



Ninth WTO Ministerial Conference: The Stakes for Africa

Collin Zhuawu¹

RECOMMENDATIONS

- Africa must use MC9 and subsequent opportunities to highlight its ability to accommodate partnerships with developed and emerging economies.
- Two specific issues in which Africa should exercise this ability are trade facilitation and an LDC package.
- Africa must use its strategic power as a bloc to play a mediating role and block decisions harmful to its interests.
- It is essential that the Africa Group maintain its unity in the face of any external threats or promises from developed and emerging powers.

EXECUTIVE SUMMARY

The creation of Free Trade Areas (FTAs) and the rapid growth of large emerging economies such as those of Brazil, India and China have changed the global market and shifted the basis of negotiations for concluding the Doha Development Round. There is uncertainty over whether the negotiating stance of the emerging economies will advance African interests. A strong African presence in World Trade Organization (WTO) negotiations remains critical if Africa is not to be marginalised. A key African strategy should be to seek partnership with developed and emerging economies; Africa must accommodate partnerships with both groups and co-operate with them on the basis of common interests, such as trade facilitation and a least developed country (LDC) package, to influence the outcome of the WTO ministerial conference to its advantage.

INTRODUCTION

The global political economy has recently undergone profound changes. Most notable has been a mushrooming of FTAs and a rapid growth of some emerging economies, especially those of Brazil, Russia, India and China (BRIC), which have changed the WTO negotiating terrain. These developments have transformed global markets and international trade flows, and with them the negotiating ground for concluding the WTO Doha Development Round (DDR). Africa has largely been side lined from DDR negotiations between developed and emerging economies, instead sheltering behind the leadership of emerging powers, particularly India and China. A stronger African presence in WTO negotiations remains critical, however, particularly now that Africa is better placed to accommodate partnerships with both developed and emerging economies.

This paper suggests a possible strategy for exerting an African presence at the WTO Ninth Ministerial Conference (MC9) to be held in Bali, and for Africa

to act together to avoid being elbowed out of the process while pushing for genuine 'developmental' progress. The paper starts by briefly analysing recent changes in the global political economy and their effect on WTO negotiations. It then discusses a possible strategy and applies it to two issues of importance to Africa in the DDR, namely trade facilitation and an LDC package. It concludes with some recommendations.

GLOBAL TRANSFORMATION AND THE WTO NEGOTIATIONS

DDR negotiations have lasted for 12 years without any realistic prospects of a successful conclusion, while the global political economy has undergone major changes, affecting not only the WTO negotiating arena but international trade in general. Three of the changes have had a major impact on international trade and multilateral negotiations and on the interests of African countries.

First, the rise of emerging powers has shifted the balance of market power and changed the WTO negotiating terrain. Emerging powers are now in a position to shape outcomes; with this has come the question of leadership. The DDR does not seem to have any one leader to guide negotiations, unlike the earlier Uruguay Round in which the US assumed leadership. This situation has contributed to the current WTO impasse; developed and emerging powers have been reluctant to make the concessions necessary for negotiations to move forward.

Second, an increasing volume of trade now takes place outside the WTO, for example through FTAs and global value chains (GVC). Intra-African relations within the WTO are affected by existing trade arrangements with various parties, notably through EU Economic Partnership Agreements and the US Growth and Opportunity Act (AGOA), through which the EU and US compete in their dealings with Africa.² At the same time those two blocs are trying to step up their relations with Africa in the face of global competition from emerging economies. On the other hand, increasing breadth and depth in GVCs have brought a change in the composition and flow of trade, with rising volumes of exports in intermediate goods. Accordingly, there have been fears of the WTO becoming irrelevant in

terms of trade liberalisation.

