

Africa's Trade During the Crisis and Conclusion of the Doha Round

*By: Tina Nanyangwe – Moyo
Zambia*

Africa – Canada Forum Colloquium

October 27 – 28

Ottawa, Canada



Presentation Map

- ✿ Trade pre-crisis situation in Africa
- ✿ Impact of the crisis on Africa's trade
- ✿ What should be done?
- ✿ The Doha Round Impasse,
- ✿ What are the hot issues in Doha Round?
- ✿ Suggestions

Pre-Crisis Situation

- ✿ For the past 5 yrs + Africa's annual growth rate averaged 6% and was improving
- ✿ Growth was largely catalysed by good earnings from natural resources
- ✿ Zambia's growth rate averaged 5% from 2003 – 2007, after recovering from failed SAPs

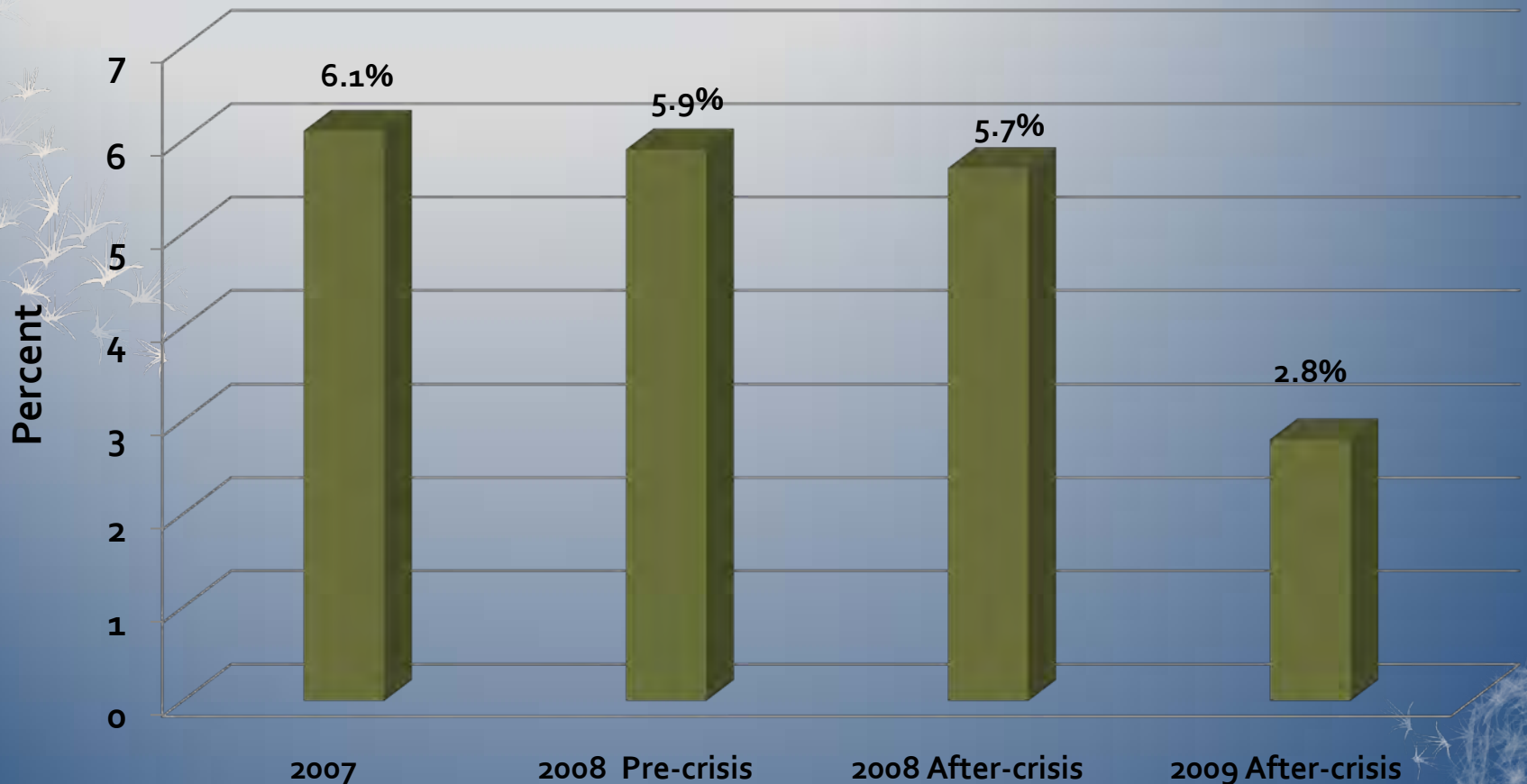
Pre-Crisis Situation cont'd

- ★ Several countries were making progress in stabilising external debt conditions after HIPC and MDRI
- ★ Recuperating movement of goods and services between borders for LDCs

