Emerging Issues and Concerns of African Countries in the WTO Negotiations on Agriculture and the Doha Round

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UN Economic Commission for Africa

February 2006

ATPC

Work in Progress

No. 32

Economic Commission for Africa

African Trade Policy Centre

ATPC

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Abstract

Since the Uruguay Round, African countries have been concerned about the rules and operations of the multilateral trading system and are beginning to realize that they have to be active in the negotiation process to protect their interests. Consequently, several countries in the region have been relatively more active in the Doha Round negotiations and have formed alliances with other developing countries to increase their bargaining power. This paper provides a critical assessment of Africa's concerns in the negotiations on agriculture and the Doha Round. It also examines the extent to which the Hong Kong Ministerial declaration meets the demands of African countries in the agriculture negotiations. Furthermore, it outlines essential elements of any new agreements on agriculture that would ensure a fair outcome for the region. Finally, the paper stresses that trade is important for development in Africa but is not the solution to the numerous economic and social problems facing the region. Consequently, African countries must adopt a strategic approach to trade which ensures that their participation in the Doha Round reforms does not jeopardize the achievement of key national development goals.

ATPC is a project of the Economic Commission for Africa with financial support of the Canada Fund for Africa

This publication was produced with the support of the United Nations Development Programme (UNDP).

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* Paper presented at the FAO workshop on "WTO Rules for Agriculture Compatible with Development" held in Rome February 2-3, 2006. The views expressed here are those of the author and should not be attributed to the UN Economic Commission for Africa.

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I. Introduction

Up until the Seattle Ministerial Conference of the World Trade Organization (WTO) in 1999, African countries were relatively passive participants in the trade negotiation process. Since the Seattle Meeting, countries in the region have been showing more interest in international trade negotiations. This new interest stems largely from two sources. The first is the growing realization that trade has a vital role to play in the economic development of the region. There is also the understanding that the extremely inward-looking development strategy adopted by several countries in the 1970s and 1980s discouraged trade and foreign direct investment and had deleterious effects on growth and living conditions in the region (Rodrik 1998; Dupasquier and Osakwe 2006a). The second reason for the new interest in trade negotiations is the recognition that globalization is now an inevitable feature of the world economy and that countries have to participate in the process if they are to protect their interests, minimize any potential risks, and maximize gains. Consequently, unlike in the 1970s and 1980s, the key trade policy question or controversy in the region is no longer whether or not countries should participate in multilateral trade reforms. Rather it is how to participate as well as mechanisms or complementary policies that are needed to ensure that participation does not jeopardize important development goals in the region.

As a result of Africa's enhanced interest in trade negotiations and the human and financial resources countries are devoting to them, the region is relatively more organized in the negotiations now compared to the situation during the Uruguay Round and have also made progress in arriving at common African positions on some of the key issues under the Doha Development Agenda. The Africa Group (AG) in Geneva has played a key role in this area. The AG is an informal group of Geneva-based African trade negotiators established at the end of the Uruguay Round to enable African countries pool their limited human resources together and protect their common interests in multilateral trade negotiations. The formation of the AG has increased the bargaining power of African countries in the negotiations and made it possible for countries in the region to discuss and speak with one voice on issues of importance to them. The group under the leadership of the African Union has also been quite effective in forming alliances to protect Africa's interests in specific aspects of the negotiations. For example, during the Fifth and Sixth WTO Ministerial Conferences in Cancun and Hong Kong respectively, AG formed an alliance with the Least Developed Countries (LDCs) group and the African, Caribbean and Pacific (ACP) countries in what is now popularly known as the G-90. As a result of this new alliance, developing countries successfully opposed the launching of negotiations on the Singapore Issues during the Cancun Ministerial Conference.

This paper takes a critical look at Africa's concerns in the WTO negotiations on agriculture and the Doha round. It also examines the extent to which the region's demands were met by the commitments made in the draft declaration issued at the end of the Sixth WTO Ministerial Conference in Hong Kong. Finally, it outlines essential elements of any new trade agreements that would ensure a fair outcome for Africa in the agriculture negotiations.

The rest of the paper is organized as follows. Section II provides a critical evaluation of reasons for Africa's reservations about trade reforms. Section III explains why the agriculture negotiations are important for Africa. Section IV outlines Africa's concerns in the Doha Round and the multilateral trading system. Section V focuses on what Africa wants from the agriculture negotiations. Section VI outlines how to ensure a fair outcome for Africa in the agriculture negotiations. The last section contains concluding remarks.

II. Understanding Africa's reservations about trade reforms

Several African countries rely on trade taxes for government revenue and are concerned that trade liberalization would erode the fiscal base with potential negative consequences for the provision of infrastructure and social programmes. Table 1 presents information on the number of countries in the region for which trade taxes represent a given percentage of total revenue.

Table 1: Dependence on trade taxes in Sub-Saharan Africa

Trade tax revenue (as percentage of total revenue)	Number of Countries	
	1985-1994	2000-2003
0-10.9	5	7
11-20.9	11	8
21-30.9	5	10
31-40.9	11	10
41-50.9	7	7
51-100	3	2
Total	42	44

Source: Computed using data from African Development Indicators 2005.

As is obvious from the table, over the period 1985-1994, taxes on international trade and transactions represented more than 20 percent of total revenue in twenty-six of the forty-two countries in Sub-Saharan Africa for which there is data. Although more recently there has been a decrease in dependence on trade taxes in some countries there has also been an increase in others. Consequently trade taxes still account for a significant percentage of total revenue in several countries. For example, over the period 2000-2003, trade taxes represented more than fifty percent of total revenue in Comoros, Gambia, and Niger. In countries such as Benin, Lesotho, Madagascar, Mali, Sierra Leone, Togo, and Uganda the figure was more than 40 percent over the same period. More detailed information can be found in the appendix.

