotiations of the WTO. As it happens, the economic partnership agreements (EPAs) between the African Caribbean and Pacific Countries (ACP) on the one hand and the European Union on the other, were launched in 2002, a year after the DDA was launched. That means the two negotiations have proceeded in parallel, offering a unique opportunity to understand the major trade challenges faced by developing countries on several fronts. Both the DDA and EPAs made development central to the negotiations. Ten years after the launch of both negotiations seems a good time to stand back and take a dispassionate look at what has/has not been achieved and why the ACP have ended where they are now in these negotiations.

The paper evaluates the commitments that have been made so far, and then reflects on possible reasons for the lack of progress and what might be required to remove any identified blockages. Our main messages from that assessment come in several parts.

* **First,** the package on the table fails to deliver on a development outcome, defined in the traditional senses of increasing market access for developing countries and in terms of balanced and fair trading rules. In part this is due to preference erosion caused by multilateral trade liberalisation; but it also reflects rising terms of trade for imported commodities, including food products. Furthermore, the gap between aspirations and actual gains is probably greater when looked at in terms of developing countries’ defensive interests, of which retention of policy space is the most notable example.
* **Second,** the likelihood that development perspectives could be substantively incorporated into the WTO is rather low, unless there is a fundamental break with the traditional GATT/WTO principle of reciprocity. Expectations of an outcome outside the mould of this reciprocity principle therefore appear unrealistic. Besides, there is an influential school of thought that attributes developing countries’ problems in the WTO to their reluctance to engage in reciprocal exchange of concessions. But this line of argument ignores the fact that realistically only a few large developing countries are in a position to do this. Yet there is also recognition that the “best endeavours”, non-reciprocal and special and differential treatment approach used to address the concerns of developing countries has proved inadequate to meet the development concerns of the rest of the developing world.
* **Third,** most of the actual liberalisation gains made in the last 15-20 years have come from unilateral trade liberalisation. This could be taken as evidence that there is only a limited amount of mileage left in multilateral trade negotiations organised in the traditional way. But this might also reflect the increased complexity of issues being negotiated. Two interlinked consequences flow from this. One is that there is little appetite for multilateral trade liberalisation. The other is the increased interest in regional trade agreements.
* **Fourth,** we argue that the rise of emerging economies has been on a scale that has not only fundamentally altered the negotiating dynamics; it has also reduced interest in acting on development issues among industrialised countries, who instead have been more interested in market access gains in emerging economies.
* **Finally,** against the background of a difficult negotiating history, perhaps it is fair to say that some incremental progress has been made. The flexibilities provided for in the agriculture and NAMA negotiations represent an important advance as does the recognition of the particular concerns of SVEs.

We conclude by making some observations regarding what it might take to enhance the development dimension in the WTO. In practice, the development dimension is about much more than special and differential treatment or flexibilities granted in individual WTO agreements. Ideally, the issue should be framed in the much broader context of a comprehensive development strategy.

# 1.0 INTRODUCTION

After a record ten years of negotiations, the Doha Round appears to have run into the sand. As a result, very few people are hopeful about any meaningful or substantive conclusion being reached soon. Having been launched as a Development Round, an obvious question to ask is whether branding the Round a Development Round contributed to the painfully slow progress of the negotiations. To answer this question demands that we look at three aspects of the negotiations: (a) how the development dimension has been interpreted; (b) how the negotiations have coped with external developments, in particular a changing development context; and (c) more importantly assess how far current proposals on the table go in meeting the aspirations of developing WTO members.

Clearly, there are serious concerns about the impact failure to conclude the Round might have on the credibility of the WTO. There are those who, from the beginning, doubted the wisdom of labelling the Round a development round, believing that the WTO’s essentially mercantilist nature would make it difficult to substantively incorporate such a perspective into WTO agreements. Robert Hudec’s 1987 seminal study on developing countries in the GATT system reached more or less the same conclusion.

Other doubters pointed to the not entirely unknown difficulty of fostering development from above instead of from below, which is what incorporating a development dimension in the WTO system implied. On the other side, among those who believed this could be achieved, a few recognised that this would not be possible without making a fundamental break from the traditional GATT/WTO mercantilist approach. They therefore focused on identifying circumstances or conditions that would make such a break more likely.

While there has been no shortage of plausible explanations for the impasse in the negotiations; in truth, ascribing this to specific factors or events, is not a straightforward matter. Nevertheless, among the most prominent explanations are those that highlight:

* Different expectations of the Doha Round between developing and developed countries;
* Irreconcilable agendas of development and mercantilism (as encapsulated in the reciprocity of the WTO). In this view, developed countries perceive the Round merely as an opportunity to press for market opening by big developing countries such China, India and Brazil;
* Shifts in relative economic power among WTO members;
* Proliferation of bilateral and regional trading arrangements;
* Increased complexity of issues, making it increasingly difficult to pursue liberalisation on a multilateral basis;
* At various stages adverse political cycles in major negotiating powers (US, EU, India);
* A global economic recession that has contributed to an increased emphasis on “fair trade” and “level playing fields” arguments.

The experience of ACP countries in the Doha Round is the focus of this study. In particular, the paper seeks to contribute to a constructive and evidence-based debate on what might constitute development from an ACP perspective in the Doha Development Agenda (DDA) negotiations of the WTO. As it happens, the economic partnership agreements (EPAs) between the African Caribbean and Pacific Countries (ACP) on the one hand and the European Union on the other, were launched in 2002, a year after the DDA was launched. That means the two negotiations have proceeded in parallel, offering a unique opportunity to understand the major trade challenges faced by developing countries. Both the DDA and EPAs made development central to the negotiations. Ten years after the launch of both negotiations seems a good time to stand back and take a dispassionate look at what has/has not been achieved and why the ACP have ended where they are now in these negotiations.

Material for the study was gathered through a combination of a literature review, a questionnaire sent to selected ACP missions in Geneva and consultations with senior officials in ACP regional economic communities (RECs). The information received through the questionnaire was backed by material from official submissions made to the WTO. Our analysis also rests on confidential interviews with senior members of a wide range of delegations and officials in the WTO Secretariat.

The paper is comprised of four substantive sections:

Section 3 sets out the context of the paper and does so by outlining the basic tenets of global development policy and situating the DDA and EPA negotiations in that context. It also surveys the various interpretations of the development dimension in the DDA and explains what lies behind each interpretation.

Section 4 looks at what has transpired in the DDA negotiations so far and assesses the extent of progress made, particularly in regard to the incorporation of development perspectives.

Section 5 focuses on developments outside the DDA, which many judge to have been more influential on the direction and magnitude of international trade flows than what is on the agenda of the DDA. The section concludes by focusing on EPA negotiations and uses the EPA experience to draw out the key strategic challenges faced by ACP countries.

Section 6 considers alternative options that the ACP could pursue going forward.

We conclude the paper by offering some recommendations on what it might take to enhance the development dimension in WTO agreements.

# 2.0 BASIC ASSUMPTIONS OF GLOBAL DEVELOPMENT POLICY

## 2.1 Basic assumptions matter.

Thus, our first point of departure is the context, ideas and basic assumptions that have shaped international trade in the recent past. From the 1980’s, development policy was heavily influenced by free market economics. Governments’ role in domestic economic management was to be reduced while that of markets was enhanced: in fact international trade and finance rules took precedence over domestic economic management. This paradigm was hugely influential in policy discussions, as was the belief in the benefits of progressive integration of markets for goods and services (economic globalisation). In international trade this saw the WTO expand its agenda further into areas that were previously the exclusive domain of domestic policy. The paradigm was so influential that it came to be referred to as the Washington consensus. Its main ingredients in relation to international trade were the following:

* ***First, open markets were good for development.*** *This idea is based on the principle of comparative advantage, according to which countries gain (in welfare terms) by specialising in goods that they produce relatively efficiently.*
* ***Second, by expanding markets, open markets made it easier to exploit economies of scale.***
* ***Third, increased competition from foreign firms may result in improvements in domestic productivity and competitiveness.***
* ***Fourth, the availability of inputs at lower prices was also likely to enhance domestic competition.***
* ***Finally, the transfer of technology as embodied in imported goods may also lead to the development of a more technologically dynamic domestic industry.***

The rapid growth of China and India in the first decade of the 21st century, both of which did not quite follow orthodox economic policies has somewhat undermined the conventional wisdom and strengthened the arguments of those who had long attributed the earlier success of East Asian economies to the heterodox economic policies they pursued. The poor economic performance of the rest of the developing world, especially in Africa further undermined the conventional wisdom.

At the same time, the pattern of international trade itself has also been changing in ways that have significantly affected the trade negotiations. Most notably, the growth and complexity of global supply chains means that today’s protectionists are more likely to resort to targeted rules rather than tariffs, making the trade negotiator’s traditional tariff-cutting goal less relevant than before.[[1]](#footnote-1)

These developments have had a major impact on the Doha Round.

* As a mechanism or process for leveraging the benefits of globalisation the Doha Round now seems at best inadequate and at worst, could even make it more difficult for developing countries to benefit from the positive impacts of globalisation.
* Many groups in both developing and developed countries have been provoked to look more closely at the role and policies of international institutions such as the WTO and to advocate changes that might reduce the relentless pressure exerted on developing countries to implement the straightjacket of policies promoted by these institutions. That pressure grew to a point where the Gleneagles G8 Summit (2005) of leading industrialised countries responded by promising more aid flows to developing countries, cancellation of debts of the poorest countries in the world and promising to open their markets to the exports of developing countries.[[2]](#footnote-2)
* The unprecedented growth of emerging economies, especially China has changed the negotiating dynamics in the WTO in at least two important respects: (a) industrialised countries can no longer strike compromises amongst themselves, and then seek to persuade or pressurise developing countries to accept the compromise; and (b) growing concern about increased competition from China has made increased market access to the Chinese market a key priority for industrialised countries. To some observers, the Doha Round today is about negotiations on market access in manufacturing rather than development.[[3]](#footnote-3)

## 2.2 Changing Development Context Raises Questions about Basic Assumptions

Free market economics promised great welfare improvements, so it is not surprising that policymakers were gripped by its intellectual attractions. The trouble, as critics have pointed out, is that markets are neither free nor efficient in practice, particularly in developing countries.

**For a start, markets are characterised by all sorts of failures;** as a result the benefits that trade liberalisation and globalisation might be expected to deliver are likely to be much less than would be the case in the absence of such market failures. For example, the redeployment of resources from low productivity protected sectors to high productivity export sectors that trade liberalisation is supposed to trigger is unlikely to occur in circumstances in which there is high unemployment as is often the case in developing countries. Rather than create opportunities for more efficient uses of available resources, trade liberalisation may simply harm import-competing domestic industries, while export industries may not have the supply capacity to expand.

**Second, the idea that gainers from trade liberalisation will compensate the losers loses much of its force if trade liberalisation fails to deliver positive net gains.** The key point to emphasise is that the nature of the outcome that trade liberalisation actually delivers depends on the initial conditions in a country and not just the rules governing international trade. This suggests that the challenge of multilateral trade negotiations is to design rules that work for all including poor countries that suffer from market failures and institutional weaknesses that cannot be ameliorated by trade liberalisation.[[4]](#footnote-4)

**Third, given that the nature and process of development in the presence of pervasive market failures entails structural transformation and diversification over the development path, this suggests** that acquiring mastery over a broader range of activities, instead of just concentrating on what a country does best, as comparative advantage would suggest, is the key to economic development.[[5]](#footnote-5) In other words, diversifying investment into new activities rather than comparative advantage is the main driver of development. That being the case, the policy question of interest then becomes: how can developing countries diversify their economies?

In trying to answer this question, economists have focused on the nature and process of structural transformation and diversification in developing countries. Here, critics of the free market approach highlight two kinds of market failure that make government intervention in that process unavoidable. One is associated with information externalities. Externalities arise when one market participant affects others (positively or negatively) without compensation being paid. Information externalities arise in developing countries because entrepreneurs seeking to invest in new activities often lack information about the likely costs and profitability of production. When they succeed the benefits are socialised, meaning that other entrepreneurs can invest in the same activities but without having to pay for the investment to discover the costs and profitability of the industry made by the first investor.

The other case of market failures is what economists refer to **as coordination failures.** They arise when a new investment requires related downstream and upstream investments to be made in order for it to be profitable. They are most prevalent in industries characterised by scale economies and heavy reliance on non-tradable inputs. Government intervention may then be required to provide the inputs (standards, infrastructure, certification etc) that only the government can provide.

**A fourth concern of critics of free market economics is that it has promoted a deep integration model of globalisation.** In the context of the WTO, that has led to an expansion of the multilateral agenda into areas previously the exclusive domain of domestic policy. This expansion of the WTO policy space inevitably meant a reduction of governments’ policy space and flexibility. Of particular concern are the restrictions on the scope of industrial policies that developing countries may implement. The Uruguay Round is generally perceived to have introduced far more stringent rules and regulations that affect the conduct of industrial policies. These include the prohibition of export subsidies, restrictions on domestic content requirements and the tightening of intellectual property rights. Increasingly, governments also face restrictions in sensitive sectors such as labour standards, health and safety regulations.

# 3.0 VARYING INTERPRETATIONS OF “DEVELOPMENT” ROUND

There is no universally accepted definition of what constitutes a development perspective in the DDA negotiations. Our second point of departure is therefore to explore the different interpretations and perceptions about the development dimension in the DDA. As one might expect, the different approaches often represent an amalgam of interests and ideas based on assumptions that may have strong or weak foundations in theory or practice.

It is helpful to begin by looking at what the Doha Declaration says about development. Paragraph 2 of the Doha Ministerial Declaration makes several important points relevant to development: (a) it recognises that the majority of WTO members are developing countries; (b) it place “their needs and interests at the heart of the Work Programme adopted in this Declaration”; (c) Members “shall continue to make positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development” and (d) that “enhanced market access, balanced rules, and well targeted sustainably financed technical assistance and capacity building programmes have important roles to play.”

## 3.1 Development as redressing Uruguay Round imbalances

Soon after the conclusion of the Uruguay Round, several commentators and experts started to point to the unbalanced nature of the Uruguay Round outcomes.[[6]](#footnote-6) Some developing countries felt that the Uruguay Round results were lopsided in favour of industrialised countries. One set of imbalances stemmed from the apparent unequal distribution of benefits from Uruguay Round Agreements.

Three agreements illustrate the extent of imbalances:

* Agreement on Agriculture: the levels at which tariffs were set (after the tariffication of existing domestic measures of support) turned out to be far higher than the support they were replacing, resulting in little or no improved market access for developing countries.
* Textiles and clothing: In the phase-out of the MFA, most of the liberalisation, especially by the US and EU was back- loaded – effectively delaying the benefits of liberalisation to the poorest countries, at a time when they were concerned about how they might withstand competition from larger more competitive suppliers from East and South Asia. In mercantilist terms, this represented an unfair bargain as immediate concessions by developing countries in other areas, for example intellectual property rights were to be exchanged for concessions that remained to be negotiated as in the case of agriculture.
* Trade- Related Aspects of Intellectual Property Rights (TRIPS) Agreement: Under the agreement, developing countries were expected to harmonise their regulations to a common standard, more or less equivalent to the standards in place in industrialised countries. The agreement had two drawbacks for developing countries: (a) Implementation of such regulations by developing countries entailed significant investment in facilities, equipment and staff training. Because there was no provision for financial support to help developing countries implement the TRIPS Agreement, one expert has observed that “Developing Members accepted bound obligations to implement in exchange for unbound obligations to provide assistance.”[[7]](#footnote-7); and (b) The agreement diminished the scope for developing countries to determine their own policies, particularly in the area technological innovation and development. Moreover, the TRIPS agreement represented a new type of trade agreement that expanded the WTO’s policy space, but to which the application of the GATT/WTO principle of reciprocity would be difficult. Besides, many doubted that such harmonisation of standards would make a positive contribution to trade and development in developing countries.

These are just three examples of what pushed developing countries to seek a rebalancing of the Uruguay Round outcomes before agreeing to a new round of trade negotiations. Responding by launching a Development Round seemed at the time appropriate, at least politically. However, looking back, with the benefit of hindsight this might not have been good politics on the part of the entire WTO membership. The political imperative of redressing Uruguay Round imbalances overwhelmed the need to reflect on the lessons of the Uruguay Round. The case for such reflection was especially strong given that the Uruguay Round had expanded the WTO’s policy space, taking it into new territory. Also as noted above, the traditional GATT/WTO mercantilist approach to trade negotiations appeared ill-suited to negotiations on “behind-the-border” measures. It did not help that the Uruguay Round had pre-committed the WTO to a new Round of trade negotiations.

One consequence of this failure to pause to reflect is that as soon as the negotiations started, earlier disagreements surfaced. Industrialised countries continued to push the idea that developing countries’ development concerns would be best served by their adoption of all aspects of the governance of a modern economy including transparency in government procurement, tighter labour and environmental standards and stricter competition rules. Developing countries took a different view, arguing instead for more precise and concrete definition of special and differentiation as well as seeking to rebalance the Uruguay Round outcomes.

Some of the justifications for a Development Round also now look to have been oversold for political reasons. For example, developing countries were supposed to be major beneficiaries of agricultural trade liberalisation. Yet this could only be true for a few middle-income developing countries such as Argentina, Brazil, Chile and Thailand. The others, among them many ACP countries that are net food importers might actually end up worse off as a result of increased food prices triggered by the removal of agricultural subsidies on key food imports. In addition, research by the World Bank and others suggests that the benefits likely to accrue to developing countries from the Doha Round may be insignificant and in some cases negative.

## 3.2 Development as Policy Space

Some people have come to regard retention of developing countries’ policy space or limiting that of the WTO as the development dimension of the Doha Round or WTO. According to one definition, policy space refers to the flexibility under trade rules that provides nation states with adequate room to manoeuvre or deploy effective policies to spur economic development (Gallagher 2005). Proponents of this view advance three arguments in support of their position.

First is the widespread concern that the WTO has expanded its policy space to the detriment of developing countries. Agreements such as the TRIPS Agreement discussed above, lend particular force to this argument. Although the effects of the TRIPS agreement on technological capabilities in developing may take a while to establish, many assume the impact will be detrimental. The basic point is that the agreement is seen as a constraint on the ability of developing countries to reverse-engineer and copy technologies from rich countries – effectively denying developing countries one of the most important drivers of catch-up.

The second argument focuses on restrictions on industrial policies. The restrictions include the ban on export restrictions which affects all countries except the least developed countries, restrictions on the use of local inputs (domestic content requirements) as well as rules and regulations governing patents and copyrights under the TRIPS Agreement. To some, these restrictions are preventing developing countries from adopting policies and institutions that developed countries used to develop.

