

WTO: TRADING AWAY AFRICA



EcoNews Africa



HEINRICH
BÖLL
FOUNDATION



MAKE
TRADE
FAIR
www.maketrade-fair.com

August 2003

WTO NEGOTIATIONS ON INDUSTRIAL TARIFFS: COLLAPSE OF LOCAL INDUSTRIES RESULT OF TRADE LIBERALISATION

Many African countries have suffered from collapse of domestic industries with closure of local factories and massive job losses, due to too rapid trade liberalisation. Developed countries, however, industrialised under high tariff and import restriction – policy tools that they now want to deny developing countries.

Cheap imports have flooded African markets as a result of trade liberalisation and this has dealt a major blow to local manufacturing of for example textiles, clothing and leather products. In Kenya the textile industry has been strangled by cheap imports, mainly second hand clothes (“mitumba”). The employment in the textile industry dropped from 85,000 to 12,000 within a decade following liberalisation of markets in the late 1980s. Cheap imports and second hand footwear have seriously hurt Kenya’s leather industry, which accounts for nearly 10% of the country’s GDP and employs over 150,000 people directly and indirectly.

“The textile industry will continue to down-size its capacity due to numerous unfavourable trading conditions and unfair competition from imports both of new and used clothing.”

Mr. John Nyandiga, Secretary-General of the Tailors and Textile Workers Union in Kenya

Further tariff reductions will be death nail

The WTO Ministerial Conference in Doha in 2001 launched negotiations on a new round of reductions in tariff and non-tariff barriers on industrial goods, under the term ‘market access for non-agricultural products’. Many African and other developing countries are concerned about these negotiations since they are already faced with the consequences of previous liberalisation under Structural Adjustment Programmes or loan conditionalities of the International Monetary Fund (IMF) and the World Bank. These countries have seen collapse and closure of local firms and even whole sectors, which has led to significant job losses and weakening of their local economies. In fact, industrial growth has fallen behind GDP growth in Sub-Saharan Africa since the 1980’s.

The main interest of developed countries in the WTO negotiations on industrial products is, however, that developing countries further reduce their industrial tariffs.

African interests not reflected

The negotiations currently focus on ‘modalities’, i.e. overall tariff reductions and time frames for achieving them. Developed countries, such as the US, the European Union and Japan, have put forward proposals which oblige developing countries to drastically reduce their tariffs. African and other developing countries are opposed to such proposals, since they fear that this would lead to further de-industrialisation and collapse of remaining local industries. The Chairman of the WTO Negotiating Group on Market Access for Non-Agricultural products submitted in May 2003 ‘under his own responsibility’ a draft for elements of the modalities. African countries have voiced grave concern that this report has not taken on board proposals made by African countries in Geneva.

Erosion of government revenue base

Tariffs on industrial products constitute a major part of the revenue for African governments. According to IMF, import duties represented 15% of the government revenue in developing countries in 1999-2001. In African least-developed countries the figure was more than twice as high, over 30%. If the tariffs are drastically cut, it will seriously erode the government revenue base and hence its ability to provide basic services, such as education and health.

Vulnerable industries

Many African countries have a weak and vulnerable industrial base. They are demanding that they should not have to undertake further tariff reductions. Instead developing countries should have the policy freedom and flexibility to choose their own tariff reduction commitments, regarding which sectors and at what rate of reduction. They must also have the right to use measures aimed at assisting infant industries to compete with well established enterprises in the international market.

We affirm that the objectives of the negotiations on non-agricultural market access are to facilitate the development and industrialisation processes in our countries.

... We are deeply concerned that the draft elements of the modalities proposed by the Chairman of the WTO negotiating Group on Market Access for Non-Agricultural products do not take into account the specific vulnerabilities of African industries.

From the Declaration of the African Union Trade Ministers meeting in Mauritius, June 2003

Trapped as primary producers

Some African countries would gain from increased export earnings if they had an increased access to developed countries' markets. The major obstacles now are tariff peaks and tariff escalation on industrial products exported by developing countries. These are contributing factors why African countries are still mainly exporters of raw materials and have not been able to diversify their production. A major demand from African and other developing countries is that developed countries should eliminate tariff peaks and tariff escalation on products of export interest to developing countries.

Trade barriers

Tariff escalation – tariffs imposed at successively higher levels the more processed the product is, i.e. the tariffs are higher on semi-processed and finished products than on raw materials.

Tariff peaks – exceptionally high tariffs on certain products, usually 'sensitive products'. For industrialised countries, tariffs over 15% are generally recognised as tariff peaks.

Non-tariff barriers (NTB) – measures other than tariffs that restrict imports from other countries, for example rules of origin, embargoes, import quotas, licensing, technical barriers. In the case of industrial products, the main NTBs are currently in the areas of textile and clothing.

Contact Persons:

Karin Gregow
EcoNews Africa
P.O. Box 10332-00100 G.P.O
Nairobi, KENYA
Tel: +254 20 2721076 / 99, 2721655
E-mail: kgregow@econewsafrika.org
Website: www.econewsafrika.org

Matildah Musumba
Heinrich Böll Foundation
Regional Office, East and Horn of Africa
P. O. Box 10799-00100 GPO
Nairobi, KENYA
Tel: +254 20 3750329 / 3744227
Fax: +254 20 3749132
E-mail: matildah@hbffa.com
Website: www.hbffa.com

Sophie Powell
Oxfam GB
P. O. Box 40680-00100 GPO
Nairobi, KENYA
Tel: +254 20 2715003
Fax: +254 20 2715095
E-mail: SoPowell@oxfam.org.uk
Website: www.oxfam.org.uk