"What can Hong Kong deliver for South and Southern Africa?"

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Trade and Africa

This is a good question and one that is not easily answered. Developing countries represent only 31 per cent of world trade, despite the fact that more than 80 per cent of the world's population lives in the developing world.

This picture is even bleaker if one disaggregates the data on agriculture: developing countries capture only a third of world agricultural trade, and Africa accounts for only 4 per cent. Because 70 per cent of all Africans – and nearly 90 per cent of the poor –work primarily in agriculture, an improvement in such grim statistics could make a real difference to poverty reduction, on the poorest continent and elsewhere.

Doha

The Doha Development Round was launched to reform trade rules in order to give developing countries improved opportunities for trade, income generation, and employment. But four years into the Round, talks have degenerated into a game in which rich countries compete to offer the fewest concessions while extracting as many concessions as possible from poorer members. As a result, negotiations have been progressing at a snail's pace since 2001, and agreed deadlines have been consistently missed.

In July WTO members failed to meet yet another deadline in the Doha Round. At the General Council meeting, members were supposed to agree an initial blueprint, or 'first approximation', to indicate what the new package of WTO rules will look like. The plan was to further refine, then adopt, this blueprint at the Ministerial Meeting in Hong Kong in December. This did not happen.

Members have set late 2006 as the goal for finishing the Doha talks. The idea is to complete the Round before 'Fast Track' (Trade Promotion Authority, TPA) negotiating authority expires in the United States in the following year. TPA is the power granted by the US Congress to the Administration to negotiate trade agreements, which Congress can then only approve or reject, but not amend. Without it, US negotiators warn, it would be very difficult, if not impossible, for the USA to negotiate and ratify a Doha package. The US Congress appears to be in an increasingly protectionist mood, and TPA may not be renewed, so the end-2006 deadline is very real.

Despite this looming deadline, WTO members are nowhere near reaching agreement on agriculture or non-agricultural market access (NAMA), not to mention the other priorities of poor countries, including the elimination of trade-distorting cotton subsidies, amending the TRIPS agreement, or addressing preference erosion. This is because the EU and USA are refusing to compromise, especially on agriculture. If

WTO members continue to miss negotiating deadlines – including this month's scheduled 'first approximation' – the entire round may very well be at risk. Delays in discussing sensitive topics make it increasingly likely that Hong Kong will be another Cancun, with an overloaded agenda and a high risk of collapse. This would put developing countries in an untenable position: accept a bad deal, or risk the collapse of the Round and marginalisation of the WTO.

MDGs

Failure to deliver on development is not an option. The Millennium Development Goals (MDGs) cannot be achieved if trade rules do not change radically, and a breakdown in multilateral talks could lead the USA and EU to focus on negotiating bilateral and regional Free Trade Agreements, many of which contain provisions that threaten development. It is imperative that members summon up the political will to agree a pro-development package of new trade rules without further delay.

The 'development round' is now anything but pro-development. 2005 was expected to be an important year for development and poverty reduction: the July G8 meeting in the UK would focus on Africa; the September UN summit on the MDGs would assess progress made towards meeting several trade and development targets; and the December WTO Ministerial Meeting would endorse an initial package of new, pro-development trade rules. Expectations were high that help was on the way for the world's poorest countries.

In their summit communiqués the leaders of industrialised countries say nice things about the need to promote development; but when presented with an opportunity to follow through on their grand promises in reality, they baulk. For instance, while G8 leaders were professing their serious commitment to a development Round at the WTO summit meeting in Gleneagles in July, in Geneva their trade negotiators were blocking progress in talks about agriculture and NAMA.

As the poorest continent on earth, Africa needs debt relief, aid, and trade to help it to alleviate poverty and achieve sustainable development. Unfortunately, unfair trade rules and supply constraints impede Africa's capacity to trade. As a result, it captures a mere one per cent of world trade.

In 2001, African countries were reluctant to launch a new round of WTO negotiations at the World Trade Organisation (WTO), because the Uruguay Round rules had not been fully implemented, and African governments were concerned that a new set of rules could hinder rather than foster development. But rich countries promised them that this round would be different: the Doha 'Development Round' would focus on the reform of WTO rules, with the specific aim of boosting the participation of poor countries in international trade.