Third, the gradual encroachment of WTO rules onto the arena of domestic policy is raising fundamental questions about differences in national preferences. The issue here is that developing countries would like to be given the flexibility to set and implement any such regulations in their own way instead of being pressurised to harmonise them to the standard of industrialised countries. The concern is not just that in raising standards to the level of developed countries, developing countries incur significant regulatory and compliance costs; it is also the fact that regulations and standards applied in developed countries may be impractical to implement effectively in developing countries.

There is a further reason why retention of policy space is considered important by its proponents. It is the recognition that economic growth and development requires the accumulation of capabilities over time and over a range of areas, including skills, technology and production. There is a good deal of force in this argument, for the benefits of open markets do not flow automatically to countries. Rather the promise of trade liberalisation is likely to be enjoyed by those with the capacity and capabilities to export as the experience of East Asia demonstrates. This leads to the proposition that the accumulation of capabilities should be given pre-eminence over deeper integration into the world economy through trade liberalisation. This has implications for the mode of insertion into the global economy. The deep model of economic globalisation carries considerable risks and uncertainties for countries with few capabilities.

The essential point is that WTO rules should not constrain the ability of developing countries to implement policies that advance their development. Ismail, the South African Representative to the WTO and one time Chair of the WTO’s Committee on Trade and Development offers one of the clearest statements of this line of argument. In his view, the development dimension in the WTO is not about special and differential treatment; it is about the “removal of unfreedoms”. In addition to the removal of obstacles faced by developing countries in developed countries (which would ensure fair trade), Ismail also argues for the removal of capacity constraints that make it difficult for developing countries to develop the comparative advantage to produce and export (the aid for trade programme is a step in this direction); and the removal of unfair trade rules as important aspects of the development dimension.

Others have gone further than this, arguing for a decisive shift in the focus of multilateral trade negotiations. Rodrik has recently suggested that the WTO’s Agreement on Safeguards be recast into an Agreement on Developmental and Social Safeguards. The main elements of his proposal can be summarised as follows: The current strategy of focusing on trade agreements wastes a lot of political and negotiating capital because the main challenge faced by the multilateral trading system today is to render the existing openness sustainable and consistent with broader social goals. Trade Ministers should therefore focus their attention on expanding the manoeuvring room for individual countries rather than narrowing it further through tariff cuts and subsidies reductions. In his view, policy space must be especially protected in social programmes and regulations (labour, environment, health and safety regulations) and in the pursuit of growth strategies (industrial policy and capability building). This leads him to recommend that countries should be allowed to depart from WTO rules when those rules threaten to undermine domestic labour and environmental standards or when they hamper the pursuit of sound development objectives.

A wider interpretation of the safeguards agreement would mean that countries that wish to suspend WTO rules for reasons other than a competitive threat to their imports may exercise “opt-outs”. The implication of this proposal is that countries would effectively be bargaining about policy space rather than market access. Rodrik acknowledges the risks inherent involved in generalising the safeguards agreement, including the risk of sliding into protectionism, but points to the existence of mechanisms designed to facilitate protectionist barriers such as anti-dumping rules.

## 3.3 What do we know about the ACP Agenda for a Development Round?

Establishing what development from an ACP perspective might be is ultimately an empirical question. The basic point is that in order to achieve a pro-development outcome, ACP countries need to identify their main priorities, so that they can push them through. In addition since there cannot be a single ACP view of the development dimension, individual ACP countries need to be aware of the areas where their particular interests may overlap with those of other developing countries, thus creating opportunities for forging alliances to advance their interests.

Based on consultations with a few ACP ambassadors in Geneva, regional economic communities and a questionnaire sent to selected ACP missions in Geneva, we came up with the **table below indicating the priorities of ACP countries in Doha Round.** It also shows the priorities of other negotiating groupings in the WTO. The table also gives some idea of the extent to which ACP priorities depart or are shared by other negotiating groups. This comparison is important because ACP countries do not negotiate formally as a group in the WTO, although they are free to table proposals. This means that if the development dimension is defined with reference to a particular group of countries, for example LDCs, then those ACP countries that are not LDCs would be treated differently.

It is apparent that ACP priorities overlap with those of the LDCs? If as discussed below the development dimension is partly defined in terms of the special status LDCs are accorded in the DDA, then the question that immediately arises concerns how the non-LDC ACP countries might pursue their development interests in the negotiations. It is also apparent that ACP priorities diverge from those of the fast emerging economies in a growing number of important areas (although this fact may not be obvious from just looking at the table). Since the implications of this are far reaching, the obvious point should be made, namely that developing countries are not the same and therefore cannot be expected to subscribe to the same view of development in the DDA. This is why we would suggest that in defining a development dimension in the DDA, there is great **merit in starting with or from a national or regional perspective** rather than a WTO context.

These differences came out strongly in the regional consultations we undertook.

**Table 1. Development issues and priority attached to them by different groups of countries**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Development Issues  | ACP | LDCs | SVEs | G33 | G20 | DC(all) | NAMA11 | EU | USA |
| DFQF | XXX | XXX | XXX | XXX | XX | XXX | X | XXX | XXX |
| Other SDT[[8]](#footnote-8) | XX | XX | XX |  |  |  |  |  |  |
| Agric subsidies | XX | XX | XX | X | XXX | XX | X | X | XX |
| Cotton | XXX | XXX | XXX | XXX | XXX |  |  |  |  |
| Special products | XX | XX | XX | XXX |  | XX |  |  |  |
| SSM | XXX | XXX | XXX | XXX | XXX | XX |  |  |  |
| Food security | XXX | XXX | XXX | XXX |  | XX | X |  |  |
| NAMA access | - | - | - | - | X | - | XX | XXX | XXX |
| NAMA tariffs | - | - | - | - | XX | X | XX | XXX | XXX |
| Preferences | XXX | XXX | XXX | - | X | XX | - | XX | XX |
| Services | X | X | XX | X | XX | X | X | XXX | XXX |
| SPS/TBT | XXX | XXX | XXX | XX | XX | XX | X | - | - |
| Trade facilitation | XXX | XXX | XXX | XX | XX | XXX | XXX | XX | XX |
| AFT | XXX | XXX | XXX | XX | X | XXX | X | - | - |
| Anti-dumping | X | X | X | XX | XXX | X | XX | XXX | XXX |
| PTAs | XXX | XXX | XXX | - | XXX | XXX | XX | XXX | XXX |
| Commodities | XXX | XXX | XXX | XXX | XX | XXX | X | XX | XX |
| EGS | X | X | X | - | XX | X | XX | XXX | XXX |
| Climate change | XX | XX | XXX | X | XXX | XX | XX | XXX | XXX |
| Currency instability | X | X | X | X | XX | XX | X | XXX | XXX |
| Adjustment & Implementation | XXX | XXX | XXX | X | X | XXX | X | - | - |
| South-South trade | XXX | XXX | XXX | XX | XXX | XXX | XXX | - | - |

Source: Based on interviews, questionnaire and secondary sources. This is an expanded version of a table originally produced by Page et al (2008)

**Notes**

**XXX= high priority; XX=moderate priority; X=weak priority; -= no interest or opposed**

Other SDT refers mainly to exemptions from agreements, including policy space

Adjustment & implementation refers mainly to implementation problems and adjustment costs involved in implementing agreements

Other SDT excludes SDT under specific negotiating item.

## 3.4 What Shape has the Development Dimension Taken in Practice?

It is clear from the way the negotiations have evolved that the development dimension will be delivered in two ways. The first is through exclusion of all least developed countries from any obligations except the binding of tariff schedules at current levels. This is why there was considerable momentum behind the idea of agreeing a package for LDCs at the eighth Ministerial meeting. Such a package is seen as the minimum expected of what is supposed to be a Development Round.

The second way a development dimension would be delivered is through the flexibilities or departures from the modalities that are part of the agriculture and NAMA draft texts of 2008. These flexibilities take the form of special and differential treatment and special provisions on such issues as tariff escalation, tropical products and preferences. Thus, in NAMA it is not just the LDCs that have differential treatment; there are special provisions for small and vulnerable economies and for developing countries with low levels of bindings.

In a nutshell, the framework for a development dimension has been established. As pointed out at the beginning, **there is no one way of defining the development dimension in the WTO that is going to satisfy all countries, let alone a group of countries such as the ACP.** In practice, the WTO membership had to make a call as to what elements most of them would regard as part of the development dimension in the WTO. They also had to agree on how those elements would be captured in the various agreements. The result was the almost complete exemption of LDCs from DDA commitments; and the extension of defined flexibilities to different groups of developing countries. The latter suggests the question of differentiation of developing countries has been a real problem, a point we will return to later.

How far this conceptualisation of the development dimension actually advances the interest of developing countries is largely an empirical question. As a product of negotiation and compromise, the framework attempts to capture threads from the different interpretations of the development dimension discussed above. An example of how this framework might have evolved may illustrate the point. In a July 2002 Joint Communication on special and differential treatment by the African Group to the Special Session of the Committee on Trade and Development , the objectives include references to the need “to address and resolve the imbalances between developed country Members and developing and least developed country”; to support developing and least developed country Members to undertake adjustments that are necessary for them to meaningfully benefit from the agreements to effectively ensure the success of export and production diversification programmes of developing and least developed country Members, and to secure for them market access in the multilateral trading system that will facilitate their rapid economic development”.

In the next section, we turn to how ACP countries have fared in this framework and the challenges they have faced.

## 3.5 Implications for ACP Countries

How far this conceptualisation of the development dimension actually advances the interests of developing countries is largely an empirical question. As a product of negotiation and compromise, it is clear the framework attempts to capture threads from the different interpretations of the development dimension discussed above. An example of how this framework might have evolved may illustrate the point. To illustrate the point, a July 2002 Joint Communication on special and differential treatment by the African Group to the Special Session of the Committee on Trade and Development included, in its objectives, references to the need “to address and resolve the imbalances between developed country Members and developing and least developed country”; to support developing and least developed country Members to undertake adjustments that are necessary for them to meaningfully benefit from the agreements to effectively ensure the success of export and production diversification programmes of developing and least developed country Members, and to secure for them market access in the multilateral trading system that will facilitate their rapid economic development”.

The development dimension of the DDA, considered as the set of proposals for advancing the interests of developing countries contained in the draft package of 2008, can be succinctly evaluated by drawing on two insights from development economics that have shaped development thinking over the last 50 years. One insight is associated with the work of Amartya Sen, which sees development in terms of the expansion of people’s freedoms, capabilities and choices. This broader approach underlies the UNDP’s Human Development Index (HDI) and its variations. As indicated earlier, a strong case for its relevance and application to WTO negotiations and trade policy has been made by Ismail. Another central insight of the economics of development, which unfortunately receives relatively less attention today than it used to in the past, is that development entails structural change. It was a central element of the dual economy models associated with W Arthur Lewis’s work, which emphasised productivity differentials between broad sectors of the economy such as the rural and urban sectors. The point about these productivity differentials (which reflect allocative inefficiencies) is that they can be sources of growth, assuming that factors of production move from the low to the high productivity sectors, triggering growth-enhancing structural shifts in the economy.

This kind of growth-enhancing structural adjustment change is actually what ACP countries need most because the evidence on the links between structural change and high rates of growth and development is very strong. There are of course many factors that determine a country’s development. Little surprise then, that the definition of development itself has been a contentious matter, because it depends on where and who is defining it. However one fact is not in doubt, trade liberalisation has been central to the WTO view of development. When tariffs were the main focus of multilateral trade liberalisation, several arguments were adduced in support of strong links between trade liberalisation and development – for example, through efficiency gains, competition effects and technology transfer. However, as the agenda of the WTO gradually shifted to non-tariffs barriers and social norms (e.g. environmental and labour standards), the evidence for such linkages are perceived as weak, particularly when the trade liberalisation process is presented in terms of the universalisation of the Western experience of development, which does not take account of the diversity of experiences, needs and aspirations of developing countries.

If it is acknowledged that it is the production side of ACP economies that requires most attention, then it must be made a central part of any definition of the development dimension in the DDA. That calls for an integrated approach to multilateral trade negotiations, in which the objectives of trade negotiations are defined in terms of their contribution to the structural transformation of the economy and the removal of impediments to trade, including the building of capabilities required to compete in the global economy. That being said, the most that can be expected of the WTO is that its rules and regulations do not make the structural transformation of developing economies more difficult, because the WTO model is arguably not equipped to address issues of structural transformation, let alone some of the issues concerning the removal of constraints to trade.

# 4.0 REVIEW OF MAJOR DEVELOPMENTS IN THE DDA NEGOTIATIONS

## 4.1 Introduction: Key ACP vulnerabilities and shared interests

The typical ACP country is likely **not** to have benefited much from globalisation, owing to high dependence on commodity trade, poor infrastructure and a dearth of the kinds of skills and capabilities required to exploit the benefits of globalisation. In the short-term, their trading position may deteriorate as the EU withdraws the non-reciprocal tariff concessions they have enjoyed under various Lomè and Cotonou Conventions. The withdrawal is likely to be especially felt by non-LDC ACP countries, because they will not be benefit from the duty-free and quota-free treatment that will be available to LDCs.

This has galvanised the non-LDC ACP countries to combine forces with other smaller developing countries to fight for recognition of their vulnerabilities in WTO negations. The negotiating strategy of this group – the small vulnerable economies (SVEs) – has been to highlight their vulnerabilities and press for measures to ameliorate them. There are essentially three areas of vulnerabilities that have been highlighted. These include

(a) improved market access (removal of trade distortions) in products in which they have comparative advantage (cotton issue is good example);

(b) limiting the adverse effects of preference erosion, possibly by preference givers retaining a small preference margin for a number of years; and

(c) assistance in building their supply capacities (aid for trade).

 The proximate reason for the Round being is that the US does not regard progress made so far as balanced. Pointing to the changed trade landscape since the launch of the Round in 2001, the US wants a greater contribution from the emerging economies, as well as greater certainty as to how developing countries will use the flexibilities envisaged in the draft agreements. This is why many observers are pessimistic about the prospects of completing the Round in the short run. Attention is therefore increasingly shifting towards a consideration of life after the Doha Round.

**Three questions demand answers in any consideration of what needs to be done after the eighth WTO Ministerial meeting and more broadly when/should the Round comes to an end. Exactly where are we now in the DDA negotiations? What accounts for the lack of progress? What have been the major political and economic blockages and how can they be overcome? In this section, we therefore look at what is on the table as of now, and then consider possible reasons for the lack of progress and what might be required to remove any identified blockages.** Our main messages come in four parts.

* First, the package on the table fails to deliver on a development outcome, defined in the traditional senses of increasing market access for developing countries and in terms of balanced and fair trading rules. In part this is due to preference erosion caused by multilateral trade liberalisation; but it also reflects rising terms of trade for imported commodities, including food products. Furthermore, the gap between aspirations and actual gains is probably greater when looked at in terms of developing countries’ defensive interests, of which retention of policy space is the most notable example.
* Second, the likelihood that development perspectives could be substantively incorporated into the WTO is rather low, unless there is a fundamental break with the traditional GATT/WTO principle of reciprocity. Expectations of an outcome outside the mould of this reciprocity principle therefore appear unrealistic. Besides, there is an influential school of thought that attributes developing countries’ problems in the WTO to their reluctance engage in reciprocal exchange of concessions. But this line of argument ignores the fact that realistically only a few large developing countries are in a position to do this. Yet there is also recognition that the “best endeavours”, non-reciprocal and special and differential treatment approach used to address the concerns of developing countries has proved inadequate to meet the development concerns of the rest of the developing world.
* Third, most of the actual liberalisation gains made in the last 15-20 years have come from unilateral trade liberalisation. This could be taken as evidence that there is only a limited amount of mileage left in multilateral trade negotiations organised in the traditional way. But this might also reflect the increased complexity of issues being negotiated. Two interlinked consequences flow from this. One is that there is little appetite for trade liberalisation. The other is the increased interest in regional trade agreements.
* And finally, we argue that the rise of emerging economies has been on a scale that has not only fundamentally altered the negotiating dynamics; it has also reduced interest in acting on development issues among industrialised countries, who instead have been more interested in market access gains in emerging economies.

##  4.2 Where exactly are we?

1. ***Agriculture***

A desirable outcome in the agricultural trade negotiations would combine wide-ranging reforms of the distorted agricultural sector in developed countries and gradual liberalisation in developing countries. That in fact is what the WTO membership set out to do at the launch of the DDA when they committed themselves to achieving “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”, while at the same time agreeing that “special and differential treatment of developing countries shall be an integral part of the negotiations”.

How much progress has been made can therefore be gauged from the progress made in four key areas identified in the commitments above: MFN duties (market access), trade distorting subsidies (domestic support), export subsidies (export competition) and the SDT provisions (flexibilities). The modalities chosen to achieve liberalisation combined a formula approach and flexibilities. This comprised ‘tiered’ formulae, denoting the level of ambition agreed to by the negotiators with respect to bound tariffs, reductions in trade-distorting domestic support and the reduction of export subsidies. Then there will be flexibilities designed to shield certain tariff lines from the full impact of formula-induced-tariff cuts for particular groups of countries or for products that countries choose to subject to smaller cuts than provided for under the formulas.[[9]](#footnote-9)

In the area of market access, the modalities specify the levels of tariff reductions, including additional tariff reductions to address tariff escalation for example. In the areas of domestic support and export competition, the draft modalities set out the specific parameters by which Members will be expected to reduce their trade-distorting domestic support, including the application of new product-specific limits, and how all forms of export subsidies would be eliminated in conformity with the Doha mandate. Specific flexibilities for developing countries in these two pillars are also outlined. Flexibilities are envisaged for a variety of circumstances, which in the case of most developing countries tend to be on issues related to the protection of rural livelihoods, small farmers and food security concerns.