In the public finance literature it is typically argued that the revenue consequences of trade reform are likely to be small in the early stages of liberalization. The idea is that the early stage of trade reform involves tariffication of quotas and reduction of prohibitively high tariffs which are likely to raise imports and hence revenue. While it is generally acknowledged that the second stage of reform might lead to a reduction in trade tax revenue, the general argument is that developing countries should not worry about this as they can recover the lost revenue by switching from trade to domestic taxes (Ebrill, Stotsky, and

Gropp 1999). This assumes that institutions are efficient and that governments can administer the tax system effectively thereby mobilizing substantial amounts of revenue to compensate for the revenue loss due to liberalization. Emran and Stiglitz (2005) present a theoretical model showing that liberalization may lead to a reduction in government revenue. The idea is that in developing economies with large informal sectors, tax evasion and avoidance are pervasive and these have implications for the ability of governments to derive significant revenue from domestic taxes. Furthermore, Khattry and Rao (2002) provide econometric evidence indicating that trade liberalization had substantial fiscal costs in low and upper middle-income countries. New empirical evidence also suggests that poor countries that switched from trade to domestic taxes did not recover the lost revenue from liberalization (Baunsgaard and Keen 2005). While these findings do not imply that countries dependent on trade taxes should not embark on trade reforms, they do suggest that the fiscal implications of trade liberalization should be taken into account in multilateral trade negotiations.

African countries are also concerned that liberalization may increase macroeconomic volatility with potential consequences for output and poverty reduction efforts. The idea being that liberalization may increase terms of trade volatility and hence output volatility. This is particularly an issue for African countries because they export a relatively few number of products and so are more vulnerable to terms of trade shocks. Although this view is widespread, it is very difficult to find strong empirical evidence that supports it. If one looks at output volatility in the region during the period 1986-90 compared to volatility in the period 1996-2000 when the region had relatively more open economies, it is very difficult to find any clear relationship between trade liberalization and output volatility. Table 2 presents data on output volatility and average unweighted tariffs in African countries for the periods 1986-90 and 1996-2000.

Table 2: Output volatility and average tariffs in Africa (1986-2000)

1986-1990			1996-2000		
Country	**Volatility**	**Tariff**	**Country**	**Volatility**	**Tariff**
Swaziland	13.7	-	Guinea-Bissau	18.4	24.4
Gabon	12.1	-	Sierra Leone	10.3	18.3
Mozambique	6.3	15.6**	Rwanda	7.6	21.4
Ethiopia	6.1	29.6 ***	Lesotho	5.8	13.6
Cameroon	5.7	32.0**	Morocco	5.7	33.1
Mali	5.7	-	Zimbabwe	5.5	22.3
Sierra Leone	5.3	30.9	Togo	4.9	15.0
Morocco	4.9	23.4	Gabon	4.7	20.1
Burkina Faso	4.5	60.8**	Congo, Rep.	4.3	16.2
Botswana	4.4	-	Ethiopia	4.3	25.5
Nigeria	4.2	29.7	Mozambique	4.1	15.5
Cote d'Ivoire	4.2	26.1	Cote d'Ivoire	3.7	18.5

1986-1990		
Country	**Volatility**	**Tariff**
Tunisia	4.1	26.0
Lesotho	3.9	-
Congo, Rep.	3.9	32.0*
Guinea-Bissau	3.7	-
Comoros	3.0	-
Rwanda	3.0	33.0**
Zimbabwe	3.0	9.2
Zambia	2.9	29.9**
Mauritania	2.9	22.3
Togo	2.7	-
Uganda	2.6	25.0
Senegal	2.6	13.5
Malawi	2.2	18.0
Algeria	2.2	24.6
South Africa	1.7	15.2
Egypt	1.5	39.7
Mauritius	1.5	36.3
Gambia	1.1	-
Madagascar	1.1	6.0
Kenya	1.0	40.3
Ghana	0.7	18.8

1996-2000		
Country	**Volatility**	**Tariff**
Zambia	3.1	14.0
Burkina Faso	2.8	25.4
Comoros	2.3	33.4
Malawi	2.0	18.9
Uganda	1.8	10.9
Algeria	1.5	24.9
Mali	1.5	15.2
Kenya	1.4	17.1
Gambia	1.4	13.2
South Africa	1.4	7.9
Nigeria	1.3	24.1
Botswana	1.1	-
Madagascar	1.0	6.6
Mauritania	0.9	15.9
Tunisia	0.8	30.9
Mauritius	0.7	25.6
Swaziland	0.4	14.0
Egypt	0.4	26.2
Ghana	0.3	14.6
Senegal	0.3	19.3
Cameroon	0.3	18.5

Notes: * refers to data for 1986; ** refers to 1987 and; *** refers to 1988.

Two points can be made from this table:

- Relative to the 1986-90 period, a number of countries had a reduction of trade barriers in 1996-2000 but also experienced an increase in volatility. Sierra Leone, Kenya, Rwanda, and the Republic of Congo are in this category.
- There are also several countries that had a reduction in trade barriers as well as a decrease in output volatility. See for example, Mauritius, Nigeria, Cote d'Ivoire, Mauritania, Uganda, South Africa, and Egypt.

Clearly, the data suggests that the impact of liberalization on output volatility differs across countries. This is consistent with recent econometric evidence on the issue. For example, Dupasquier and Osakwe (2006b) examined the relationship between trade regimes and macroeconomic volatility using econometric techniques and found no evidence of any systematic relationship between the two variables. The study found that factors such as the volatility of inflation, climatic disasters, terms-of-trade volatility, the nature of fiscal policy, and the severity of debt are more robust determinants of macroeconomic volatility in the region.

