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SPECIAL ISSUE: WTO HONG KONG MINISTERIAL

As the Delegations of the Members of the World Trade Organization (WTO) convene in Hong Kong from December 13-18 for the Sixth WTO Ministerial Conference, INSAT takes an in-depth look at the state of play of the Doha Development Round of Negotiations from the perspective of Southern Africa.

WTO Ministerial Conferences take place at least once every two years and are the WTO's highest decision-making body. The Hong Kong Conference is essential to a successful conclusion of the Doha Round by the end of 2006. However, prospects for realizing the intended objectives at the Conference have been tempered in the weeks leading up to the meeting.

We speak to a number of policy-makers, negotiators and private sector and civil society actors from the region and beyond, to get their views on what we can expect from Hong Kong, how we can expect the region to react, and what will be needed for negotiations to move forward post-Hong Kong.

While most of our interviewees lament the downscaling of expectations from Hong Kong, they are still optimistic about the possibility of concluding the Round by the end of 2006. They retain their confidence in the multilateral trading system and are geared up for renewed efforts to ensure that development-friendly trade liberalization becomes a reality.

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NEGOTIATIONS ROUND-UP

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INTRODUCTION

The Doha Development Round of multilateral trade negotiations was launched in November 2001 at the WTO's fourth Ministerial Conference in Doha, Qatar, and is scheduled to be completed by the end of 2006.

The Doha meeting resulted in some far-reaching decisions on the future development of the WTO:

- A new round of trade negotiations, the Doha Development Agenda (DDA), that comprises both further trade liberalization and new rule-making was launched.
- Members made new commitments to substantially strengthen assistance to developing countries and to help developing countries implement the existing WTO Agreements.
- Members committed themselves to interpret the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in a manner that ensures the rights of Members to take actions to protect public health.

The development dimension is at the center of the Doha Agenda (See interview with Hon. Dipak Patel and Hon. Sheree Servansing). Special and Differential Treatment (S&D) could take the form of special provisions in agreements to give specific concessions to developing countries: longer time periods for implementation of obligations; commitments or measures to increase their opportunities; and/or technical assistance to implement new obligations. Since the Doha Ministerial, Ministers from WTO Member Countries also met in Cancun, Mexico, in 2003, but failed to reach an agreement on any of the key issues under negotiation.

Following the collapse of the Cancun Ministerial Meeting in 2003, WTO Members intensified their efforts to put the Doha Round back on track. In July 2004, their efforts culminated in an agreement informally known as the "July Package", which provides negotiators with a broad frame-

SOME WTO JARGON DEMYSTIFIED

Brackets - Square brackets within a negotiating document highlights text that remains to be agreed.

Formula Approach - A tariff negotiating procedure in which a general formula for calculating tariff reductions on all products is agreed by the participants (with limited exceptions allowed for sensitive items). The most straightforward formula approach is a **linear reduction** which is a reduction by a specified percentage on an entire range of goods. The **Swiss formula** is a special kind of harmonizing method that uses a single mathematical formula to produce: 1) a narrow range of final tariff rates from a wide set of initial tariffs; and 2) a maximum final rate, no matter how high the original tariff was. A key feature is a number, which is negotiated and plugged into the formula. It is known as a **coefficient**. This also determines the maximum final tariff rate.

G20 - A coalition of countries led by Brazil, India, South Africa and China. Collectively the group represents more than 60% of the world's farmers, all from developing countries. The Group was formed immediately prior to the 5th WTO Ministerial Conference in Cancun, Mexico, in September 2003.

LDCs - The WTO recognizes as least-developed countries those which have been designated as such by the United Nations according to specific criteria. There are currently 50 countries on the list of which 32 are WTO members. Southern African LDCs are Angola, the DRC, Lesotho, Madagascar, Malawi, Mozambique, Tanzania and Zambia.

Modalities - Modalities are targets (including numerical targets) for achieving the objectives of the negotiations, as well as issues related to rules.

Special and Differential Treatment (S&D) - The principle in the WTO that developing countries and LDCs be accorded special privileges such as better access to developed countries' markets; technical or other assistance and allowing LDCs longer time periods to phase in reforms.

Subsidy - Government aid to a domestic manufacturer, grower, or producer to maintain or increase production. An **export subsidy** is specifically aimed at domestic producers of goods designed for sale in foreign markets.

work for negotiations in different areas. The July Package provides the framework for establishing negotiating modalities in Agriculture and, in less detail, in Non-Agricultural Market Access (NAMA). The agreement captures the general approach for negotiations but lacks precision (for example, there was an agreement in NAMA on using a non-linear formula for tariff reductions, but "brackets" on specific reductions, which remain to be agreed on). The Package also reaffirms that "development" concerns form an integral part of the Doha Ministerial Declaration and contains several explicit S&D provisions – many of which are subject to

further negotiations.

Over the past year, WTO Members have been working out further details of the July Package. They had hoped to agree in Hong Kong on full modalities to complete each area of the negotiations – such as formulas or approaches for tariff reductions. But in mid-November WTO Director General Pascal Lamy told WTO Members that they should "recalibrate" their expectations from Hong Kong after he concluded that Members were not able to bridge their differences and will not be able to produce full modalities in Hong Kong.

On November 24, 2005, Lamy released a

Draft Hong Kong Ministerial Declaration Text to Members and a week later, following consultation with Members, he presented to the WTO General Council a revised Draft Text. The Text, complete with brackets, will be the basis for discussions in Hong Kong. The objective will be to remove the brackets and reach consensus on the Text.

The following are highlights of the Draft Ministerial Text and of the reports of the various negotiating committees. The latter give a closer look at the state of play in each negotiating committee.

AGRICULTURE TALKS

Agriculture negotiations are centered around three issues, usually referred to as the three pillars: export subsidies, domestic support and market access.

Agriculture has been the most contentious area in the negotiations and whatever happens in Agriculture will eventually determine the fate of negotiations in other

key areas. The G20 has made it clear that they would not make any concessions on NAMA or Services unless developed countries move on agricultural subsidies and market access. (See interviews with Faizel Ismael and Hon. Sergio Marchi.)

The negotiations have progressed the most on export subsidies and other forms of trade-distorting export support. The July Package contains an agreement that export subsidies will be abolished, but does not set an end date for the subsidies, which remains to be negotiated among Members.

In the area of domestic support, while there is still no convergence on many of the specific details such as the review and clarification of the three “boxes” (see the insert on the next page for more detail), Members are generally optimistic about the possibility of reaching an agreement. Both the EU and the US have tabled proposals with commitments to eliminating agricultural subsidies.

Market Access, however, remains the major sticking point in the negotiations. In February, Members cleared a key hurdle in the negotiations when they agreed on the process for converting “specific” agricultural tariffs, which are estimated based on imported quantities, into *ad valorem* equivalents (AVEs) i.e., tariffs based on the price of the product. But members remain deeply divided on the specific numerical values and the formula for tariff cuts. They also remain divided on the extent of exceptions to the tariff reduction rules.

DRAFT MINISTERIAL TEXT

The Draft Text highlights the progress made in the negotiations on the three pillars and asks Ministers to set target dates for agreeing on “full modalities” on Agriculture:

“We recognize that much remains to be done in order to establish modalities and to conclude the negotiations. Therefore, we agree to

PROPOSALS BY THE US AND EU

The U.S. Proposal

The United States tabled a proposal in early October 2005 on all three pillars of the Agriculture Negotiations: export competition, market access, and domestic support. The U.S. proposal, however, was contingent on comprehensive reform in all pillars and commitments by all members except the LDCs.

The main features of the U.S. proposal are:

- Elimination of all trade distorting policies in two stages and over a ten-year period.
- Progressive tariff reductions – deeper cuts applied to higher tariffs – and establishing tariff caps.
- Slightly lower cuts and longer phase-in periods for developing countries.
- Elimination of all agriculture export subsidies by 2010.
- A cut in the Aggregate Measurement of Support (AMS) by 60% for the US.
- Reduction of the EU and Japan’s allowed AMS by 83% and overall level of

trade distorting support by 75% (53% for Japan).

