

WTO and the real interest of OECD Member Countries

# The viewpoint of a developing country

*For developing countries, in particular African countries, the consequences of economic liberalization in the context of WTO are reduced income for producers and, therefore, increased poverty. This situation largely results from the dumping of OECD member countries and the heavy dependence on basic commodities whose prices continue to fall.\**



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In November 2001, Member Countries of the World Trade Organisation (WTO) initiated in Doha, Qatar, a new round of trade negotiations referred to as the Doha Development Programme – the 9th Trade Negotiations following the GATT Agreements in 1947. Resting on the fact that «the majority of WTO member countries are developing countries», this new Round seeks to «put the needs and interests of these countries at the heart of the Programme adopted» (Ministerial Declaration adopted on 14 November 2001). What then could be the real interests of OECD member countries? To what extent could they contribute to achieving the Doha Agenda? The following is the point of view of a citizen of one developing country.

## The Facts

**In developed countries:** According to studies conducted by the Organisation for Economic Cooperation and Development – OECD – (in: *l'Observateur OECD, 2002*), an estimate of US-Dollar (USD) 300 billion grant is distributed by OECD member countries to their farmers per annum. Not only does such an amount represent more than one third of the revenue of OECD's farmers, but also it is five times the Official Development Assistance and twice the value of a developing country's agricultural exports.

**In developing countries, specifically African countries:** In the majority of cases, export products in Africa consist of basic commodities. Further, African countries usually rely on one or two products to penetrate the global market. The economic reforms carried out under the Structural Adjustment Programmes have led to the termination of all subsidies, thereby leaving these products and especially small scale farmers laid open to harsh market requirements without any support. In some exceptional cases, and not without pain, this has caused some sectors to be competitive – like the cotton sector in western and central Africa – and conquer some market share at the global level.

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## The Consequences

The aforementioned massive subsidies cannot but lead to distortions in trade. In developed countries, massive subsidies result in reduced economic efficiency of operators and to market distortions at the expense of more competitive suppliers. As revealed by *l'Observateur* (2002), these subsidies generally fail to reach their objectives – for instance providing low income farmers with reasonable revenue – in addition to being detrimental to the environment.

Because of such subsidies, the competitive sectors of developing countries have to undergo the bad effects of the export dumping by developed countries. The cotton of west and central Africa largely covered by the media provides a brilliant example. Yet, many other sectors which, though not equally covered by the media, also face the same difficulties. For instance the largely subsidized production of tomato purée has caused the close down of factories in a number of African countries. The same holds true for poultry or livestock in Sahelian countries facing the competition of similar OECD-subsidized products.

It then ensues the marginalization of developing countries, especially least advanced ones that are found in Africa. The main feature of this marginalization is the continual fall of their market shares in the global trade from 4.1 to 1.6 percent between 1980 and the 2000, according to the 2004 Report of the UN Commission on Africa. Consecutively, this marginalization increases poverty, mostly in rural settings where basic commodities are produced by small-scale farmers undergoing the perfidious competition mentioned earlier. The consequences of poverty are, on the one hand, rural exodus to urban areas where delinquency and insecurity are on the increase and, on the other, migration to developed countries with the



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ensuing tragedies widely talked about. How could OECD countries live in a «haven of peace» marked by prosperity while a significant part of the world lives in dejection? There is no doubt that pulling developing countries out of marginalization will be in their interest. Hence the need to do something in the framework of the current WTO round of negotiations that certainly provides an ideal forum for not only being able to monitor and review agreements but also for making such agreements binding through the implementation of the dispute settlement mechanism.

Furthermore, other integrated approaches to the reinforcement of the trading capacities of developing countries could be delved in. To this end, developing countries should be considered as full partners in the global economy. The prosperity and growth benefiting every citizen of a good number of Asian or Latin American countries is the evidence that looking at developing countries as partners could make a big difference. Finally, the trading system will only become global when developing countries are fully integrated in it.