**Table 2: Liberalisation and exceptions formulas in agricultural tariffs, Dec 2008**

|  |  |
| --- | --- |
| Developed countries | Developing countries |
| Definition of tiers | Tariff cut (%) | Definition of tiers | Tariff cut (%) |
| A Liberalisation formulas |  |
| 1. Time period: 5 years
 | 1. Time period: 10 years
 |
| 1. Tiers
 | Tariff cuts (%) | 2- tiers  | Tariff cuts (%) |
| >75% | 70.0 | >130% | 47.0 |
| 50-75% | 64.0 | 80-130 | 43.0 |
| 20-50% | 57.0 | 30-80% | 38.0 |
| 0-20% | 50.0 | <30% | 33.5 |
| 1. Target: a minimum average cut of 54%tking into account exceptions
 | 3- Target: a maximum average cut of 36% taking into account exceptions |
| 1. Applies to old recent members (RAMS)
 | 4- Target for 45 SVEs: a maximum average cut of 24% |
| B. Exception Formulas |  |
| Sensitive products | **Sensitive Products** |
| 1 – coverage (b) | 4.0% | 1 – coverage (b) | 5.3-8.0% |
| 2 – tariff cuts | Normal cuts reduced by 33, 50 0r 66% | 2- tariff cuts | Norma cuts reduced by 33, 50 or 66% |
| 3–sensitive tariffs are allowed to have tariffs above 100% | 3 – sensitive tariffs are allowed to have tariffs above 100% |
| 4 – “paid” by opening tariff-quotas amounting to 3-4% of domestic consumption | 4 – “paid” by opening tariff-quotas amounting to 3-4% of domestic consumption |
| 5 – coverage could be extended by 2% if more than 30% of the products are in the top band of the liberal formula | 5 – Country-specific flexibilities for a dozen of countries (plus LDCs, SVEs, N-RAM) |
| 6 – No country-specific flexibilities |  |
| Special Products | **Special Products** |
| Not available | 1 – coverage (b) | 12% in 2 tranches of 7%(min) & 5% (max) |
|  | 2 – tariff cuts | None for 5% tranche |
|  | 3 – Target: an average tariff cut of 11% |
|  | 4 – Specific conditions for SVEs and N-RAM |
| Special safeguard (SSG) | **Special safeguard mechanism (SSM)** |
| To be scrapped | New instrument still under consideration |

Notes:

1. RAM have their own liberalisation formulas based on 5 tiers
2. Coverages are defined in terms of tariff lines.

Source: Messerlin (2010) The Doha Round

Key features of the draft agriculture modalities can be summarised as follows (also refer to table 2 above):

* ***Market access:*** tariff cuts would be delivered through a tiered formula, which provides for large proportional cuts on higher tariff levels (see table 1 for tariff for tariff bands). Special provisions will apply to tariff escalation - specifically processed products subject to higher tariffs than their unprocessed or intermediate forms would be moved to a higher band of tariffs. In addition, a number of tropical and diversification products will be subject to deeper tariff cuts. A number of flexibilities are provided for, including the following:

* + **LDCs** are not required to make any reductions ;
	+ **SVEs** can make reductions 10% smaller in each band than other developing countries or may make an average cut of 24 per cent;
	+ For **“sensitive products”** all countries are allowed to make smaller cuts;
	+ Designated **special products** will be subject to smaller than formula cuts, the justification being their importance to food security, rural livelihoods and employment. Thus, developing countries would be allowed to select 12 percent of tariff lines as ‘special’; up to 5 percent of tariff lines could be exempt from any cuts; and the overall cut for a country’s special products should be 11 percent; and
	+ **Special safeguards mechanism** for developing countries – to be used in situations of sudden and unsustainable import surges or import price declines.
* ***Domestic support:*** Cuts in domestic support will also be delivered through a tiered formula. The formula envisages larger proportional cuts for the biggest users of domestic support. This is evident from the following figures on envisaged cuts in overall trade distorting domestic support by the major players: EU (80%); US (70%) and the rest (55%). For the US, EU and Japan, a third of the cuts should be delivered immediately, while for the rest, the equivalent figure would be 25 per cent. Changes are envisioned for the *de minimis* provision, which should be cut to 2.5 per cent of production in developed countries and 6-7 per cent in developing countries. There is also an ambition to reform green box subsidies to ensure they are decoupled from production. A particular concern expressed by many developing countries concerns the fact that some green box measures may be causing more than minimal distortion to agricultural production and trade.
* ***Export subsidies:*** Following the decision by the Hong Kong Ministerial Meeting, export subsidies should be eliminated by the end of 2013.

If we proceed on the basis that the development dimension will be delivered through two channels: (a) the complete exclusion of LDCs from tariff cuts; and (b) the extension of flexibilities to different groups of developing countries, one might conclude that the 2008 draft text modalities on agriculture represent substantial progress. However, going by estimates from a number of studies on the liberalisation likely to be achieved by fully implementing the proposals contained in the 2008 draft modalities text, the conclusion reached is less positive. One such study by economists at the International Food Policy Research Institute (IFPRI), suggests that the potential gains for LDCs are likely to be zero and could even be negative. They therefore conclude that more is needed to address the concerns of LDCs. Overall, they consider the agreement’s impact ambivalent and suggest it does not offer enough to the poorest countries. (page 7, Bouet & Laborde 2009). In their view, more has to be offered to LDCs in terms of market access and reduced trade costs.

That raises the obvious question of what needs to be done to offer more both to LDCs and other developing countries. This question can only be answered when all the detail on the flexibilities provided for in the agreement are known. To date, progress on these issues is being held back by the lack of progress in overall negotiations. The best that can be done at this point is to indicate the kinds of improvements in flexibilities that might enhance the offer on the table for developing countries.

SVEs appear to have won important concessions, including obtaining agreement and clarity on what would qualify countries as SVEs[[10]](#footnote-10). However, one of the key concerns of this important constituency of the ACP group is how the issue of preference erosion is finally dealt with. ACP countries understand that several factors are responsible for the erosion of preferences, including autonomous liberalization undertaken through bilateral and regional trade agreements. The issue therefore is not whether preferential margins will be eroded but rather the pace of erosion and the adjustment costs involved. One suggestion under consideration is for products subject to preference erosion to be designated as “sensitive products” by preference-giving countries, so that they would be subject to smaller than formula cuts. However, disagreements remain over the specific products to be treated as ‘preference erosion products’. Beyond bananas and sugar, it has been suggested that products such as flowers, fruits and their juices, arrowroot, peanut oil and tobacco should also be classified as preference erosion products.

***Cotton*** sector issues are have been a major concern for ACP countries and therefore an area where they would want to see significant progress made. Four ACP cotton producers (Mali, Burkina Faso, Benin and Chad) have been at the forefront of efforts to end trade-distorting export and production subsidies. Through their efforts and the support of other developing countries, there is general recognition and broad support for the need to remove border measures, domestic support and all forms of subsidies applied to the cotton trade.

Analytical work on reform of cotton subsidies regimes in developed countries suggests that reform of these subsidies regimes could affect the world price, global production and trade of cotton in a way that could result in significant gains to cotton producers in developing countries. Yet, despite the fact that agreement was reached at the Hong Kong Ministerial meeting for substantial and accelerated reduction of cotton subsidies, getting key developed countries to reform their cotton subsidy regimes has proved difficult. It seems this is among the issues that have become hostage to developed countries’ desire to secure greater market opening in the big fast-growing developing countries. It has been suggested for example that the USA tried to get China to agree not to designate cotton as a special product in return for the USA agreeing to the adoption of an LDC package.

Finally, an understanding must be reached on how an effective special safeguard mechanism might be structured. The use of safeguards is not new in the WTO, so the problems encountered so far are not technical. Rather it is the fact that the politics of it pits two philosophical approaches against each other. On the one hand are countries that see such a mechanism, particularly when it is suggested that the measure would allow countries to raise tariffs to their pre-Doha Round levels, as masking protectionist intent. On the other hand, proponents of the measure see it not only as an important tool for protecting poor farmers from sudden increases in competing imports, but also as unlikely to be effective if it is circumscribed by too many conditions. That being the case, resolving this issue might depend on what happens in other negotiating areas.

1. ***Non-agricultural Market Access (NAMA)***

Draft modalities for NAMA also comprise a formula and flexibilities approach. The tariff reduction formula, adopted at the Hong Kong Ministerial meeting (2005), is a Swiss formula. The Swiss formula is non-linear, which means the highest tariffs will be cut the most. It is envisaged that developed countries will be subject to a coefficient of 8, and developing countries would choose between three coefficients (20, 22, 25), denoting different flexibility options. The exceptions fall into one of two categories: one category relates to the requirements for special and differential treatment and the conditions for satisfying the “less than full reciprocity” reduction commitments; and the other category focuses on the exemption of LDCs from any reduction commitments.

Leaving aside the complete exclusion of LDCs from reduction commitments (LDCs’ only obligation being to bind their tariffs at current levels); there are four departures from the basic tariff cutting formula that developing countries are allowed. The first arises from the different coefficients that developing countries can choose to apply. A higher coefficient results in lower tariff reductions. That means developing countries choosing a coefficient of 20 (the lowest among the three coefficients) are in fact opting for deeper tariff cuts, and in recognition of this they are allowed comparatively more flexibilities than those available to countries that choose higher coefficients. There are additional country-specific flexibilities, the aim of which is to take account of the special situation of some countries, for example the situation of members of the Southern Africa Customs Union (SACU), but these have yet to be agreed.

According to the WTO, the maximum tariff in developed countries, after application of the Swiss formula would be below 8 per cent, implying that the average level of bound tariffs will fall below 3 per cent. The majority of tariff lines for developing countries applying the formula would be less than 12-14 per cent, depending on the coefficient and flexibilities used. Implementation of the tariff reductions will be gradual: over five years for developed countries and over ten years for developing countries. Thus, the tariff landscape will be compressed and the difference between the bound rates and those actually applied substantially reduced. This of course is one the attractions of the Swiss formula from a liberalisation standpoint.

A second set of flexibilities will apply to small and vulnerable economies (SVEs). Any developing country that is a member of the WTO will qualify as an SVE if it accounts for less than 0.1 per cent of world industrial trade for the reference period 1999-2001 or other period for the best available data. Instead of applying the Swiss formula, these countries are required to reduce their industrial tariffs according to a four-band target approach. For the top tier of tariffs (>50%), SVEs would be expected to bind tariffs at an average of 30 per cent or above.

A third set of flexibilities addresses the situation of countries with low tariff bindings. These countries would not be required to make tariff reductions using the Swiss formula. Instead their contribution would be to increase the coverage of their tariff bindings to 75 per cent (if current binding coverage was below 15%) and 80 per cent (binding coverage above 15% but below 35%). They would then have to bind these tariffs at an average which does not exceed 30 per cent. Thus, the general thrust of the flexibilities extended to this group of developing countries was to increase the percentage of bound tariff lines and then aim for a basic cut in tariffs.

A fourth set of flexibilities would apply to recently acceded members (RAMs). These countries would not be required to make any tariff cuts beyond their accession commitments. They would also benefit from an extension to the transition period for implementation of three years, giving them a thirteen year transition period (above the 10 years allowed for other developing countries).

Turning to the factors that have hampered progress in the negotiations, it is immediately apparent that the tension between the ambition and clarity that a formula delivers and the ambiguities inherent in flexibilities have been a major conundrum. In consequence, the NAMA text is complex, but compared to agriculture, the scope for trade-offs is rather limited. The formula will apply to around 40 Members (counting the EU as one) accounting for 90 per cent of industrial goods trade. The rest of the WTO membership will make smaller than formula tariff cuts or benefit from various exclusions as described above. Agreeing principles on which to base assessments of claims for exemptions has however proved difficult, and this has held back progress in the negotiations.

One dimension of this conundrum is philosophical. There are differences of opinion regarding the value of flexibilities as opposed to adopting a high coefficient. Part of the justification for flexibilities is that they create the space for countries to undertake deep tariff cuts, where they can. The snag in this argument is that a country might be tempted to exempt key areas (tariff lines) of interest to others, thereby undermining the liberalisation process. This is the position taken by critics of flexibility who worry that such flexibilities simply hold back the liberalisation process. And this is not a tension that divides developed and developing countries only; it features in disagreements among developing countries as well.

One area where such tensions among developing countries have come to the fore is preference erosion. A number of non-preference receiving developing countries such as Pakistan and Sri Lanka have highlighted the “disproportionate” impact that a delay (intended to shield preference-receiving countries) in implementing Doha tariff cuts in products of interest to them would have on them. The issue is how to strike a balance between the interests of preference-beneficiaries such as the ACP and developing countries that have not traditionally received preferences. While fast erosion is not in the interests of ACP countries, it would help countries that have not received preferences in the same export sectors.

In general, industrialised countries have tried to limit the scope of flexibilities in two ways. One is through the inclusion in the modalities of an anti-concentration mechanism, which is intended to ensure that no country could restrict liberalisation or shield entire sectors from cuts. The other route is through substantial reductions or deeper tariff reductions in selected non-agricultural sectors. The idea behind such sectoral agreements is that tariffs in selected sectors might be reduced to zero in developed countries and in some cases with smaller reductions for participating developing countries.

These types of agreements are not entirely new in the WTO but they have always been on a voluntary basis. The trouble this time is the insistence by some developed countries on the need for a critical mass joining the negotiations to make them meaningful. This is generally understood to mean that the fast growing developing economies, in particular China must be participants in such negotiations. The emerging economies countered by advancing several arguments, among them the fact that the Doha Round mandate was clear that involvement in sectoral negotiations would be voluntary.

To understand why it has been so difficult to make progress in the NAMA negotiations, it is essential to appreciate the impact of two developments on the negotiating dynamics. First, China and more broadly the fast growing developing economies have loomed larger in NAMA negotiations than in any other negotiating area. China’s competitiveness in non-agricultural products has been a source of tensions not only with industrialised countries, but with developing countries as well.

Second the reality of the growing differences among different groups of developing countries became more apparent as Members sought to agree appropriate flexibilities from the Swiss formula. It can plausibly be argued that the increased profile of the SVEs is in part a reflection of the divergence of interest between them and LDCs, albeit a divergence that might have been accentuated by the formal recognition accorded LDCs. Similarly the differences on preference erosion between the ACP and countries like Pakistan, Sri Lanka and even the fast growing emerging economies point to a divergence of interests. ACP countries need to reflect on the implications of these dynamics for their future trade relations as well as participation in multilateral trade negotiations.

1. ***Trade in Services***

The negotiations on services have two key objectives. One is to reform current GATS rules and principles (rule-making). The other is to refine and expand Member countries’ schedules of commitments so as to increase the number of sectors to be covered and reduce the limitations on national treatment and market access (market access).

At the end of the Uruguay Round the GATS mandated further negotiations. Part of the mandate included negotiations to address issues of domestic regulation; subsidies and possible countervailing measures; emergency safeguard measures to counter import surges that could cause or threaten to cause injury to domestic industry; and government procurement in trade in services. It also required that governments adopt guidelines and procedures for the conduct of negotiations. Accordingly, members adopted the request-and-offer procedure as the main negotiating method. At the Hong Kong Ministerial Meeting, a decision was taken to pursue the request-and-offer approach on a plurilateral basis.

As in other areas of negotiations in the Doha Round, LDCs are to be afforded special treatment and flexibility with regard to the depth and coverage of their commitments. Since the 2008 Ministerial Meeting discussions have focused on the feasibility of introducing a waiver mechanism as a means of ensuring that special priority is given to LDCs’ concerns.

After ten years of negotiations, the general consensus seems to be that the services negotiations have not progressed far. Research by World Bank economists comparing Uruguay commitments, Doha offers and actual policy appears to confirm this general perception. They conclude that:

* Europe/Central Asia and Africa regions have actual policies that are more open than their Uruguay Round commitments. However, their Doha offers do not significantly improve their Uruguay Round commitments;
* OECD countries and Latin America and the Caribbean region also have actual policies that are more open than their Uruguay Round commitments and because their Doha offers improve their Uruguay Round commitments somewhat, the result is a narrowing of the gap between actual policy and their GATS commitments; and
* Countries in the Middle East and North Africa region, East Asia and the Pacific, and South Asia have relatively restrictive policies that do not differ greatly from their Uruguay binding commitments. Their Doha offers improve on their Uruguay Round commitments.

Several reasons have been cited for the lack of progress in the negotiations. One is the complexity of negotiations in this area – a complexity accentuated by the absence of data on actual trade policies as well as the fact that it is difficult to quantify services trade policies, most of them implemented as prohibitions, quotas and discriminatory regulations.

Progress has also been held back by the lack of progress in agriculture and NAMA negotiations. Key developing countries could not be persuaded to make concessions on services before they were certain that the USA and EU would make significant reductions in agricultural subsidies. One consequence of these disagreements is that the EU took its services demands to the EPA negotiations, potentially undermining the special treatment available to many ACP countries in the WTO as members of the LDC group or the small and vulnerable economies.

Some have suggested that the request-and-offer format of negotiations might have contributed to the stalling of the negotiations process. At one point, this led the USA and EU to separately push for benchmarks in certain targeted sectors. Many developing countries opposed such benchmarking, partly fearing that the targeted sectors would reflect the interests of developed countries. This perception is reinforced by the failure of developed countries to respond positively to developing country demands for improved access of mode 4 services (temporary entry of supply personnel).

With only a limited amount of progress made in the negotiations on trade in services, global services trade will continue to be heavily influenced by unilateral liberalisation measures and liberalisation through bilateral and free trade agreements. Here questions have been asked about the way the ACP countries have coordinated the positions they take in Doha Round negotiations with those they take in bilateral and North-South trade agreements. Some have argued that gains made in the Doha Round by the LDCs and SVEs have been undermined by the concessions made to the EU under EPA negotiations. This concern highlights a larger point, namely that however one defines the development dimension, it is likely to be more meaningful and easy to defend and fight for, if it is anchored in national or regional development policies. That way concessions gained in one negotiating forum, for example the WTO, are unlikely to be lost in a different negotiating arena such as EPAs.

1. ***Least Developed Countries (LDCs)***

As pointed out repeatedly, LDCs have, from the outset been targeted as the main beneficiaries of a Development Round. Indeed to some, a *sine qua non* for completing a successful Development Round is for LDCs to be offered greater market access to both OECD markets and the fast growing developing economies. This position has profound implications for other developing countries because the notionally greater market access for LDCs is relative to the market access that will be available to non-LDCs developing countries in those markets. Nearly 40 of the countries currently classified as LDCs are ACP countries. That means about half the countries that make up the 79-member ACP group are non-LDC developing countries.

Five elements contained in the Hong Kong Ministerial decision on LDCs are central to the differentiation of LDCs from the rest of developing countries. They include the following commitments:

* Developed-country Members and developing-country Members declaring themselves in a position to do so, agree to implement duty-free and quota-free access on 97% of products originating from LDCs
* Additional measures to be taken to provide effective market access, both at the border and otherwise, including simplified and transparent rules of origin
* On services, implementation of LDCs modalities, giving priority to sectors and modes of supply of export interest to LDCs, particularly with regard to movement of service providers under Mode 4. Subsequent discussions have focused on whether this could be best achieved through a waiver.
* Facilitating and accelerating negotiations with acceding LDCs.
* Enhancing effective trade-related technical assistance and capacity building to LDCs on a priority basis

While on the surface, these provisions appear to constitute major gains for LDCs, they (LDCs) nevertheless remain vulnerable. In part, this is because their economies tend to be narrowly-based in terms of output, which in turn means their exports are highly concentrated in terms of products. But there are two other sources of vulnerability. One is that most of their existing exports enjoy preferences in industrialised countries, which makes them very vulnerable to multilateral trade liberalisation in those sectors. The other source of vulnerability is the expected rise in world prices that is expected to flow from agricultural trade reform, in particular the removal of agricultural subsidies on food products such as milk and dairy products, meat, wheat and rice – currently subject to large distortions.

