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PROGRESS REPORT ON THE WTO NEGOTIATIONS

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Introduction

1. It will be recalled that the 4th WTO Ministerial Conference, held in Doha, Qatar in November 2001, adopted a Declaration and Work programme in which the Member States committed themselves to a new round of WTO negotiations in which the interests and concerns of the developing countries would be at the centre. Difficulties and lack of progress on major issues, especially agriculture, led to the suspension of the negotiations in July 2006. Following intensive consultations and bargaining behind the scenes, the negotiations resumed in February 2007.

2. After the resumption of the negotiations, Members of the WTO have been working bilaterally, touching base with their capitals and checking the impact of possible compromises on numbers, on products of their major export interests and main import sensitivities in an attempt to complete the modalities in Agriculture and NAMA. There has also been renewed engagement and support at the highest political level. Work has restarted in the negotiating groups. A number of meetings and consultations are taking place. At the political level, there is continued declaration of commitment to the successful conclusion of the round. On their part, the US, EC, Brazil and India, that constitute the Group of Four (G4), have been holding a series of bilateral contacts at various levels to work out the possible compromises.

3. The African Group negotiators have on their part been intensifying its meetings and consultations with African Ministers, the AU Commission, and WTO members, members of private sector from Africa and in other parts of the world. They have spent efforts on ensuring technical assistance and capacity building programmes for negotiations with the assistance of various institutions such as WTO, UNCTAD, ITC, ECA, South Centre, ICTSD and other donors and partners. At the request of the AU Commission, the Chairperson of the African Union has, through contacts with the Heads of State and Government of the key players in the WTO process, been involved in the efforts to achieve breakthrough in the negotiations and put the interests and concerns of Africa at the centre of the negotiations.

4. The multilateral process of the negotiations has accompanied the negotiations at the bilateral and informal levels. Members have been urging that multilateralism in the negotiations be strongly adhered to and pursued. Some meetings have been held in the WTO and the Chairpersons of the various negotiation groups have been encouraged to play an active role in their respective committees. In all areas of the negotiations, the Chairs are working towards revised papers, which can become the basis for discussion towards an agreement. In agriculture the Chairman has already issued his papers. Preliminary discussions show that there are still wide divergences on key issues. Africa has made its comments and has agreed to revert as and when other members will show their cards.

5. During the suspension and the resumption of the negotiations, the Commission of the African Union continued to provide support to African negotiators. In collaboration with the ECA, technical workshops have been organised on issues such as that of Special Products. The Geneva Office of the Commission continues to backstop the African Group in the negotiations. In April the Office actively engaged with C4 and other

the African countries to prepare their participation in the high level meeting on Cotton held at the WTO. As a result of the interventions made by African Ministers of Trade at the meeting, the Cotton file has been brought into the front burner again in the WTO process.

6. The resumption of negotiations has however failed to produce the breakthrough despite repeated reaffirmations of commitment made by the major partners, to produce the results needed to bring the Doha Round to a successful conclusion by the end of this year. Progress has remained too slow. And with the US Trade Promotion Authority due to expire at the end of June 2007, WTO Members are getting impatient about the slow progress of the negotiations. The G4, other developed countries, and the emerging powers need to display the political will and make the concessions that are necessary for the successful completion of the negotiations.

Current Status of Negotiations on Major Issues

7. A brief report on the status of the negotiations on the main issues is provided below with emphasis on the developmental expectations under the DDA. Three issues remain at the forefront of the negotiations: agricultural subsidies; agricultural tariffs and industrial tariffs.

8. Work is also on going on trade in services to prepare the improved offers that each country should table in order to be ready for negotiations on the specifics of further market opening. Furthermore, there is work in the areas of Antidumping, Subsidies — including Fisheries subsidies, Trade Facilitation as well as Trade and Environment. In all of these areas there are important developmental aspects that need to be fully taken into account.

9. **Agricultural Subsidies:** In Agriculture the OTDS (overall trade-distorting domestic support) its quantum and the product-specific elements and disciplines in trade distorting support are being discussed and this is where the major divergences are seen.

