Oxfam International

Finding a way forward in the Doha Development Round: key issues for LDC trade

LDC Ministerial Meeting, Dakar, 4-5 May 2004

World trade has the potential to act as a powerful motor to reduce poverty and enhance economic growth. However, global trade rules, which are rigged in favour of powerful commercial interests in rich countries, have contributed to the marginalisation of many least-developed countries (LDCs) from global markets.

Low-income countries, with over 40% of the world's population, account for less than 3% of world trade. While rich countries export goods and services worth around $6,000 per capita and developing countries around $330, the equivalent figure for low-income countries is less than $100.

Sub-Saharan Africa, with its large number of LDCs, has been losing its market share over the last three decades. During the 1990s, this region lost another quarter of its world market; it now accounts for merely 1.3% of world trade.

The failure of the Cancun Ministerial Conference was a missed opportunity for all WTO Members to move multilateral trade negotiations forward. The second revision of Ambassador Derbez's draft Cancun Ministerial text – the last text to come out of Cancun – failed to address the requirements of LDC Members as laid out in the 2003 Dhaka Declaration. Paragraph 26 of the Derbez text on LDCs echoes several of the concerns raised by these countries but the language betrays a lack of real commitment to deal with them decisively. In the non-committal language of 'best endeavour' the Derbez text states, "we shall continue to expeditiously pursue the objective of duty-free and quota-free market access for products originating from LDCs", and, "we urge Members to adopt and implement rules of origin so as to facilitate exports from LDCs". When it comes to the substance of the negotiating text in the annexes, these recommendations were not endorsed.

It is widely expected that the current phase of negotiations in Geneva may come to a head in July of this year with key decisions being made on the scope and content of agreements covering agriculture and industrial tariffs. The May 2004 LDC trade ministers meeting in Dakar is therefore the last opportunity for LDCs to refine and communicate their collective position on these vital issues. The period between May and July will be a crucial window of opportunity for shaping these decisions. Related subjects which LDC ministers will also need to address include; US cotton subsidies, the implications of the abolition of textile and clothing quotas at the end of 2004, and reform of the European sugar regime. Dakar is also the opportunity for LDCs to develop a common view on the outcomes they seek from the UNCTAD XI conference in June.

If the Doha Development Round is to live up to its name, the proposals LDCs set out in Dakar should be fully incorporated into the current negotiations. LDCs have a crucial role to play in ensuring rich countries keep their Doha promises and in standing up for the interests of their citizens who constitute some of the poorest people in the world. LDCs also have an interest in promoting multilateral trade negotiations rather than bilateral and regional agreements which could exclude LDCs or impose onerous concessions upon them.

Oxfam believes there are some key challenges to making this a development round in negotiations on Agriculture, Non-agricultural Market Access, the Singapore Issues and TRIPs. Both in and outside of the WTO, the international community also has a responsibility to resolve the global crisis in primary commodities. These challenges are outlined below.

Agriculture

The outcome of the agriculture negotiations is of crucial importance for LDCs. 73% of LDCs' workforce is employed in agriculture. Furthermore, agriculture represents close to 30 per cent of GDP of the LDCs and 34 per cent of their export revenues.

The Uruguay Round Agreement on Agriculture was strongly biased against the interests of LDCs for the following reasons:

- It legitimised the aggressive dumping practices of the developed world.
- In conjunction with the liberalisation measures pushed by the international financial institutions, it promoted further trade liberalisation in poor countries.
- It failed to resolve the commodity crisis.
- It failed to provide effective and secure market access for LDCs into developed economies.

As a result, LDCs have suffered from a growing dependence on food imports and limited export opportunities. This is why the ratio of food export to food imports in LDCs has fallen from 100% in 1970 to an all-time low of 20% in 1999.