The erosion of existing preferences on products ranging from bananas and sugar to textiles and clothing has been a key concern of ACP countries. Indeed on tropical products, it was pressure from Latin American producers of bananas and other tropical products that contributed to the EU’s decision to abandon preferences for ACP countries. In the DDA, the same countries have sought from developed countries additional tariff reductions on tropical and diversification products, thereby reducing the margin of preferences for ACP countries. And as we saw earlier, ACP exporters of textiles and clothing (e.g. Lesotho and Mauritius), particularly beneficiaries of the AGOA programme have encountered similar pressure from non-ACP developing country exporters of textiles and clothing such as Pakistan and Sri Lanka. The issue here was one of timing; specifically how quickly MFN reductions on products that currently enjoy preferences would be implemented. Implementing the cuts quickly would result in faster erosion of preferential margins. At the same time, fast-growing developing countries like China, India and Brail continued to express their opposition to non-reciprocal preferences.

The expected increase in world prices of agricultural commodities following reform of agricultural trade is another source of vulnerability. Research by IFPRI indicates that among 28 LDCs for which statistics are available, 18 are net food-importing countries. For such countries, the potential benefits of duty-free and quota-free treatment are likely to be swamped by the negative effects of increased food prices.

A more serious problem for LDCs is that the key substantive commitment made by developed countries and those developing countries in a position to do so, concerning duty-free and quota-free (DFQF) treatment for exports from LDCs may not be as generous as it appears to be at first sight. Had the commitment to DFQF treatment covered 100 per cent of LDCs exports, it would have represented a major advance. The problem is that there remains some ambiguity as to what will be covered by the 97 per of LDC exports. If the 97% excludes tariff lines that cover important LDC exports, for example textiles and clothing, then that would reduce the value of the package. For some LDCs, especially those in Africa, who already enjoy duty-free entry to the US under AGOA, this issue may not be a concern. Instead, they would benefit more from improved rules of origin and the removal of other non-tariff barriers, most notably technical barriers to trade such as product standards, packaging requirements, sanitary and phytosanitary requirements.

The conclusion has to be that DFQF access may add significantly to the access that LDCs already enjoy but only if vital tariff lines are not excluded and if the initiative is adopted by the fast growing economies as well. The initiatives on aid for trade and trade facilitation may also play a catalytic role in enhancing the capacity of LDCs to take advantage of new opportunities. And if the proposed waiver from GATS, which is intended to provide preferential treatment to services and services suppliers from LDCs without contravening the MFN principle is adopted, this should create opportunities for services exports from LDCs.

1. ***Trade Facilitation***

Despite the fact that negotiations on trade facilitation began three years after the launch of the Doha Round, prospects for a successful conclusion to the negotiations have for a long while looked good. In part, this reflects broad agreement on the need to tackle the myriad of administrative obstacles that affect trade in goods and services, especially in developing countries.

But the modalities adopted for negotiations have also helped. Not only do the modalities provide for technical assistance and capacity building during the negotiations and after the negotiations (during implementation), it is also envisaged that the timing of entering into commitments will be related to implementation capacities of developing and least developed countries. In addition, developing countries would not be obliged to make investments in infrastructure which they cannot afford and any commitments they undertake have to be consistent with their individual development, financial and trade needs or their administrative and institutional capabilities.

The negotiations do not however cover the whole gamut of trade facilitation measures and activities. They focus instead on clarifying and improving existing GATT rules on: facilitating transit trade (Article V); border fees and formalities (Article VIII); and making trade regulations transparent (Article X). With respect to transit, a key concern has been to strengthen provisions on non-discrimination. On border fees and formalities, there has been broad support for provisions requiring the establishment of a “single window” for documentation and data processing associated with importation, exportation and transit trade.

An obvious point that is worth emphasising is that for most developing countries a successful trade facilitation programme is as much about institutional development, systems modernisation, human resource training, equipment and technology upgrading and even cultural change, just as it is about trade rules.

1. ***Implementation-Related Issues and Concerns***

Implementation-related issues and concerns can be traced back to the dissatisfaction with the experience and outcomes of the Uruguay Round. The basic problem, as many have pointed out, was that developing countries took on an implementation burden for which they did not receive an equivalent value in return. Essentially, developing countries gained little in market access terms, but conceded a lot in new areas such as TRIPS.

 In the negotiations, four types of implementation concerns have been identified: (a) the need for longer transitional periods to allow developing countries to implement their obligations; (b) safeguarding the market access of developing countries and ensuring that they derive benefits under certain agreements; (c) exempting developing countries from complying with obligations; and (d) provision of technical assistance to developing countries.

 While on the surface, these proposals give the impression that implementation issues could easily be effectively addressed, problems arise at the level of content and detail of suggested solutions. For example, developed countries have in the past made commitments to provide technical assistance; the problem however is that their commitments have not been legally binding. Similarly, safeguarding the market access of developing countries is unlikely to amount to much if at the same time developed countries maintain restrictions on products of export interest to them.

1. ***Environmental Goods and Services (EGS)***

Negotiations on environmental goods and services were mandated by the Doha Ministerial Meeting, with the objective of reducing or eliminating barriers to trade in environmental goods and services. The negotiations have however made little progress largely due to disagreements about the definition of EGS and the scope and coverage of goods to be liberalised. As a result there is no agreement regarding the type of goods that may be covered by an EGS regime and the mode of negotiation for making such a determination.

While there is no agreement on the scope of product coverage and the modalities for their treatment, the list of goods proposed for inclusion in the negotiations can be categorised according to: (a) their end use, for example high efficiency refrigerators and washing machines; (b) their positive impact on the environment, for example pollution prevention technologies and natural resource management technologies; and (c) their processing and production methods (PPMS), specifically whether their PPMs cause less environmental damage.

There are several challenges that the negotiations have had to contend with. One is linked to the constant evolution of technology which means that any list drawn would have to be accompanied by a mechanism for adding and subtracting from it (list) in response to technological advances. Other challenges include the tariff classification of goods; the treatment of EGS with multiple uses (i.e. not just environmental); and whether certain goods should be classified as industrial or agricultural (EGS can potentially come from any of the commodity chapters used by the World Customs Organisation to classify goods, while not specifically belonging to any of them).

It is generally recognised that achieving progress in these negotiations will require innovative approaches especially in regard to how environmental goods and services are defined. For developing countries, there are two overriding considerations: (a) they need enough room and the flexibility to experiment and develop technologies appropriate for their particular economic circumstances; and (b) given that most of their technological development is likely to be based on existing technologies and knowledge in developed countries, it is vitally important that any barriers to the import and transfer of such technologies are removed and that no new ones, including subsidies are created.

1. ***Trade Related Aspects of Intellectual Property Rights (TRIPS)***

There are three aspects to ongoing negotiations on TRIPS. One concerns the establishment of a multilateral system of notification and registration of GIs for wines eligible in those members participating in the system. Negotiations on establishment of such a register are provided for in the TRIPS agreement article 23(4), and in terms of the provisions of that article, negotiations would take place in the TRIPS Council. However, when the Doha Round was launched, Ministers took the decision to extend the scope of the multilateral register (to be established) beyond wines, to include not only spirits but other GIs. This is the second aspect of the TRIPS negotiations. The third aspect of the negotiations concerns the examination of the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD), the protection of traditional knowledge and folklore.

In regard to the establishment of a multilateral register, two proposals have been considered: one tabled by the EU and a large number of developing countries. This group is generally in favour of extension of the higher protection of GIs for wines and spirits – the so-called additional protection - to other products and suggested there be a “rebuttable presumption” that the term would be protected in other countries, unless if a country lodges a reservation within a specified period. Against the idea of an extension is a group of mainly developed and some developing countries – sponsors of the Joint Proposal. This group sees the negotiations’ objective as limited to the setting up of a voluntary system of notifications (registered in database) under which non-participating countries would not be obliged to consult the database.

A compromise proposal tabled by Hong Kong China has suggested a more limited presumption than under the EU proposal and only in those countries opting to participate in the system. The divergence of opinion is over two key issues. One concern is the extent to which the registration of a GI should create legal effects at the national level. The other relates to the issue of participation, specifically whether legal effects under the system should apply in all WTO Members or only to those choosing to participate in the system. The major interest of many developing countries who favour extension of GI protection is to ensure that a higher level of protection is extended to products of export interest to them. Such protection, they believe, would not only promote exports of valuable products, it would also prevent their misappropriation.

 With respect to the relationship between the TRIPS agreement and the CBD, the discussions have focused mainly on two issues: (a) whether or not there is conflict between the TRIPS Agreement and CBD – i.e. the compatibility between TRIPS and CBD; and (b) whether something needs to be done, at least on the TRIPS side to implement both TRIPS and CBD in a non-conflicting and mutually supportive way so as to meet agreed objectives on access and benefit sharing.

Many developing countries have derived few benefits from traditional forms of intellectual property (IP) protection. The realisation that they are rich in traditional knowledge and resources, especially generic resources and folklore, has persuaded them of need to use the international IP system to exploit these resources. Thus, a key concern of many developing countries has been that patent applicants using generic resources and associated traditional knowledge in inventions have no obligation to disclose the source and/or country of origin of such resources or knowledge. The basic point of requiring such an obligation is to ensure that there is authorised access and equitable benefit sharing. Another major concern for developing countries, many if not all of whom are still travelling down the road of TRIPS implementation is to ensure that any notification and registration system adopted is efficient, in the sense that it minimises the burdens that developing countries may have to shoulder.

## 4.3 So what are we to make of Doha’s prolonged stalemate?

Several reasons have been put forward to explain the stuttering nature of the Doha Round negotiations. First, capturing the idea of a development dimension in the DDA, in a way that could win the broad support of the WTO membership was always going to be an immense challenge. Not surprisingly, it took a long time before agreement could be reached on modalities for negotiations and what they ended up with – essentially a “round for free” for LDCs and a formula plus flexibilities approach for the rest – created other problems.

 In the case of ACP countries, the decision to exempt LDCs from DDA commitments effectively divided the group according to whether a country was an LDC or non-LDC. At the same time, a sizable group of non-LDC ACP countries sought to define the development dimension in terms of their vulnerability and the small size of their economies. As their arguments acquired some traction, they also served to highlight how the interests of different groups of developing countries were diverging. While the rest of the WTO membership recognised the concerns of SVEs, they could not however agree to formalise that recognition.

This ambivalent response might be interpreted in two ways. On the one hand, it might reflect the reluctance of other developing countries, especially the larger ones, to support moves that might ultimately result in more differentiation of developing countries in the WTO system – perhaps viewing such an outcome as likely to add to the pressure they already feel, to take on more commitments in the multilateral trading system. On the part of developed countries, increased differentiation of developing countries, while putting pressure on large developing economies to shoulder more commitments, raised concerns about the fragmentation of the multilateral trading system and more particularly an increase in the number of so-called “free riders” in the WTO.

This ambivalence towards SVEs also reflects the broader changes the WTO has undergone and is strongly suggestive of an emerging new political dynamic in WTO negotiations, one that pits the emergent powers of China and India against the USA and the EU and other industrialised countries. For most of GATT’s history, negotiations were among essentially like-minded countries and as some have observed, developed countries tended to view the GATT as an agreement amongst them.

A key reason for that was that almost all developing countries had economically small markets, and all big markets were in rich industrialised countries, so that extending the MFN treatment to developing countries without requiring them to reciprocate made sense. Now however, some developing countries have such large and fast growing markets that they could not possibly be allowed to “free ride” without undermining the whole system. Their growing economic weight has also changed the negotiating dynamics, so that the Quad (US, EU, Japan and Canada) are no longer in a position to dictate the nature of “consensus” in the WTO. Complicating matters further is the single undertaking principle, which makes it harder to arrive at decisions accepted by all members. Parallel to the membership changes has been an attitudinal shift reflected in the development of a body of thinking arguing for the need to ensure that the pace and depth of trade liberalisation is proportionate to a country’s state of development.

A further reason for the stuttering nature of the negotiations is that as the Quad countries found it increasingly difficult to enforce the consensus rule on their own terms, they turned to other arenas outside the WTO for opportunities to advance their trade agenda. Following the collapse of the Cancun Ministerial Meeting, Robert Zoellick, United States Trade Representative famously indicated that the US would not wait while the world pondered the future of the world trading system; instead it would move towards free trade areas with the can-do countries. Some see this statement as marking a decisive shift in US attitudes towards the multilateral trading system, because up until then the US had given primacy to the multilateral trading system.

The increase in regionalism that characterised the first decade of the 21st century has pitted those who see such regional trade agreements (RTAs) as a threat to the multilateral trading system against those who view RTAs as contributing to the multilateral trading system. In reality however, a variety of RTAs have been formed, some more consistent with the WTO than others. The basic issue here concerns the extent to which the governance of international trade might devolve to these bilateral and regional trading arrangements and what impact this might have on the ability of the WTO to remain central to the international trading system.

The biggest challenge RTAs have posed for developing countries is that when they involve negotiations with a more powerful partner, the risks that the outcome may leave them in a worse position than before the negotiations are very high. This is largely because they are unlikely to be able to exert leverage over more powerful countries as the small size of their markets make any threats to restrict market access ineffective. But in the real world of negotiations, the “fear of exclusion” overrides any sense of powerlessness to influence the negotiations that developing countries might feel. This, as will be discussed in section 5 of the paper, has been the experience of ACP countries in EPA negotiations.

## 4.4 What form or shape of development dimension for ACP countries then?

In our view there are important distinctions that must be made in order to clarify and better focus the discussion. With the development dimension having been defined in a certain way, the next issue to consider are the implications for individual ACP countries or groups of them. As already mentioned, the decision to exempt LDCs from virtually all DDA commitments effectively creates a divides ACP countries into two categories: ACP countries that belong to the LDC group and therefore beneficiaries of special treatment, and the non-LDC ACP countries.

Reference has also already been made to the small economies group, which even though not formally recognised as a separate category in the WTO, persuaded the Doha Ministerial meeting to establish a Work Programme to examine issues relating to the trade of small economies. The work programme would frame responses to the trade-related issues identified for their fuller integration into the multilateral trading system. Our consideration of how the development dimension might be interpreted, based on the Doha Round package currently on offer will therefore focus on these two sub-categories of ACP countries: (i) the ACP countries that are also LDCs; and (ii) non-LDC ACP countries.

1. ***ACP Least Developed Countries***

Around 32 ACP countries are classified as least developed countries. On the surface these countries appear to have gained the most in terms of recognition of their development concerns. However, once we start to think through how they are actually supposed to benefit from the almost complete exemption from Doha Round commitments that has been extended to them, it becomes clear that there are major gaps in what they are being offered. Their “exclusive” position as beneficiaries of duty-free and quota-free treatment is also a potential source of tensions with other developing countries. Moreover, the ACP least developed countries face the additional challenge of having to defend or protect any special treatment they receive in the Doha Round from erosion that may be caused by concessions they make to partners in bilateral and free trade agreements such as the EPA negotiations.

So, what is the score for ACP LDCs based on the 2008 draft texts? As already mentioned, the core of the development dimension for LDCs is the DFQF treatment extended to them. That entitles 97 per cent of LDC exports to duty-free and quota-free treatment in developed countries’ markets as well as those of developing countries in a position to do so. The problem is that nearly all LDC exports may be included in the 3 per cent of tariff lines not covered by the DFQF treatment. Obviously, the way this commitment will be implemented by different countries will vary. It is known, for example that when the USA insisted on 97 per cent coverage as the explicitly defined objective, it was mainly concerned about the impact of removing all restrictions on textiles and clothing imports from countries like Bangladesh. In other words, it wanted to retain the flexibility to exclude certain products from its DFQF scheme (textile and clothing in the case of Bangladesh). On the surface, textiles and clothing imports from African countries did not appear to be a problem for the US having already introduced nearly DFQF treatment for sub-Saharan Africa since 2000 under the Africa Growth and Opportunities Act (AGOA) initiative.

Given that programmes such as AGOA are not permanent, the risk that ACP LDCs may at some point in future find their main (probably expanding) exports excluded from DFQF treatment cannot be ignored. This suggests further improvements in the DFQF offer are required if the offer is to deliver real benefits to these countries, including the stability and certainty that investors look for. Research suggests the benefits of DFQF market access will be reduced by the exclusion of 3 per cent of tariff lines as well as by restrictive rules of origin. A further consideration is the fact that many large developing countries’ markets are growing at a faster rate than industrialised countries markets. That makes expansion of the geographic coverage of the scheme important. The kinds of improvements required to ensure meaningful DFQF market access programmes might therefore include:

* Full product coverage (100% instead of 97%);
* Expanded geographic coverage;
* Flexible rules of origin;
* Technical barriers to trade (TBT) and sanitary and phytosanitary standards (SPS); and
* Stability which ultimately can only be achieved by making such programmes permanent

An obvious lesson from the experience of many African countries under the AGOA programme and many ACP countries with EU preferences is that market access alone is not enough. DFQF market access is of value only if the beneficiary countries have the infrastructure and capacity to take advantage of the market access on offer. But low production capacity is not always the main constraint to exporting when market access is available. Rules of origin, which define where a product is made, often are a major problem. A more generous interpretation of such rules would be of immense benefit to LDCs. For example rules of origin that minimise requirements for domestic sourcing might actually encourage local and regional processing, thereby contributing to diversification. LDCs’ exports have also been hampered by a variety of TBTs and SPS in developed countries. These too need to be addressed, so that an appropriate balance is struck between essential consumer interests and the interests of exporters. TBTs and SPS are likely to become more significant barriers to trade as preferences currently enjoyed by LDCs are gradually eroded.

In light of the low production capacities of these countries, the Aid for Trade (AFT) Programme has the potential to play an important catalytic role in removing some of the capacity constraints faced by LDCs. The issue is not just that enough financial resources must be made available; it is also important that there be country ownership of programmes funded under the Aid for Trade programme. Some experts have argued that the WTO lacks competence in this area - a point that seems to be confirmed by the fact that the WTO’s current responsibilities on aid for trade are mainly administrative. That being the case, ACP LDCs have an interest in ensuring that effective follow-up mechanisms, including cooperation with relevant institutions such as the World Bank, are put in place.

1. ***Small Vulnerable Economies (non-LDC ACP Countries)***

The group of SVEs includes mainly the non-LDC African, Caribbean and Pacific countries, some countries from Central America and a few from Asia and the Middle East. The question of who qualifies as a small economy appears for now at least to have been settled by the adoption of criteria determining eligibility for special treatment in NAMA and Agriculture negotiations. Under those criteria, if a country’s average world share for the period 1999-2004 (a) of world merchandise trade does not exceed and (b) of world NAMA trade does not exceed 0.10 per cent and (c) of world agricultural trade does not exceed 0.40 per cent, then it qualifies for special treatment as a small, vulnerable economy.[[11]](#footnote-11) According to the WTO, about 45 countries would qualify as small vulnerable economies (refer to footnote 10 for full list).