Third, Africa has experienced significant economic growth, particularly in the past decade, due mainly to increased exports to emerging economies. This has transformed the continent's established trade and investment relations. Of late, however, growth in emerging economies has slowed, in turn limiting growth in African countries.³ It is therefore in Africa's interest to press for the conclusion of the DDR, and for delivery on development issues, if it is to reap the benefits of further multilateral trade liberalisation and ensure continued growth. This process can be advanced if African countries take centre stage in negotiations at the MC9.

A DIFFERENT APPROACH TO NEGOTIATIONS

All these changes bring with them increased uncertainty about whether the emerging powers can influence global trade governance sufficiently to meet African countries' interests; especially when those powers have divergent interests, including the search for new markets and the control of some raw materials resources in Africa. Furthermore, emerging powers are trying to resuscitate their export-driven economies, which might mean a completely new negotiating approach to the WTO by BRIC countries. They have two main negotiating options. First is the possibility of emerging countries working together with larger, established powers. This may become a reality because they fall ideologically and materially within the hegemonic paradigm on which the multilateral trading system is based, although 'limited in their capacity to act', with its consequent enforced acquiescence with the US position.⁴ Second, and most probable, is that the major emerging powers use their new standing to reach key decision-making positions within the WTO hierarchy and thereby further their own interests. Already some emerging nations have found themselves invited to participate in informal meetings, such as 'mini-ministerial' forums, by virtue of being granted 'regional leader' status. Such participation signifies tacit acceptance by emerging economies of their unequal status in the WTO, a situation they can use to their advantage.

Uncertainty over whether the emerging powers will advance Africa's interests makes a compelling reason

for Africa to seek a different approach to negotiations: one that brings the development dimension back to the centre of the Doha Development Agenda in order to generate continued trade-led growth in Africa. This might mean that Africa co-operates with both developed countries and emerging economies not solely on the basis of previous – or future – power relations, but on present common interests. Such an approach would give Africa the leverage to broker beneficial deals and choose with which powers to align itself on issues pertinent to Africa. This would mark a change from the earlier approach when Africa relied on leadership from emerging economies; this did not always bring the desired results, as in some instances emerging powers' interests took precedence over those of the group. Two examples demonstrate the 'common interest' approach.

TRADE FACILITATION

An agreement on trade facilitation at the MC9 is seen as key to reviving WTO trade talks. African countries, however, are wary of signing up to new legal instruments that would be difficult for them to implement, and are therefore seeking more flexibility, and financial and technical assistance for the capacity building necessary for implementing the proposed agreement. An agreement on trade facilitation is worthwhile because the MC9 Draft Consolidated Negotiating Text⁵ includes a number of trade-related issues that will benefit African countries' global and regional trade.⁶ Evidence at the regional level shows that trade facilitation has increased traffic through trade corridors in Africa with a direct positive effect on development.⁷ The Draft Negotiating Text includes several provisions that might improve trade within Africa and includes proposals for technical assistance that could help develop implementation capacity. Africa could demand the establishment of a trade facilitation implementation fund within the 'Aid for Trade' framework, specifically for developing implementation capacity. Emerging powers might contribute to such a fund, given that the draft text encourages developing countries to provide capacity building to other developing countries. The trade facilitation implementation fund should be accompanied by a clearly defined action plan to meet Africa's priorities.

LDC PACKAGE

In recognising the importance of market access for their products, LDCs submitted a proposal that duty-free, quota-free market access (DFQF), along with other issues of interest to LDCs, be part of the deliverables in Bali. The US, however, is of the view that DFQF should be part of a final Doha Round package, while some African LDCs are concerned that any expansion of included product, particularly to textiles, could lead to 'preference erosion'. Given the complexity of the negotiations it is important that African LDCs take into account developments in preferential trade arrangements between Africa and its developed partners. A DFQF package could be designed to include the widest range of products; for instance an increase in the number of products covered by AGOA has been found to deliver major benefits for African countries, including higher diversification of African exports.⁸ At the same time, unless complete DFQF market access is granted, expanding product eligibility has only a small effect on exports of AGOA-eligible goods, because the US is trying to exclude its most sensitive sectors (eg sugar, cotton and clothing) from which Africa would have most to gain.⁹ In terms of preference erosion, however, some studies found no evidence of net losses to Africa after the US extension of DFQF market access to Asian LDCs;¹⁰ rather, LDCs in general realise significant benefits from market access if all products are covered.