Another major issue of concern to African countries is how to deal with the costs of adjustment to trade reforms. There is some understanding amongst economists that reforms may have long-term benefits (McCalla 2001). However, it is also generally acknowledged that they have short-term costs. These costs arise from the fact that reforms require reallocation of factors of production from protected sectors to areas where a country is more competitive in production. This reallocation of factors may lead to the displacement of workers as well as output losses in the short run. Given the fact that this issue is of concern to several countries in the current round of multilateral trade negotiations, it is surprising that not much research has been done on estimating the costs of adjusting to trade reforms in developing countries. Most existing studies focus on reform in advanced countries and the general conclusion is that the costs are small in relation to the benefits of reform (Anderson 2004; McCulloch, Winters and Cirera 2001; Matusz and Tarr 1999). Of the few studies that have been conducted for developing countries the evidence is mixed, although several studies conclude that in the presence of rigid labour markets the gains from trade liberalization are often less than the adjustment costs (Laird and Fernandez de Cordoba 2005). For African countries, the existence of adjustment costs is of concern because they often have relatively rigid labour markets and no social safety nets. Davidson and Matusz (2000) have shown that in economies with rigid labour markets, the costs of adjustment to trade reforms might offset the benefits.

III. Why the agriculture negotiations are important for Africa

African countries have a predominantly large rural population with agriculture accounting for a high proportion of employment. Therefore the agricultural sector plays a critical role in the development of African economies. In this regard, improved market access for Africa's agricultural exports through multilateral trade liberalization would have important consequences for economies in the region. In contrast, in developed countries as well as Latin American and Caribbean very few people make their living through agriculture. In the United States and Canada, for example, in 2000 the share of agriculture in total employment was roughly 2 percent. In the European Union it was about 4 percent and in Latin America and the Caribbean it was 20 percent. This contrasts with 66 percent for Sub-Saharan Africa and 56 percent for Asia (Table 3).

Table 3: Share of agriculture in employment (%)

Region/Group	1970	2000
Africa	76	58
Sub-Saharan Africa	82	66
Asia	71	56
Latin America and Caribbean	42	20
European Union (15)	13	4
Canada	8	2
United States	4	2
Japan	20	4
Developed Countries	18	7

Source: Computed using data from FAO database

Another reason the agricultural negotiations are important for Africa is that in the early stages of development the rural and agricultural sectors play a key role in economic development (Nurkse 1953; Rostow 1960). This role is particularly important in African economies characterized by low growth and a high incidence of poverty. Africa's growth rate has been consistently low relative to the world as well as developing countries average. For example, over the period 1990-2001 the average annual growth rate of per capita GDP in Africa was 0.2 percent compared to 1.5 percent for the world, 1.3 percent for Latin America, and 3.1 percent for Asia (Cooper 2005). Poverty statistics also show that Africa's performance is not as good as those of other developing countries (Table 4). Clearly, raising agricultural productivity and diversification into dynamic agricultural and manufactured exports are critical to the achievement of sustained growth and poverty reduction on the continent. Given the current factor endowments of the continent it is highly unlikely that the region would be able to diversify its economy into manufactured goods in the short run. Successful diversification of African economies requires upgrading of the skills base through education and training and this takes time. Therefore, in the short run, increasing agricultural productivity seems to be the most viable and promising approach to reducing poverty in the region. However, whether or not the continent can boost agricultural productivity in the future depends in part on the agricultural policy choices of African governments and the outcomes of the agriculture negotiations are likely to influence these policy choices and decisions.

Table 4: Poverty in the world, 1950-2000 *

Region and Measure	1950	1960	1970	1980	1990	2000
Head count ratio (percent)						
East Asia	86.6	77.5	71.1	67.2	31.3	6.0
South Asia	44.3	37.2	32.1	34.4	18.5	7.8
Sub-Saharan Africa	59.3	53.2	52.2	49.9	55.3	54.8
Middle East and North Africa	26.3	24.3	13.4	4.3	5.2	7.8
Latin America	22.0	16.0	9.4	3.6	5.3	5.2
Eastern Europe	17.8	9.2	3.3	1.7	0.	0
Developing world	63.2	52.5	46.4	43.5	25.4	13.1
Number of poor people (millions)						
East Asia	830	729	833	955	521	114
South Asia	208	209	229	310	207	105
Sub-Saharan Africa	104	118	150	188	278	362
Middle East and North Africa	27	32	23	10	16	29
Latin America	36	35	27	13	23	27
Eastern Europe	49	29	12	7	0	0
Developing world	1223	1131	1262	1479	1056	647

* Based on Poverty line (PPP, $1.50 a day).
Source: Cooper (2005).

The agriculture negotiations are also important for African countries because they tend to export primary commodities and current levels of protection in agriculture in the Organization for Economic Cooperation and Development (OECD) countries are quite high. Therefore, there are potential gains from agricultural liberalization (Aksoy and Beghin 2005; Anderson et al 2005; Anderson and Martin 2006). Clearly not all African countries are likely to gain from agricultural liberalization in OECD countries. In general, in the short run countries that are exporters of protected products are likely to gain and those that are importers are likely to lose from the potential increase in prices resulting from liberalization. Table 5 presents the 2000-2004 average net trade positions of African countries in food and agricultural products. Given the region's factor endowments and comparative advantages, it is striking to note that only 9 of the 53 countries in the region were net food exporters over the period 2000-2004. In addition, 18 of the 53 countries were net exporters of agricultural products. This stylized fact explains why some analysts and policymakers are worried that the withdrawal of OECD subsidies may lead to an increase in food prices and therefore undermine the food security of several countries in Africa. This is however not a good reason for not eliminating OECD subsidies. A country that is currently a net importer of food may become a net exporter after the elimination of subsidies if the removal of such barriers makes food production more attractive and hence boosts domestic production. In other words, production and export patterns depend on the current and future global trade policy environment and are likely to change as the environment changes. Consequently, although the withdrawal of subsidies arising from multilateral trade reforms may increase food prices and have negative short-term effects on food importing countries, in the long run there is likely to be an adjustment that would reduce the vulnerability of some of these countries to such shocks.