For more information on the U.S. proposal, see http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file919_8128.pdf

The EU Proposal

On October 28, 2005, the European Union tabled a proposal on Agriculture and other areas under negotiation at the WTO. The main features of the EU proposal are:

- A 60% reduction in the EU’s highest tariffs. A range of tariff cuts between 35% and 60% for lower tariffs. A cut in the EU’s average agriculture tariff of 46% – from 22.8% to 12.2%.
- A maximum agricultural tariff of 100% – as demanded by developing countries.
- A reduction in the number of sensitive products designated by the EU.
- Reductions in tariffs even for sensitive products – and wider Tariff Rate Quotas (TRQs) for all sensitive products – meaning more market access.
- A 70% reduction in trade distorting agricultural subsidies.

• The total elimination of all agricultural export support by an agreed date, if others discipline their export support.

• Differential treatment for developing countries: higher tariff bands, lower tariff cuts and a maximum tariff of 150%. No tariff cuts for the 50 LDCs.

EU proposals on market access are strictly conditional on further clarification from other developed countries on the elimination of their forms of export support.

The EU proposals are also strictly conditional on, among other things:

- An agreement, before Hong Kong, on a progressive formula that cuts into applied industrial tariffs.
- Completion of the negotiations with “ambitious mandatory country targets” for Services sectors to be liberalised – agreed at Hong Kong.
- Assurance that there will be a range of proposals ready for Hong Kong, including a Trade-Related Assistance package, and agreement that all developed countries should extend tariff and quota free access to all LDCs, no later than the overall conclusion of the Doha Development Agenda.

intensify work on all outstanding issues. In particular, we are resolved to establish modalities no later than [...] and to submit comprehensive draft schedules based on these modalities no later than [...]."

On cotton, the Text asks Members to commit to "having an explicit decision" on an "early harvest" basis and to adopt full modalities. The Text provides blank spaces for the modalities to be agreed.

CHAIRMAN'S REPORT

On November 24, 2005, the Chairman of the Agriculture Negotiating Committee, Crawford Falconer, circulated his report, which describes the state of the Negotiations and the progress made in the negotiations since August 2004. What follows is an overview of the status of the negotiations as described in the report.

Domestic Support

With respect to domestic support, the report notes that there has been "very considerable potential convergence, albeit on a manifestly conditional basis".

According to the report, Members have converged towards three tiers for cutting overall trade-distorting domestic support. For support levels over US\$ 60 billion per annum, proposals for cutting ceiling levels ranged from 70-80 percent; for levels between US\$ 10-60 billion from 53-75 percent; and for levels below US\$ 10 billion – from 31 to 70 percent.

The report notes, however, that many of these figures were conditional. The EU, for instance, which indicated it could be prepared to go as far as 70 percent for cuts in the top tier, "made it clear" that this is acceptable only if the United States will go to 60 percent in the second tier.

The gap also narrowed, the report says, on *de minimis* subsidies (i.e., trade-distorting subsidies treated as minimal and currently permitted for up to 5 percent of the total value of domestic agriculture production for developed countries and 10 percent for developing countries), with proposed cuts ranging from 50-80 percent of total *de minimis* support. But divergences remain, the report says, on how developing countries would be treated, with some proposals on the table to exempt them from committing to any reductions on *de*

minimis support, and others suggesting that they undertake cuts two-thirds the size of those made by developed countries.

Export Competition

According to the report, there has been no agreement yet on the end date for eliminating all forms of export subsidies. Some proposals envisage 2010 or "no more than five years", and there are suggestions of faster cuts, or earlier elimination, for some products such as cotton. The report mentions some convergence on aspects of export credit, exporting state trading enterprises and food aid.

The Agriculture 'Boxes'

A box in agriculture is a category of domestic government support or subsidy. **Green box:** supports considered not to distort trade and therefore permitted with no limits. **Blue box:** permitted supports linked to production, but subject to production limits, and therefore minimally trade-distorting. **Amber box:** supports considered to distort trade and therefore subject to reduction commitments.

The report also notes that proposals for special treatment for developing countries have been "uncontroversial" but members still have to negotiate the details. One of the important questions that has emerged in the context of these negotiations is the impact of eliminating agricultural subsidies on net food importing developing countries. The increase in the prices of several agricultural commodities, which would be a result of eliminating subsidies, could pose a threat; especially to LDCs. But there has not been any agreement yet on how to deal with this issue.

Market Access

With respect to a tariff reduction formula, the report notes that there has been a wide range of tariff bands and tariff cuts proposed by different members. For the lowest tariff bands of 20-30 percent, proposed cuts range from 20-65 percent; while for the top band of 60-90 percent, proposals range from 42-90 percent.

For developing countries, the report says,

there has been a general agreement on classifying tariffs into four bands with linear reductions (i.e., a uniform reduction rate applied to all tariffs lines) applied to each tier – but differences persist on the actual depth of the reductions.

The report notes that significant differences remain on whether there should be a tariff cap, and whether rich countries should designate products as "sensitive" when those products are exported by developing countries.

The members also differ, the report says, on how developing countries would select "special products" – products that developing countries would be able to designate for low or no tariff cuts based on food security, livelihood, and rural development needs.

Least-Developed Countries (LDCs)

According to the report, there is "no questioning" of the terms of the July Package provisions which exempt LDCs from any tariff reduction requirements. However, the report notes that not all Members have put into practice the agreement to allow exports from LDCs duty free, quota free market access and that the question of whether to bind these exemptions legally remains on the table.

Cotton

In November 2004, the WTO set up a Sub-Committee under the Agriculture Negotiations to focus on cotton, as required in the July Package. The agreement to create a body to focus specifically on cotton was in response to proposals from four African countries – Benin, Burkina Faso, Chad and Mali – to tackle the sector.

The report notes that Members "acknowledge" the problems of cotton but remain "short of concrete and specific achievement". While the report notes that concrete proposals have been made on the issue of an end-date for elimination of all forms of export subsidies, there is no convergence on the timing and speed of such elimination.

NON-AGRICULTURAL MARKET ACCESS (NAMA)

NAMA refers to all products not covered by the Agreement on Agriculture, including

manufactured products, fuels and mining products, fish and fish products, and forestry products.

The mandate of the negotiating group on NAMA is:

“to reduce, or as appropriate, eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries”.

Members agreed in previous negotiating rounds to use a formula approach to cut tariffs across the board. Subsequently, negotiations came to focus on the two elements of the formula: 1) the coefficient for tariff reduction, which determines the rate of reduction, with larger figures signifying smaller overall cuts; and 2) flexibilities for developing countries, which refers to the depth of cuts that developing countries should apply and the implementation periods of these reductions.

DRAFT MINISTERIAL TEXT

The Draft Text takes note of the limited progress that has been achieved, but acknowledges that “much remains to be done”, and asks Ministers to set dates for establishing modalities and for submitting comprehensive draft schedules based on these modalities.

CHAIRMAN'S REPORT

In his summary of the state of play in the NAMA Negotiations, Chairman Stefan Johannesson acknowledges that progress has been made since the adoption of the NAMA framework, but points out that the establishment of full modalities is still difficult due to the lack of agreement on the formula, flexibilities for developing countries and unbound tariffs.

The Formula

According to the report, Members have generally agreed on using a “Swiss formula” (i.e., a formula that would cut higher tariffs more than lower tariffs, thereby harmonizing each Member’s schedule) with discussions focusing on an approach with two coefficients – one for developing countries and one for developed countries.

The coefficients that were put forward by Members, the report says, were in the range of 5 to 10 for developed countries, and a

range of 15 to 30 for developing countries.

