



United States  
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Agriculture

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Service

# FACT SHEET

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## **Developing Countries Will Gain the Most from an Ambitious Outcome of the Doha Development Agenda**

### **Background**

The Doha Development Agenda (DDA) was launched in November 2001 at the fourth World Trade Organization Ministerial (WTO) in Doha, Qatar. The DDA builds on the Uruguay Round Agreement, which was concluded in 1994. While this agreement accomplished a major step by including agriculture for the first time, it did little to liberalize agricultural trade and open markets in developing countries. Agriculture remained one of the most protected and heavily subsidized sectors of the world economy.

The DDA continues the process of trade policy reform and liberalization in agriculture, services, non-agriculture goods, trade and environment, and intellectual property. Negotiations are scheduled to conclude by the end of 2006.

### **DDA Secures Link Between Trade and Development**

At Doha, WTO members recognized that global trade is the primary engine pulling economic growth and development forward. They agreed that this round of WTO negotiations must emphasize development to ensure that developing countries, especially the least developed countries, share in the benefits of expanded global trade.

A more open trade system would boost economic growth, giving developing countries the impetus they need to attain the U.N. Millennium Development Goal (MDG) of reducing poverty and hunger by half by 2015. About 70 percent of the people of developing countries are on track to meet this goal. However, more must be done—progress around the world is uneven and half of humanity still lives on less than \$2 a day.

Official Development Assistance (ODA) is not enough to grow the economies of developing countries. In fact, net increases in ODA are going to debt relief, natural disasters, and other emergencies. The limited capacity of least developed countries is making it difficult for them to absorb the assistance they are now receiving. Private, internal savings or financing from international lending institutions is not enough to jumpstart developing country economies either.

The private sector is the key to generating the enormous financial flows necessary. U.S. private financial flows to the developing world already outpace U.S. Official Development Assistance 19 to 1. A successful Doha Round would open markets, creating better opportunities for investors and attracting critical private sector capital that would bring with it the latest technology and skills. Technical assistance and capacity building would help developing countries invest this capital where it would make the most impact.

Several recent, highly credible studies have affirmed that the developing world stands to gain enormously from the Doha Round.

- The Institute for International Economics and the Center for Global Development reports that more open trade would increase the income of developing countries by \$200 billion annually and reduce global poverty by 25 percent over 15 years.
- The United Nations MDG report estimates that deep liberalization could decrease the number of people living on \$1 a day or less by 61 million, and the number of people living on \$2 per day by 144 million by the year 2015.
- The World Bank estimates that mid- and low-income countries stand to receive two-thirds of the gains in global income from the worldwide elimination of trade barriers.

The worldwide elimination of trade barriers would not only improve market access for the Southern Hemisphere to the North. It would equally benefit South-South trade.<sup>1</sup>

- South-South trade now constitutes between one-quarter and 40 percent of developing country exports.
- South-South trade is growing 50 percent faster than world trade in general.
- South-South trade has grown from 9 percent of total trade in 1985 to 14 percent in 2002.
- South-South tariffs average 11.1 percent versus North-North tariffs of 4.3 percent.
- Nearly 70 percent of tariffs paid by developing countries are paid to other developing countries.

### **Importance of Agriculture to the DDA**

Of the 148 countries that are currently members of the WTO, two-thirds of them are developing countries. A large number of these countries, especially the least developed, relied on agriculture for as much as 30 percent of their gross domestic product (GDP) in 2001.<sup>2</sup> From 2003 to 2004, agriculture employed more than 50 percent of the workforce in developing countries.<sup>3</sup>

Because agriculture is crucial to the GDP of many developing countries, some have focused on the need for developed nations to reduce and eliminate trade-distorting subsidies even though some studies show the impact of agricultural subsidies on developing nations are minimal. For example, Benin, Burkina Faso, Chad and Mali are West African cotton-producing countries that tabled concerns about U.S. cotton subsidies in 2003. In response to these concerns, the United States is helping these countries build their capacity to trade in the international marketplace.

For example, the United States is providing these and other African countries access to opportunities in the U.S. market through the African Growth and Opportunity Act and related technical assistance. Currently, 96 percent of U.S. agricultural imports from Sub-Saharan African countries enjoy duty-free access to the United States. We are also helping these cotton-producing countries improve their production and processing systems and create a better appreciation for the quality of their cotton in major Asian markets, such as China and India. In addition, Benin, Burkina Faso, Mali and Senegal have either been designated as eligible for assistance under the United States' new Millennium Challenge Account or are on the threshold of eligibility due to their efforts to govern justly, invest in their people and encourage economic freedom. The United States has also helped to establish a multilaterally funded Integrated Framework in cooperation with the World Bank and International Monetary Fund. This framework can provide substantial resources to help cotton-producing and other

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<sup>1</sup> Sources: World Bank, International Monetary Fund, and Organization for Economic Cooperation and Development.

<sup>2</sup> Source: CIA Fact Book.

<sup>3</sup> Source: U.N. Food and Agriculture Organization.

developing countries adjust to and access the expanded opportunities of a liberalized trading system, which will follow the successful conclusion of the Doha negotiations.

The success of the Hong Kong Ministerial and the DDA hinges on agriculture. Unless progress is made in agriculture, advances in non-agricultural market access and services cannot be accomplished.

The Doha Round, with its potential to bring developing countries into an ever-expanding circle of trade and development, is the best means for growing the economies of the developing world, lifting hundreds of millions of people out of poverty, and improving the living standards for all of the world's people.