However, the current negotiating text (the Derbez text) fails to satisfy the following key demands made by LDCs at the 2003 Dhaka ministerial, and reiterated in the "consolidated African Union, ACP and LDC position on agriculture" released on September 13th at Cancun:

- "Export subsidies that are provided by developed countries to products of export interest to LDCs shall be phased out on a fast-track basis.
- Immediate bound duty-free and quota-free market access conditions to exports of LDCs, which will cover all agricultural products in their primary, semi-processed and processed forms.
- Members shall immediately implement the Marrakesh decision on measures concerning possible negative effect of the reform programme on LDCs and NFIDCs, including through the establishment of a revolving fund to ease short-term financing problems linked to import of basic foodstuffs.
- With gradual erosion of preferences currently enjoyed by LDCs on account of lowering of tariffs, members shall establish compensatory and other appropriate

mechanisms to fully address the impact of erosion of preferences including measures that promote exports of LDCs."

In fact, in its current form, the proposed agreement on agriculture will allow dumping of agricultural produce to continue. There is no deadline set for the elimination of export subsidies and the draft modalities provide major loopholes when it comes to the reduction of export credits and the abuse of food aid. Moreover, the agreement leaves other forms of hidden export subsidies untouched and actually encourages a shift of subsidies from the amber and blue boxes to the green box, without adequately reducing the trade distorting effects of these subsidies.

Furthermore, the agreement limits the flexibility of developing countries to effectively protect their vulnerable agricultural sector against these practices. This is especially true for the developing countries that have high reduction commitments for tariffs, but also for LDCs.

Negotiations on agriculture were recently restarted in Geneva, Oxfam thinks that a new agreement on agriculture should at least contain the following elements:

- **Confirming an end date for all forms of export subsidies**. The proposed two-track system based on the very vague concept of products of interest to developing countries should be abandoned. It violates the spirit and the letter of the Doha mandate and leads to a meaningless and divisive debate about what crops should be on a list of products of interest to developing countries,

- **Reducing trade-distorting domestic support with:**
  - drastic reductions in AMS (amber box) with product-specific caps including very substantial reduction commitments on all commodities of particular interest to LDCs, including, among others, sugar,
  - opposing the proposed purple box which would replace the existing blue box (according to the September 13th Derbez text). This purple box includes no supply control commitments and would be a step back from the previous texts which envisioned a capping of the blue box,
  - tightening criteria of green box and exploring possibilities of capping to prevent the reclassification of trade distorting subsidies in this box,

- **A more balanced market access formula**, which ensures the reduction of tariff peaks and escalation still protecting many sectors in developed countries, and which truly provides for less-than-reciprocal market access commitments for developing countries,

- **Immediate, bound and effective quota and tariff-free market access** for LDCs to all developed countries' markets, including simplified rules of origin and phytosanitary standards,

- **The right for LDCs and developing countries to protect poor farmers against subsidized imports and import surges.** This entails:
  - No pressure or obligation for LDCs to make further market access commitments,

- Access to a simple countervailing measure, in order to be able to use additional duties on subsidised imports, until trade-distorting support is effectively eliminated,

- **Operationalising the special safeguard so it can be used by LDCs in need**.

- **In the context of EU sugar reform, call for a reform that would be development friendly for LDCs**. Such a reform would include an expanded quota for LDC market access at guaranteed prices. Oxfam thinks that LDCs market access should be extended to a level that exceeds their current export potential. The reform would imply maintaining the quota system in the EU and reducing European sugar production substantially.

Cotton

In the past year an unprecedented alliance of African countries has brought cotton to the world's attention, with their demands that rich countries reduce export subsidies and pay compensation. Cotton has since been made one of the four key issues to resolve in order to restart the stalled trade talks. A recent WTO seminar in Cotonou, Benin, attempted to separate the 'development' aspects of the cotton initiative from the trade aspects, but failed to reach any conclusion on a support fund for LDC cotton producers, as requested by the initiators of the cotton proposal. In any case, it is clear that without a resolution to the trade issues, development of the cotton sector in LDCs will be severely constrained.

In an attempt to delay reforms, the US and the EU want cotton subsidies to be discussed as part of a broader negotiation on agriculture. But Oxfam believes that African countries are right to continue to resist this move because the completion of agricultural talks is nowhere in sight. Oxfam believes that cotton should be maintained as a specific issue on the WTO agenda with a clear commitment to ending all trade-distorting subsidies. This would send a very positive signal, showing that the WTO has the capacity to take into account the needs of its poorest members.