The Chairman notes that the wide range of coefficients reflects “the divergence that exists” in Members’ expectations regarding the “contributions” that their trading partners should be making.

Flexibilities for Developing Members

On the flexibilities for developing countries, a central issue in the negotiations has been whether there should be a link between these flexibilities and the coefficient in the formula. Developed countries maintain that a higher coefficient (i.e., lower cuts) applied by developing countries is part of the flexibilities and should result in limiting the other flexibilities (i.e., the timeframe for implementation). But many developing countries argue that those flexibilities are a stand-alone provision and should not be linked to the coefficient.

The Chairman’s Report indicates that Members are still divided on the issue and are not close to reaching an agreement.

Unbound Tariff Lines

The report says that there has been progress in the discussion on unbound tariff lines – tariff lines for which no ceiling has been established – and a “growing sense” that unbound tariff lines should be subject to formula cuts. At issue is the starting level from which countries would apply the reductions. Developing countries have proposed raising current unbound levels by a factor of two or more. But this would lead to very limited, if any, cuts if the formula coefficient was less than 50 percent. Currently, the vast majority of developed country tariff lines and 70 percent of developing country tariff lines are bound.

It was agreed that LDCs will be exempt from making any further reductions. Moreover, many proposals have been tabled on granting duty free, quota free access to LDCs. One concern that LDCs have raised relates to the impact of tariff reductions in different areas on their preferential access to developed country markets. As countries cut their most-favored nation (MFN) tariffs under WTO Agreements, the preferential margins that LDCs enjoy, especially in developed countries, would inevitably be eroded. (See interviews with Hon. Dipak Patel and Hon. Sheree Servansing.)

OTHER AREAS

TRIPS

WTO Members reached an agreement on a proposed amendment to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to enhance access to medicines allowing countries to override patent rights when necessary to export life-saving drugs to developing countries that face public health crises but cannot produce drugs for themselves. The amendment will enshrine an arrangement agreed by WTO Members in 2003.

At the end of November 2005, WTO Members also agreed to give least-developed countries (LDCs) a seven-and-a-half year extension to apply rules protecting patents, copyrights, and other intellectual property under TRIPS. The agreement, however, prohibits LDCs from loosening existing intellectual property laws unless they already go beyond TRIPS requirements.

TRADE IN SERVICES

Negotiations on Services have focused almost exclusively on market access and on the on the bilateral “request-offer” exercise.

On Services, the Draft Ministerial Text urges all Members to participate actively in these negotiations to achieve a “progressively higher level of liberalization” of trade in Services, with appropriate flexibility for individual developing countries. The Text does not, however, ask members to make any specific commitments or agree on dates for reaching agreements on different aspects of the agreement that are under negotiation.

According to the report of the Chairman of the Negotiating Committee on Services, Alejandro Jara, the total number of offers tabled by Members was 68, representing 59 countries. However, the report

notes the overall quality of initial and revised offers is “unsatisfactory”. The report says that if the current offers were to enter into force, the average number of sub-sectors committed to liberalization would increase only from 51 to 57. Likewise, less than half of the schedules would contain commitments of any kind in sectors such as distribution, postal-courier; or road transport, which implies that there is no significant change in the existing restrictions on some sectors.

The report also notes that Members are generally dissatisfied with the limited progress in the negotiations and that they have pointed out that the current offers present no new business opportunities and, in most cases, do not even capture existing levels of liberalization.

TRADE FACILITATION

WTO Members formally agreed to launch negotiations on Trade Facilitation in 2004 under the July Package. Under that mandate, negotiators are directed to “clarify and improve” GATT articles relating to freedom of transit, fees and formalities connected with importation and exportation, and publication and administration of trade regulations. The negotiations also aim to enhance technical assistance and capacity building extended to developing countries in this area.

During the negotiations, members had to deal with two contentious issues that caused several meetings to break down. First, Members differed on the sequencing of technical assistance provided by donors and the commitments made by developing countries. Developing countries were reluctant to agree to specific measures without firm technical assistance commitments from developed country and other donors, while donors were reluctant to commit any funding without a clear idea of the provisions that would be agreed to in the negotiations. Second, Members also disagreed on whether the report should mention a potential start date for text-based negotiations.

However, overall the negotiations progressed relatively well, and Members managed to overcome their key differences and reach a consensus on the text for the Hong Kong Ministerial Declaration.

The Draft Ministerial Text on Trade Facilitation is very general and does not ask Members to make any commitments or establish deadlines for reaching an agreement. The Draft asks Members to reaffirm their commitment to the modalities and approaches included in the July Package and endorses the report submitted by the Negotiating Committee.

The report by the Negotiating Group on Trade Facilitation notes that progress has been made in all areas covered by the mandate through both verbal and written contributions by Members.

On the issue of sequencing of technical assistance, the report does not make the commitments made by developing countries conditional on receiving technical assistance. Instead, it stresses the “vital importance” of technical assistance and capacity building and recommends that commitments to technical assistance in this area be “reaffirmed, reinforced and made operational in a timely manner”.

The report also recommends that work be broadened on the process of identifying each individual Member’s Trade Facilitation needs and priorities, and the cost implications of possible measures.

On Special and Differential Treatment (S&D), the Negotiating Group recommends that it deepens and intensifies its negotiations on the issue of S&D, in order to arrive at provisions that are “precise, effective and operational and that allow for necessary flexibility in implementing the results of the negotiations”.

On the starting date for the text-based negotiations, Members agreed that negotiations will start “early enough after the Sixth Ministerial Conference”. (See interviews with Hon. Dipak Patel, Hon. Sheree Servansing and James Lennox.)

SPECIAL AND DIFFERENTIAL TREATMENT

The Draft Ministerial Text instructs the Committee on Trade and Development to set a date for completing the review of all the outstanding Agreement-specific proposals with priority on the LDC proposals. The Draft also asks Members to adopt decisions included in the Chairman’s Report which calls for, among other things, establishing a date to begin providing bound duty free and quota free market access for all products originating from all LDCs.

One of the contentious issues during the negotiations relates to whether granting quota free, duty free access for LDCs should be legally binding on WTO Members. The Chairman’s Report puts forward three alternative proposals containing language that would bind developed and developing countries that “declare themselves in a position to do so” to provide bound duty free and quota free market access for all products originating from all LDCs by a certain date to be negotiated among Members.

The report also emphasizes that LDCs will only be required to undertake commitments and concessions “to the extent consistent with their individual development, financial or trade needs, or their administrative and institutional capacities”.

On Trade-Related Investment Measures (TRIMs), the Draft Ministerial Text says that LDCs will be allowed to maintain, though on a temporary basis, existing measures that deviate from their obligations under the TRIMs Agreement.

Finally, the Draft Ministerial Text acknowledges the needs of LDCs for technical assistance in implementing their obligations or commitments under the WTO agreements and urges relevant donor agencies to coordinate their efforts in the delivery of such support. (In this regard, see the interviews with Hon. Dipak Patel, Hon. Rob Davies and others.)

HON. DIPAK PATEL...

ZAMBIA'S MINISTER OF COMMERCE, TRADE AND INDUSTRY AND COORDINATOR OF LDCs IN THE WTO



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What had you hoped to achieve in Hong Kong and how have your expectations changed following the scaling back of the objectives of the conference?

Obviously we had been expecting a lot. We have been waiting since the Uruguay Round – for a good 15 years – for issues that have been established by developed countries that they will make available for LDCs.

So this is difficult. Even the five proposals we had on Special and Differential Treatment (S&D), as of today, they are not going anywhere because the entire focus is on Agriculture issues and Market Access issues.

Do you expect any significant results to come out of the conference for LDCs?

As it looks now, no. There is a stalemate with regard to Agriculture and Market Access issues among the G20 and the US and the EU. The EU itself is regrettably stalemated because of the French position on Agriculture.