 In many ways, SVEs have made significant advances in the negotiations. At the general level, their success in gaining recognition for their particular concerns might turn out to be one of the significant outcomes of the Doha Round in that it forced WTO members to confront the issue of differentiation of developing countries, which until the emergence of the group was considered too sensitive to deal with. The idea that all developing countries (except LDCs) should receive the same treatment had long been a source of underlying tensions between developed and developing countries and increasingly among developing countries themselves.

More specifically important advances have been made in both Agriculture and NAMA negotiations. On agriculture, developed countries have been set a target of a minimum average tariff cut of 54 per cent, while developing countries have been set a target maximum average tariff cut of 36 per cent. In comparison, small economies are expected to undertake a maximum average tariff cut of 24 per cent. As indicated earlier, if SVEs choose to apply the tiered formula, they are allowed to make reductions 10 per cent smaller in each band than other developing countries (see table 1).

Turning to NAMA modalities, it was indicated earlier that tariff reductions will be based on a “simple Swiss” formula, with separate coefficients for developed and developing countries. In fact, developing countries are offered three coefficient options, each choice being related to the scale of flexibilities they opt for. In a sense, the choice they make can be viewed as denoting their choice of the development dimension on tariff reductions. The equivalent choice for small vulnerable economies requires them to bind all their tariff lines, with an average bound level that does not exceed an overall average of 30 per cent or lower, depending on what the current average bound tariff for the country is – i.e. where they start from (specifically, if current tariff >50% then expected outcome <30%; current average tariff of 30-50%, expected outcome<27%; current average tariff of 20-30% expected outcome<18%; current average tariff below 20% = minimum line-by-line reduction of 5% on 95% of all tariff lines). It is clearly the case that the flexibilities for SVEs amount to “favourable” treatment for SVEs compared to other developing countries (except LDCs).

SVEs have also been active participants in the Rules negotiations were they have followed negotiations on fisheries subsidies and regional trade agreements with particular interest. In regard to fisheries subsidies, while generally supportive of strong disciplines on fisheries subsidies, they have sought appropriate special and differential treatment to enable them to support their nascent fishing industries. Some of their concerns appear to have been taken on board in the Chairman’s draft of 2007, but because major differences remain and might in fact have widened since that draft was produced, SVEs may yet find their room for manoeuvre curtailed in this area.

The rules governing RTAs in the WTO have also been a major concern for all ACP countries. They have argued strongly for greater flexibility under Article XXIV of the general Agreement on Tariffs and Trade (GATT), with respect to developing countries entering into such agreements with developed countries. One way flexibility might be achieved is through incorporating an explicit special and differential treatment provision in the current rules, for example a “less than full reciprocity” clause.

Unfortunately, in the EPA negotiations, the way the EU has interpreted the key provision in Article XXIV, on the requirement for “substantially all trade” to be covered by an RTA, has provoked criticisms from many quarters, including the ACP countries, for the lack of flexibility in regard to product coverage and time frame for liberalisation. It has stuck to a benchmark of 80 per cent liberalisation over a period - generally 15 years for tariff liberalisation. Some attribute the EU’s inflexibility to a reluctance to set a precedent that could limit the EU’s ambitions in future negotiations with other countries.

1. ***Shared Concerns Across the ACP***

All ACP countries have been concerned about the potential loss of tariff revenue from trade liberalisation they might be required to undertake. They have also raised concerns about the erosion of non-reciprocal preferences for products of vital export importance to them. A substantial number of ACP countries have also voiced concerns about food security, a concern further highlighted by the food price hikes of 2008. None of these issues is taken up directly in the proposals currently on the table, with the exception of preference erosion. On this, preference-granting countries are to cut tariffs on limited number of products more slowly so as to provide preference-receiving countries with additional time for adjustment.

The food price hikes of 2008 turned the spotlight on the role international trade plays in food security. The net food importing developing countries, among them many ACP countries are not just concerned about the effect of price increases on their import bills, they are also worried about some of the response measures adopted by some food exporters. One such response measure – export taxes on food exports – may reduce the amount of food available internationally. Here, there may of course be tensions between net food importing ACP countries and those ACP countries with the potential to produce more food, which may view export taxes as a valuable tool to encourage development of the agro-processing industry.

The other measures causing concern are the bio-fuel mandates and subsidies and import tariffs on cheaper supplies of bio-fuels that have become a feature of bio-fuel policies pursued by a number of countries, notably the USA. The concern is that if the current trend of sustained energy demand accelerates the demand for crops as inputs in bio-fuel production, then there may be a serious threat to the food security of the world’s poor, mostly in net food importing developing countries. Such a threat would likely threaten any (probably) small gains from the Doha Round.

As far as potential loss of tariff revenues is concerned, it is difficult to make a judgement before the level of tariff cuts countries actually choose to apply is known. But perhaps a relevant consideration here is that most of the flexibilities sought by ACP countries are defensive in the sense they are designed to limit the amount of liberalisation to be undertaken by them.

The corollary to this is that their offensive interests were probably limited in ambition. However, even if that were to be the case, what ultimately matters is whether ACP countries have the capacity to actually benefit from increased market access as well as to face greater competition domestically. That means more support and attention needs to be directed towards breaking supply-side constraints, for which some international support will be required. For this reason, ACP countries should maintain the pressure for improvements in the aid for trade programme, especially in regard to certainty about the funds to be made available and the need to ensure country or regional ownership of projects funded under the programme.

It is also worth pointing out that the potentially positive outcomes from the DDA may be diminished or undermined by decisions taken in ongoing regular work outside the negotiations. A good example of such relevant ongoing work is the work being undertaken by the WTO Sanitary and Phytosanitary Committee with respect to private standards. The outcome of such discussions may have far reaching implications on for example, the fisheries sector, than any special and differential treatment extended to developing countries on fisheries subsidies.

The only possible conclusion to this section is that each individual ACP country alone or in combination with others has to define a development dimension that is appropriate to its economic situation. It is also important to be specific about the interests a country or group of countries wants to advance - and to some extent the SVEs have been successful in doing this – instead of engaging in what negotiating partners may view or conveniently treat as theoretical debates on the development dimension or policy space. After all, the policy space has to be used to be of any value.

# 5.0 THE WORLD OUTSIDE EPAS AND THE DOHA ROUND

Our analysis of developments in the DDA over the past ten years shows that development has not been as central to the round as some people might have imagined at the beginning due partly to important developments outside the realm of negotiations. With this in mind, our third point of departure is to look at major global economic developments that have unfolded since the DDA was launched, especially developments, which while not on the agenda of the DDA, are generally considered to have had a major impact on the global trading system over the last decade. Most commentators give prominence to the following global economic developments:

* **the rise of the emerging economies, especially China and India;**
* **resource scarcity;**
* **climate change; and**
* **currency disagreements**

The interplay between these factors and other important global changes, such as demographic changes and technological developments has changed the context of development as well attitudes to development policy. This is evident in the growing influence of emerging economies in the governance of the world economy; the proliferation of regional trade arrangements (RTAs) and bilateral investment treaties (BITs) - seen by some as a way of exporting regulatory approaches of the North to the South; a growing sense of economic insecurity among countries, and within countries among workers and consumers; and a heightened interest in new approaches to development policy.

 There are at least three ways to think about these changes and their potential implications on the DDA negotiations. First, there is a need to explore what exactly has been changing. Then we need to assess how profound these changes are, specifically whether they represent a structural transformation. Finally, it is important to evaluate the implications of these developments for the DDA and the ACP’s participation in the Round. The first framing is intended to identify major changes that have become more visible during the course of the DDA negotiations, but were not taken into account when the Round was launched in 2001. The second framing directs attention to the role of emerging economies and how their growing economic influence might have changed the negotiating dynamics in the DDA. Finally, we consider the implications of both the new issues and the rise of the emerging economies.

## 5.1 What exactly has been changing?

1. ***The New Actors***

When the DDA was launched in November 2001, it was in the shadow of the failed Seattle Ministerial meeting of November/December 1999. Two years after its launch, another WTO Ministerial meeting (Cancun, September 2003) collapsed. The collapse of ministerial meetings on either side of the launch of a new round of trade negotiations expected to consolidate the position of the newly created WTO suggested there were concerns about the future direction of the organisation. There was disquiet in some quarters over its ambition to deepen the international integration of markets for goods and capital (not labour), in particular the implicit assumption that domestic economic management was to play second fiddle to international trade and financial rules, instead of the other way round. New actors emerged to oppose the direction in which the WTO appeared headed.

One group of new actors comprised civil society organisations representing mainly workers, consumers and environmental interests opposed to the intrusion of international trade rules into areas previously considered the exclusive domain of domestic economic policy, of which tax systems, food safety rules, environmental regulations and industrial promotion policies were among the key areas of concern. The vigour with which these groups opposed the direction that the WTO appeared to be headed for was demonstrated by the Seattle “riots” when an estimated 30,000 activists turned up at the Seattle Ministerial meeting to call attention to their grievances with the WTO system.

Their sense of grievance was heightened by the perception that powerful corporate interests in the pharmaceuticals, software and services sector appeared to have won major concessions in the Uruguay Round that would open new markets for them in developing countries. This of course is not to suggest that the meeting failed largely because of pressure from these groups. The meeting failed for a variety of reasons, among them inadequate preparation, an ambivalent attitude by the host government, disagreements over new issues such as labour and environmental standards and a general perception that the whole process was not transparent and inclusive.

It is somewhat ironic that the same corporate interests have shown little or no interest in the Doha Round, leading some observers to link the lack of progress in the Doha Round to the lack of support by corporate interests from corporate interests in industrialised countries. Other observers offer a completely different explanation for the apparent lack of interest in the Doha Round by companies from industrialised countries. Their focus of attention has shifted to bilateral investment treaties (BITS) and free trade areas (FTAs), particularly since these agreements have become the main arena for negotiating issues of interest to them, issues such as investment, services, and government procurement.

Unfortunately the disparate nature of the interests pursued by the new actors made it difficult for them to exert sustained pressure on the WTO system, although the WTO itself saw the need to increase its interaction with these groups. This outcome is what those who study the political economy of trade policy would have predicted because in their view, producers’ interests will always trump consumers’ interests because the quantitative stakes for producers (corporate interests) tend to overwhelm the disparate interests of individual consumers.

There are however two reasons why it may be premature to write-off the power of these disparate actors. One is that they may have become more sophisticated in their lobbying activities. The other is that the sense of rising economic insecurity is increasingly felt by a growing number of people. Many people view rising food and commodity prices as potentially threatening to food and energy security and the threat is felt by both the poor and the middle classes.

Developing countries, especially the large emerging economies are the second group of “new actors” to have emerged over the course of the negotiations. We characterise them as new only in the specific sense of their being clearly able and willing to engage in the main WTO “game” of reciprocal trade liberalisation. Their newness was given impetus by the emergence of the G20 led by Brazil, India and South Africa. The group managed to demand successfully that the EU and United States go back to the drawing board and come back with improved offers on agricultural subsidies and trade barriers (Bhagwati 2005). After Cancun, the Quad - United States, EU, Japan and Canada - which had been previously set the terms for WTO negotiations was replaced by a new group of four, which included the United States, EU, Brazil and India.

The emergence of the G20 should not however be taken as the first attempt by these countries to seriously engage with the multilateral trading system. During the Uruguay Round, some developing countries, notably Brazil and India, played a crucial role in shaping the negotiating agenda of the Round, including the important decision to negotiate trade in goods and trade in services under parallel tracks. So the issue of interest here is the increased assertiveness exhibited by these countries. The assertiveness reflected two significant developments, one systemic and the other economic. Looked at from the perspective of developing countries, it seemed the WTO system could not be changed to serve the interests of all its members unless it underwent major surgery.

A more compelling reason for the increased assertiveness of developing countries was their growing economic power. The increasing weight of large developing economies in the global economy is evident from data on GDP and exports. As can be seen from Figure 1, the share of world GDP accounted for by India, Brazil and especially China, during the first decade of the 21st century has grown significantly. By 2010, China had overtaken Japan to become the second largest economy in the world after the US (Figures 2(a) and (b)). China is also now the largest exporting nation in the world (Figure 3).

Figure 1: Emerging Economies Share of World GDP (% of World GDP) in 2000 and 2009

Source: UNCTAD Statistics

The economic transformation of large developing countries, especially that of China has triggered trade tensions that overshadow the tensions witnessed during the emergence of Japan as an economic power. Most of the tensions are between China and the US. Figure 3 shows why this is the case: in that chart, China’s rise is almost exactly mirrored by the US’s relative decline. But China’s competitiveness is not just an issue for the US or industrialised countries, it is also a problem for other developing countries ranging from poor African countries to large emerging economies like Brazil. It is not surprising then that China’s competitiveness looms large in the DDA negotiations and even in FTAs. It is why the US focused on extracting major concessions from China. That has turned the Doha Round into a traditional WTO Round, involving reciprocal exchange of concessions.

Fig 3: Exports of Key Players in Total World Trade

But while most of the attention after Cancun focused on the larger emerging developing countries, especially China and India, in fact other developing countries also became increasingly assertive. Thus, Brazil was joined by Argentina and Thailand, also large agricultural exporters, in demanding significant agricultural trade liberalisation. Indonesia led a group of large and small developing countries in the G33 – a group of mainly food importers that were concerned about the potential negative effects of agricultural trade liberalisation on their food security, rural development and livelihoods. They were also keen to ensure that the liberalisation of industrial tariffs would be carried out in a balanced manner, to avoid an outcome more burdensome to developing countries and allow for policy space. In the services sector, the G33, which included India, sought an ambitious outcome, especially on mode 4 (movement of natural persons) and the strengthening of disciplines on mode 1 and 3 – the latter to promote increased outsourcing of services to developing countries (Ismail JWTL, 2009).

A still larger group, the G90 brought together the G20, G33, LDCs and ACP countries and according to Ismail (2009), their major concerns were the fundamental challenges of development. These development challenges were outlined in the General Council package of July 2004 and include: food security, rural development, livelihoods, preferences, commodities, food imports and give due credit to prior unilateral trade liberalisation undertaken by developing countries in negotiations on agriculture and NAMA.

Another group led by Mauritius, the small and vulnerable economies, managed to get what amounted to informal recognition by the rest of the WTO membership and the group has fought hard to get its concerns recognised, mostly on a case-by-case basis. At the same time the LDCs, formally recognised by the WTO, raised its profile significantly, as evidenced by the decision of duty-free and quota-free access adopted at the Hong Kong Ministerial meeting in 2005.

Ten years after the launch of the DDA, the point of these groups is no longer that they exist at all: rather it is that their strong economic performance combined with better organisation is changing the negotiating dynamics at the WTO in profound ways. The negotiating dynamics are changing even amongst developing countries themselves as their economic performances diverge. These groups also suggest that the WTO system may have reached a point where increased differentiation of developing countries can no longer be avoided.

1. ***The New issues***

Aside from the new actors, the Doha Round has also had to contend with the emergence of new issues. One such new issue is **resource scarcity**. Recent years have seen increased concern over changes in the supply and demand balances of key resources such as food, water, land and oil.

On the demand side, world population is projected to rise to around 9 billion by 2050, with around 2.5 billion more people living in today’s developing countries (World Development Report 2010). Food production would have to expand significantly to meet the food requirements of this growing population and because large numbers of people in the developing world increasingly enjoy high standards of living, the demand for diets rich in meat and dairy products is also rising. Production of meat and dairy products however, tends to be more natural-resource intensive than production of other foods. A larger and richer world population will therefore mean more pressure on the ecosystem and natural resources and intensification of competition for land and water as well as increased demand for energy.

Rising demand for oil in both developed and developing countries will also put pressure on energy resources and increase the search for alternative sources for energy. However, some of the alternatives may potentially exacerbate the resource scarcity problem, if as in the case of bio-fuels the alternatives are derived from products whose global demand is rising.

The food price increases of 2008, which appear to have returned in 2010, as demonstrated by Figure 4, gave the world a foretaste of what might actually happen if the problem of resource scarcity is not adequately addressed. First, interest in transnational land investments increased, and sub-Saharan Africa in particular witnessed significant investments by sovereign wealth funds, state-owned enterprises and private sector actors. Second, some governments reacted by banning food exports, aggravating tensions between exporters and importers as well as undermining the role played by international trade in meeting the gap in food requirements of countries.

It is of course, possible that the world will be able to expand food production to meet the increased demand. However as Humphrey (2010) notes, the inter-play between food production, water supply and use, energy demand and climate change point to considerable uncertainties. A recent International Food Policy Research Institute (IFPRI)(2011) recommends a broader three-pronged response to the problem food price hikes: (a) tackling key drivers of food price volatility – bio-fuel production, increased speculation and climate change; (b) addressing conditions that exacerbate volatility – concentrated export markets, low grain reserves and lack of market information; and (c) buffering the poor from the effects of hunger.

Figure4: Commodity Food Price Index (Sept 2006-Sept 2011)

 On the supply side, key drivers of resource scarcity include availability of land and water. The problem of land is not just one of availability; rather it is whether suitable land for the expansion of agriculture can be found. More importantly, intensified competition between different uses for land is expected to increase, as already witnessed in the case of bio-fuels and food crops, but also in livestock, fibre (such as paper and timber) as well as conservation and urbanisation. On water, current rates of water extraction from rivers and groundwater are already considered to have reached unsustainable levels in many parts of the world. There is also some evidence suggesting that crop yields have declined in recent years, although the overall picture remains cautiously positive.

 A related element that needs to be considered among the challenges of resource scarcity is **climate change**. If current predictions about future weather patterns turn out to be accurate, then climate change will affect many sectors and productive environments, mainly through its impacts on the availability of key resources, most of them key inputs into production of other products. For example, agriculture is one the greatest consumers of water, so any climate-induced water shortages would have a major effect on food production. Other major water users such as industrial, domestic and commercial consumers will also be affected, especially in developing countries where urbanisation is proceeding at a fast pace.

Most analysts (see for example UNDP Human Development Report 2007/08) expect extreme weather events to increasingly become a problem for food production, as the frequency of droughts, high temperature extremes, floods and tropical storms increases. As noted earlier, the threat of climate change has also led to a major increase in the fraction of land used for bio-fuels, despite serious doubts about whether, on balance (i.e. after all the consequences are fully accounted for) first generation bio-fuel production actually results in reduction of GHG emissions. Projected impacts of climate change have thus sharpened the arguments on resource scarcity. Looking to the future, it is clear that shared resources need to be managed better and a better balance struck between exploitation and protection of such resources.