Table 5: Average net trade position of Africa for 2000-2004

COUNTRY	Value of Net Exports (in thousand dollars)	
	Food (excluding fish) 1990-1995	Agricultural Products
Algeria	-2687520	-3027900
Angola	-479741	-669448
Benin	-138064	-21410
Botswana	-171683	-228212
Burkina Faso	-60416	63879
Burundi	-24018	848
Cameroon	26580	219451
Cape Verde	-69222	-88706
Central African Republic	-7543	-5324
Chad	7487	57739
Comoros	-6323	-9300
Congo, Democratic Republic	-235656	-235757
Congo, Republic	-143520	-166249
Cote d'Ivoire	1709005	2118996
Djibouti	-93199	-137405
Egypt	-2014638	-2380043
Equatorial Guinea	-10276	-25998
Eritrea	-86192	-87409

COUNTRY	Value of Net Exports (in thousand dollars)	
	Food (excluding fish) 1990-1995	Agricultural Products
Ethiopia	-244596	-24659
Gabon	-135034	-158300
Gambia	-56265	-70989
Ghana	268019	170296
Guinea	-117495	-139984
Guinea-Bissau	15869	10153
Kenya	-108691	571859
Lesotho	-81957	-97558
Liberia	-74968	-10202
Libya	-926698	-1127155
Madagascar	53348	55934
Malawi	-3412	304460
Mali	-6878	147428
Mauritania	-173291	-238629
Mauritius	53312	11803
Morocco	-653455	-930946
Mozambique	-203259	-204842
Namibia	-50587	-20914
Niger	-52960	-74705
Nigeria	-1276223	-1385695
Rwanda	-53107	-25948
Sao Tome and Principe	-5791	-10453
Senegal	-440057	-450124
Seychelles	-43994	-53872
Sierra Leone	-112474	-133199
South Africa	695706	888718
Sudan	-129645	-107864
Swaziland	112014	86704
Tanzania	-114999	83111
Togo	-25524	27731
Tunisia	-242991	-412503
Uganda	-115503	54097
Zambia	-41699	7638
Zimbabwe	-40341	599881

Source: Computed using data from FAO database

IV. Key concerns of African countries in the Doha round

African countries are concerned that they are yet to realize the gains promised in the Uruguay Round. In the early 1990s there were several studies indicating that the potential gains from the Uruguay Round reforms are high. In particular, it was stressed that a large share of the global gains would accrue to developing countries. Safadi and Laird (1996) present and discuss some of the results of these studies. More recently, several studies have shown that Africa would incur losses as a result of the implementation of the Uruguay Round reforms (see Table 6). For example, Harrison, Rutherford and Tarr (1996), show that Sub-Saharan Africa would lose US$418 million from Uruguay Round reforms. Hertel, Masters and Elbehri (1998) also show that Africa is the only region of the world that is likely to lose from the implementation of Uruguay Round reforms.

Table 6: Gains and losses from Uruguay round reforms (1992 US$ billions)

Region	Base-model impacts on welfare gains and losses annually		Static IRTS model impacts on welfare gains and losses	
	Complete reform package	As % of GDP	Complete reform package	As % of GDP
Sub-Saharan Africa	-0.418	-0.2	-0.3	-0.2
South Asia	3.286	1.0	3.7	1.1
Argentina	0.645	0.3	0.7	1.3
Brazil	1.310	0.3	1.4	0.4
Mexico	0.145	0	0.2	0
Rest of Latin America	1.198	0.4	1.3	0.5
Developing countries	17.651	0.4	19.4	0.4
Industrialized countries	75.208	0.4	76.6	0.4
World	92.859	0.4	96.0	0.4

Source: Harrison, Rutherford and Tarr (1996).

Added to the unfair outcome of the Uruguay Round (UR) reforms is the growing realization that Africa may be vulnerable to partial reforms under the Doha round (see for example, Lippoldt and Kowalski 2005; OECD 2005). Using a CGE model that incorporates preference erosion, variable employment and binding overhang, Achterbosch et al (2004) find that under full liberalization of global trade global gains are about 0.3 percent of GDP. For Sub-Saharan Africa the gains are also about 0.3 percent of GDP. However under modest reforms, as is likely under the Doha round, Sub-Saharan Africa incurs losses of about 2 percent of GDP while the global gains are 0.1 percent of GDP. Apart from terms of trade effects, the losses incurred by Sub-Saharan Africa under partial liberalization are due to the combined effects of preference erosion and binding overhang. Several countries in the sub-region have preferential market access to key OECD markets and partial reforms increase the degree of competition they face from other developing countries in these export markets without offsetting improvements in market access for African products in developing countries due to binding overhang. Bouet et al (2004) have also shown that recent results of applied general equilibrium model simulations are excessively optimistic in terms of projected welfare gains for developing countries. In particular, their results show that Sub-Saharan Africa would lose from the types of partial agricultural trade liberalization likely to take place in the Doha round. They attribute this to preference erosion. Given these vulnerabilities and the unrealized expectations from the UR, it is not surprising that African countries are wary about making further commitments in the Doha round.

As in most developing countries, the rules and procedures of the multilateral trading system are regarded as unfair by African countries. They view the rules and procedures as favouring the developed countries. For example, although the WTO is supposed to be a member-driven organization, important issues and decisions are taken in "Green Room" meetings and African countries do not have proportionate and adequate representation at these meetings. In addition, because of their relatively low bargaining power, countries in the region have difficulties setting and influencing the agenda and pace of negotiations. The lop-sided power structure of the multilateral trading system is evident in the fact that developed countries managed to get the Singapore Issues on the agenda of the Doha Work Programme at the WTO Ministerial Conference in Doha despite mounting opposition from developing countries---who comprise more than two-thirds of the membership of the WTO. The Singapore Issues contributed to the failure of the 2003 WTO Ministerial Conference in Cancun and three of the four issues were eventually taken out of the Doha Agenda.