Over the past four years, African decision makers have stated repeatedly and explicitly what their countries need from the 'development round', and yet it is a constant struggle for them to make their voices heard and keep their key issues on the agenda. In fact, if negotiations continue along their current track, it is doubtful that the so-called Doha Development Round will bring tangible benefits to Africa in terms of enhanced opportunities for trading, business, and employment. The main obstacles that limit African exports will not be dealt with during the round; they are cotton dumping; lack of duty-free, quota-free access to rich-country markets for Least Developed Countries (LDCs); rules of origin; and non-tariff barriers. Instead, some of Africa's main exports to Northern markets are required to face even more competition as a result of the overall reduction in tariffs. This will reduce the small advantage that African countries currently enjoy through preferential arrangements with developed countries. On the import side, while LDCs are largely exempt from tariff reductions, other African countries are being asked to reduce their tariffs still further, with adverse consequences for rural livelihoods and industrial employment. Finally, demands from African countries for 'aid for trade' to help them to cope with the challenges linked to the implementation of the round and to relieve supply constraints are unlikely to be met during this round.

Approximately 315 million Africans – nearly one third more people than the entire population of the United States – survive on less than one dollar per day. Eighty per cent of the African population survives on less than two dollars a day. Largely because of the HIV/AIDS pandemic, the average life expectancy has fallen to 41 years, and one in six children dies before the age of five. The World Health Organisation estimates that more than two thirds of deaths from a combination of malnutrition and disease are readily preventable.

Africa is the only continent in the world to have grown poorer since 1979. From 1990 to 1999, poverty in Africa actually increased by 3 per cent, whereas in all other areas of the world poverty declined by about 7 per cent. The number of people living in extreme poverty in sub-Saharan Africa has nearly doubled, from 164 million in 1981 to 315 million in 2001. Moreover, 33 of the 49 countries defined by the UN as 'Least Developed Countries' are in Africa.

Africa is not expected to meet the Millennium Development Goals (MDGs), which include halving the incidence of poverty, achieving universal primary education, reducing child mortality, combating AIDS and other diseases, and ensuring environmental sustainability. For Africa to achieve the MDGs would require a doubling of ODA flows, debt relief beyond the levels provided for by the HIPC initiative and the recent G8 deal, and new trade rules that respond to the needs of poor countries.

Capacity Issues

Organised into negotiating blocs including the African, Caribbean, and Pacific (ACP) Group of States, the LDC group, and the Africa Group, African countries have sought to engage actively at every step of the Doha Round, making submissions and interventions in debates/discussions. During 2003, the three groups joined forces to create the G90, ultimately succeeding in removing three out of four of the so-called Singapore Issues from the WTO negotiating agenda. They have been organised and vocal, despite the many challenges constraining their attempts to participate effectively in the talks, but rich countries are failing to prioritise the needs of African and other developing countries, as promised.

African negotiators are often excluded from small group negotiations, during which key issues are discussed and in some cases agreed. Small groups such as the 'Five Interested Parties' (the FIPs) remain the WTO basis for decision making, despite the officially endorsed principle that within the democratic WTO system each country has equal weight in decision making. FIPs meetings on agriculture have not included any African country, even though reform of agricultural policies in the North will be critical to their survival.

LDCs are in a particularly difficult position. Under-resourced and under-staffed, they often have only one or two overworked staff members trying to follow all areas of WTO talks, if not those of all international organisations in Geneva. For obvious reasons, LDC officials report great difficulty in following the talks. In addition, LDCs often lack leverage in the talks: rich countries tend to dismiss their concerns on the grounds that because they are not expected to make any concessions, they should not expect much in return. Despite their pro-development rhetoric, rich-country negotiators clearly believe that if they want something, WTO members should give something in return – even LDCs.

Southern Africa is an interesting mix of economies ranging from a highly advanced economy like South Africa, to the lack of an economy like Zimbabwe and an LDC like Zambia. South Africa plays a key economic and political role in Africa. In addition to being a key influential player in the SADC regional economic community, it is also the only African country in the G20, one of the pivotal groupings of countries in the negotiations. Hence, South Africa should be used to strengthen links with other developing countries particularly the LDCs and G90 to ensure an outcome that meaningfully situates their needs around development and poverty alleviation. Oxfam believes that trade can be an important engine for development and in lifting millions out of poverty.