10. Subsidies in developed countries must be reduced. But this is where the US is still not showing any compromise beyond its conservative offer while it is calling for ambitious results on other issues. The US has to come with an offer for deeper cuts in its agricultural subsidies beyond what it has put on the table so far. Other countries are prepared to follow suit once the US makes the right move.

11. **Export Subsidies:** Export subsidies: agreement already exists since Hong Kong for elimination of the most damaging type of subsidies by 2013, with a substantial part of them gone by 2010. But all is now pending the conclusion of the negotiations. There are also some important remaining issues, like export credits and the rules on State-Trading Enterprises.

12. **Agricultural Market Access:** EU, Japan, Korea and other G10 members have to agree on greater cuts in tariffs and enhanced access to their internal markets, beyond what they have offered so far.

13. India and the G33 could not arrive at a decision at the Jakarta meeting on their offers and on the SPs. The majors expect them to make a greater contribution in terms of market access. This issue is also responsible for the absence of a breakthrough. Besides, some developing countries (Thailand, Pakistan, Chile and Costa Rica) have complicated the situation by openly reproaching the G33 and India as being overprotective on the issue of SPs and the SSM. The Chairman's paper shows that there is wide divergence and developed countries are not in favour of having more than 8 products to be declared as SPs.

14. Regarding the Chair's Paper on Agriculture, members had the opportunity to react to it at informal meetings. As there are differences among members, the Chairman is proposing to start an intensive series of consultations aimed at moving towards a revised agriculture modalities text.

Cotton

15. The African Group supports the position in the Chairman's Paper that cotton issues should be addressed more ambitiously, as stated in the mandate, which means there should be more than modest cuts on various categories of support affecting cotton. But it also observes that the level of ambition in domestic support as reflected by the Chairman has been moved downwards. The African Group reiterated that the proposal submitted by the Cotton 4 countries should be the basis for the treatment of the trade and development aspects of cotton. The African Group remains committed to achieving ambitious reform in cotton at the multilateral level.

Food Aid

16. The Africa Group has made significant contribution to the discussion on the various aspects of this issue. With regard to emergency food aid (Safe Box), the Group reacted to the Chair's paper and highlighted (i) that the needs assessment should be *ex-post*, hence immediate release of food-aid ; (ii) that the needs assessment should re-affirm that there was an emergency rather than determine whether the emergency exists;(iii) that clarification was needed as to what situation would exist where the Secretary General of the United Nations (as opposed to the recipient country), would declare an emergency;(iv) that there should be more clarity on the role of NGOs and on the question of when (or at what stage?) the NGOs should come in (v); that there should be the inclusion of the *ex-post* element so that the aid is immediate and should not get bogged down by the process (Notification to the WTO should also be *ex-post* so as to avoid delay although the relevance of notification to WTO is recognised due to the risk of displacement of trade); (vi) that what constitutes an 'emergency situation' should be clearly defined (WFP definition as a reference, though exhaustive, raises the question as to whether they will then have to get observer status in the WTO. Getting observer status is a big political problem in WTO as evident by the AU experience); (vii) that both 'in-kind' and 'in-cash' food aid, should apply (flexibility on this is of utmost importance); and; (viii) that food aid should be in fully grant form.

17. Concerning Non-emergency food aid (Outside the Safe Box), Africa, being a continent that contains many recipient and affected countries, recognises the beneficial nature of this type of food aid. However, the harm it does to Africa's domestic markets and local production cannot be ignored. Therefore, food aid given should be

accompanied by severe disciplines to avoid trade displacement, but with a view to having progressive elimination of this type of aid, over a time period, and phase in fully cash based aid.

18. On the issue of monetisation, Africa would wish to see disciplines so that this is operative only under exceptional circumstances to fund activities that are directly related to the delivery of food aid to recipients and for facilitating procurement of agricultural inputs, where necessary, by the final recipients. Commercial re-exportation of food-aid is prohibited. Africa would like to see these in the modalities.