In a recent meeting at the Committee on S&D, some representatives questioned the purpose of LDCs' participation in Hong Kong. Has Hong Kong become irrelevant to LDCs?

No, I don't think so. This is obviously a forum under which we have to get our work done and obviously it is of use to us. If the multilat-

eral process does not work and we end up in bilateral situations, we will be in extremely weak positions to negotiate, so we will keep fighting for it.

In your view, do LDC issues receive sufficient attention at the WTO?

Yes, a lot of lip service. This year the hopes of LDCs and Africa in general were raised at the G8 Summit and the Millennium Development Goals (MDG) session at the UN. But it is one thing to raise hopes and quite another to deliver.

This is the Doha Development Round and [developed countries] turned it into a Market Access Round among themselves.

Fortunately, what [has] happened since Cancun, is that developing countries and LDCs have strengthened their negotiating skills and capacities and their technical know-how, so we have good teams that are able to sit and competently negotiate.

Members of the WTO are expected to hold a high-level meeting in early 2006 to try to reach a deal on specific negotiating terms that were initially foreseen for Hong Kong. What will be Zambia's priorities in these discussions?

Our priorities are the same as they are on the table now and what we need to do is to get that done. Our priorities are on S&D, on the three pillars of Agriculture, and enhancing aid-for-trade and technical assistance to deal with supply side constraints. Then [there are] the issues of duty free market access.

Also on TRIPS, we have asked for a 15-year extension under TRIPS – for a waiver to be able to buy generic drugs – which still has not been provided to us.

How can things move forward post-Hong Kong, and who bears the responsibility for breaking the deadlock?

What I am saying is that the Agriculture issue, which is important for the whole world, has completely hijacked the Development

Agenda. The whole concentration post-Doha was to deliver on the Doha Development Agenda; some of it was to deliver on Agriculture and things like that. But you take the EU proposal where they have put in place Services as one of the factors in order to move forward. What we are saying is that these things are important, but let us deal with the main agenda of Doha and then we can work on everything else. What has happened in the last weeks is the complete reverse. The G20 and EU and the US are saying that we need to make a breakthrough on those issues first before we can talk about the LDCs.

Negotiators have agreed that the Hong Kong Text on Trade Facilitation should contain a balance between the various areas of the Trade Facilitation Negotiations such as S&D, trade capacity building (TCB) and technical assistance. How can the WTO achieve this balance between S&D, TCB and Trade Facilitation?

We are very keen on Trade Facilitation issues – especially LDCs. But at the same time we require both technical assistance and financial assistance in order to set up the computerized systems that are required to make one-stop border controls.

We were saying let's move on this – now how do you put it together? Poor countries who want to move on this – how will they be assisted in getting trade facilitation measures put in place? But this is again where we don't get specifics. In Zambia, "we are saying we are ready to do this". But, like everything else, there is too much talk and no action.

Have you identified certain priorities in this area?

We have identified priorities – things like getting more efficient border management control. We have something like ten different people doing ten different things, so an importer or exporter has to go through four or five or ten different desks before he can move goods out of Zambia or into Zambia. We need to consolidate things like that.

HON. ROB DAVIES...**SA'S DEPUTY MINISTER OF TRADE AND INDUSTRY**

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Following the scaling back of the objectives of the Hong Kong Ministerial, what should WTO Members do to conclude the Doha Round and, to ensure that what happened in Cancun is not repeated in Hong Kong?

There has to be a move by big countries on the issue of Agriculture – on agricultural market access for developing countries and also on the question of agricultural subsidies in different forms. I think if we were to get an outcome like that, balanced with reasonable, but not outrageous, demands on Industrial Market Access and Services, and there was a decent package of measures to support supply side constraints, the Southern Africa region could benefit. I think that is still possible to achieve – it is not possible to achieve [this] in Hong Kong – but it is possible to achieve [it] in the broader Doha Development Round.

So what we need to do is to go to Hong Kong and find a way to make things move forward, which will not be full modalities, but a step forward; and build on that work in the post-Hong Kong period.

In light of the difficulties that global trade negotiations have been running into, do you think that South Africa and other countries in the region should pursue trade liberalization under bilateral and regional trade agreements instead of negotiating under the auspices of the WTO?

There are many challenges facing the multilateral trading system and there are good reasons for that. However, when you pursue agreements on a bilateral basis you are basically exposed to imbalances of power. In a multilateral process, there is at least the possibility of the preservation of the rights of developing countries.

Unilateral liberalization is not what is required right now. What is required is to address a number of issues that are undermining the multilateral trading system by developed countries in Agriculture and in other areas where tariff peaks escalate and there are non-tariff barriers. These are the things that any agenda for the Doha Round should put down. We do not think that these are the needs of the developing world, but the needs of the world trading system as a whole, and these can not be addressed by bilateral processes. In fact, a multilateral process would serve the developing world despite the current difficulties in the Doha Round.

In terms of the objective of changing the global agriculture trading regime, in terms of eliminating tariff peaks and escalation in developed countries, I don't think we can achieve those objectives through a bilateral process, say with the EU or the US. I think in the multilateral process we have more power as developing countries.

Do you think that developing country issues, and in particular LDC issues, receive sufficient attention at the WTO?

In the period since Seattle I think there has been a bit of a shift in the multilateral process, but it has been a very uneven one. The Uruguay Round was governed by developed countries but developing countries have gained more influence. Still, the balance of forces is still not one that favors developing countries.

But you have the G20, which emerged after Cancun. The G20 has now become a major player that represents developing countries.

With respect to LDCs, I think they have become very effective. Their coordinator, Minister Dipak Patel of Zambia, has become an important player in a lot of the processes. But I think there is still quite a way to go before we get to a really inclusive process – one that takes account of the imbalances in resources and capacities.

However, many developing countries have developed their capacities. That's probably why the agreements are difficult to reach. Now developing countries have to be accommodated and in the Uruguay Round they did not have to be.

You spoke about some of the measures that developed countries should take to ensure that negotiations at the WTO move forward, but what should developing countries do to break the deadlock and help conclude the Doha Round by the end of 2006?

Developing countries will have to accept their obligations as part of an overall package – not only in agriculture and agriculture market access, but also in Industrial Products and Services – all the different areas.

But the point is that their obligations must be proportional. One of the reasons that we think the Hong Kong meeting is in trouble is that the demands of the developed countries are way out of proportion to what they are willing to offer on Agriculture. The balance is wrong.

But there are also some specific things that developing countries can do. Granting quota free and duty free market access for LDCs is not only the responsibility of developed countries, developing countries as well need to do so.

We in South Africa, I do not think we have addressed this issue in any systematic way, but we will have to consider very seriously in the near future what we can offer in this respect.

This is an obligation that developing countries have to accept in the [Doha] Development Round.

KARAN BHATIA...

DEPUTY UNITED STATES TRADE REPRESENTATIVE



PICTURE COURTESY OF USTR

What is your assessment of what has happened so far in the run-up to Hong Kong?

Much hard work has occurred in the run-up to Hong Kong, with serious discussions going on in all of the core trade areas that need to be agreed to bring the Doha Round to a successful conclusion. While there have been some important successes – in reaching agreement in areas such as Trade Facilitation and TRIPS/Public Health – there continue to be outstanding issues in a number of areas that have forced us to lower our expectations somewhat for the Hong Kong Ministerial. It bears emphasizing, however, that the US, along with many other Members, retains high ambitions for a successful conclusion of the Doha Round in 2006.

Reaching agreement on Agriculture remains the key to unlocking the Round. The US has shown leadership by offering a bold plan on agriculture. Our ambitious proposal calls for an end to agricultural export subsidies by 2010, the phase-out of trade-distorting domestic support, and substantial improvements in market access.