Agriculture is the largest sector in most SADC countries in terms of employment, it is critical the any outcome in Hong Kong safeguards the policy space required for countries in SADC to decide their development policies. In our view, progress in agriculture is key in delivering on the development objectives of the Doha Development Agenda. The indications in the run-up to Hong Kong do not provide room for optimism that the EU and US are fully committed to undertaking the radical reforms needed in agriculture.

TRIPS and Public health: Oxfam is worried over limited progress in resolving outstanding issues on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) before the Hong Kong ministerial. This issue is of critical importance in the context of a region with serious public health challenges from epidemics such as HIV/AIDS.

What's the problem? In 2003 the WTO's General Council adopted a decision which granted a waiver from TRIPS rules to enable poor countries import generic copies of patented drugs produced under compulsory licensing in Third Party countries. The implementation of this Decision under the TRIPS agreement remains unresolved. South Africa, which played a key role in negotiating the agreement leading to this decision, should support the demand by the Africa Group to secure a resolution before the HK Ministerial.

Oxfam believes that a modification of paragraph 6 of the decision, is necessary to allow generic drugs produced under a compulsory license for export to be shipped by an importing country to other countries with which it shares a regional trade agreement, provided those countries share the same health problem being addressed by the imported medicine.

This will enable groups of Least Developed Countries to pool resources to meet the hurdles of issuing a compulsory license. It would also provide a waiver from TRIPS Article 31(f), which requires a compulsory license to be issued predominantly for the domestic supply of the country issuing the license.

Special safeguards: In view of the likelihood that dumping is unlikely to be eliminated, it is important that developing countries maintain sufficient margins for manoeuvre regarding their tariffs. The G20 needs to ensure that the formula adopted provides developing countries sufficient flexibility to allow protection of sensitive sectors.

NAMA: On the question of NAMA, we are concerned about the lack of G20-type alliance as negotiations move forward and are wary that rich countries are currently dictating the direction of the talks, with developing countries largely in a defensive position. It is our opinion that a G20-type alliance would be significant given the commonality of interest on this issue amongst most developing countries.
Next to agriculture, this issue is critical as it impacts on industrialisation strategies and ultimately the questions of employment and livelihoods especially in urban areas.

Preference erosion: The issue of preference erosion is critical to a number of SADC countries especially where preferences are linked to sensitive products. The developed countries have placated worries with promises of aid and other forms of support to deal with the problem. Therefore there is a real question as to whether the LDCs, the ACPs and the Africa Union will support the G20, or whether they will support the rich countries in situations where they are offered packages of aid and other development measures as the round progresses in an effort to woo them at the HK Ministerial. This renders G20 treatment of the LDCs, ACPs and AU extremely important in order to maintain their support and consolidate the voice of developing countries.

The G20 should support poorer countries' interests in the Round, including finding a solution to the concern over preference erosion and explore ways of providing financial support to preference-dependent countries.

LDCs duty/quota-free market access: Oxfam has urged the G20 for about a year to extend duty and quota free access to Least Developed Countries (LDCs). There has been some support among G20 ministers – notably Brazil – on this. We would urge the South Africa, in particular and G20 in general, to give serious consideration and impetus to this proposal. It would be encouraging if the South Africa showed leadership to the G20 on this and agreed to a firm commitment and timetable for providing market access to LDCs.

Finally, the reality of the ongoing negotiations is that the Doha Development Round negotiations have drifted off course. Instead of promoting the integration of developing countries in the world trading system, the 'Development Round' has been turned on its head: the focus has shifted from the development of poor countries to the pursuit by rich countries of their naked self-interest. The European Union, the United States, and other developed countries want a 'round for free' for themselves and are expecting developing countries to foot the bill. As a result, the deadline for agreeing a first blueprint in July 2005 was missed, and the would-be Doha Development Round will move a step closer to failure. South Africa, both within the G20 and the Africa Group, can play a key role in pushing development back on the agenda, the key question, is there the necessary political will?