19. **NFIDCs:** Regarding the Decision on Measures Concerning the possible Negative Effects of the reform Programme on LDCs and NFIDCs: Africa urges that full consideration should be given in the context of their aid programmes to requests for the provision of technical and financial assistance to LDCs and NFIDCs to improve their agricultural productivity and infrastructure.

20. **Industrial tariffs (NAMA):** The large developing countries, amongst which some of the members of the G20, like Brazil, India and Argentina, are expected to agree on cuts in their import tariffs according to the Swiss-formula. This formula cuts more on the high tariffs and less in the lower ones. Problems, however, remain unresolved on the issue of flexibilities that are mandated under the Doha mandate. The reduction formula in this Round should address the tariff peaks, high tariffs and tariff escalation remaining in developed countries. Appropriate flexibilities and the principle of less than full reciprocity must be observed as required under the Doha mandate.

21. The Chairman is continuing his process of consultations since there is no agreement. He has not been able to issue his text as promised.

22. **Services:** This is an area of growing importance for several large developing countries including African countries. Gains are possible in several sectors. Of specific interest to Africa is the Mode 4 issue.

23. **Other areas:** But there is more to the round than just Agriculture and NAMA. Concluding the Round means concluding it in line with the full Doha mandate, the July 2004 Decision and the Hong Kong Declaration. Progress is equally needed in all of the other topics including services, trade facilitation, Preferences, Commodities, rules including fisheries subsidies, TRIPS and environment. In these areas of negotiation, the Chairs will develop texts in due course. Africa will need to monitor the situation closely.

24. **LDCs:** For these countries, there is already agreement to provide duty-free and quota-free access to 97% of all LDC products on a lasting basis, with a view to eventually extending this treatment to 100% of their products. Recently steps have been undertaken by Japan, Brazil, India, Korea and the US to define product coverage.

25. **Rules:** In Rules negotiations, there have been discussions on Safeguards, Anti-dumping, subsidies and fishery subsidies in the first semester of 2007. The Negotiating Group is continuing to consult delegations to develop a basis to present a consolidated text in due course as mandated in the Hong Kong Declaration. Before it goes to the final stage of negotiations Africa will have to dedicate some time on these issues as trade

remedy measures will be of utmost importance to African countries, especially in the context of a higher liberalisation which would result from the negotiations.

Regional Trade Agreements

26. Agreement was reached on a mechanism for transparency of these agreements, which is already a concrete result of the negotiations. More important is to tackle the substantive issues on clarifying the rules in GATT Article XXIV on "substantially all the trade". This part of the work is of utmost importance to Africa. Work has not really started on these issues.

Access to Medicines

27. As it may be recalled, Ministers took note, at the Hong Kong WTO Conference, of the decision to have new provisions in the TRIPS Agreement on access to medicines through the issue of compulsory licenses by poor countries that do not have any manufacturing facilities. A tailor-made provision was secured for Africa in respect of definition of territoriality and the double payment of royalties. This was supposed to make an important difference in saving people's life or in ensuring that more people can afford minimum medical treatment for HIV/AIDS, Tuberculosis and Malaria.

28. The WTO amendment Decision is now open for acceptance by members. The deadline fixed in accordance with the December 2005 Decision for the acceptance is 1 December 2007 or such later date as may be decided by the Ministerial Conference.

29. A decision for the update of the ratification process was made at the TRIPS Council meeting in February 2007. The WTO Secretariat subsequently met with the African Group on Tuesday 29 May 2007 and informed that only seven WTO members have notified the acceptance of the Protocol, namely, United States (17.12.2005), Switzerland (13.9.2006), El Salvador (19.9.2006), Republic of Korea (24.1.2007), Norway (5.2.2007), India (26.3.2007) and Philippines (30.3.2007).

30. As a prime *demandeur* of these flexibilities there is concern about the African non-response to the acceptance process, which is reported as being largely due to capacity-building problems in the African countries to cope with the ratification requirements. Although this is in essence a national responsibility something has to be done about it. Africa will need to show the way so that other members also sign the acceptance to make these amendments effective in accordance with the WTO Agreement.

