ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD OCDE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

CONSEIL AU NIVEAU DES MINISTRES

3-4 MAI 2005

POINT 7

NEGOCIATIONS COMMERCIALES DANS LE CADRE DU CYCLE DE DOHA SUR LE DEVELOPPEMENT

ZAMBIE

Déclaration

Mr Dipak PATEL

Ministre du commerce, des échanges et de l'industrie

⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗ ⌗

COUNCIL AT MINISTERIAL LEVEL

3-4 MAY 2005

ITEM 7

TRADE NEGOTIATIONS UNDER THE DOHA DEVELOPMENT ROUND

ZAMBIA

Statement

Mr. Dipak PATEL

Minister of Commerce, Trade and Industry

Remarks by

Dipak K.A. Patel MP – Minister of Commerce, Trade and Industry
Republic of Zambia
OECD Paris – Council at Ministers 3-4 May 2005.

Theme: While progress will need to be made across the board on all key issues – Non Agricultural Market Access, Agriculture, Services, Rules and Trade Facilitation – where do Ministers believe particular attention should focus, and within what time period?

NAMA

The main demand for LDCs will be to get quota-free and duty-free market access into developed country markets, and improved market access into non-LDC developing country markets, while at the same time ensuring that this improved market access will not be offset by increased use of non-tariff barriers, including sanitary and phytosanitary measures, rules of origin, labelling and packaging requirements, etc. This demand could be met within the period of the DDA and could be an outcome of the Hong Kong meeting. If this demand is met, the negotiations on the formula to reduce tariff peaks and escalations, and generally reduce the overall MFN tariffs, are of less concern to LDCs.

Agriculture

Since 1995, and the conclusion of the Uruguay Round negotiations, developed country members of the WTO have taken a rather cynical and manipulative view of WTO and its efforts to introduce a transparent, fair and equitable multi-lateral trading environment in that they have implemented the WTO in the technical sense and have paid little heed to implementing the agreements arrived at in Uruguay Round in the spirit they were intended. Most LDCs are heavily dependent on agriculture and our competitive advantage is often in agriculture.

Yet, through using market distorting schemes such as export subsidies and domestic support measures, tariff peaks, tariff escalations and seasonal restrictions, and through insisting on the need to meet exceedingly high sanitary and phytosanitary standards which, some argue, go well beyond protecting the health of consumers, developed countries have restricted market access of LDCs in the very commodities we could export more of. Although we all know the truth of this, no action has been, or can be, taken against the culprits - the developed countries – as they have been able to restrict our market access by still staying within the agreed limits of the relevant WTO agreements through a series of clever manipulations, such as increasing subsidies on one commodity and decreasing on another so still staying within the agreed overall Aggregate Measure of Support limits. Some may argue that LDC countries have let this situation emerge by not paying sufficient attention, and not devoting adequate resources at the national level, to WTO issues. This may be so, but we live in a supposedly civilised world where the law of the jungle and the survival of only the fittest and strongest should not apply.

Some may argue that there is nothing in the WTO to stop developing countries from subsidising agriculture, and in fact a number of developing countries make use of the S&D provision on domestic support in Article 6.2 (*of the AoA – support for diversification away from growing illicit crops*) and of course they can also make use of Article 9.4 (*subsidies allowed to reduce marketing costs*). However, we also know that LDCs simply cannot afford to subsidise their farmers and, in any case, it would probably contravene the conditions of World Bank loans to do so.

Hopefully the decision to reduce the level of Total Bound Support as contained in the July Framework will encourage OECD members to implement the DDA in the spirit it was intended and not just in the law. Hopefully, OECD countries will agree to eliminate both export subsidies and domestic support measures and allow LDCs and developing countries meet their true potential in the supply of agricultural commodities and processed foods.

If OECD countries do not reduce agricultural subsidies, do not remove tariff escalation, tariff rate quotas and tariff peaks and do not improve market access conditions in general, foreign direct investment in LDCs will continue to be deterred and we will not get the vertical integration and export diversification we so badly need. Given that LDCs account for about half of one per cent of world trade, granting of duty and quota free access to LDCs will have minimal, if any, revenue or competitive effects for developed countries.