Unfortunately, other major developed country trading partners have yet to meet the US's bold offer – especially in the area of cutting agricultural tariffs. This is unfortunate because Agriculture is the most heavily protected sector in world trade and the one where reform would deliver the great-

est development benefits. According to the World Bank, nearly all of the benefit that developing countries would receive from agricultural trade liberalization would come from the global reduction of tariffs.

While significant challenges remain, we are hopeful that Hong Kong will provide us with the momentum needed to move forward in Agriculture and the other core negotiating areas.

By and large developing countries lay the blame on developed countries for the deadlock in the negotiations saying that the offers that have been tabled so far by these countries are inadequate. Do you agree?

It would be a mistake to group the positions of all developed countries together. The US is proud of the far-reaching offers we have made in the three core negotiating areas: Agriculture, Industrial Goods, and Services. On Agriculture, we are the only WTO member that has proposed to eliminate all barriers to trade, including export subsidies, trade-distorting domestic support, and tariffs. It's the farthest-reaching proposal that has been advanced by any country.

The US has been similarly bold on Industrial Goods – proposing steep reductions in the highest tariffs and creating new market access opportunities for all. African Members have the most to gain from this approach since most of them, as LDCs, would not be required to make any tariff cuts of their own – in either farm or industrial goods – but would nonetheless benefit from new market access in other countries, especially other developing countries. Seventy percent of the tariffs developing countries pay are to other developing countries.

Similarly, on Services the US has tabled two offers that improve upon existing commitments. Our latest offer is among the most expansive of those tabled. The key in the Services Negotiations is to increase the level of Member participation and to raise the level of ambition so that Services liberalization is a force for development and growth. African countries have much to gain by

participating more actively in the Services Negotiations. Services generate more than half of GDP in most African countries and also play a key role in the competitiveness of African goods export industries. In addition, increased market access in Services is an important factor in attracting new investment.

In all of these negotiating areas, the US has taken into account the special circumstances of African and other developing countries and proposed mechanisms that allow them considerable flexibility in undertaking any new commitments.

We also recognize the need for trade capacity building assistance to help African countries to make the most of the new trade opportunities that will result from a Doha Agreement. In 2005, the US provided nearly \$200 million in trade capacity building assistance for sub-Saharan African countries. Moreover, the G-7 Finance Ministers recently made a major announcement: that spending on aid-for-trade will increase to \$4 billion. They also focused on infrastructure needs in Africa, which should help to address the supply-side constraints facing the continent.

In your view, how can Members move beyond the current deadlock and who should bear the primary responsibility for making the negotiations move forward?

All Members must do their part to help find common ground. Right now, all eyes are on the EU, which could do much more on agricultural market access. Other countries also must do more in the Industrial Goods and Services Negotiations.

African Members have an important role in helping to move the negotiations forward. No other region of the world has more to gain from a successful Doha outcome, or more to lose if the Round fails to produce an ambitious result. Accordingly, as the Agriculture Negotiations proceed, we hope that African Ministers will weigh in strongly in support of ambitious liberalization in farm trade, especially for reduction of agricultural tariffs.

ERASTUS MWENCHA...

SECRETARY GENERAL OF THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA



PICTURE: OFFICE RWANDAIS D'INFORMATION

Mr. Erastus Mwencha was appointed as Secretary General of the Common Market for Eastern and Southern Africa (COMESA) in June 1998. He is currently serving his second and final term.

Mr. Mwencha has been closely associated with the development of COMESA and its predecessor, the Preferential Trade Area for Eastern and Southern Africa (PTA).

He joined the PTA in 1983 as a Senior Officer and later served as Director for Industry, Energy and the Environment.

Prior to joining the PTA/COMESA, Mr. Mwencha worked for the Government of Kenya in various capacities.

What is your view with respect to what has happened so far in the run-up to Hong Kong and the evolution of the Ministerial Text?

Two things continue to worry us. First, although it is called the Doha Development Round, that aspect does not seem to be captured in the ongoing discussions as much as we would have liked.

And the second issue – you know what has happened in Agriculture and NAMA. We know those are important, but our worry is that we are concentrating on these issues forgetting the interests of developing countries.

We are talking about Special and Differential Treatment (S&D) and other areas that we have been keen on in relation to the supply side and the process itself. So the scaling back of the expectations of Hong Kong is worrying because, if you look at the agenda that was set up in Doha, we are very far from getting near completing the issues from the Round.

Our worry is that with the current pace we will not be able to finish, [we will] lose time and we may [therefore] also not be able to focus on the issues of interest to us.

On the Text, it is the same thing. When I look at it I can say that Lamy has made an attempt in Geneva to capture the state of play. But if one looks at the Text it does not give you a lot of hope that the main issues [that still] remain unresolved, will be resolved soon.

I need to mention one more thing. Although there has been a lot of consultation in all these Ministerials and meetings, the level of participation of developing countries has not been as good as we would have liked. And we know that when we go to Hong Kong the same thing is going to happen. The concern is that this discussion is 'above' developing countries.

Many developing countries complain that

the WTO process is not inclusive and not very democratic, but officials at the WTO point out that the WTO is a consensus-based organization and that every country has a veto power. Why do you think developing countries feel this frustration with the WTO process?

The thing is that having 149 members to talk and agree is not easy. You need groups of countries like the G90 or the G20. But unfortunately the issues facing developing countries can not be easily captured in some of the existing groups where you can use the authority of the group in consultations because of the sheer size of the teams that get involved in the negotiations. One is always wondering whether we should continue with this approach. (See the article on negotiating coalitions on the back page.)

Would it not be better if we found a method that is fairly transparent so people would know who is saying what and what is being said? In the current process, there is lack of involvement of a lot of parties. For those inside the process the process is transparent, but for those outside it they are kept out.

How can the WTO process be improved to become more inclusive?

First of all, I think that, in the many mini-Ministerials that are taking place, what could be done may be to have regions represented in a manner that could be more inclusive than what it is at the moment. At the moment the participation is highly selective and is not inclusive enough.

To what extent have countries in the region coordinated their negotiating positions in the run-up to Hong Kong?

First of all, as COMESA, we have a trade coordinator and we coordinate very closely in Geneva and in the region. And as Africa we met in Arusha on the 24th

and the 25th of November 2005. (See the summary of the report from this meeting of African Trade Ministers on the back page of this issue.) In the region here, I think we are coordinated. Also for LDCs, Zambia is currently coordinating. There is a lot of coordination and preparation that has been taking place and if you look at what Zambia has done in coordinating the LDCs, quite a lot of work has been done in that area.

Of course, when you look at our region, it is not possible that we all take a common position on all the issues. There are issues where we differ – some of us are net importers of food. So, there is a need, for example, for us to carry out more studies to be able to assess the impact of the positions. A lot of positions could be [better] informed if we could have the resources to carry out some studies to assess the impact of each of the scenarios that are being proposed at the WTO level and at the regional level. Yes, there is a lot of need for capacity building in conducting more studies to inform the positions.

In which areas/sectors are negotiating priorities and positions of countries in the region aligned, and in which areas/sectors are there differing country positions/priorities?

In the case of Agriculture, LDCs are in the same position as South Africa and we have a common understanding there. Where our positions could be different is when it comes to Market Access.

The challenge we have now is to retain the preferences [that we enjoy] and to be able to move forward with the liberalization programme [in a way] that would keep everybody on board. That is an area that we need to address, because we want to retain our preferences – not all of us will be involved in the NAMA negotiations.

But there are only a few areas where we have differences compared to the areas where we have common agreement.

What can one hope to come out of the

Hong Kong Ministerial Meeting?

What I would like to see is a strong political commitment and serious business from the negotiating point of view to try to finish the Round by the end of 2006. And therefore, when we go back to Geneva, we should start to see some movements in the areas where negotiations have not moved. I hope we will be able to get out of this situation where every member is saying I will not move until X and Y moves. That is not a very healthy situation, because if it is right [to implement a policy] you can not say: "I will not do it until the others move first".