In international trade, climate change is already provoking tensions between countries, as governments consider policies to slow it down. The tensions are again, most pronounced between industrialised countries and emerging economies, indicating that some of the measures contemplated might mask protectionist intentions. In the current depressed economic conditions, many in developed countries believe that implementing climate change mitigation policies in the absence of an international climate agreement will simply provide an incentive to industries most affected by the mitigation policies to migrate to jurisdictions that do not have climate control policies. To a considerable extent, this “carbon leakage” problem is therefore nothing but a “level playing field” argument. Thus, climate legislation put before the US Congress in 2009 and 2010 contained provisions for border adjustment measures targeted at carbon-intensive imports from developing countries. The aim is to adjust the carbon price at the border for internationally traded goods.

## 5.2 Do these changes amount to a structural break with the past?

Our interest in whether the global changes discussed above amount to a structural break with the past stems from the need to understand what such structural transformation might mean (a) for ACP countries and (b) for the Doha Round and global development policy. It is clear that the developments outlined above significantly transform the context of development policy, with some important implications for ACP countries. There are at least four manifestations of such transformation:

* ***Trade in Tasks:*** A recent IMF study looked at changing patterns of trade and analysed the main factors driving those changes. A key conclusion of that study is that shifts in the global trade landscape such as the movement by the emerging economies from periphery players to major centres of global trade reflect in part, the impact of technological advances. In particular, advances in transportation and communication technologies mean that it is now possible for production processes to be divided up, allowing countries to specialise in a particular stage of a commodity’s production. This vertical specialisation highlights the central role of global supply chains in international trade. The global trading system is more interconnected than before and emerging economies are among the most interconnected, in other words, the number of trading partners they trade with has increased both in scope and breadth.
* ***Emergence of global supply chains with regional anchors:*** A notable feature of global supply chains is that they are regionally dispersed. In Asia, China acts as the hub of several South East Asian regional supply chains because it is the location of many processing activities that rely on imported intermediate inputs from other Asian countries, which China in turn exports to the rest of the world. Mexico plays a similar role with respect to a number of product supply chains in North America, hosting duty-free assembly plants that use imported intermediate products from North America, which are then re-exported back. In Europe, the accession of East European countries to the EU has been followed by outsourcing of some production from the high cost advanced EU economies to low cost periphery economies. One region that lags behind in the development of regional supply chains is sub-Saharan Africa, a fact captured by the fact that no African country, including South Africa, makes the top 25 list of most interconnected economies in the world. It is crucially important then that SSA adopts trade and industrial policies that focus on promoting greater intra-regional cooperation given that intra-regional trading appears to be growing faster than extra-regional trading.
* ***Climate Change:*** A combination of climate change and natural resource scarcity is likely to usher in a period of forced structural adjustment of economies. This is because by changing the relative prices of inputs and outputs and the physical relationships between the them, climate change will trigger changes in what a country produces, what it trades and how a product is traded, as the costs of some inputs may increase or decrease, disadvantaging some products in the former case, while favouring others in the latter case. To illustrate the point, climate change will affect agricultural production and trade patterns through its impacts on the amount of arable land and water available for farming as well as the requirements some agricultural commodities may be required to fulfil in international agricultural markets. At the same time, emerging industrial applications of agricultural production in sectors such as the renewable energy (e.g. ethanol and biodiesel), the feed and fibre manufacturing sector may also affect trade patterns. The clear implication of these changes is that climate change may enforce a structural break from the past. The choice for governments is whether they adopt a passive posture or adopt a pro-active role designed not only to strengthen their economies but also to exploit opportunities that may be created by this structural change.
* ***Return of industrial policy:*** At the policy level, one can also discern the beginnings of a structural break with the past. The clearest manifestation of such a break is that industrial policy is making something of a comeback even in industrialised countries. This is not just a response to the global financial crisis: it is partly because the emerging economies have shown that unorthodox policies, including industrial policies can deliver growth and development. China in particular has been prepared to experiment as well as show flexibility in policy making. The debate on policy space in the WTO has been given impetus by these examples of apparently successful application of certain policy measures that the WTO now prohibits or seeks to outlaw.

## 5.3 What do these changes mean for WTO, the Doha Round and ACP countries?

***(a) The Emerging Markets Effect***

China and India’s combined population is around 2.5 billion, which is about four times that of the old G5 (USA, Japan, Germany, France and UK) whose combined population stands at about 0.65 billion. These two numbers help to put into perspective the scale of the changes that the rapid economic growth of these two countries alone has wrought on the world economy. It is hardly surprising that the policy background domestically and externally has come to be dominated – for good or ill - by the growing economic power of these countries.

It is clear that the fear of emerging economies has fundamentally altered negotiating dynamics in the DDA, with the result that market access in emerging economies has become the overriding objective of industrialised countries to the possible detriment of development issues. The best illustration of this is the failure by the WTO to adopt a limited package of market opening measures designed to help LDCs.

Some of the effects of the growing economic power of emerging economies are indirect. For example the growing sense of economic insecurity among the working and middle classes in developed countries has contributed to the lack of progress in negotiations on mode 4 of the GATS (movement of natural persons). This is because of the link that workers in developed countries make between immigration and loss of jobs, making it politically difficult for governments to consider market opening for skilled and semi-skilled workers from developing countries.

Earlier, the point was made that liberalising trade in agriculture, was at the launch of the DDA, promoted as an area where the development interests of developing countries would receive a major boost. Here too, promise has fallen short of actuality, partly because the rapid growth of emerging economies and the consequent increase in demand for food that ensued, contributed to the high and volatile food prices seen over the last four years. That changed the background to the negotiations in a fundamental way – from concerns about overproduction and disposal of surplus agricultural production at the launch of the DDA, to the need for increased food production due to population growth and income growth in emerging economies.

China’s economic ascendancy has been a particular source of trade aggravations in both developed and developing countries. It therefore helps to unpack the “China effect” – here loosely defined as the increasing presence of China’s investment and businesses in every major region of the world, from Africa to Europe, the Indian sub-continent to America - on patterns of global trade and production. China’s impact is best understood in terms of its scale and composition effects. In terms of scale, we saw earlier how China has risen to the top as the world’s leading trading nation. That lead encompasses both the total volume of trade (exports plus imports) that China engages in and its interconnectedness (the number of partners it trades with). Thus, in terms of scale alone, China’s share in world merchandise trade rose from 2 per cent in 1990 to about 10 per cent in 2010 (Figure 1 & 2). The share of world exports rose even faster from below 2 per cent in 1990 to close to about 11 per cent in 2010.

 China’s rapid growth is also shifting the pattern and composition of global trade and production. Being a large middle income country with a huge supply of cheap labour, its deeper integration into the world economy and international trade reduces the prices of relatively labour-intensive manufactures and raises those of commodities. The “China effect” therefore extends far and wide from the poorest countries in Africa to the most advanced economy in the world, as evidenced by (a) the rapid increase of China’s economic relationships with Africa, squeezing out low cost manufacturing in the process; (b) the burgeoning trade between Brazil and China, which is also putting a squeeze on the Brazilian manufacturing sector, while reinforcing Brazil’s dependence on raw material exports; and (c) the “currency wars” between the US and China rooted in China’s trade surplus in its trade with the US.

In many ways, the Brazil/China relationship is an interesting case study of the kinds of opportunities and challenges posed by China to other countries, whether developed or developing. Not only has trade between the two countries grown at breakneck speed, it has also changed its composition, as indicated by the following facts: (a) Between 200 and 2009, Brazil’s exports to China grew 18-fold and just three commodities – iron ore, soy and crude oil - account for more that 75 per cent of Brazil’s exports to China; (b) China’s imports into Brazil are dominated by high-end manufactured goods such as televisions, LCD screens and mobile phones and manufactured goods accounted for more than 98 per cent of Chinese imports into Brazil in 2011; (c) Brazil has also lost market share to China in major trading partners such as Argentina; and (d) a combination of very low interest rates in industrialised countries and massive Chinese investment inflows into Brazil have contributed to the appreciation of the Brazilian currency. Summarised, the growing economic relationship between China and Brazil has: (a) shifted the direction and composition of Brazil’s trade; (b) improved the country’s terms of trade and (c) contributed to the appreciation of the country’s currency.

To varying degrees, the “China effect” is being played out in many parts of the world. China’s power and influence stem from a combination of scale and intensity. Once that power began to be projected onto the world stage, the global impact was immense. In consequence, China’s presence became a game changer in global business and world trade and in many countries and international institutions.

At the WTO, the emerging markets effect has also been much in evidence in the Doha Round. First, the agenda of the DDA now seems too narrow or even irrelevant given the changes that China and other emerging economies have wrought on the global pattern and composition of trade and production. If an agenda for a new Round of trade negotiations were to be drawn up now it would probably include issues such as commodity prices, export restrictions on food and natural resource commodity exports, currency fluctuations. These issues have largely been brought to the fore by the rise of emerging economies.

Second, one doubts that industrialised countries would have agreed to the launch of a Round with the label “development”, except perhaps as a tokenism to developing countries that felt short-changed by the Uruguay Round. China’s growing international competitiveness has redefined the trade challenges of developed countries in a manner that effectively relegates the development concerns of poor countries to the lowest rung of priorities. But as noted earlier, trade tensions have not been confined to China/developed countries’ relationships; they have also been a feature of China’s relations with other developing countries. Thus, it is generally thought the reluctance of other developing countries such as India, Brazil and South Africa to offer greater market access under NAMA negotiations has as much to do with fear of competition from China as it has with fear of industrialised countries. This raises the possibility that the other emerging economies may be willing to open their markets further if doing so did not at the same time let in Chinese goods. The tensions among the emerging economies also reflect the diversity of their economies and interest; with China exporting primarily manufactured exports, India services and Brazil agricultural commodities.

Third, it is clearly no longer possible for the US and EU to dominate global trade negotiations as they did in the past, because their markets are no longer as big as they used to be. That being the case, one can plausibly argue that this diversity of economic interests and the diffusion of economic power are increasingly limiting the WTO’s capacity as a forum for negotiations. Whether it will be possible to re-establish the structural and political conditions under which the WTO can succeed as a forum for trade negotiations is now open to question.

China has of course made substantial inroads into many ACP countries, especially in Africa, where the evidence appears to suggest that both in domestic and extra sub-Saharan Africa (SSA) markets, China’s impact on SSA’s industrialisation has been harmful (Kaplinsky 2008). So, while China’s is generally viewed in a positive light by African governments, many of the same concerns that have arisen in Brazil’s blossoming relationship with China also loom large in the Africa/China relationship, including the following risks: (a) that continued specialisation in primary commodity exports could increase the risk that African countries remain trapped in low value-added production structures; (b) of “Dutch disease” as commodity booms tend to exert upward pressure on real exchange rates, thereby making manufactured exports uncompetitive; and (c) combination of continued specialisation in primary commodity exports and appreciating exchange rates could make diversification into manufacturing and services more difficult – thus, reducing the opportunities for productivity gains that are a feature of investments in manufacturing and services.

1. ***The “Scarcity” Problem and International Trade***

If growth in emerging markets is viewed as rapid and natural resource intensive, this has implications for global supply of natural resource commodities and international trade in those commodities, especially if there is not enough supply to meet demand, as many experts fear might happen.

In reality, whether scarcity of resources exists or not is not the issue; it is perceptions about quantities/volumes of resources likely to be available that shape attitudes towards resource competition. Indeed, the issue is not scarcity per se, but rather the allocation of resources between countries. The problem is particularly acute in cases where one country is a monopoly supplier of a commodity which has few or no substitutes. Export restrictions in such circumstances may drive out industries in a competing import-dependent country. Given that export restrictions are somewhat under-regulated in the WTO (compared to import restrictions) we may see more trade disputes triggered by export restrictions brought to the WTO (say more about provisions).

A number of countries, among them India, Indonesia and Russia have begun to limit exports of important natural resources and food products, starting a trend that is likely to spawn more disputes in the WTO. China has already lost a dispute settlement case, over curbs it imposed on exports of raw earth materials, referred to the WTO by the US, Canada and Mexico. China has the largest known reserves of rare earth metals, which are a key ingredient in hybrid and electric cars. This represents a competitive advantage for Chinese companies and may be a deciding factor in changing the global automotive industry.

China provided three reasons for its actions: first, it used the sovereignty argument, namely that it was entitled to conserve and use its natural resources for itself, with a view to diversifying its own economy; second, it pointed to GATT article XX in terms of which export restrictions are allowed when exhaustible natural resources are involved; and third, it also sought cover under GATT article X which allows temporary use of export prohibitions or restrictions to prevent or relieve critical shortages of food stuffs or other products essential to the exporting countries.

The complainants on the other hand underlined China’s perceived economic and political motives. As they saw it, the economic motive lay principally in China’s desire to establish a competitive edge over its main rivals in industrialised countries, also users of rare earth metals in a number of modern high technology products such as mobile phones. China’s political motivation appeared, at least in part, to be the desire to promote the industrialisation and modernisation of the economy, on which its future political stability is generally thought to hinge.

These disputes have a direct relevance to policy questions that currently confront several ACP countries, particularly in Africa, where competition for some of the continent’s natural resources is gathering pace. While in the short-term, African countries have benefited from increased commodity prices brought about by this competition for resources, in the long-term, African countries have to balance a number of conflicting demands. One is the conflict between maximising receipts from exploitation of their natural resources and the sustainable management of these resources. A second balancing act required is between the goal of maximising earnings from natural resources, particularly during a commodity boom, and the need to move up the value chain, so as to benefit from the productivity gains associated with manufacturing activities.

It would not be an exaggeration to say that if China sees the need to resort to export restrictions to “conserve” its natural resources and promote industrial development, that need is even greater in African countries. In fact, one might plausibly argue that how this issue is handled in the WTO is of far greater importance to certain African countries than what is achieved by the Doha Round. Just to underline the importance of this issue, the EU has called for the elimination of export taxes in the context of both the EPA negotiations and Doha Round negotiations; and in the latter case, they have proposed a WTO Agreement on Export Taxes in the Negotiating Group on Market Access (NAMA).

In view of the many linkages and feedback loops that run between natural resource scarcity issues, they tend to be viewed as a set. This is also because they share common drivers, ranging from the rise of emerging economies and the consequent expansion of the “global middle class” to competition in high technology industries dependent on scarce natural resources such as rare earth metals.

1. ***Trade and Climate Change***

The resource scarcity question leads us into the whole debate about climate change, potentially a major driver of natural resource scarcity, particularly water. While the science of climate change is not yet quite settled, we know a few things about what might happen should current predictions turn out to be correct. We know, for a start, that uncertainty will be a major feature of the overall policy environment. Part of the uncertainty will come from the interplay between climate change and the other changes the global economy is undergoing, including the feedback loops from one factor to the other. For example, many analysts have highlighted the potential trade problem likely to stem from the link between highly volatile energy markets and food markets that may become more prone to volatility – a volatility that may in part be triggered by concerns about the impact of climate change on global food production.

The issue here is that in today’s world, energy can be converted into food, food into energy, and prices for both are becoming linked in a process some have referred to as “bushel-to-barrel” convergence” and climate change is likely to accelerate the convergence between the energy and food systems. Worryingly, governments in both developed and developing countries are encouraging this convergence, through provision of subsidies and bio-fuel mandates – the US, EU, India and Peru are cases in point (IFPRI 2011).

The linkage between energy and food is also a good example of why feedback loops matter for trade policy and negotiations. The food price spikes of 2008, partly attributed to policies promoting the conversion of food crops to bio-fuels, triggered a spate of trade restrictions (subsidies and export restrictions). By some accounts, more than 30 countries responded to the price hikes by instituting restrictions on exports of staple food items. That illustrates the challenges that may lie ahead, especially if an accommodation on further liberalisation of agricultural trade is not reached. Some have speculated that in the absence of progress on agricultural trade liberalisation, developing countries may, as they get richer, impose their own subsidies and trade restrictions (Anderson 2011).

Both the energy and food systems are heavily reliant on water, which is why water scarcity is receiving increased attention. A few examples of the linkages between the water and energy systems include: (a) the energy used to power groundwater pumps; (b) high water consumption in coal fired power stations and of course in the generation of hydro power; (c) high energy use rates associated with desalination technologies. Water and food are of course directly connected through the fact that agriculture accounts for 70 per cent of human water use and there is a further link to land as land rights usually come with tights to extract water. This link returns us to trade issues. While water scarcity is likely to be more a regional rather than a global issue, the concept of embedded or “virtual” water in crops that are then traded internationally means that water is in fact also traded. (One commonly cited statistics is that 1kg of wheat effectively “contains” the 900 litres of water required to produce it Evans 2010).

In addition to the physical impacts of climate change discussed above, developing countries increasingly have to contend with regulatory constraints, which though intended to mitigate temperature rises could easily become protectionist tools. Some agricultural exports from developing countries are already being subjected to standards and labelling schemes, introduced by developed countries as part of their strategies to mitigate climate change. Many of these standards are private and voluntary - initiated, implemented and maintained by retailers. The food sector has attracted many such regulatory measures. However, the widespread assumption that imported food and goods will automatically have higher carbon footprints due to transport emissions is not supported by the evidence.

The reach of standards in the agricultural sector now extends to new uses of agricultural products; a potential growth area for some developing countries. For example, the International Bio-Fuels Forum is looking into the practicalities of establishing an International Bio-Fuels Standards. But as some observers have noted, this has been motivated less by environmental concerns and more by differences in the chemical composition of the bio-fuels produced by the three main players in the Forum (US, EU and Brazil).

 The issue of standards may be especially prevalent in agriculture now, but in future it may become a problem in other sectors, should some countries opt for regulations that distinguish products on the basis of production processes and methods used to make goods. We might then see countries setting the carbon content or energy intensity levels that imports have to meet before entering their markets. The basic problem is that in the absence of an international climate agreement, there is room for countries to introduce a variety of unilateral trade measures, including import restrictions, border tax adjustments and production standards that target mainly carbon-intensive products. The situation is not helped by the fact the WTO does not have specific provisions to deal with climate change

To conclude this section, exploring key developments in the international trading system outside of the Doha Round and EPA negotiations has led us into a discussion of diverse developments and a rather complex debate. In negotiating arenas such as the WTO or bilateral and free trade area negotiations such as EPAs, it seems the world, at least the industrialised part of it, is primarily driven by fear of emerging economies. As a result, the process of trade negotiations has become hesitant, uncertain and controversial, and it will take years to bring about a state of affairs that is stable. In the meantime, we have a more complex negotiating environment, with an increasing number of negotiating arenas (e.g. bilateral and FTAs) and an increased number of new actors, playing more influential roles.

# 6.0 PROPOSALS FOR A STRATEGIC APPROACH TO THE DDA

Logically, ten years after the launch of the Doha Round does not seem to be the ideal time to be discussing a strategic approach to the negotiations. We therefore interpret this part of the assignment as requiring us to do two things: (a) providing an analysis of key strategic trade challenges faced by ACP countries today; and (b) providing some ideas as to how these challenges might be addressed. One way both challenges might be addressed is to focus on the challenges and controversies that emerged during the course of EPA negotiations, and then reflect on the implications of those challenges for securing development gains from the Doha Round.