As cotton is of particular importance to LDCs, I would like to talk of cotton separately. The position of the LDC Group, as it stands at present, is that the work programme of the sub-committee on cotton should establish modalities in market access, domestic support and export subsidies. We are not in support of the US proposal to broaden the agenda of the sub-committee but do support the EU proposal to start work on substantive discussions immediately.

Services

There is no doubt that the growth area of the future is in the services sectors. There is also no doubt that many LDCs have already unilaterally liberalised a number of services sectors through the implementation of structural adjustment programmes. It is also true to say that most, if not all, LDCs find themselves in a position from which they are not able to take part in the GATS Request and Offer processes, simply because the LDCs do not have sufficient information about their own services sectors to either make requests or agree to offers. In general, LDCs have a long way to go to assess what liberalisations have already been made across the board in the services sectors, to assess what impact such liberalisation has had on their economies and then to assess what effects further liberalisation would have on their economies and whether such further liberalisation would be beneficial or detrimental. Once all of this is done, the assessments can be converted into GATS-type language and LDCs can be a part of the request and offer process.

The main demand of LDCs in terms of trade in services could, therefore, be a demand for assistance to do a baseline assessment of the services sectors. However, I say this with caution, as, at the end of the day, these assessments must be done by the specific country itself, possibly with the help of an international or regional organisation, but not by the international or regional organisation. This will take time but I do not believe that we should be pressurised into making requests and accepting offers before we are ready to do so.

One area in which we have a comparative advantage in is Mode IV. However, this is a double-edged sword. On the one hand we want to allow our doctors, teachers and nurses to work in developed countries, partly to gain experience and partly to repatriate money back to their source country, which, for many of us, is a valuable source of foreign exchange. On the other hand, we see scarce and valuable human resources being drained from the LDC economies, which need them most. I believe that we can reach a compromise whereby the LDC source country can agree to supply an annual quota of skilled and semi-skilled labourer to a destination country and for the destination country to pay the source country government a certain agreed amount for each person recruited. This payment will then be invested in training institutions in the LDC source country (or region) so that replacements can be trained and a steady supply of skilled and semi-skilled workers can be provided. Given the increasing dependency ratios of OECD countries, migration levels will have to increase if the OECD countries want to maintain their standard of living so this proposed scheme is in the interests of both parties.

Finally, I would like to mention the paradox in services we, in Zambia, face. We are, as part of the Eastern and Southern Africa Group negotiating an Economic Partnership Agreement with the EU and services are part of these negotiations. We are due to start negotiations in services under EPAs in the near future, within the framework of the Cotonou Agreement. However, even before we start these negotiations, we are receiving requests from the EU under the WTO. It seems that there is a lack of policy coherence within the EU in this instance.

Rules

Rules are not a major concern of LDCs in the lead-up to Hong-Kong.

Trade Facilitation

The LDC Group has agreed to a continuation of work on clarification of various aspects of Trade Facilitation but is of the opinion that this work should be carried out in parallel with other segments of the Doha Work Programme and that there should be no attempt to seek an early harvest on Trade Facilitation in advance of progress on core issues.

The LDC Group of countries is in agreement with the fact that there are many benefits to be gained from implementing measures to simplify import and export procedures. The OECD itself (*Business Benefits of Trade Facilitation – Working Party of the Trade Committee, OECD*) has estimated that transaction costs can vary between 2% and 15% of trade transaction value and one of the main constraints to increasing trade from LDCs is the cost of exporting, including the administrative costs and costs of transport. However, in order to address trade facilitation in detail it is first necessary to categorise main trade facilitation principles, such as transparency, simplification, non-discrimination and standardisation. It is then necessary to define a programme, and secure the necessary financial and technical support needed to assist LDC countries to implement Trade Facilitation measures, while at the same time taking full account of S&D for LDCs and their implementation capacities;

The Doha Declaration places particular attention on the development dimension of trade. Do Ministers agree that the most effective way to realise the potential to trade as a tool for poverty reduction will be through ambitious market access outcomes in the core areas of the DDA? What are the views of developing country Ministers about the need for their countries – in their own self-interest – to be fully engaged themselves in the process of market opening?