This is what Hong Kong should deliver – creating an environment of serious commitment – to find a way to be more inclusive, to find a way to look at the issues that affect LDCs so that they can be included in the discussions and not remain concentrated on those two issues – Agriculture and NAMA. Agriculture and NAMA are important and they affect us, but there are also the other issues.

Some analysts say that the collapse of Cancun in 2003 has led many developing countries to seek regional and bilateral trade agreements outside the WTO framework. Do you think that the failure of Hong Kong to produce a specific framework would strengthen the drive towards regionalism in Eastern and Southern Africa or, more broadly, encourage countries to pursue more bilateral and regional trade arrangements within or outside the region?

My view is that if the WTO collapses, you will see a lot more focus on regionalism. But if it collapses that would create a complex situation even for regional trade agreements. A lot of the things that will be done under bilateral and regional trade agreements are informed by the WTO.

But we never saw the WTO as a threat to integration in Southern and Eastern Africa. It adds a challenge, of course, but we see regionalism as helping us to be part of the multilateral process.

The multilateral process should not [have

to] collapse for regionalism to work. No, on the contrary, there is complementarity and that complementarity should be seen in the positive sense. If the WTO process is frustrated, then regionalism will also face challenges. What we have also been saying at the WTO is that the WTO process should accommodate what has been happening under regional trade agreements and [regional trade agreements] should be accommodated.

To what extent has the private sector in the region been active in WTO negotiations and to what extent has it been successful in influencing the positions taken by different countries in the region?

I can not make a generalized statement to say they have not been involved or to say that they have been very much involved – it varies from country to country. But I would say that in a number of countries there are mechanisms to consult the private sector and bring their concerns to the WTO process. In general, I am satisfied that they have been more involved at the moment.

But there is still not [participation] at the level that we would like to see and this is because of lack of capacity. The WTO process is fairly complex and it requires a lot of resources to follow what is happening in Geneva and [assess] how it is going to affect the private sector. Now, that kind of response is not possible for the private sector because they are not in the loop and there is no capacity at the national level to spread this message to the business community.

What should be the priorities for the region post-Hong Kong – both in terms of its domestic and regional policies?

In COMESA I would say Market Access has been a problem for us, but even with all the market access, what should be the priority? I think it is addressing the supply side issues. The other part is to develop South-South cooperation because for us, even within COMESA, we would like to see regional integration become a bigger priority than it is now.

HON. SHEREE SERVANSING...

MAURITIAN REPRESENTATIVE TO THE WTO



PICTURE COURTESY OF THE MISSION OF MAURITIUS IN GENEVA

As representative of Mauritius to the WTO, Hon. Sheree Servansing chairs the WTO Committee on Trade and Environment and acts as the Coordinator of the African, Caribbean and Pacific (ACP) Group in Geneva.

Prior to taking up his position in Geneva, Hon. Servansing served as the Head of Multilateral Economic Affairs in the Ministry of Foreign Affairs and Regional Cooperation in Mauritius.

Previously, Hon. Servansing served as Acting Minister Counsellor in Brussels and as Second Secretary in New Delhi.

Hon. Servansing holds an M.A. in Sociological Studies from the University of Sussex in the UK.

What had you hoped to achieve from Hong Kong and how have your expectations changed following the scaling back of the objectives of the Conference?

Our expectations from Hong Kong were high. We really thought that we could get firm, critical mass on modalities in Agriculture, NAMA and Services, also some measure of progress on Trade Facilitation, and a good package on the development cluster. So we expected in Hong Kong what we call a 'balanced architecture' of a new trading system that will provide some sense of equity for developing countries – mainly small ones like Mauritius – to be able to integrate in the system in a harmonious way that would help us keep the competitiveness we have and also help us to gradually join the mainstream of global competition.

We regret the scaling back of the objectives of Hong Kong and we are very concerned about the state of things. But whatever be the scaling back, whatever be the calibration, the objectives of Mauritius for the whole Round remain the same. Our major issue is equity and balance. We can not accept any objectives that give specifics on the interests of major developed countries and exporters but neglect, or provide generalities or neutral language, on the concerns of small, weak and vulnerable countries. And this is how we situate ourselves in the new ambition, in the new objectives that have been set for Hong Kong right now.

Do you think that developing countries will be able get specific commitments on some of the key issues post-Hong Kong?

My short answer is yes. There have been an increasing number of meetings both at the level of Geneva and also in our sub-regions on our preparations for Hong Kong.

In terms of substance, for the time being, the ACP group and the AU [African Union] group, have already written to the Director General of the WTO and also to

the Chairmen of the different negotiating groups – mainly in NAMA, Services and Agriculture. We have already articulated our minimum expectations and our minimum objectives for Hong Kong.

Mauritius is a special case in Africa – the country has experienced an unprecedented export-led boom. Hence, its negotiating priorities and positions may be different from those of other countries in the region. What have been Mauritius' priorities in the run-up to Hong Kong?

Basically the priorities of Mauritius are not very different from the mainstream of African countries. Mauritius and the others [excluding South Africa] have basically the same problems. They need a number of things.

First, in view of the specificity of the tariff structures, they need a defensive approach, they need a certain element of protection and a certain element of control over their domestic policy to be able to manage their development programs, their industrialization programs and their job creation policies. They need a certain element of comfort at the level of tariff cuts both in the industrial sector and in agriculture. This is where Special and Differential Treatment (S&D) comes in and where special products come in. In that sense we are moving along the same lines as the other African countries; the only nuance perhaps is that we can afford a lower number of those products. But, in terms of basic policy, it is the same thing.

Secondly, in terms of our offensive interest, in terms of Market Access, most of the sub-Saharan countries operate on preferential arrangements and those arrangements for us guarantee a certain minimum market access so we need those two elements.

What are the implications of the failure of Hong Kong to produce specific results on Mauritius' trade policies and its interest in pursuing trade agreements outside the framework of the WTO?

That's a good question. Small countries like Mauritius – small and vulnerable countries – won't have the clout and they do not have that appeal to catch the interest of major players for bilateral free trade agreements. I do not think that for them this can be an option.

What can be an option is that we have to continue the regional integration processes. Here the WTO architecture and the WTO framework is much more important because the WTO would have reviewed some of the issues on development, some of the issues on regional trading agreements, so that we could get much more policy space and flexibility to undertake our regional integration processes. On the contrary, for us, a failure puts us at a greater risk of not being able to strike bilateral deals with major players.

Secondly, it puts us and our own regional trade exercises in a vacuum, not in the kind of revised rules we wanted to see in the new WTO architecture, that could have given us more policy space and scope. Failure at the WTO to have this sound, rule-based multilateral trading system will marginalize our regional integration processes.

It will not break the processes, but it will not give us enough clarity on the rules. We are seeking clarity on the rules for FTAs [Free Trade Agreements] between developing countries and between developed countries and developing countries. I will give you a simple example. The present rules under Article 24 of GATT were conceived in terms of FTAs between developed countries but they have not been thought about in terms of FTAs between developed and developing countries. Right now, we are in the process of concluding EPAs [Economic Partnership Agreements] with the EU and one of the major elements of these EPAs would be an FTA. Now, we do not have enough clarity in terms of, for example, two elements. First, the coverage: we say 90 percent coverage but we can not expect the same coverage for developed countries and developing countries. So we need clarity so we can have a larger portion of sensitive products. Second, in terms of the transition period:

for the time being the transition period for phasing in reciprocity takes about ten to twelve years. We do agree that the developed countries should phase in the reciprocity earlier; but for us we need a longer time period to phase in reciprocity with the major players. So for us twelve years is not long enough – we want a longer time frame. In that sense the failure of the WTO will affect our policy space in order to really negotiate truly developmental FTAs.

How can things move forward post-Hong Kong and who bears the responsibility for breaking the deadlock?

