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On the Right Path to Development

African Countries Pave the Way

By Carin Smaller and Sophia Murphy

The June 7 proposal by the African Group (an alliance of 41 African countries) to the WTO on managing trade in agricultural commodities is a refreshing way forward for addressing poverty and improving living standards in rural areas in the context of the Doha Agenda. The proposal emphasizes the need to ensure stable, equitable and remunerative prices for commodity producers and to deal with structural oversupplies in commodity markets. The proposal lays down a challenge to WTO members: are they serious about doing something for development with the Doha Agenda or not? With some WTO member Trade Ministers expected in Geneva on June 28 for a so-called "Mini-Ministerial" in an attempt to finalize the negotiations, time is running out for the membership to take a stand. This is a last-ditch attempt to ensure the Doha Agenda includes the issues that enticed African countries in particular to the negotiating table back in 2001, when the Doha Agenda was first agreed.

Since the Doha Ministerial Conference in November 2001, a group of African countries including Côte d'Ivoire, Kenya, Rwanda, Tanzania, Uganda and Zimbabwe, has called for WTO Members to address the rural crisis in developing countries that arises from the decline in prices of commodities. This group of African countries has emphasized the negative effects of the "colossal power asymmetry" in commodity markets, which allows a small number of multinational companies to gain an ever-increasing share of the profits from commodities trade, leaving producers in developing countries unable to get a fair price for what they produce. To date, the majority of WTO members have not given serious consideration to these concerns although the declining price of agricultural commodities remains a serious obstacle to reducing poverty levels and to securing benefits from expanding global trade for many developing countries.

On June 7, the African Group took a stand on these vital issues. The proposal by the African Group identifies four areas for inclusion in the Doha negotiations:

(1) The elimination of tariff escalation where it discourages development. Tariff escalation describes a tariff structure in which tariffs increase as products are transformed from their raw state into a processed good. For example, tariffs on raw cotton are typically lower than tariffs on clothing. Tariff escalation allows developed countries to import raw materials at low cost from developing countries for their own industries but protects developed country industry from value-added imports, which discourages industrial development in developing countries.

(2) The adoption of international systems to manage the supply of commodities so as to stabilize prices. For commodities like coffee or cocoa, world prices are severely distorted by the structural oversupply of the commodities on international markets. Oversupply has depressed prices with devastating effects for small-scale coffee and cocoa producers.

(3) To allow the use of export taxes and export restrictions to stabilize commod-

ity prices. Major suppliers of commodities to world markets, or a number of suppliers acting in concert, can thereby avoid sharp declines in the world price when supplies increase. This also allows countries to slow exports if they want to retain commodities for their own food security. And it offers countries another option for increasing government revenue.

(4) To negotiate more concrete disciplines to eliminate non-tariff barriers that affect commodity trade. Non-tariff barriers can include health and safety standards and packaging requirements that are essential to any country's trade regulation. However, other non-tariff barriers can be used as a way to keep out imports, unfairly discriminating against producers and exporters from poorer countries. A better system at the multilateral level is needed to ensure that any standards put in place are the result of a participatory process, ideally one that provides funding to commodity producers to raise the quality of their goods.

The proposal from the Africa Group is an important initiative. By calling for systems of supply management, the proposal offers meaningful alternatives to tackle the root causes of dumping (the sale of exports at prices below the cost of production). The WTO does have rules that address elements of agricultural dumping: the Agreement on Agriculture, for example, disciplined the use of export subsidies and the current negotiations propose their eventual elimination. However, export subsidies are only one small part of the problem. At the same time, a number of WTO rules discourage or even prohibit necessary elements of supply management, including disciplines on the use of production controls or incentives (and a ban on the introduction of most new programs that would restrict or stimulate production).

Solving the problems that contribute to a nearly 40-year decline in agricultural commodity prices is beyond the capacity of any one multilateral organization. The African proposal calls for the participation of the UN Conference on Trade and Development (UNCTAD) and the International Commodity Organizations, pointing to the need for cooperation among multilateral institutions to find solutions. Nonetheless, there are important steps that the WTO can undertake. The Africa Group has proposed four important areas. None of these issues are adequately addressed in either the agriculture talks or the non-agricultural market access (NAMA). Additional elements that should be considered in the multilateral trade system include: ways to break the concentrated market power a few corporations hold in a number of commodity markets and better measures of dumping to ensure commodity export prices reflect production costs.

These are proposals that farm organizations the world over support. Farm organizations in the U.S. as in Kenya know that their biggest challenge is stopping the steady (and sometimes precipitous) decline in farm income - they know export expansion, lower tariffs, disciplines on export subsidies may all have their merits as trade policy, but in the markets in which farmers (not brokers or processors or retailers) actually trade, these policies have done nothing to support employment (on-farm or in the local economy).

The development agenda promised by developed countries in Doha never materialized. The African proposal offers a serious chance to redeem this sad state of affairs. It deserves careful consideration by the WTO membership. ▣

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Resources

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