Oxfam supports the LDC position in calling for:

- **Agreement at the WTO to eliminate all export subsidies as well as trade-distorting domestic support for cotton**, including some programs currently classified as green box, with a faster implementation period than for the rest of the agricultural package, and compensation for affected exporting countries for loss of revenue until such subsidies are entirely removed.

Primary Commodities

The collapse of agricultural world commodity prices is one of the biggest causes of poverty in LDCs. Over the past 20 years, international prices of tropical agricultural products have fallen by between 50 and 86 percent. Yet so far there has been little serious attempt to address the roots of the crisis. However, there are signs that commodity issues are finally making on to the multilateral agenda.

Further to the cotton initiative introduced by West African countries at the WTO, a broader initiative on commodities was also mentioned in the draft Cancun declaration. This initiative was tabled at the WTO by Kenya, Uganda and Tanzania in May 2003. Paragraph 26 of the declaration instructed Members to work on the issue of, "the dependence of many developing countries on a few commodities and the problems created by long-term declines and sharp fluctuations in the prices of these commodities".

Oxfam is calling for international support for the follow specific recommendations for action on the commodities crisis:

- **The formation of a WTO working group on primary commodities to discuss trade-related aspects of the commodity crisis**.

- **Research into the best mechanisms to correct the market failures which lie at the heart of the commodities crisis**. This should include a review of appropriate supply management measures, to be carried out by the WTO and specialist bodies such as UNCTAD and the Common Fund for Commodities.

- **Work with the IMF and UNCTAD to design a common system of compensatory finance for reverses in commodity export prices**. The system should be easy to use, quick-disbursing, based on automatic rules without policy conditions, and pass funds through to the actual producers.

- **Reform of the debt system for poor countries to ensure it provides greater relief when a country's commodity export prices fall.**

- **Creation of an International Diversification Fund to help countries to develop their way out of commodity-dependency**.

Non-Agricultural Market Access

Oxfam believes that there are three key issues for LDCs in the current negotiations on NAMA at the WTO; tariff reduction, the erosion of preferences and non-tariff barriers. Negotiations have recently restarted and are proceeding on the basis of the Derbez text. Whilst the Derbez text states that "We agree that least-developed country participants shall not be required to apply the formula nor participate in the sectoral approach", which reflects the LDCs negotiating position, it is as yet unclear if all developed countries will accept this proposal.

The existing NAMA text does little to address non-tariff barriers imposed by developed countries to the detriment of the textiles and clothing industry in developing countries. For example, reform of developed-country rules of origin requirements is essential, especially for those countries, including Bangladesh, who will suffer severely from the increased global competition that will accompany the lifting of quotas and who must be able to take full advantage of their existing tariff preferences. While the prevailing business model means that several countries will typically be involved in the production of a garment, rules of origin often require the majority of a good's value to be added in the country of export in order for preferences to be obtained. This is completely unrealistic given that value added in assembly — the stage most often conducted in Least Developed Countries (LDCs) — is usually 25-30 per cent of the total. By denying that exports are 'made' in their final country of processing, rules of origin withhold desperately needed trade preferences from the world's poorest countries. For example, Cambodia, as an LDC, is supposed to receive duty-free access for its products to the EU; because of restrictive rules of origin, only 36 per cent of its exports qualify.

Oxfam recommends that an agreement on NAMA should endorse the following:

- **The principle of 'less than full reciprocity'**; LDCs should not be required to undertake tariff reduction commitments,

- **All low-income developing countries should be provided with tariff-free and quota-free access to industrial country markets,**

In addition, Oxfam is calling for trade measures outside the NAMA framework to support LDC industries:

- **The US and the EU should simplify rules of origin for LDCs, especially for textiles and clothing**. This does not have to wait for the conclusion of the Doha Round. The EU is currently revising its GSP provisions and a number of EU member states have already said they would be in favour of such a reform. US preferences should be extended to include textiles and clothing

- **Urgent financial and technical assistance should be give to countries that will suffer as a consequence of sudden MFA quota phase-out**

- **A halt to protectionist abuse of non-tariff barriers**, such as anti-dumping measures. In the case of textiles and clothing, the risk of such abuse increases with the MFA phase-out.