We can not lay the blame in front of any one member; the reasons are multiple. First of all, all the major players – it is basically all the major players, the EU, US, the Cairns Group and the G20 – they must harmonize their levels of ambition. The basic problem at the moment is that the level of ambition is disparate among the different groups. Also, we need to start negotiating in an integrated manner – not only on Agriculture, but on Agriculture, NAMA and Services. That, perhaps, would be one way forward.

The second thing is [that] we should increase the level of trust among the major players. For the time being there have been no negotiations as such; there have been tactical games with each of the major players putting their maximum position. It is only recently that the major players moved to concrete proposals, but that was rather late. It is very important that first, there is a harmonized level of ambition and, secondly, that we move from that tactical game to a level of trust. If they realize a real level of trust I think post-Hong Kong we will be able to move to serious negotiations and still meet the deadline of the end of 2006. But if we finish in Hong Kong and start in January with the same game then I am afraid there will not be much progress.

Trade Facilitation is an area that has received increasing attention from both developed and developing countries and negotiations have progressed relatively well. Countries in

Africa can benefit from the experience of Mauritius in that area. In your view, what should be the region's priorities with respect to Trade Facilitation?

First, there should be a change of mind-set among African countries in terms of Trade Facilitation. There is too much of a defensive approach towards Trade Facilitation. Mauritius has, on its own, engaged in Trade Facilitation as a national priority – not necessarily in the multilateral trade context – but as a national priority. We have, to a certain extent, reached quite far in Trade Facilitation at the level of Customs Administration and policy framework. So we have discovered that this is really in the interest of exporters and importers, this is really in the interest of trade and, for us, Trade Facilitation will become the next generation issue.

It is not like tariffs will bring you the competitive edge once they are removed. If you are going to tackle Trade Facilitation, non-tariff barriers and so on head on, they will give you the competitive edge. Africa should develop its own agenda for Trade Facilitation, whatever happens at the level of the WTO. The WTO provides greater clarity on this issue at the multilateral level, but apart from that, Africa should develop its own agenda and develop its own program on Trade Facilitation. I think it is in the interest of African countries because for the time being we have too much discordance and too much diversity – even sometimes I would say chaos – in our customs procedures and administration at different levels.

It is in the interest of Africa and I think Mauritius is willing to play a role in terms of technical assistance and in terms of providing how we have gone about doing our things and sharing best practices.

We have developed the negotiations in that sector; but we must be aware that whatever disciplines are being arrived at in this sector; they should be conditional upon providing developing countries with the capacity to implement them. So technical assistance and infrastructure capacity building are very important before we assume these obligations at the level of the WTO.

FAIZEL ISMAIL...

SOUTH AFRICA'S REPRESENTATIVE TO THE WTO



PICTURE COURTESY OF THE DTI

Mr. Faizel Ismail is the Head of the South African Delegation to the WTO in Geneva.

He chaired the Special Session of the WTO Committee on Trade and Development in 2004 and chairs the WTO Committee on Special and Differential Treatment.

Prior to taking up his current position in 2002, he served as the Deputy Director General for International Trade and Economic Development at the Department of Trade and Industry in South Africa.

Mr. Ismail was South Africa's Chief Negotiator in, among others, the following negotiations: WTO, South Africa-EU Free Trade Agreement and South Africa-Southern Africa Customs Union.

WTO Members seem to be stuck in a situation where every member or group is waiting for the other to move first. How can Members break the impasse and move on after Hong Kong?

We need to reach an understanding that the focus of the Round shouldn't be altered – and the focus is on Agriculture and all countries who have an interest in Agriculture will need to find a way forward on the different issues.

We are negotiating a package of issues on Agriculture, which includes domestic support reduction, export subsidy elimination and a substantial improvement in market access. Many developing countries have concerns for their special products and they need their agriculture to be safeguarded. So many of these issues need to be discussed and contributed to the package on Agriculture.

As part of this, the EU has to make a significant contribution in reducing its tariffs. The US has to do its part to make sure it reduces substantially the domestic support, especially those which have an impact on poor countries, like for example cotton. Also, it has to have disciplines in different boxes, like in the blue box, so that any country can not simply shift support from one box to another box and retain the same amount of money that they subsidize, but simply change the nature of the subsidy and claim to have made a contribution. We need disciplines to be agreed upon and we have not yet agreed on them, so these issues must be the focus of the negotiations.

However, the EU and the US are calling on developing countries to also open their markets in Industrial Products and Services. Now we, for one, are committed to make a contribution and to further market opening in Industrial Products and in Services. However, we do not expect to pay a disproportionate price for the contribution that the EU and others will make in Agriculture and in Industrial Products. We are saying that if the con-

tribution that we make is proportionate to that which will be made by developed countries, both within industrial products under NAMA and in Agriculture, then we will be willing to make our contribution in the same way as developed countries.

However, at the moment, the EU, for one, is making very little contribution in their proposal so far [in regards] to market access in Agriculture. Yet, at the same time, they are requesting and making demands of developing countries to make significant openings in their industrial markets and reduce their tariffs by significant measures.

Even in the industrial sector, the US and the EU are offering to make very little adjustments. The formula they are offering, a coefficient of ten, will make very little change in their current tariff structure and they will have to make very little adjustment. So, as far as the Europeans are concerned, they are not going to be making any further contributions to the CAP [Common Agricultural Policy] process, neither are they going to be making any further contribution to any reduction in industrial tariffs.

They have not made any real effort in Services at this stage in the offers they made, yet they are demanding that developing countries should make significant offers in each area of the negotiations so that their exporters of Industrial Products and Services can expand their access to our markets. We think their claims are totally disproportionate to what they are willing to do.

So you essentially think that developed countries bear the primary responsibility for the success or failure of the Doha Round?

Absolutely. At this stage yes, because in Agriculture developing countries in the G20 have already made a significant contribution to building compromise proposals and to building on what in the WTO we call 'middle ground', which is where we can unite the different sides of the debate. G20 proposals on domestic support, on export subsidies and on market access in

Agriculture have been accepted as a good basis for building consensus.

The G20 has played a leadership role, it has contributed to building consensus, it has committed developing countries to open their markets in Agriculture as long as this is done firstly in a proportionate way and, secondly, in a manner which is sensitive to the concerns of small farmers and to agriculture economies which are mainly rural-based and based on small scale subsistence agriculture.

In light of the scaling back of expectations from Hong Kong, what would be a successful Conference?

[Although] we have scaled back our ambition of the meeting, we should not scale back our ambition for the conclusion of the Round. If we do not re-commit to the high ambition we had, we will reduce the hope and we will diminish the aspirations and hopes of many developing countries and we will diminish the possibility and the prospect of this Round being called a Development Round.

Secondly, we should use the meeting to try and achieve some development outcomes at least for the poorest countries in the world. In this regard, the call by LDCs to grant them quota free, duty free market access will go a long way towards making the WTO appear to be a more caring and development-friendly organization.

Everyone has to reach out for the LDCs and try to make a commitment which will secure for LDCs a firm offer to work towards opening up markets for the [little] exports that these countries currently have in world markets. Such a decision will contribute to helping these countries to build the necessary incentives for new investment in their economies and hopefully help them increase current exports.

In Hong Kong [we should also] work towards, or agree on, a work program on how we are going to go about doing our work next year so that everybody is focused on the work at hand. So that politically all of us come back from Hong Kong and work hard to build up the necessary support for

real offers to be made and for countries to negotiate seriously. I speak here about developed and developing countries. I mean, developed countries have to make their constituencies aware of the importance of this Round, the gains they will also make in a successful outcome, and the importance of this Round for development as a whole.

But developing countries too will have to do the technical work, and also the political work, to engage seriously and make the necessary compromises that will have to be made.

Some LDCs have charged that the Development Agenda has been 'hijacked' and that Members have lost their focus on development. Do you agree?