There are at least two reasons for adopting this approach. One stems from the need to achieve compatibility between the WTO and the outcome of EPA negotiations. The need for WTO compatibility means that many of the challenges and controversies in EPA negotiations are in fact a replication of WTO controversies. The second reason is directly linked to the first; there is considerable overlap between the agendas of the Doha Round and EPA negotiations, including the commitment to put development at the centre of the negotiations. The overlap is most evident in the way the EU has brought issues rejected by developing countries at the WTO into the EPA negotiations.

Our basic contention is that in mapping out the challenges faced by ACP countries in the course of EPA negotiations, we do not just come out with a better understanding of the current and future trade problems of ACP countries, we also gain insights into why it has proved so difficult to incorporate development perspectives in trade agreements, including the WTO.

## 6.1. Incorporating Development in Trade Agreements: Promise and Reality

In the arena of bilateral and free trade agreements, EPAS are among the most interesting developments of the last ten years. As it happens, their negotiation paralleled DDA negotiations at the WTO. This, combined with the considerable overlap between the EPA and DDA agendas has helped crystallise the main strategic trade challenges faced by ACP countries today. At the level of practice, EPA negotiations have also highlighted the difficulties of incorporating a development dimension into trade agreements such as those being negotiated in the DDA. In this section, we focus on the EPA experience not only to gain a better understanding of the trade challenges faced by ACP countries, but also as a lens through which we can see the practical difficulties of incorporating development perspectives into trade agreements such as the WTO.

***The Promise***

As one might expect, several tunes in praise of EPAs and the DDA were heard at their respective launches. Both were launched on the specific promise of making development issues the centrepiece of the negotiations. At the broader level, the negotiations were aimed at furthering the integration of developing countries into the global economy and reduce the risks of their marginalisation. As to how this was to be achieved, the EU specifically committed itself to build EPAs on existing regional economic groupings. This implied a negotiating process jointly driven by both parties. In theory at least, using regional economic communities (RECS) as building blocks for EPAs, was considered essential to overcome the problems of small national markets in ACP countries and thus create opportunities for enterprises to exploit economies of scale and scope.

In the WTO, a package for the 49 least developed countries (LDC) - arrived at the Hong Kong Ministerial meeting - in many respects became the focus of the development dimension in the WTO. As we saw earlier, the main offer made to LDCs involved the granting of Duty-Free and Quota-Free (DFQF) market access for all their exports entering all OECD countries and a the major emerging economies. LDCs are also not expected to implement any tariff reductions agreed during the negations; they are only required to bind their tariffs at their applied levels. While LDCs have been recognised as a group in the WTO, the LDC package appears to have taken the process of differentiating LDCs from other developing countries a step further. This might explain why the small and vulnerable economies (SVEs) have become more active in the DDA and WTO generally. ACP countries comprise a large proportion of both the LDC and SVE group – a fact that has led some to question the wisdom of allowing the LDCs to build a distinct profile in the WTO.

 ***.....and the Perils***

If we start from the commitment by the EU to reinforce ACP regional integration in the context of the overall development objectives of the ACP, **we immediately run into the problem of how, in practical terms, the development objectives of the ACP and their regional integration process can be reinforced through a free trade area with the EU**. Does this mean ACP’s own regional integration efforts take precedence over EPAs or perhaps that there would be a pause in the ACP’s regional integration processes? How exactly will the EU support ACP regional integration processes, particularly if there is no certainty about the timing and magnitude of the funding to be provided?

Would the answers to these questions be different if ACP countries opted for a free trade agreement that breaks free of the traditional ACP/EU relationship? These are questions that have yet to be answered satisfactorily, nearly ten years after the launch of EPA negotiations. It is clear the EU saw EPAs in terms of building well integrated regional markets in ACP regions, providing economies of scale and attractive conditions for investment. On the other hand, ACP countries saw everything through a development lens – sustainable development, enhanced productive and trade capacities, structural transformation of ACP economies and provision of support for development and adjustment costs associated with implementation of EPAs.

**A second challenge relates to how compatibility of EPAs and the WTO would be achieved, in the absence of a settled definition of an FTA in the WTO.** Essentially EPAs are free trade agreements based on the principle of reciprocity and it is envisaged that barriers to substantially all trade would be progressively removed, in order to make the FTA compatible with WTO rules (Article XXIV). The interpretation of “substantially all trade” in Article XXIV has been a major source of disagreement. The EU has interpreted this to mean 90 per cent of trade between the two parties and the “reasonable period of time” as not exceeding 15 years. The EU also proposed “asymmetrical liberalisation”, which involves the immediate removal of 100 per cent of EU tariffs and the gradual removal of 80 per cent of ACP duties. Underlying the EU’s position on substantially all trade is the fear of setting a precedent for future FTAs with developing countries.

Three kinds of objection have been levelled at the notion of asymmetrical liberalisation by the ACP and these may be labelled legal, philosophical and practical. The legal objection relates to the fact that asymmetrical liberalisation is not legally founded in the WTO and does not address the need for special and differential treatment. In addition, the ACP preferred to reach an agreement in the DDA negotiations on reforms of Article XXIV that would include North-South FTAs.

The philosophical objection stems from the ACP’s concerns about the risks that tariff removal would pose for domestic producers and industries. A particular concern is that locally produced goods would not be able to compete with duty-free European goods, thereby undermining local industry. To describe this as a philosophical objection is to highlight the contrast with the view of free trade advocates, who recommend full reciprocity.

The practical objection relates to the fact many ACP countries rely heavily on tariff revenues so that their gradual removal can be expected to reduce budget revenues and affect the national social and economic programmes. The point about these objections is that they are ones that ACP countries have had to deploy in related negotiations in the DDA.

Third, there have also been **disagreements on the MFN clause proposed by the EU**. The MFN clause requires that any favourable treatment extended to a major trading economy (more than 1 per cent of global goods trade) will automatically be granted to every party to the EPA. This provision is clearly intended to protect EU commercial interests, in particular in the event that such favourable treatment is granted to competing third countries such as Brazil, China and India.

The ACP countries have raised a principled objection to this suggestion, pointing out that it would circumscribe their policy space and weaken their negotiating hand, as any potential trade partner will be able to point to the fact that the EU would be a beneficiary of whatever is agreed between the two parties. It would thus, set a negative precedent to the extent that other developed countries would demand the same treatment, further eroding the policy flexibility of ACP countries. Those who believe that there has been a constant attempt by developed countries to reduce the remaining policy space in developing countries will point to this as further evidence of the shrinking of policy space.

 A fourth area of contention concerns the use of export taxes by ACP countries. The EU has requested their elimination, which means existing export taxes would need to be removed and no new ones introduced. It proffers as justification, the fact that Article XXIV refers to the elimination of both export and import taxes. ACP objections to the EU proposal reflect three concerns. One is that such a provision will remove an essential policy tool, used mainly to protect domestic manufacturing industries by securing their access to raw materials and also to ensure food security. A second concern is that export taxes are an important source of revenue. Finally, this is yet another example of attempts by developed countries to reduce the remaining policy space in developing countries.

As noted earlier, with reference to the case brought to the WTO by the US, Canada and Mexico against Chinese export restrictions of rare earth minerals, concern is growing that natural resource scarcity will result in widespread resort to export taxes, especially if this area remains relatively under-regulated in the WTO. Once again, disagreements at the WTO are being played out in negotiations on free trade agreements.

Fifth, it is clear that the EPA negotiations may complicate the evolving relationship between African countries and emerging economies. As already noted, the EU’s insistence on an MFN provision in EPAs is really about removing the possibility of Brazil, China and India being offered treatment more favourable than that granted to the EU. The EU’s position on export taxes is partly influenced by a similar line of reasoning because export taxes can give a competitive advantage to the supplier of the product in question, and emerging economies happen to be major consumers and producers of scarce natural resources.

On the other hand, China’s global competitiveness is part of the reason why other developing countries, including some emerging economies, have been reluctant to embrace significant liberalisation of trade in industrial products. This fear of China may already be having an impact on regional integration efforts in parts of Africa. For example, some observers of the integration process in Southern and Eastern Africa are of the view that the current COMESA/EAC/SADC tripartite negotiations are partly driven by the fear of China, specifically that without securing their regional markets, the leading economies in the region (South Africa and Egypt) may find their exports displaced by more competitive exports from China.

Finally, this brings us back to the challenge of protecting policy space or flexibility. There is clearly no coherent approach to retaining policy flexibility on the part of most ACP countries. For not only is the EU pressing the ACP countries to accept provisions on issues that the ACP have kept out of the WTO agenda, it is also indirectly setting the broad parameters for future trade relations between the ACP and emerging economies.

The dangers of the lack of a coherent approach to trade negotiations are well illustrated by a recent European Commission proposal recommending to the European Council of Ministers, the withdrawal, by 1 January 2014, of DFQF to 18 ACP countries that have initialled but not yet signed or ratified an EPA, mainly because they are still in negotiations with the EU. By putting pressure on the governments of the countries affected to sign and ratify EPAs within the specified timeframe, the proposal further tilts the balance of power in what is already an asymmetrical process of negotiations towards the EU.

 The problem can be made more manageable for the ACP by clarifying the limits of their interaction with others from first principles. It is clear for example that without the necessary capabilities to engage with global markets, integration into the world economy, whether through EPA-type FTAs or multilateral trade liberalisation creates more challenges, uncertainties and risks than opportunities. That suggests priority attention should be focused on building capabilities and avoiding measures and policies that might hinder the development of such capabilities. It is also the case that ACP countries need to be coherent in their policies and approach to trade negotiations and the manner they engage negotiating partners.

Simplifying somewhat, the trade liberalisation narrative offered by protagonists of EPAs and trade liberalisation under the WTO falls short of what is required to adequately address these challenges. We therefore conclude that ACP countries need to focus more on building the capabilities they need to engage global markets and should view trade agreements as vehicles for reinforcing their capabilities. That means avoiding agreements that restrict their capacity to strengthen their capabilities.

Two other important conclusions can be inferred from this: first, the importance of determining the mode of insertion into the global economy; and second, building a framework for engaging with different external actors, of which emerging markets are the most important. Few people now think the EPA and DDA processes will create the kinds of opportunities that may enable these countries to positively engage with global markets. Instead, they may create new challenges, uncertainties and risks that may prove too costly to the majority of ACP countries and slow their integration into the global economy.

## 6.2 Thinking Long-Term

It is time the ACP started thinking long-term. The first step in moving forward is to gain an understanding of where one stands. The ACP countries, like other small developing countries, are on the margins of the global economy. That means the challenges, uncertainties and risks they face are greater than for those faced by countries in the ambit of the global economy. To coin a phrase, those on the “shores of globalisation” (Carr 2011) have intermittent links with the global economy and their experience of the links between development and globalisation is often negative. Yet those who urge developing countries to increase their integration into the global economy implicitly assume that there are benefits from such integration. On the contrary, such integration is likely to bring new challenges and uncertainties at a cost to individuals and society. Among the ingredients of an effective long-term approach are the following:

* *Constructing a platform for engaging global markets:*This is essential to move from the margins into the ambit of globalisation. Experience suggests that what is needed is a platform of basic capabilities that enables countries to engage positively with globalisation. The rapid growth of East Asian economies demonstrates this well. Experience also suggests that the construction of such a platform requires that there be a clear definition of the likely future shape of the economy. In terms of policies, ACP countries should be more willing to experiment and try heterodox policies, guided of course by the country’s particular circumstances. After all, the opportunities likely to come the way of a typical ACP country are likely to be very different from those open to developed countries. This is why the mode of insertion into the global economy matters.
* *Defining the role of trade agreements in development:*The role that WTO, FTA and bilateral trade agreements play needs to be seen in terms of whether such agreements reinforce the productive and trade capabilities of ACP countries. If the priority is on building productive and trade capacities, then the way to use the multilateral trading system is to focus on relaxing constraints on capital accumulation, technological learning and structural change. This, in our view is the way to think about a development dimension in the DDA. It is important to emphasise as some development economists have pointed out, that development is not something you do, rather than it is what happens in particular circumstances and places. Thus, thinking in terms of creating what might make things happen rather than what you can do may be more meaningful. Following the experience of the Uruguay Round, there is greater awareness that the expansion of the WTO’s policy space comes at a price, and at the general level, developing countries have had a measure of some success in resisting WTO agreements that impose costly “behind-the-border” rules.
* *Identifying issues of interest:*However, at the bilateral and FTA levels, and sometimes in regard to specific agreements, a key lesson from the Uruguay Round appears not to have been learnt, namely that large agendas burden the negotiations. Such large agendas only serve to enlarge the scope for developed countries to use their superior bargaining power to extract concessions from developing countries over a wide range of issue. In the short-term, developing countries must aim to keep the negotiating agenda manageable: they must also avoid signing agreements whose relevance in terms of contribution to trade flows and development generally is not proven. In the long-term however, the answer to this problem is to strengthen their capacity to analyse and negotiate over a large range of issues.
* *Identifying potential areas of incoherence:*Greater coherence is required with respect to domestic policies and approaches to international trade negotiations. The EPA negotiations have demonstrated well how bilateral and free trade agreements can be used to extend restrictions beyond those in the WTO. Some experts view these agreements as a means by which industrialised countries like the EU and US export their own regulatory approaches to developing countries. As indicated above, these restrictions often have been rejected at the general level of the WTO.
* *Developing a strategy for engaging emerging markets:*The question of how ACP countries perceive their relationship with emerging economies and the basis for engaging with them demands an urgent answer to prevent other countries setting the parameters for future relations between the ACP countries and emerging economies, as the EU has been attempting to do by proposing the inclusion of an MFN provision in EPAs. Even more important, ACP countries need to develop an analytical apparatus for handling relationships with different kinds of external actors, old (EU) and new (emerging economies). A strategy for engaging with emerging markets should have at its core, the insertion of ACP enterprises into emerging markets global value chains. This is probably one of the quickest and surest ways ACP enterprises can build their capabilities.
* *Defining a strategy for insertion into the global economy:*At the global level, ACP countries need a far more selective approach towards participation in the global economy, involving selective disengagement, when necessary. That requires ACP countries to manage the mode of their insertion into the global economy. Much of this has to do with the trade agreements they negotiate and what they give away in those negotiations. This may, for example mean that, instead of targeting wider markets in an effort to achieve economies of scale and scope, it may be better to focus on intraregional trade. The basic issue here has never been whether to participate in the global economy but how to do this to the benefit of the country.
* *Developing a differentiated view of developing countries, particularly emerging economies:*It is becoming increasingly clear that on some issues, different groups of developing countries have antagonistic interests. These variegated interests must be reflected in the negotiating positions of ACP countries. In the particular case of emerging economies, each one of them has distinct sets of interests and offers different opportunities. For example, China and India see Africa primarily as a source of raw materials. The opportunities they offer lie mainly in the possibilities for African countries to become part of global value chains they control.
* *Conceptualising and understanding the nature of the basic building blocks:*In a nutshell, ACP countries need to focus more on building their economies rather than on participation in international negotiations. That means prioritising the accumulation of capabilities across a range of areas, including skills, technologies and public institutions. One might argue that the long history of preferential trade relations, albeit with some important exceptions, between ACP countries and the EU illustrates the limitations of economic globalisation for countries without the requisite capabilities. For, too globalise is not to develop: globalisation or deep integration merely allows countries to better leverage the capabilities and skills they already possess.

# 7.0 THE WAY AHEAD: FROM DOHA TO THE FUTURE

Despite the development rhetoric that accompanied the launch of the DDA, the Round has been reduced to a traditional high stakes market access negotiating Round. The hope that the Round might restore balance, help developing countries regain some policy flexibility, following the expansion of WTO policy space as represented by the TRIPS accord, end harmful developed countries’ practices such agricultural subsidies and dumping, while restoring developing countries’ policy space to shape their own development now seems to have been misplaced. But some incremental progress has been made. Whether that progress is to be actualised, is at this stage unknown. It is also fair to say that a lot has been accomplished that cannot be measured in conventional ways during the ten years negotiations have been underway. One such accomplishment is the pragmatic manner in which developing countries, outside the group of large emerging economies, have approached and organised themselves in the negotiations. One can plausibly argue that the variety of developing country interests has received attention more than has been the case before.

In view of the impasse in the negotiations, the obvious question to ask is what next? Answering this question is a tricky business, not least because there are a variety of views regarding how to proceed in the face of what can only be described as a stalemate in the negotiations. Attempts in 2011, to carve out a package for LDCs failed to receive the support of some developed members of the WTO. This has prompted some people, including the former US Trade Representative, Susan Schwab, to call for abandonment of the negotiations. Others, most notably the High Level Experts Group on World Trade and the Doha Round, co-chaired by Bhagwati and Sutherland (former WTO DG), called for finalisation of a Doha Deal, which they think is not far from realisation, if the necessary political will is shown. Still others have called for a pause or a suspension of the Doha Round.

As far as we are aware, no GATT/WTO negotiating round has ever been completely abandoned in the past, so it is more likely that the negotiations will drag on until agreement is reached on some package. If this is what happens, a key strategic question for the ACP is to decide what to do in the period the negotiations remain stalemated. Assuming that the ACP would want to use that time to strengthen their position in the international trading system, we recommend that they focus their attention on three areas:

* Consolidation of gains from existing WTO Agreements
* New issues for the multilateral trading system
* Preparing for a changed World

## 7.1 Consolidation of Gains from existing WTO Agreements

One of the criticisms levelled at the WTO is that it exists in continuous negotiating mode. This of course can be explained by one of the original mandates of the GATT, namely the commitment to progressively reduce tariff and non-tariff barriers. The snag with this approach is that it does not allow space for consolidation of gains already made. There are several reasons why a period of consolidation might be in the interest of developing countries.

* In the past, when the focus of negotiations was reduction of tariff barriers, this may not have been such a concern, because consolidation of tariff schedules was pretty much all that was needed. But as negotiations extended to “behind-the-border” measures, the nature of the consolidation was different, protracted and entailed costly adjustments. That being the case, it may be worthwhile, for the organisation to devote more of its time and attention to the day to day work of its committees and following through commitments made in negotiations.
* In some agreements, following through commitments entails getting other organisations to play their part in fulfilling the objectives of WTO agreements. The challenges of trade liberalisation cannot be met by the WTO alone: it is therefore essential that WTO coordinates horizontally with other institutions (IMF, World Bank). Actually diplomats can take things only so far. With some issues, further progress is only possible in the context of enhanced horizontal coordination while others require strong vertical coordination – i.e. the WTO working closely with domestic institutions.
* This sort of consolidation might prove especially effective in agreements that entail a lot of domestic adjustment, such as TRIPS and those dealing with standards and technical barriers to trade. It might also be beneficial to the trade policy review mechanism and the aid for trade programme as well as contentious issues such as rules of origin and clarification of rules on regional trade agreements (Article XXIV).