Singapore Issues

Fundamental disagreement over whether or not the Singapore Issues – investment, competition, transparency in government procurement and trade facilitation - should remain on the WTO agenda contributed to the collapse of the Cancun Ministerial Meeting and the further stalling of the Doha Development Round. The majority of WTO Members continue to oppose negotiations on the Singapore Issues, stating that their inclusion would bring rules that they do not need nor can afford, and that add to an already overloaded negotiating agenda which is well behind schedule. Many developing countries believe that the new agreements could be damaging to their national developing strategies. Moreover, no country is now willing to declare itself a demandeur. Yet, in spite of this scenario, the Singapore Issues have not yet been decisively dropped.

Oxfam recommends that the LDC declaration should be very strong in calling for the complete removal of the Singapore Issues from the WTO agenda, including any plurilateral negotiations housed within the WTO. Removing them would also signal respect for the will of the majority of members, including LDCs, who have expressed their opposition to them.

TRIPS and health

The August 2003 agreement to lift TRIPS restrictions on compulsory licensing for export of medicines – mandated under paragraph 6 of the Doha Declaration on TRIPS and Public Health - was supposed to help countries without adequate drug production capacity to gain access to affordable generic medicines.

Oxfam and other NGOs had strong reservations about the August deal and fear that it will be unnecessarily difficult for developing-country governments and generic companies to use. NGOs had advocated for a simpler, automatic and fairer solution but given that the decision has now been made, governments should now implement the measure in good faith, in line with the Doha Declaration, and see if it delivers the desired results.

The August waiver is scheduled to become a permanent amendment by June 2004, one month after the Dakar meeting. If WTO members decide to proceed with the permanent amendment Oxfam encourages LDCs and other developing countries to:

- **Ensure that the text is not further weakened or restricted**,

- **Aim to simplify the deal if there are opportunities to do** so including the removal of unnecessary red tape and any ambiguities on disease scope or country coverage in line with the Doha Declaration. It should also be specifically clarified that the agreement does not preclude use of Article 30 exceptions to allow exports of medicines,

At the same time, Oxfam encourages LDCs to take the following steps in relation to patents:

- **LDCs should take advantage of the extended deadlines for LDCs agreed at Doha** which allows them to exclude pharmaceutical products from patenting under TRIPS until at least 2016, in order to gain access to affordable generic versions of new medicines

- **LDCs should resist US pressures for 'TRIPS plus' intellectual property rules in bilateral trade agreements, especially those which reduce access to affordable medicines.**

- In the light of the body of evidence, including that from the Commission on Intellectual Property Rights[i] and the UK Royal Society[ii], about the detrimental impact of global intellectual property rules on innovation, development and access to knowledge based goods, Oxfam urges LDCs to **call for much longer transition periods for LDCs and other developing countries to comply with TRIPS, based on their achievement of development milestones rather than arbitrary dates, and to press for a substantive review of the health and development impact of TRIPS** in conjunction with relevant UN bodies

UNCTAD XI

Given the current stalemate in the WTO trade negotiations, it is crucial that UNCTAD takes a lead in the debate on the relationship between trade and development and how trade rules can better reflect the interests of people living in poverty. In this context, UNCTAD XI will be a crucial meeting for LDCs where they can push for a meaningful declaration and help ensure an effective and relevant role for UNCTAD in the future. Oxfam recommends that LDCs participating in UNCTAD XI in Sao Paulo show support for:

- **UNCTAD's role as an independent provider of policy analysis and technical assistance to developing countries,**

- **Thorough discussions of the Doha Development Agenda in Sao Paulo, particularly the reform of agriculture**

- **The adoption of a concrete action plan for addressing the global commodities crisis.**

---

[i] The CIPR report found concluded that ''all the evidence we have examined suggests that (IP) hardly plays aany role at all (in stimulating R & D), except for those diseases where there is a large market in the development world. The heart of the problem is lack of market demand sufficient to induce the private sector to commit resources to R & D. (The) presence or absence of IP protection in developing countries is of at best secondary importance in generating incentives for research directed at diseases prevalent in developing countries''.

[ii] Keeping science open: the effects of intellectual property policy on the conduct of science http://www.royalsoc.ac.uk/files/statfiles/document-221.pdf

Published by Oxfam International May 2004
Published by Oxfam GB for Oxfam International under ISBN 978-1-84814-385-2