Africa is also concerned about the incoherence between the trade and aid policies of OECD countries. On the one hand, they offer aid to African countries to help fight poverty. On the other hand they adopt unfair agricultural support and trade policies that make it difficult for the region to reap and maximize the benefits of trade. The US support to cotton and the devastating effect it has on African cotton producers---through depressed world prices---is a classic example of the harm done to African countries by unfair agricultural policies of OECD countries. Available empirical evidence suggests that the elimination of trade barriers facing Africa's exports in the QUAD countries---the United States, the European Union, Japan and Canada---would result in a 14 percent increase in non-oil exports and a 1 percent increase in real income in Sub-Saharan Africa (Ianchovichina et al 2001). More importantly, the evidence suggests that the costs of the removal of these barriers to the QUAD countries would be insignificant given Africa's low share of international trade.

The lack of commitments and concrete mechanisms for finding effective solutions to the problem of preference erosion is also another major concern that African countries have in the Doha round negotiations. Several countries in the region participate in preferential trading schemes and are worried that the Doha reforms may erode these preferences. It is often argued that trade preferences should not be encouraged because in several recipient countries the value is small. In addition, some analysts argue that they are inconsistent with the long-term interests of developing countries (Topp 2003). It is indeed true that the value of preferences is small for several countries in the region. However this is not a good reason for not taking the issue seriously in the negotiations because an effective solution needs to be found for the limited number of countries in which the value of preferences is high if they are to support the reform effort.

Table 7: Value of preferences under EU schemes (as % of exports to the EU)

Range	Country
0 to 10 percent	Sudan, Mali, Niger, Chad, Gambia, Guinea-Bissau, Guinea, Sierra Leone, Liberia, Ivory Coast, Ghana, Togo, Benin, Nigeria, Central Africa Republic, Equatorial Guinea, Sao Tome and Principe, Democratic Republic of Congo, Rwanda, Burundi, Ethiopia, Eritrea, Djibouti, Somalia, Kenya, Uganda, Tanzania, Madagascar, Comoros, Zambia, and Zimbabwe.
Greater than 10 but less than 30 percent	Lesotho, Botswana, Namibia, Malawi, Mozambique, Seychelles, Angola, Gabon, Cameroon, Senegal, Cape Verde, Burkina Faso, and Mauritania.
Greater than 30 percent	Swaziland, Mauritius and Republic of Congo

Source: Compiled using data from Brenton and Ikezuki (2005)

Table 7 classifies African countries in terms of the value of preferences received in 2002 under the Cotonou and GSP schemes of the EU as a share of agricultural exports to the EU. It shows that there are at least 16 countries in the sub-region for which the value of preferences received under EU schemes is more than 10 percent of agricultural exports to the EU. For these countries preference erosion has real consequences (see for example, Lippoldt and Kowalski 2005).

Another concern of African countries is the lack of capacity to analyze the implications of the various proposals made in the negotiations for their economies. The international community has recognized this problem by setting up trade capacity building programmes for developing countries. However, it is becoming clear that these programmes suffer from serious shortcomings that undermine their effectiveness (Dupasquier and Osakwe 2006c). One of the problems with existing programmes is that they tend to be biased towards donor-driven priorities and economic interests. This is reflected in the fact that resources tend to be channelled to activities that further donor interests (UNDP 2005). For example, although developing countries were against launching negotiations on the Singapore Issues, 36 percent of the annual average spending on trade policy and regulation over the period 2001-2004 went to these issues (see Table 8).

Table 8: Assistance to trade policy and regulation (US$ million)

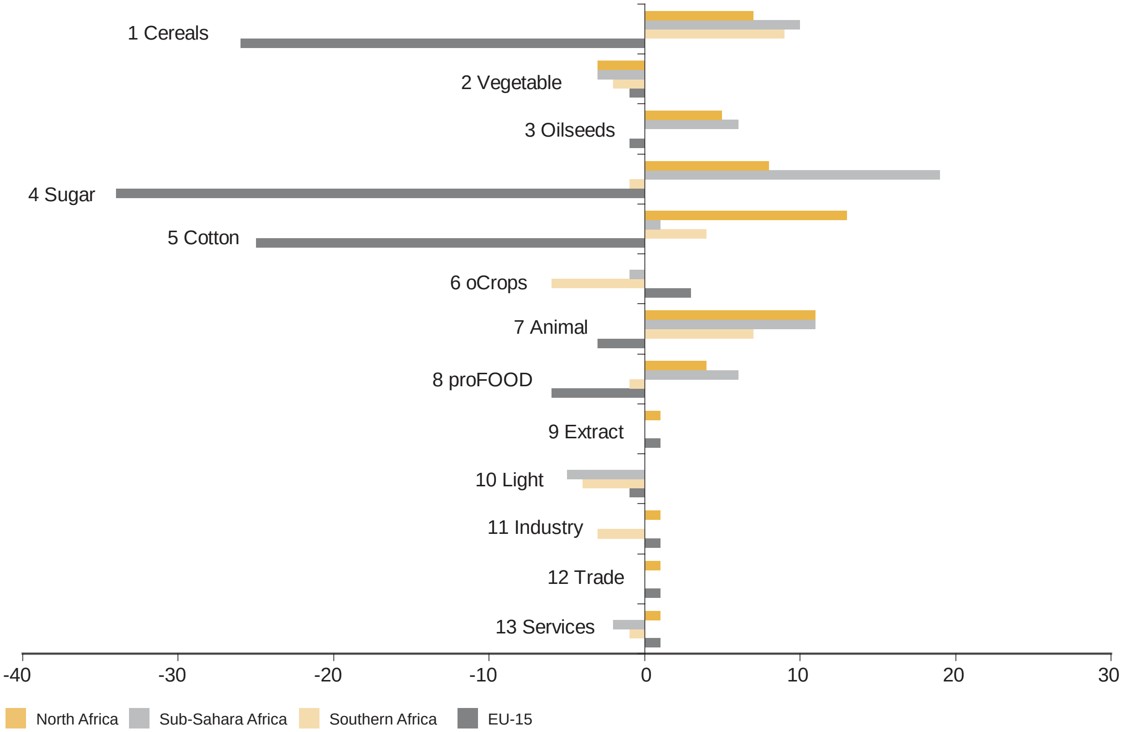
Area	Total for 2001-2004	Annual average	% of total
Singapore Issues			
• Trade facilitation	911	228	29.9
• Trade and competition	137	34	4.5
• Trade and investment	31	8.0	1.0
• Transparency and govt. procurement	18	5.0	0.7
Agriculture	37	9.0	1.2
Trade mainstreaming	463	116	15.2
Technical Barriers to trade and SPS	376	94	12.3
Regional trade agreements	480	120	15.7
Accession	73	18	2.4
Dispute settlement	11	3.0	0.4
Trade-related intellectual property rights	48	12	1.6
Services	32	8.0	1.0
Non-agricultural market access	15	4.0	0.5
Rules	13	3.0	0.4
Training in trade negotiation techniques	31	8.0	1.0
Trade and environment	172	43	5.6
Trade education/training	203	51	6.7
Total	3052	763	100

Source: Computed using data from WTO-OECD (2005).