Negotiations should take into account, however, issues attending restrictive or inflexible rules of origin that hamper LDC trade under existing DFQF arrangements. It is in the interests of African LDCs at least to consider the benefits of expanding product eligibility under US DFQF terms. Countries that might suffer loss from this could be compensated by improved special and differential treatment and continued Aid for Trade grants to meet adjustment costs.¹¹

African LDCs should also target new markets in emerging economies, potential gains from which could be made much higher should emerging markets expand DFQF market access to 100%.¹² Already countries such as India grant duty-free preferences to LDCs, with less cumbersome rules of origin. Evidence suggests, however, that these measures have not been very successful in promoting value-added

exports from LDCs.¹³ African LDCs and the emerging economies can co-operate within the WTO negotiating framework to improve the effectiveness of those preferences; for example Brazil and India already have technical co-operation programmes with a number of African countries, which constitute a key 'component of the development dimension of the rules-based multilateral trading system embodied by the WTO'.¹⁴ Moreover DFQF is not an open-ended arrangement; the issue of graduating beyond LDC status is always on the horizon. AGOA has already seen controversy regarding the 'promotion' of some beneficiaries to middle-income country status. It is therefore important for African LDCs to look beyond DFQF schemes.

CONCLUSION

The ability of Africa's growing economies to accommodate partnerships with developed and emerging nations offers an opportunity for Africa to co-operate with both those groups on the basis of common interests, in order to influence the MC9 to Africa's advantage. The Africa Group is the largest single strategic grouping within the WTO and has enough votes to block decisions and table issues; it is able to mediate between developed and emerging countries and can play them off against one another. Using the Group's strategic importance in the WTO to its own advantage will also require skilled intra-Group negotiations to maintain unity in the face of external, divisive threats and promises. MC9 outcomes beneficial to Africa also depend on the kind of trade relationships Africa seeks in a global political economy undergoing profound change. Such relationships have to be structured so that they contribute to sustainable growth, and African countries must not find themselves victims of changing political and economic fortunes, or individual country interests. Africa has to be a game changer, not an observer.

ENDNOTES

- 1 Dr Collin Zhuawu is with the International Trade and Regional Cooperation Section in the Economic Division of the Commonwealth Secretariat.
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- 5 WTO, *Draft Consolidated Negotiating Text*, Revision TN/TF/W/165/Rev.17.
- 6 *Ibid.*
- 7 Rubiato JM & J Hoffmann, 'Promoting African intra-regional trade through trade facilitation negotiations', *Bridges Africa*, 2, 3, pp. 4–6.
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- 9 *Ibid.*
- 10 See, for example, Bouet A *et al.*, 'The Cost and Benefits of Duty-Free, Quota-Free Market Access for poor countries: Who and What matters?', IFPRI (International Food Policy Research Institute) Discussion Paper 00990, IFPRI, 2010. Hufbauer G *et al.*, 'Payoff from the World Trade Agenda 2013', Peterson Institute for International Economics/International Chamber of Commerce, 2013.
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- 12 *Ibid.*; and Hufbauer *et al.*, *op. cit.*
- 13 Ancharaz V & S Laird *op cit.*
- 14 WTO, *Implementation of the Development Assistance Aspects of the Cotton-related Decisions in the 2004 July Package and Paragraph 12 of the Hong Kong Ministerial Declaration, ITEM 2C – Coherence Between Trade and Development Aspects of Cotton, Report of the 19th Round of the Director-General's Consultative Framework Mechanism on Cotton*, TN/AG/SCC/W/19.

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