### What to do?

Let's recall that the current Doha negotiations round is referred to as the Development Round with the aforementioned objectives. OECD countries therefore have a major role to play in making the Doha Round successful. The framework adopted in July 2004 is already a step forward. It now remains to make it concrete by adopting modalities encompassing the interests of developing countries. Such modalities could include:

**Improving access to market.** Access to market embraces several issues such as agriculture, industrial goods, or services. The idea behind this round of negotiations is to see how OECD countries could and should contribute with solutions to roll back poverty.

**Regarding agriculture.** For the Doha round to be one of development, due consideration should be given to agriculture. Most developing countries essentially rely on this sector to penetrate the world market. Improving access to market by reducing tariff barriers and removing export subsidies and other forms of assistance that generate trade distortions could, inter alia, help African countries to re-conquer their export shares, and thereby increase the revenue of small scale farmers.

Concerning cotton specifically, particular attention should be paid to development issues and trading issues as stipulated in the framework agreement reached in July 2004. The grounds on which African countries have referred to this issue to the WTO could be taken into consideration, namely:

- the putting in place of a support fund to ensure the future of African cotton production sectors;
- support to the implementation of proposals for the cotton sector development;
- support towards an enhanced processing rate.

As for non-agricultural products, improved access to market raises the issue of industrialization of the African continent. Indeed, tariff peaks and tariff escalation in developed countries, therefore OECD countries, hamper access to their markets for processed products hailing from developing countries, especially African countries. This means that the more a product is processed in an African country, resulting in an added value, the more it is subject to higher customs duties.

What is more, non-tariff barriers like sanitary and phytosanitary measures or technical standards (SPS and TBT) completely deter from investing in the on-the-spot processing of basic commodities. Thus, the system inherited from colonization and which consists in exporting raw material is consolidated. Something must definitely be done to remove both tariff peaks and tariff escalation.

These few examples retrieved from the Doha Agenda show the efforts to be deployed, by OECD countries primarily, to achieve fairer trade. Of course, the other items on the Doha Agenda are equally important in the eyes of developing countries. Obviously, international trade takes

place between partners who are not on a level field. The weakest should be given particular attention, hence the significance of the SPS. Regrettably, the provisions of this treatment, though set forth in most of the WTO Agreements, are not binding and are just lip services paid to fair trade. It could be possible to make these provisions binding and assess their efficiency periodically.

Already under the SPS, a number of OECD member countries have granted developing countries and least advanced countries some preferences like the «Everything But Arms» (EBA) initiative of the European Union. Such an initiative could be extended to all OECD member countries.

**Reinforcing the trading capacities of developing countries.** The majority of developing countries rely on one or two products for export. It is only by making efforts to remove constraints to supply that improving access to market will be effective. For instance, developing countries could be assisted in making the most of new market opportunities by building their capacities in this sense. The idea is to widen the range of export products to avoid dependency on basic commodities, which calls for partnership. Examples include the Economic Partnership Agreements reached between the European Union and African, Caribbean and Pacific States (ACP) that lay emphasis on development, particularly supply adjustment. Assistance programmes could be put together by OECD member countries in this area to reinforce capacities to meet technical standards or sanitary and phytosanitary measures.

### Conclusion

The consequences of economic liberalization for developing countries, in particular African countries, are reduced income for producers and, therefore, increased poverty. This situation largely results from the dumping of OECD member countries and the heavy dependence on basic commodities whose prices continue to fall.

OECD member countries could play a part in reversing the trend. And it is in their interest to do so because the stake here is the credibility of both the multilateral trading system and economic theories claiming the merits of market opening.

To put it in metaphoric terms, it could be said that under the Nordic Initiative for African countries, developing countries are like small boats floating in the vast ocean of global trade full of big liners. It now remains to set in place a good system within the WTO hinging on relatively suitable navigation regulations.