In contrast, training in trade negotiation techniques, which is necessary to increase the ability of developing countries to defend their interests in multilateral negotiations, accounted for about 1 percent. Furthermore, agriculture received only 1 percent even though it is deemed as the most important issue for developing countries in the Doha round. Added to this is the fact that the key capacity building programmes---the Joint Integrated Technical Assistance Programme and the Integrated Framework---are generally under funded. There is also weak support for local capacity building as donors frequently favour their consultants over professionals in recipient countries (Deere 2005; Aryeetey et al 2003).

There is also the concern that the Doha round reforms will lead to de-industrialization in the region and force African countries to specialize more in commodities. Is this fear justified? Achterbosch et al (2004) examined this issue and found that as a result of the reforms Africa would specialize more in cereals, sugar, and cotton and this is driven mostly by policy changes towards these programme commodities in OECD countries. In addition there would be less specialization in commodities such as vegetables, fruits, and flowers, and a contraction of activities in light and heavy industries.

Figure 1: Changes in specialization for Africa and EU-15 after reforms*



* The figure shows the changes to the specialization index in percentage points.

Figure 1 shows the changes in specialization patterns in the model for Africa and the EU-15 when moving from modest to full reform. Although these changes in specialization patterns are dictated by current comparative advantage they are worrisome because commodity prices are highly volatile and volatility has consequences for macroeconomic performance (Bleaney and Greenaway 2001).

V. What Africa wants from the agriculture negotiations

The positions and demands of African countries on various issues under the Doha Development Agenda are contained in a series of declarations made by African countries after the launching of the Doha Round in November 2001. These include:

- The *Grand Baie Declaration* issued at the conference of the African Union's Ministers of Trade held in Grand Baie, Mauritius, from 19-20 June 2003;
- The *Kigali Consensus* issued at the conference of the African Union's Ministers of Trade held in Kigali, Rwanda, from 27-28 May 2004;
- The *Cairo Declaration* issued at the conference of the African Union's Ministers of Trade held in Cairo, Egypt, from 5-9 June 2005; and
- The *Arusha Development Benchmarks* issued at the conference of the African Union's Ministers of Trade held in Arusha, Tanzania, from 22-24 November 2005.

In this section I assess the extent to which the outcome of the agricultural negotiations, as reflected in the draft declaration issued at the end of the Sixth WTO Ministerial Conference, meets the demands and requests of African countries. Since the Arusha Benchmarks contain the main positions of African countries in the run-up to the Sixth Ministerial Conference in Hong Kong the assessment will focus on this document. Table 9 presents Africa's demands on agriculture relative to the agreement in the Hong Kong draft ministerial declaration.

One of the important decisions made at the Hong Kong meeting was to set an end date for the elimination of export subsidies. Trade Ministers agreed that all forms of export subsidies will be eliminated by the end of 2013. African countries as well as most WTO Members wanted these subsidies eliminated by 2010. However, the EU was unwilling to commit to this deadline and in an attempt to avoid a repeat of the experience in Cancun, Members agreed to the date preferred by the EU. The EU has a preference for the 2013 deadline because under the 2003 reform of its Common Agricultural Policy (CAP) it is expected to eliminate most export subsidies by 2013. Concerns were expressed by several developing countries that the new deadline would allow the EU to delay cuts in subsidies until the last moment. To address this concern the draft declaration includes language that the elimination of subsidies "will be achieved in a progressive and parallel manner so that a substantial part is realized by the end of the first half of the implementation period." Although African countries were not happy with the new deadline they welcomed the fact that an end date has been set.

Food aid is another aspect of export competition where Africa's demands were addressed. In prescribing disciplines on food aid the draft declaration makes provision for the establishment of a Safe Box to ensure that there is no disruption of emergency food aid. The other demands made by African countries were not really addressed in the declaration. For example, they called for State Trading Enterprises in Africa to be exempted from disciplines on export competition but there was no commitment on this in the declaration.

On the domestic support pillar of the agriculture negotiations, there are two commitments in favour of African countries. The first is the idea that the criteria for the Green Box will be reviewed to ensure that developing country Members that cause not more than minimal trade-distortion are effectively covered. The second is the provision that developing country Members with no Aggregate Measurement of Support (AMS) commitments will be exempt from reductions in *de minimis* and the overall cut in trade-distorting domestic support. The other demands of African countries under this pillar were not really addressed in the declaration.

With regard to market access pillar, it was agreed that there will be four bands but it is not yet clear what the relevant thresholds will be for developed and developing countries. The draft declaration addressed two key demands of African countries in this pillar. The first is that it gives flexibility to developing countries to self-designate an appropriate number of tariff lines as Special Products that are exempt from reduction commitments. These are to be guided by indicators based on the criteria of food security, livelihood security, and rural development. The second is that the declaration gives developing countries the right to have recourse to a Special Safeguard Mechanism (SSM) based on import and price triggers to protect farmers from import surges. On the other demands of African countries under this pillar, there was no significant progress.