Impact of the Crisis on Africa's Growth Rates

- ✿ It is a '*growth crisis*' to Africa which may degenerate into a '*devpt crisis*'
- ✿ The GEC has hit key drivers of growth: trade flows, K inflows, natural resource sectors and agric exports
- ✿ Growth rate forecasts put Africa's growth at 2.8%, the lowest in 15yrs

Africa Growth Before and After the Crisis



Real GDP Growth Before and After the Crisis

Impact of the crisis on Exports

- ★ Africa's exports are feared to fall by US\$ 250 b in 2009

Examples;

- ★ In Chad, and Equatorial Guinea, oil export revenues fell by 59% and 43%, respectively, between July 2007 and July 2008
- ★ In the Sudan, oil revenues are expected to be 43 % lower in 2009 compared to 2008

Impact of the crisis on exports cont'd

- ★ Trade tax revenue losses for oil exporters will amount to US\$8.2b \approx 4% of govt revenue
- ★ Mineral (copper) exporters together deemed to face US\$ 6.0 b in export revenue
- ★ Uganda, 2nd leading coffee grower has already recorded a decline in commodity exports of 34% in March 2009 compared to 2008

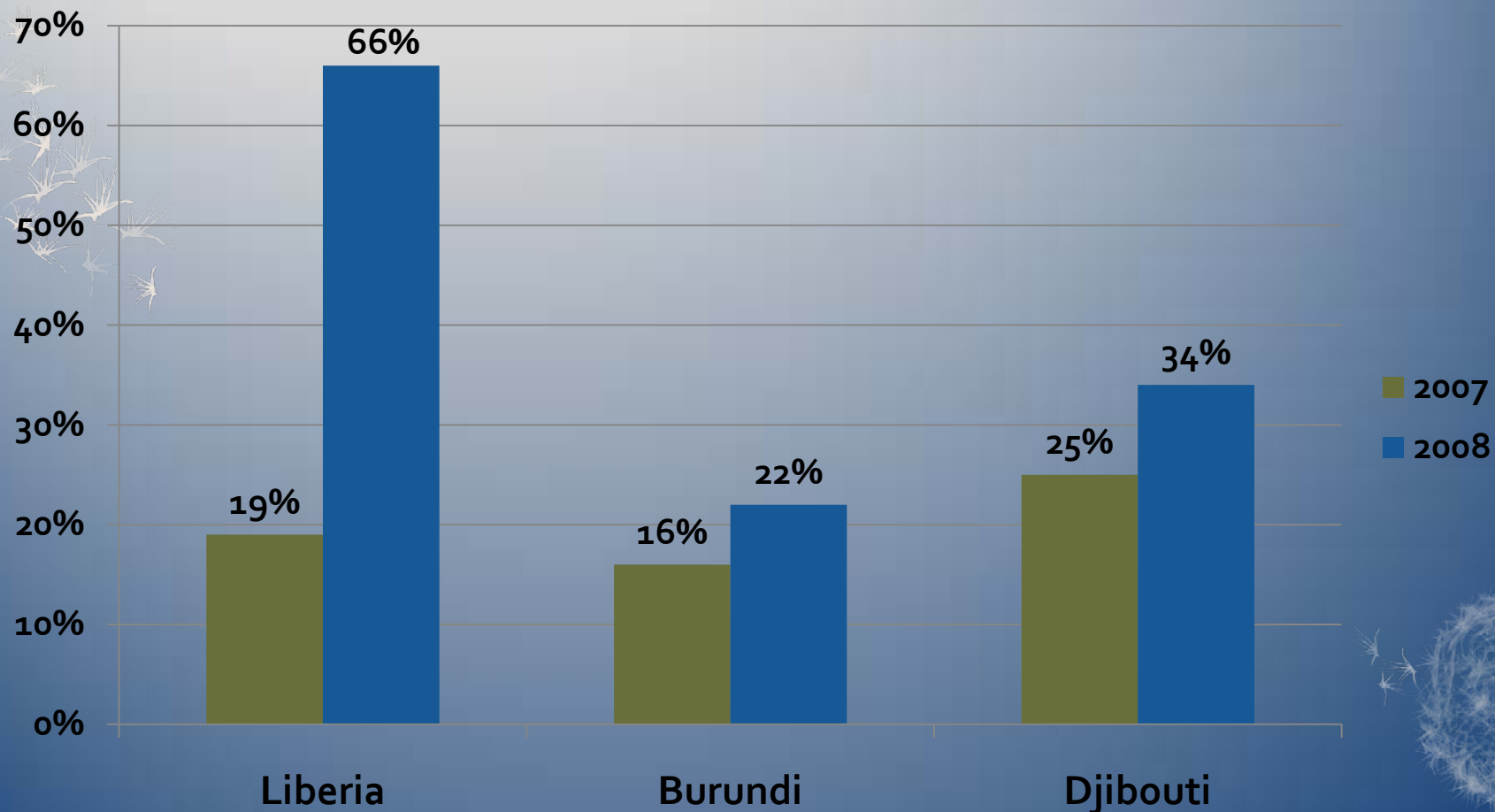
Consequences of the crisis on other factors