I have never heard of anyone complain about a lack of market openings in Zambia. A lack of market size maybe, but not market openings. This is because, like many LDC markets, Zambia's market is relatively wide open to serious investors yet, despite this, we lack serious investors.

To rely on market openings and market access outcomes for poverty alleviation would imply, to me, a rather naive believe in the power of the market and in perfect competition. Free trade is, in essence, a "good thing" and there is a need to have a liberal but efficient regulatory environment to attract investment and promote trade. However, it is not enough to create a customs territory in which it is possible to have a freer movement of goods, labour, capital and people if production is so low that there is little to trade with. An economist may argue that once the demand side is taken care of, and economic distortions are removed, each country will have a competitive advantage in something and will be able to supply this to the rest of the world. The killer assumption here is the "all things being equal" assumption. In the real world all things are never equal. In this respect, there is a need to remove supply-side, not just demand-side, constraints. The supply side involves ensuring that an infrastructure to support competitive production is put in place.

In the past, attempts to remove supply-side constraints have been general and generic. For example, there have been attempts to get donors to finance the rehabilitation and/or reconstruction of national transport networks, with varying degrees of success. A more targeted approach to removal of supply-side constraints, which is linked to increases in productive capacity, could be a more effective and efficient strategy to adopt and, in the case of Zambia, this is the way we are proceeding.

If a targeted approach to addressing supply-side constraints was taken on a regional basis, a number of multipliers would come into effect and other investors would be attracted. In this way the LDCs could be brought into a viable and sustainable multilateral trading environment, which would be for the benefit of all. This, in turn would strengthen the multilateral trading system.

Trade policy is not a panacea. Trade reform needs to be accompanied by sound macro and labour market policies, and by complementary development assistance for the poorest countries. How can trade and development assistance policies be made more mutually reinforcing?

At the donor and IFI level, this mutual re-enforcement of trade and development assistance policies is already taking place. Some examples of this can be seen in the increasingly apparent attempts by the European Commission to link programming of the European Development Fund to negotiations on Economic Partnership Agreements; through the Integrated Framework activities as outlined in the Diagnostic Trade and Investment Studies; through the linking of the PRSPs with the MDG's; through home-grown initiatives such as NEPAD, through the linking of what the US considers to be sound economic policy and the Millennium Challenge Account; and through the increasing emphasis of all donors and the Breton Woods Institutions to include a governance component in most programmes; and through the gradual migration of budget support programmes, as opposed to project support, after certain financial and administrative conditions are met.

How can OECD trade policy analysis best contribute to strengthening the constituency for freer trade?

This could probably best be achieved through working more closely with developing country trade policy analysts at the national and regional levels to develop models and databases which are able to simulate the welfare, revenue and competitive effects of trade policy adjustments. Such models could also simulate the counterfactuals and assess what the effects would be on an LDC if a particular demand were rejected.

However, where I come from-Zambia and may I be bold enough to say most LDC, and ACP countries - we have a problem with credibility with what is agreed at WTO. What is agreed is not being done. Let me explain.

Despite the fact that we were not technically ready for negotiations, as Least Developed Countries, we put faith in what was agreed under the Uruguay Round, when we agreed that *"Members shall take account of special needs of developing countries"* What happened next was developing countries took account and nothing else.

Then came the Doha Development Round, where part of the Doha mandate reads, *"The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the work program adopted in this Declaration"* and also went on to state *" all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational"* – What happened? Nothing!

Then came Cancun, and without *explicit consensus'* -the "Singapore Issues" negotiations were demanded by the developed countries. It failed. – What happened to the Development agenda? Nothing!

Now we have the July 2004 Package. Under this Package we agreed that Special and Differential Treatment would be treated *"ambitiously, expeditiously and specifically"* So far in Geneva there is nothing that is ambitious, specific or expeditious!