African countries were really disappointed and frustrated with the outcome of the negotiations on Cotton as reflected in the draft declaration. Given the political significance of this issue and the role it played in the collapse of the Fifth WTO Ministerial Conference in Cancun, African countries expected the United States to make serious efforts to address the concerns of the cotton producing and exporting countries in the region. African countries called for the elimination of all forms of export subsidies on cotton by the end of December 2005. This request was not honoured in the draft declaration although there was an agreement that the subsidies will be eliminated in 2006. On market access, the declaration also responded to the request by African countries. There was the commitment that developed countries will give duty and quota free access for cotton exports from LDCs from the commencement of the implementation period. On domestic support---which is the most important pillar of the cotton issue---there was no specific or real commitment in the declaration except the understanding by Members that reduction of barriers in this area will be more ambitious and the implementation period shorter than for agriculture. African countries were disappointed with this aspect of the declaration because domestic subsidies on cotton make up more than two-thirds of the US support on cotton and the draft declaration did not impose any serious discipline in this area. In the run-up to the Hong Kong Ministerial Conference, African countries made a proposal with specific time-frame on reduction of domestic support on cotton. They asked for support to be reduced by 80 percent by 31 December 2006; 10 percent by 1 January 2008; and 10 percent by 1 January 2009. In Hong Kong African countries made changes to the proposal to increase the likelihood of an agreement in this area. Under the revised proposal, 60 percent of the trade-distorting domestic support on cotton will be eliminated by 2008; 20 percent by 2009; and 20 percent by 2010. However, this compromise on the part of African countries did not change the position of the US on the issue.

Another aspect of the cotton negotiation where there was not much progress is the issue of compensation. African countries had asked for the setting up of an Emergency Fund to help cotton exporters deal with the declines in revenue resulting from depressed cotton prices. The draft declaration contains no new commitment in this area but urged the Director General of the WTO to explore the possibility of establishing a mechanism to deal with income declines in the cotton sector.

Table 9: Africa's demands and the outcomes of the Hong Kong meeting

Issue	Africa's Positions and Demands in Agriculture	Hong Kong Ministerial Declaration
Export Competition	Elimination of all forms of export subsidies on agricultural products by 2010	Parallel elimination of all forms of export subsidies by the end of 2013
	Disciplines on food aid must take into account the interests of food aid recipients	Interests of food aid recipients to be taken into account. A Safe Box for bona fide food aid will be provided.
	Immediate implementation of the Marrakech decision on Net Food Importing Developing Countries (NFIDCs) and LDCs, in accordance with paragraph 4 of the decision.	Disciplines on export measures will incorporate appropriate provision in favour of LDCs and NFIDCs as provided for in paragraph 4 of the Marrakech decision.
	State Trading Enterprises (STEs) in Africa should be exempted from disciplines on export competition.	Disciplines on exporting STEs will extend to the future use of monopoly powers. However, there will be provision in favour of LDCs and NFIDCs as provided for in paragraph 4 of the Marrakech decision.
Domestic Support	Review of the Green Box criteria to provide policy space for developing countries	The Green Box criteria will be reviewed in line with paragraph 16 of the July Framework to ensure that developing country Members that cause not more than minimal trade-distortion are effectively covered.
	Review and tighten the Green Box criteria for developed countries to ensure that it is non or minimally trade distorting.	No specific statement on this in the declaration
	Tightening of the criteria for the Blue Box and the inclusion of disciplines to prevent box shifting	No specific statement on these in the declaration. However, it is stated that cuts to overall trade-distorting support must be at least equal to the sum of reductions in Amber Box, Blue Box, and *de minimis* support.
	Exemption of African countries from *de minimis* and AMS reduction commitments	Developing country Members with no AMS commitments will be exempt from reductions in *de minimis* and the overall cut in trade-distorting domestic support.
	Allowing African countries policy space for the development of farming communities	No specific statement on this in the declaration
	Need for real reductions in trade distorting domestic support	Disciplines will be developed to achieve effective cuts in trade-distorting domestic support consistent with the July Framework

Market Access	Application of the principle of proportionality in the reduction of tariffs and the need to take into account the differences in tariff structures across Members	No specific statement on this in the declaration.
	Provision of policy space to allow African countries pursue agricultural policies that are supportive of their development goals.	No specific statement on this in the declaration
	An improvement in market access for products of export interest to African countries with special attention given to tariff escalation, tariff peaks and non-tariff barriers.	No specific statement on this in the declaration
	Treatment of Special Products must provide flexibility for African countries and reflect domestic circumstances and development needs.	Developing country Members will have flexibility to self-designate an appropriate number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development.
	Special Safeguard Mechanisms (SSM) must be operationally effective to address the specific circumstances of African countries	Developing country Members will have right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers
	Concrete mechanisms and solutions to the problems of preference erosion.	No new provisions were made on this issue in the declaration.
Cotton	Total elimination of export subsidies on cotton by 31 December 2005.	All forms of export subsidies for cotton will be eliminated by developed countries in 2006
	Reduction of domestic support on Cotton under the following time frame: • 80% by 31 December 2006 • 10% by 1 January 2008 • 10% by 1 January 2009	Trade distorting domestic subsidies for cotton production should be reduced more ambitiously than under whatever general formula is agreed and should be implemented over a shorter period of time than generally applicable to agriculture
	Setting up of an Emergency Fund to address cotton revenue deficits resulting from depression of world cotton prices.	Director General of the WTO urged to intensify his consultative efforts with bilateral donors as well as multilateral and regional institutions on the development assistance aspects of cotton. He is also to explore the possibility of establishing a mechanism to deal with income declines in the cotton sector.
	Mobilization of technical and financial assistance to aid cotton exporters to add value to their products.	Urged the development community to further scale up its cotton-specific assistance and to support the efforts of the WTO Director General in this area.
	Provision of duty and quota free access for cotton and its by-products for the LDC cotton producers and net exporters.	Developed countries will give duty and quota free access for cotton exports from LDCs from the commencement of the implementation period

VI. Ensuring a fair outcome for Africa in the agriculture negotiations

Given the crises that have marked WTO Ministerial conferences since Seattle, it is clear that a successful completion of the agriculture negotiations and the Doha Round will depend largely on the extent to which there are tangible benefits for developing countries in any proposed deals. It is therefore important that the key players in the negotiation process---the EU and the US---bear this in mind and also take bold steps to ensure that this is indeed the case. Failure to ensure that there are tangible benefits for developing countries in the negotiations, will confirm the widely held view that developed countries preach free trade only when it suits their interests. It will also weaken the intellectual arguments or case for free trade and increase the alienation of developing countries from the global trading system with grave consequences for poverty and world security. Therefore, there is the urgent need to address the concerns of developing countries in the negotiations. In this regard, the following elements are necessary in any agreement to ensure a fair outcome for Africa in the agriculture negotiations.