Aid for Trade

31. To date, the Aid for Trade Initiative adopted at Hong Kong Ministerial Conference remains one of the major positive outcomes of the Doha Round of WTO negotiations. Negotiations on the issue of aid for trade have continued, especially on its operationalisation. As mandated, the WTO Director General has reported that he has been continuing his consultations with regional development banks, development agencies, and bilateral and multilateral donors. The WTO is supposed to provide the platform for monitoring and regularly reviewing whether Aid for Trade is being adequately funded to deliver the expected results.

32. During meetings with the African Group, the DG reported that arrangements were being made by WTO to undertake this monitoring and evaluation, which will be done at three levels. Thus, at global level, a review of Aid for Trade flows will be done. Evaluations of national, regional and multilateral donors will also be made.

33. The first periodic review with the OECD-DAC took place in the Committee on Trade and Development on Aid on 2 April 2007. There is support among Members for the three-tiered approach to monitoring and for regional reviews in particular. As this gives members the opportunity to identify Aid for Trade priorities and learn about mechanisms to access available funding.

34. On 27 April, a meeting with representatives of international financial institutions and regional development banks took place. The main objective of this meeting was to examine how to improve developing countries' access to secure and affordable sources of trade finance.

35. Preparations for the three regional Aid for Trade reviews are under way. The first review is scheduled to take place in Lima, Peru on 5-7 September for the Latin America/Caribbean region, the second review will take place in Manila, Philippines on 19-20 September for the Asian region and the third for Africa is scheduled to be on 27-28 September in Tanzania. In all these three regional reviews, the respective regional development banks (ADB for Africa) are taking the lead in coordinating the preparations.

36. After these regional meetings the WTO is planning a major meeting in November 2007 to tie-up some of the loose ends on this important issue of Aid for Trade.

37. To prepare African countries adequately for the WTO regional and global meetings on Aid for Trade and to disseminate the common African position on Aid for Trade as directed by the Policy Organs of the AU, the AU Commission is in the process of organising, in collaboration with a few technical partners, some regional Aid for Trade Workshops.

Integrated Framework (IF)

38. Progress is reported to be satisfactory in the Enhanced Integrated Framework for LDCs. The IF governing bodies adopted the recommendations of the Transition Team which had been established to operationalise the recommendations for an Enhanced IF.

Accession

39. On accession to the WTO it may be noted that the African countries that are engaged in the process are having a number of consultations and preparatory work undertaken with the technical assistance of the WTO Secretariat.

Conclusion

40. Successful completion of the WTO negotiations, with the development dimensions at the centre, remains critical to meeting the challenge of development poverty, eradication and the achievement of MDGs in Africa. A failure of the negotiations will leave the inequities in the multilateral trading system un-addressed and will penalise

the trade of those who are expecting developmental gains from this round, in particular African countries and the LDCs.

41. The Doha Development Round will not be concluded successfully until and unless WTO Members walk the extra mile and table additional contributions to the collective success of the negotiations. The main problem in the negotiations to day is not technical, but political. A breakthrough needs strong political commitment and drive from the major the G4, other developed countries and the emerging countries. The US-EU leadership is particularly indispensable.

Recommendations

42. The Chairman of the African Union/Chairperson of the AU Commission should continue to engage the political leadership of the G4 and other major players in the WTO process at highest level to make the concessions needed to bring the Doha Round to a successful conclusion.

43. The AUC and its technical partners should enhance and strengthen their capacity building support to the African negotiators in the WTO.

44. African countries and regions should adopt appropriate measures to take full advantage of the major positive outcomes so far achieved in the Doha Round: the flexibilities in the TRIPS Agreement on access to medicine and the Aid for Trade initiative.

- African countries, as the main beneficiaries of the flexibilities in the TRIPS Agreement will need to show the way in signing the acceptance of the Protocol that will make these amendments effective in accordance with the WTO Agreement.
- African countries and regions should also establish appropriate mechanisms and structures for operationalising and deriving benefits from the Aid for Trade initiative.

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Progress report on the WTO negotiations

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