

WORLD EXPORT DEVELOPMENT FORUM 2007
Bringing Down the Barriers –
Creating a Dynamic Export Development Agenda

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Shifts in the Trade Agenda: What Will Be the Consequences for Developing Countries

Plenary Debate

Speakers:

Arsène Bahihuta, Ambassador, Permanent Mission of Uganda to the UN at Geneva, Switzerland
Clovis Rossi, Columnist and Member of the Editorial Board, *Folha de Sao Paulo*, Brazil
William Tagliani, Attaché, Permanent Mission of the United States to the WTO, Switzerland
Kwasi Abeasi, Chief Executive, The African Business Roundtable, Ghana
Kenneth Ife of NEPAD, South Africa
Moderator: Tim Sebastian, Chairman, Doha Debates, UK

Launching the session, moderator Tim Sebastian asked: how many participants have lost faith in the eventual success of the Doha Development Round? Only four said they had, while the other export strategists indicated that they think it is still doable. Similarly, an overwhelming majority signalled by show of hands that they believed multilateral trade agreements are more beneficial for all countries than regional or bilateral accords.

Uganda's ambassador to the WTO in Geneva Arsène Bahihuta said developing countries want the Round, with its inbuilt development agenda, to succeed. They should engage fully to ensure that it did, he observed. But given that the current negotiations are the most ambitious round ever, with the agenda to tackle the highly contentious issue of liberalising agricultural trade and eliminating subsidies to farmers, the Round from the start had faced "a most unrealistic deadline." Its predecessor, the Uruguay Round, lasted six and a half years, and it set aside the agricultural question. "Given its scope and the number of countries involved, I think this one should have been given eight years at least," Bahihuta said.

The Doha issues

The issues of special interest to developing countries in the Doha Round include agriculture and the elimination of domestic support and export subsidies given to farmers in industrialized nations, he said. But they also but range much wider, to cover, among other issues, the freer movement of people offering services, and tariff escalation and tariff peaks on products derived from commodities.

"Developing countries are championing these issues passionately," he said. "If they are addressed properly, this would give us the opportunity to become genuinely integrated into the multilateral trading system. We agree liberalized trade is good." A successful round in which all these issues are genuinely addressed "will be of great benefit to our countries."

Clovis Rossi, columnist and member of the Editorial Board of the *Folha de Sao Paulo* newspaper in Brazil recognised the importance to Europeans of maintaining "a garden of nature". But the ugly face of the farming subsidies that this involves can be seen in the effect of support policies on unsubsidized Brazilian smallholders who cannot compete with gardeners in Europe. The current Brazilian trade boom is underpinned by the huge demand from a rapidly expanding China, but this probably cannot last, he noted. For long-term future trading success, said Rossi, Brazil needs overall liberalization, in particular in agriculture.

Global competition

Rossi said the issue of ethanol – biofuels produced from crops – is posing a new challenge. There are differing views on whether it can provide answers to growing global energy needs and whether it is environmentally more friendly than oil exploitation. “The debate needs a scientific answer.”

William Tagliani of the US mission to the WTO in Geneva said the growth achieved in China, India and Vietnam over the past few years can be replicated in other developing countries. Domestic liberalization in all three has been vital, and the creation of globally competitive companies that acted as “the drivers of growth” has been a key element.

But he questioned whether the “policy space” sought by many developing countries to maintain economic and trade restrictions while they prepare to face full international competition can really help them. In the 19th century, such policies were pursued in the US in its own “developing country” stage and resulted in the emergence of “robber barons” who pursued their own rather than the national interests.

Kenneth Ife of NEPAD, South Africa, said developing countries recognize the value of trade because they have the examples of China, Malaysia, Singapore and others who have traded themselves out of poverty. But a major obstacle to advance in African countries is the shortage of human capacity that could enable people to engage more effectively with the developed countries. In this, aid-for-trade programmes can be invaluable, he underlined.

Bring business on the team

Kwasii Abeasi of the African Business Roundtable first asked how many private sector representatives were in the audience and was pleased to see a good number. It is important for the private sector to be “on the team” from the start when it comes to trade policy and decisions”, he said. “The name of the game is partnership.” For most developing countries, and particularly those in Africa, the main driver of initial development strategies was the public sector, which was reflected in the greater degree of capacity development there. But now everybody has realised the role that the private sector has to play. But it is not enough just to develop the capacity of people, this capacity also has to be used effectively and not dissipated through brain drain. There is also a need to build up the capacity of trade negotiators because unless developing country representatives are well-trained, the outcome will not be fair trade. It will be a “master-student” relationship, which will not generate the trade we need, he said. Abeasi said bilateral and regional trade pacts seem to be in the interests of developing countries. The rich countries should not be afraid of the role of China in these accords, although there is a need for a coherent approach to such pacts. Finally, he said Africa needs to move from commodity to manufacturing trade.

Squeezing the poor

Moderator Tim Sebastian asked Ife what it will take to persuade Africa to back multilateral deals. The NEPAD representative replied that Africa feels that it has a better chance of defending its interests in bilateral and regional negotiations. With only three percent of the world’s trade, Africa’s participation has to rise. “So we do not see any reason to disengage from bilateral and regional deals.” Asked a similar question, Balihuta backed the multilateral route. “Bilateral deals see the rich squeezing the poor, but without the neighbours hearing. Multilateral deals bring in the poor neighbours so it is difficult to be squeezed without the neighbours hearing,” he said.

Tagliani said that bilateral and regional deals are here to stay. “So, there is no going back.” The reason is that there is a “disconnect” between what can be accomplished in bilateral and multilateral negotiations. Colombia, Chile and South Korea have all agreed to offer market access bilaterally, whereas there are doubts that the Doha round will yield much. So the choice is easy, he said. Whether this was good for the international trading system, however, is another issue.

The right audience?

From the floor, one delegate wondered whether the trade debate is targeting the right audience. In reply, Abeasi said the answer is “yes and no”. He said that it is necessary to bring all sectors on board. He also noted that ECOWAS agreements allowing the free movement of people and goods have been slow to produce real effects, citing the example of the problems Nigeria has faced in opening bank branches in Ghana. Another strategymaker expressed concern at the flourishing of new regulations and procedures for exporters following 9/11.

Tagliani noted that Africa has faster economic growth than Latin America, and there is “no reason” why it cannot build on that. There is no standard model for development, he said, but a general approach involving liberalization and competitive companies can work for all. It is the best we can do in these circumstances.

At the same time, countries make concessions on opening markets in bilateral agreements that they refuse in multinational talks because they obtain other benefits, he argued. Several developing countries challenged this view. One African strategymaker pointed out that bilaterals often include non-political clauses, while another said individual countries come into talks with major industrial powers in a very weak position because of lack of capacity as negotiators.