- Quick resolution of the cotton issue;
- Granting duty and quota free access to OECD countries for all products emanating from the LDCs;
- Elimination of tariff peaks, tariff escalation and non-tariff barriers limiting Africa's incentives and ability to export processed agricultural products;
- Granting flexibility or policy space to African countries to deal effectively with poverty reduction, food security, and rural development needs;
- Finding concrete mechanisms and solutions to the problem of preference erosion;
- More meaningful and effective trade capacity building programmes; and
- Binding commitments on provision of financial assistance to help developing countries cushion the burden and short-term costs of adjustment to trade reforms.

These elements, whilst modest, would address some of the concerns of African countries in the negotiations, increase their confidence in the multilateral trading system and ensure that the continent is not left out in the globalization process. In this regard, it is important that in the modalities phase of the Doha negotiations developed countries show leadership and make more meaningful commitments that would create an opportunity for African countries to derive more gains from the multilateral trading system. That said, the responsibility to make trade work for Africa does not rest only with developed countries. African countries also have a vital role to play because the benefits of trade are not automatic. They accrue to countries that have taken steps to exploit them. Therefore, African countries should adopt complimentary domestic policies that would enable them to take advantage of the potential trading opportunities that could arise from the Doha round reforms. This requires lifting supply-side constraints, reducing transactions costs, putting in place domestic policies that would create an incentive for production of dynamic export products, and intensifying regional integration efforts in areas such as infrastructure, education, governance, and conflict prevention and resolution.

Concluding remarks

Several promises were made to developing countries at the launch of the Fourth WTO Ministerial Conference in 2001. These include: improving market access for agricultural goods of developing countries as well as the reduction of export subsidies and other domestic support measures used by developed countries; dealing with tariff peaks, tariff escalation, and non-tariff barriers to products of export interest to developing countries; reviewing all Special and Differential Treatment (S&D) provisions to make them more effective and allow developing countries to take care of food security and rural development needs; putting in place better and balanced rules to protect developing countries rights and interests in the trading system; providing more technical assistance and capacity building programmes to developing countries; and finding appropriate solutions to implementation concerns as well as addressing outstanding issues as a matter of priority.

Translating these promises into binding commitments continues to pose serious challenges for both developed and developing countries. For the developed countries the challenge is how to fulfill these Doha promises without undermining the trade liberalization objectives of the WTO. For developing countries, however, the key challenge is how to participate in the Doha reforms without jeopardizing important national development goals.

Responding to this challenge would require vigilance on the part of African countries. It would also require a strategic approach to trade and a clear assessment of the benefits and costs of multilateral trade negotiations to the region. This is particularly important given the enormous human and financial resources currently expended on trade negotiations by several countries in the region. It is also important because recent studies suggest that under the most optimistic scenario the gains to Africa from multilateral trade reforms are likely to be about 1-2 percent of GDP and this is far below what is need to enable the region meet the Millennium Development Goals (MDGs). For example, Sachs et al (2004) show that African countries would require aid flows equivalent to 20-30 percent of their GDP over the course of a decade in order to finance the public investments needed to meet the MDGs. In addition, the report of the Millennium Project suggests that a typical low income country with an average per capita income of $300 in 2005 would require external financing of about 10-20 percent of GNP to meet the MDGs (United Nations 2005). Consequently, it is very important that efforts at liberalization by countries in the region do not put poverty reduction and other national development goals at risk.

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Appendix: Taxes on international trade and transactions (% of revenue)

Country	Period	
	1985-1994	2000-2003
Angola	4.2	4.8
Benin	59.2	47.5
Botswana	13.3	--
Burkina Faso	42.7	16.4
Burundi	25.6	21.3
Cameroon	17.0	12.9
Cape Verde	43.5	39.8
Central African Republic	35.5	36.8
Chad	20.8	23.6
Comoros	38.9	56.6
Congo, Dem Republic of	--	36
Congo, Republic of	11.0	7
Cote d'Ivoire	31.9	35.7
Djibouti	22.1	38.1
Equatorial Guinea	26.9	3.1
Eritrea	45.6	39.7
Ethiopia	19.6	30.1
Gabon	19.4	21.4
Gambia, The	50.1	51.9
Ghana	29.7	21.9
Guinea	9.9	18.8
Guinea-Bissau	9.1	36.2
Kenya	8.8	28
Lesotho	51.5	46.6
Liberia	--	--
Madagascar	39.2	48.1
Malawi	19.4	11.2
Mali	33.7	44.6
Mauritania	34.3	9.2
Mauritius	49.8	25.8
Mozambique	18.2	15.8
Namibia	32.0	30.1
Niger	37.0	50.2
Nigeria	--	8.2
Rwanda	37.8	17
Sao Tomé and Principe	15.8	36.7
Senegal	27.0	16.5
Seychelles	44.9	23.6
Sierra Leone	42.7	42.6
Somalia	--	--

Country	Period	
	1985-1994	2000-2003
South Africa	4.1	3.4
Sudan	14.6	19.6
Swaziland	--	--
Tanzania	18.7	36
Togo	36.2	41.9
Uganda	54.4	40.2
Zambia	31.5	30.2
Zimbabwe	--	9.6

Source: Computed using data from African Development Indicators 2005.

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