- ◆ In DRC, about 300,000 jobs in the mining sector were lost in Katanga Province
- ◆ In Zambia, over 50,000 jobs were lost on the Copperbelt Province
- ◆ Increased exchange rate volatility which hurts trade and growth

Consequences of the crisis on other factors

- ✿ In Zambia, the local currency depreciated by 27.3% against the USD by end 2008 in period of 1 yr
- ✿ Export earnings declined by 40% from May 2008 – Feb 2009.
- ✿ Decline in foreign exchange earnings has caused a drastic deterioration of BoP position in many African countries

Current A/C Deficit (% of GDP)



What should be done?

- ✿ WB estimates that for Africa to achieve its pre-crisis growth rate, it would need US\$ 150 b to finance investment-saving gap
- ✿ To achieve 7% growth required to meet MDG targets, financing gap rises to US\$ 117b
- Africa needs strong support to fill financing gap from developed countries

What should be done?

- The continent needs to address structural problems e.g. Governance issues decentralisation and debt accural
- Promote domestic investment
- Development of domestic and regional bonds
- Increase access to credit
- Diversification of exports

The WTO Doha Round

- ✿ Formerly Uruguay Round, 1st agreement on agriculture policy reform from 1988-1994
- ✿ 2001 DDA emphasised integrating developing countries in the world trading system
- ✿ Objectives (Pillars):
 - ✿ Improve Mkt access
 - ✿ Phase out export subsidies
 - ✿ Reduce domestic support

Impasse in the WTO Doha Round

- ✿ Lack of agreement on modalities, target and timetables on Agriculture
- ✿ 2003, 2005 and 2006 deadlines have all been missed
- ✿ DCs tying agriculture progress to other areas of DDA , “exchange rate”
- ✿ EU agric subsidy is the great impediment to DDA conclusion

The EU Agric Subsidy

- ★ EU pays more than half its annual budget (€ 53 b) in Agric subsidies
- ★ Biggest share of € 37.5b goes to landowners and farmers
- ★ Hundreds of million Euros paid to individuals and companies that have little or no connection to traditional farming
- ★ Heftiest amounts flow to multinational co. like food conglomerates, sugar manufacturers and liquor distillers

Who Receives the Subsidy

	Name of Recipient	Country	Amount in €	Year
1	Cargill	USA	105 million	2008
2	Tate & Lyle	Britain	134 million	2007
3	Groupe Doux, (chicken processor)	France	62.8 million	2008
4	Ligabue, (caterer)	Italy	148,000	2008
5	Duke of Westminster	Britain	8 million	2006-2007
6	Queen of England	Britain	524,447	2008
7	RCC (Cistercian Monks)	Austria	581,000	2008

EU Recipient's Comments on the CAP

- ◆ Brussels, MP Phillip Dunne who received £201,000 in 2008 said *"Without the present support arrangements we would not be able to farm effectively, to award winning environmental standards, nor employ a workforce of 7 full-time, 2 part-time and 11 seasonal staff."*
- ◆ France, Mr Galpin who receives €70,000/yr said, *"Quite frankly, we would rather receive no subsidies and live entirely off our own produce. But given the price of wheat right now, we could not survive without this money,"*

The Doha Round is a failure!

- ★ DCs are tongue-in-cheek on the negotiations
- ★ UK has, pledged to increase its contribution to the CAP by 60% from 2009 – 2011
- ★ Trade negotiators lack national support on Doha round issues
- ★ What obstructs the conclusion is not absence of technical solutions but political will

Suggestions on way forward

- ◆ 'Fair Trade' negotiations are important and must be supported
- ◆ Seek opinions of EU citizenry ,as tax payers, on beneficiaries of the farm subsidy
- ◆ CSOs need to play an important role to persuade national consensus on trade negotiations



End!

Thank you for listening...