## 7.2 New Issues

In earlier sections, we discussed a variety of new trade developments that are shaping international trade in fundamental ways. Some of those issues have already made their way onto the WTO agenda, for example the dispute settlement cases on Chinese export restrictions on rare earth metals. Others are likely to feature in WTO discussions in one way or another in the near future. There is a cluster of issues we recommend the ACP countries follow closely and seek to understand better.

* *Developments outside the WTO:*Despite the fact ACP countries are participants in key liberalisation developments outside of the WTO (EPAs) this is an area that they should follow closely. In their own EPA negotiations with the EU, they have first-hand experience of the pressure that can be exerted on weaker parties to adopt measures on contentious areas they opposed at the WTO. The key point is that most of the issues involved are in sensitive areas of social and public policy.
* *Climate change and regulatory constraints on trade:*Several industrialised countries are contemplating adopting climate mitigation policies; the EU already operates a Europe-wide emissions trading system. In the absence of an international climate agreement, most of these governments worry that such policies might place some of their carbon-intensive industries at a competitive disadvantage relative to competing enterprises in jurisdictions that do not have climate mitigation policies. The climate change legislation that has been proposed in many of these countries therefore contains trade measures such as border taxes, designed to equalise the price of carbon at the border. Beyond these measures, a number of developing countries’ exports are already subjected to a variety of environmental standards and labelling schemes justified on environmental grounds. The downside of these measures is that they often mask protectionist intent.
* *Food security:*ACP concerns about potential shortages of food (in light of growing population and rise of emerging powers) and key natural resources can be expected to spill over into trade disagreements as producers and exporters of food may be tempted to impose restrictions on exports. The food-energy nexus discussed earlier is another development to watch. Many countries, among them, the US, EU, India and Peru, have adopted policies designed to promote the production of crops for use in production of bio-fuels. These policies include subsidies and mandates that not only have the potential to exacerbate food shortages, but are also protectionist, to the extent that they keep out imports of lower priced bio-fuels.
* *Natural resource scarcity:* As discussed earlier, this has already triggered trade disputes. The challenge for developing countries that are major producers of these products is ensuring that some of these trade disputes do not result in outcomes that limit their ability to adopt policies that promote, for example further processing of commodities or their sustainable production. The problem of course is that, some of the export restrictions may be motivated more by considerations of obtaining a competitive advantage over others. For African countries that are major producers of natural resources, the current environment of strong demand and high prices for these commodities presents them with a unique opportunity to diversify production into new manufacturing activities. It has often been observed in the past that African efforts in the multilateral trading system are hampered by (a) the nature of the WTO’s political mechanism for gaining influence – the reciprocity principle; and (b) the extent of their willingness to use whatever bargaining power they have got. It does seem that under current circumstances, African countries possess the bargaining power and we would argue that it be directed towards ensuring that they diversify their economies. The fast growing economies have developed ways in which this can be done.
* *Policy space and industrial policies:* Throughout this paper, we have consistently highlighted the need for ACP countries to devote more attention to building their capabilities. It is the reason why they have to continue defending their policy space at the WTO and in bilateral and free trade agreements. It is also actually the most effective way there is to remove those supply constraints long identified as a key reason for their failure to take advantage of existing trade opportunities.
* *The spread of global value chain:* The scale and speed of value chain growth is another trend to watch. Developing countries should keep this in mind as they fight to retain policy flexibility because this is one area where such policy flexibility will be required, for example to encourage joint ventures with Chinese enterprises. As the network of manufacturers and suppliers that are a prominent feature of these value chains spreads, the nature of the value chains tends to change from being predominantly arms-length to being relational or even internalised networks. Trade issues, especially certification for environmental, quality, labour and safety standards might then come to the fore. An important aspect of the internationalisation of supply chains concerns the rules governing them. We noted earlier the gap between the Doha Round agenda and new issues shaping international trade such as internationalisation of supply chains, a mismatch that has in turn has created a gap between the existing WTO rules and new rules being created outside the WTO, mainly through regional trade agreements. Some see these regional and bilateral trade agreements as a threat to the multilateral system; others see it as furthering the objective of global trade liberalisation.

Should negotiations just drag on ACP countries can expect from time to time to come under pressure to embrace a variety of proposals aimed at advancing the negotiations. In such circumstances, ACP policymakers must carefully compare, in advance, the pros and cons of implementing any option proposed. A number of such options are already under consideration in some negotiating areas, for example, sectoral negotiations under NAMA.

## 7.3 Preparing for a Multi-Polar Trading System

The ACP countries should use the new issues identified above and the new actors to help their economies develop the capabilities they need to engage with global markets. There is a great deal that could be done. Priority areas include.

* Using the available policy space to enhance their trade and production capabilities. Some might see this as a return to the bad old days of industrial policy, but this remains the only way that developing countries can build the capabilities they require to compete in the global economy, provided a few lessons from previous episodes of industrialisation have been learnt. One is to avoid the creation of monopoly rents that stifle competition, which is one of the reasons why import substitution industrialisation failed in the 1970’s. That suggests the need for expansion of the market through development of strong intra-regional economic ties, making it easier for enterprises to achieve economies of scale and scope. The other lesson is from the experience of emerging economies (and even Japan) which shows that many of the efforts of government to promote industry failed. However, these efforts played an important role in training workers and managers and in creating demonstration effects. Some of the successful enterprise from emerging economies emerged through these state-led efforts – (e.g. aircraft industry in Brail, pharmaceuticals and auto parts in India).
* Recognising and then using the power their ownership and control of key natural resources they have to obtain the support they need to develop manufacturing capabilities. They might for example implement policies that encourage value chain migration (geographic relocation of portions of a company’s supply, distribution and value creation activity) from the emerging economies. This is probably the best opportunity African countries in particular have to build their production capabilities. Indeed value chain migration has become a crucial aspect of technological advancement.
* ACP countries should seize the opportunity created by changing attitudes to orthodox economic policies to explore the merits of a gradual and incremental approach to policymaking. A more pragmatic and open approach to policy making might create space for policies more suited to the particular circumstances of developing countries. Besides, given the uncertainties created by the fast changing global economic context, policy flexibility is desirable. Therefore governments should show a greater willingness not only to try different policies, but also to experiment with different institutional arrangements. The latter provides a strong justification for resisting the imposition or importation of regulatory approaches from industrialised countries.
* Identifying and clarifying what the key bottlenecks to trade (and more broadly development) are is crucial. This requires a strategic and sequential approach that tackles the most binding of those supply side constraints first. Developing countries should move away from general discussions about supply side constraints because different countries face different constraints.

These suggestions are in addition to the very vital task of closely monitoring dispute settlement cases and their outcomes. The heightened importance of this hardly needs emphasis given the lack of agreement on the Doha Round and the growing number of contentious issues building outside the WTO on which the WTO rule book is ambiguous or silent. A number of these issues are likely to end in dispute settlement cases. It is one avenue through which policy space might be lost.

# 8. CONCLUSIONS AND RECOMMENDATIONS

This paper has considered many issues in an attempt to address the extent to which the Doha Round encompasses a development dimension from an ACP perspective. This concluding section makes some observations regarding what it might take to enhance the development dimension in the WTO. In practice, the development dimension is about much more than special and differential treatment or flexibilities granted in individual WTO agreements. Ideally, the issue should be framed in the much broader context of a comprehensive development strategy. Reflecting this broader context, issues that ACP policymakers and negotiators should aim to address include the following:

* *Decide how they want to participate in the WTO*. Key considerations are how much weight should be given to the defence of policy space relative to further liberalisation and lock-in of liberalised trade regimes. The latter is important for transparency and predictability of the trade regime, which play some part in attracting investment.
* *Understand the importance of aligning the WTO focus on individual countries with the mainly regional focus of trade policy in ACP countries:*Without such an alignment, agreements reached at the WTO and those at the regional level may be incoherent. Also given the small size of markets in many ACP countries, businesses tend to view investment and other commercial opportunities through a regional rather than the national lens. That suggests that trade agreements take account of regional realities are likely to be more effectively implemented. More generally, there is a clear need to ensure coherence between interactions among development policies and procedures on the one hand, and trade policies and negotiations on the other.
* *Define an approach for developing commercial relations with the large and fast growing developing countries:*Deepening relations with these countries has implications for a range of policy areas, including policies for industry, environment, natural resources and even multilateral trade negotiations.
* *Notifications of RTAs should be brought to the forefront of WTO activities:* With more trade agreements being negotiated and entered into outside the WTO, current efforts to clarify and improve WTO rules and procedures on RTAs (Article XXIV) and provide some flexibility in regard to the treatment of developing countries should be extended to include more regular and rigorous notification requirements. That way, countries will be kept informed of key developments in the international trading system as a whole.
* *Think through how agreements reached might be effectively implemented:* More attention needs to be paid to the administration of new agreements as well as existing WTO agreements to ensure that they deliver the expected development benefits. The WTO is a rule-making institution, less adept at implementation than rule-making. So, there is a need for the relevant WTO bodies and committees to be equipped with the necessary mechanisms, processes and power to follow through and monitor the implementation of agreements, including their development provisions. They could for example, be asked to produce positive agendas for implementing agreements in their remit.
* *Identify opportunities for leveraging trade agreements to strengthen productive capacity:* Ultimately whether ACP countries benefit from open markets largely turns on whether the country has the productive and export capacity to exploit open markets and to face competition in the domestic markets. This is most easily done if a country’s negotiating strategy is anchored in a good development strategy.
* *Think laterally****:*** ACP countries need to think laterally, in particular, they need to reflect on how they can best achieve their objectives, either through existing groups such as the LDCs group or new ones like the SVEs. In short, they must not ignore the more heterogeneous nature of the developing country grouping both in the real world and in the WTO.

# APPENDIX

**Summary of Treatment of Development Issues in the Doha Round**

|  |  |  |  |
| --- | --- | --- | --- |
| Issue | Changes and risks in development context, 2001-2011 | Doha Round commitments (2008 draft) | Suggestions for strengthening development dimension |
| Agriculture | * Global food system in state of flux: past decade alone has reversed 100-year decline in resource prices & volatility at an all time high;
* Resources increasingly linked (feedback loops) – i.e. shortages and price changes in one can rapidly impact other resource markets – e.g. bushel-to—barrel link.
* Climate change – shifting patterns of resource use; the potential link with food security;
* One major risk – panic measures such as food export bans of 2008
* DCs arguably more concerned about food price hikes than trade-distorting subsidies
 | * Dev’d countries tariffs to be cut by minimum average of 54%
* DCs tariffs to be cut by maximum average of 36%
* SVEs target maximum tariff cut to be 24%
* Both dev’d and DCs can designate sensitive products, subject to smaller than formula cuts
* DCs allowed to designate special products, subject to smaller than formula cuts
* SSG for DCs
* Export subsidies to be eliminated
* EU trade-distorting subsidies to be reduced by 80%; USA trade-distorting subsidies to be reduced by 70%
 | * SSG essential not only because of volatile commodity and food markets, also important in view of liberalisation taking place in PTAs, which tends to exclude issues like agricultural subsidies and therefore mean increased competition for domestic producers from subsidised agricultural production
* Special products
* Export restrictions
* Improved disciplines on regulatory constraints imposed as part of climate policy, including private standards
* On cotton, push for immediate elimination of export subsidies; reduction of production support and its rapid phasing out; complete DFQF entry for cotton and cotton products
 |
| NAMA | * Rapid growth of emerging economies & impact on competitiveness of dev’d countries
* Spread of global value chains and production sharing (cross-border multi-staged production & trade in parts)
 |  | * Any new disciplines on export restrictions should be balanced and fair and take account of development objectives
* Rules & regulations on environmental, labour and quality standards along value chain should not be deployed as barriers to trade
* Ensure flexibility to allow promotion of development capabilities
 |
| Trade in services | * Offshore outsourcing of service activities, initially low value added services, now more knowledge-based services (e.g. engineering, design software medical etc)
* Technological change – high speed data and communication networks
 | * Offers made by July 2008 fell short of actual levels of access (more liberalisation has taken place outside GATS framework)
* Disagreements on domestic regulation remain
* No convergence on GATS rules (safeguards, government procurement & subsidies)
 | * Liberalisation of services through mode 4 (temporary movement of natural persons) can accelerate global outsourcing
* Limit instances of bilateral and regional trade agreements that contain WTO-plus obligations and WTO-minus rights, perhaps need mechanism for assessing implications of such agreements on GATS rights & obligations
* Clarity on emergency safeguard measures and use of subsidies required, the former as a safety valve in case of unforeseen developments, the latter to prevent trade-distortive subsidies
* Could there be a role for preferences? Members must back their support for waiver allowing preferential treatment to LDCs by adopting implementation of LDC modalities
 |
| LDCs | * Fast growing DCs changing dynamics of international competition – low cost industrialisation more difficult
* Preference erosion due to MFN liberalisation
* PTAs also contributing to preference erosion as well as going beyond tariff and market access issues into WTO-plus issues
 | * DFQF treatment extended to 97% tariff lines
* Improved rules of origin
* Modalities on services for LDCs
* Aid for trade and technical assistance prioritised
 | * Aim for 100 % DFQF, or at least ensure the 3% not covered does not exclude major export interests
* Simpler and transparent rules of origin that take account modern organisation of production and trade into global value chains
* Disciplines on standards (including private), including ensuring that cost of compliance not too onerous.
 |
| Trade facilitation | * Major technological advances, especially data management techniques
* Growth of e-governance
 | * Technical assistance in negotiations
* Technical assistance to be linked to implementation of agreement
 | * Need mechanisms for ensuring that link between capacity building and technical assistance is observed in implementation
* Institutional development, systems modernisation and human resource training are the key to effective TF systems but their development is long-term process; this needs to be reflected in funding mechanisms.
 |
| Environmental goods and services (EGS) | * Threat of climate change has increased interest and demand for environmentally-friendly goods and technologies
* Energy security and attenuating climate change have become important goals of policy in many countries
 | * Disagreements over scope of product coverage and definitional issues
 | * Ensure any new rules and regulations do not limit flexibility of DCs to experiment and develop technologies appropriate to their particular circumstances
* Essential that barriers to transfer of environmentally-friendly technologies are removed.
* Ensure that any technical standards pertaining to bio-fuels do not act as barriers to trade
 |
| FTAs/RTAs | * Changing dynamics of world trade with emergence of fast growing DCs and internationalisation of supply chains
* Greater differentiation among developing countries
 | * No progress on definition of substantially all trade and flexibilities for developing countries
 | * Limit WTO-plus obligations and WTO-minus rights as this may undermine core WTO principles, including non-discrimination
* Enhance South-South cooperation
* To protect policy space currently available under GATS framework, DCs need to be more pro-active, by for example making clear sectors they are prepared to open, and sectors in which they need to strengthen domestic regulation before liberalisation. Such clarity, if it includes making offers where they can, may actually protect DCs from pressure both at WTO & in FTAs
 |
| TRIPS |  | Divergence over: * extension of higher protection available to wines to other GI products; and
* Need for voluntary system of notifications
 | * Higher protection for GIs of interest to DCs
* Efficient system (in cost terms) of notifications
* On CBD authorised access and equitable burden sharing crucial
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# Annex III: List of Interviewees

**Geneva**

1. Dr Anthony Mothae Maruping; Ambassador and Permanent Representative of the Kingdom of Lesotho to the United Nations and the World Trade Organisation
2. H. E. S B C Servansing; Ambassador and Permanent Representative of Mauritius to the United Nations and World Trade Organisation
3. Mr Wamkele Mene, Counsellor (Economic Section) Permanent Mission of South Africa, Geneva
4. Mr Shishir Priyadarshi; Director ,Development Division, WTO
5. Ms Joy Kategekwa, Legal Affairs Officer, Development Division, WTO
6. Mr Junior Lodge; Technical Coordinator, CARICOM Office of Trade Negotiations

**London**

1. Ambassador Ransford Smith; Deputy Secretary-General, Commonwealth Secretariat and former Jamaican Ambassador to the United Nations and WTO
2. Mr Tom Pengelly; SAANA Consulting

**AU Commision, Addis Ababa**

1. Mr Batanai Chikwene
2. Mr Inye Briggs
3. Prof F Fajana

**COMESA Secretariat**

1. Mr Stephen Karangizi
2. Mr Mehlokazulu Ndiweni
3. Mr Tasara Muzorori
4. Ms Emily Mburu

**Ministry of Commerce, Trade and Industry, Zambia**

1. Ms Peggy Mlewa. Director of Trade
2. Ms Mwila Daka; Senior Economist

**SADC Secretariat**

1. Mr Jabulani Mthethwa
2. Mr Alfred Ndabeni
3. Mr Paul Kalenga

**Caricom Secretariat in Guyana**

1. David Hayes
2. RNM experts

**Pacific Island Forum Secretariat**

1. Kaliopate Tavola –Minister of Foreign Affairs (Fiji) and Lead Spokesman on the EPA
2. High Commissioner Moses Moses (Solomon Islands in Fiji)
3. Mr. Maivai from UNESCAP in Fiji.
4. Gainmore Zanamwe. Regional Advisor Hub and spokes - PIFS
1. The deadline for Doha: The Economist, January 27, 2011. [↑](#footnote-ref-1)
2. The focus, at the Gleneagles G8 Summit (2005) in Scotland, on aid to Africa and debt cancellation was just one manifestation of the build-up of pressure to address some of the pressing problems of developing countries. [↑](#footnote-ref-2)
3. Mattoo A, Ng F & A Subramanian (2011) The Elephant in the Room: China and the Doha Round, Policy Brief, Peterson Institute for International Economics. [↑](#footnote-ref-3)
4. Rodrik D (2007), One Economics Many Recipes. [↑](#footnote-ref-4)
5. Rodrik D (2007) *op cit* [↑](#footnote-ref-5)
6. For example, Ostry S (2000), “The Uruguay Round North-South Grand Bargain: Implications for Future Negotiations, in D.M. Kennedy & J.D Southwick (eds) The Political Economy of International Trade Law: Essays in Honour of Robert E Hudec. [↑](#footnote-ref-6)
7. J Michael Finger op cit [↑](#footnote-ref-7)
8. [↑](#footnote-ref-8)
9. Specifically, the draft modalities (2008) include a tiered formula with four bands and differentiated coefficients foe developed and developing countries [↑](#footnote-ref-9)
10. A country’s share of global merchandise trade should not exceed 0.16% and that of its NAMA and Agricultural trade should not exceed 0.1% and 0.4% respectively. On this basis, 45 countries qualify as SVEs in agriculture and NAMA negotiations. [↑](#footnote-ref-10)
11. Annex 1 of WTO document TN/AG/W/4/Rev.3, page 59. The same annex lists the following countries as qualifying to be small vulnerable economies: [↑](#footnote-ref-11)