Of course the issue of what development is, is a highly contentious issue. There are different views and perspectives on what we mean by development. I think that the main development content will come from ensuring that the comparative advantage of developing countries to produce and to export, is freed up – is unshackled – by removing the distortions in world trade which have been responsible for making it difficult for many countries to harness the potential they have to develop their economies.

We need to do that first and Agriculture is clearly where this potential is the most visible and the most important for the vast majority of developing countries. Over two thirds of the people in developing countries live and work in rural areas. So this is where the real development dividends will come from in this Round. Because there is such a huge backlog in Agriculture, because of the little attention that this area received in previous rounds, we need to keep this Round focused on Agriculture – that is where the development dividend will come. It will also come from ensuring that there are more balanced rules in the WTO and [that] there is a focus on the poorest countries in the world getting attention to help them first with increasing their access into world markets. That is why the focus on LDCs and duty free, quota free access is quite important.

Second, making a commitment to increasing financial assistance and technical assistance, so called "aid-for-trade" for developing countries, will be crucial as a complement to improving access for those countries to world markets. For some of them, even if they do get increased access, they will not have the capacity to produce and export unless they are given some additional technical assistance.

At a recent meeting of the Committee on Special and Differential Treatment (S&D), Zambia, speaking on behalf of LDC's, complained that there was not "the political will" of other WTO Members to strengthen S&D provisions to make them more precise, effective and operational. As the Chairman of the Committee on S&D, do you agree with this assessment?

The issues are very complex. They relate to a historical background where, in many of the WTO provisions, we have made offers to support developing countries and LDCs to both increase their access to the world markets and to give them more flexibility in the rules and, thirdly, to provide them with the technical assistance that they would need to implement rules.

But the experience of many developing countries is that these provisions have not been very effective. I think that negotiations have been very complex because of the changing needs of the different developing countries for S&D and the changing perception of developed countries about what are the instruments which developing countries need to assist in their development. I think this is a debate which has largely been unresolved – what the needs are for developing countries as they see themselves and what the needs are as perceived by developed countries.

Given that many of these issues are linked to the rest of the negotiations, my sense is that one of the reasons why we have not been able to make much progress is because of the lack of progress on many other significant issues in the Round. The likelihood of us making bold decisions will also increase as the prospects for success rise in other areas.

HON. SERGIO MARCHI...

FORMER CHAIR OF THE WTO GENERAL COUNCIL



PICTURE COURTESY OF MR MARCHI

Hon. Sergio Marchi served as Canada's representative to the WTO and UN Agencies in Geneva between 1999 and 2004. During that period, Mr. Marchi chaired several committees and ultimately served as Chairman of the WTO General Council.

Prior to his appointment to Geneva, Mr. Marchi served as a Canadian Government Cabinet Minister in three different portfolios – including as International Trade Minister.

Since March 2004, Mr. Marchi has been serving as a Commissioner on the UN Global Commission on International Migration.

Mr. Marchi's professional life has spanned both the private and public sectors and he serves as a member of several non-profit boards.

Having participated in Cancun, how, in your view, have the negotiating dynamics at the WTO changed since then, and how will these changes affect the chances of success or failure at Hong Kong and of the Doha Round in general?

I think we have always had a bit of creative tension between developed and developing countries in general. Since Cancun the G20 has played a more aggressive role when it comes to Agriculture – both in promoting its interests as well as [in] defending its interests. I think [that] if there is one dynamic that has changed somewhat, it is the G20 being much more aggressive in promoting the interest of its members. But again, so many countries, certainly during my time as Ambassador, were very aggressive when it came to Agriculture. I think the dynamics are more of the same, because when you look at the Doha Agenda the key issue continues to be Agriculture; that is to say so much depends on this one issue.

The Cancun meeting collapsed, so there is more pressure on Hong Kong to succeed. If Hong Kong was to be a dismal failure then the members and the organization would run the risk that the general international community would look at the WTO and conclude that success is the exception to the rule, because you will have had Seattle in 1999, Doha which worked in 2001 and then Cancun and Hong Kong. So it is very important to maintain a level of confidence and relevance. That, I think, is very important for any international organization such as this one.

WTO Members seem to be stuck in a situation where each member is waiting for the other to move first. How can the impasse be broken and who should bear the responsibility for making the first move?

Agriculture is still, unfortunately, the by-product of a very long game of chicken, or as we would say in the WTO; waiting for the first person to blink, so to speak.

The blinking is in two parts for me. The first is when we talk about blinking on Ag-

riculture. It seems to me that the major countries, the EU and US – particularly the European Community – need to show some moves and to not say “this is it, take it or leave it”. But rather [create] an opening that holds the possibility of an evolving discussion and negotiations that gives confidence that there is something moving afoot. I think when a good part of the agricultural dilemma is the huge subsidies being spent, it seems to me that it is logical that the sinners begin to repent, not those who have been aggrieved for so long. The sinners have to show some remorse here. So we speak of Europe, we speak of the United States, we speak of Japan and we speak of Korea. We speak of Switzerland and Norway, for example. And at the same time we don't expect the negotiations to be one of give, because that's not a negotiation. Negotiations are about give and take and about balance.

The second part in the blinking game it seems to me is that, as the offenders begin blinking on agriculture, it is also crucial that developing countries in return begin to blink on the issues of Industrial Negotiations, Services Negotiations. Then you will enter into real intense negotiations. That is the way they need to be played out.

It needs to start with that blink of the eye and it seems to me on Agriculture that needs to be started by the big powers.

Some negotiators have said that there have been no real negotiations recently at the WTO and that the Members have rather been engaged in tactical games. Do you agree?

The thing that I have been saying for a while is yes, it doesn't have the look of intense ongoing full-time negotiations the way any serious negotiations round ought to look like.

To say that there have been no negotiations is a stretch as well. There have been negotiations, there have been meetings but what they have not had is a continued intense ongoing engagement. That is what is missing and hopefully, going into Hong Kong, not only will [Members] begin to blink in terms

of the substance of the issues, but also shift gears in the very process of negotiations – from a lethargic spotty type of negotiations to full-time intense negotiations with an eye on bringing the results home next year.

In light of the recent scaling back of the Hong Kong objectives, what is the most ambitious, but realistic outcome one can hope for?

It is tough to speculate because when Ministers get together things can happen regardless of how difficult or spotty the record has been to date.

If one is a realist then, on the substance of Agriculture and on the substance of Industrials, I am not sure how much will be advanced in Hong Kong. For me, whatever they can do on substance and try to lock in or consolidate different areas where there may be some progress – that would be a very positive thing to do.

At the very least, let us do an analysis of where the issues stand. Let's get capital in Geneva-based officials to work on these different issues. At the same time, in parallel, if the substance may elude Hong Kong – the poetry of negotiations as I would call it – let's then just make sure that Hong Kong sets up the plumbing for the negotiations to start in early January; to hit the pavement running.

Many developing countries, the smaller ones in particular, complain that the WTO process is not very "democratic" in that it doesn't always reflect the interests of the smaller members. Do you agree?

Fundamentally, I disagree. I don't share that comment and I say that because I have seen the WTO from a lot of different angles and you know the one thing in particular my time in Geneva lead me to believe is that this [organization] is a heck more democratic than what critics give the WTO credit for.

When we speak about the WTO from the inside, from the Members, I must say that it is very democratic to the point where, because it is consensus-based, because every single country, however small or big carries a veto in their back pocket, some would argue that it is too democratic. That it moves [only] as fast as the slowest member is will-

ing to go. That I saw time and time again – whereby a few countries can, and do, hold up the processes or the meetings. Sometimes for valid reasons; for national interest, other times for less valid arguments in terms of trying to thwart the agenda.

But the days when the big, powerful countries were able to steam-roll are gone. This is no longer a GATT of thirty or forty countries; this is an organization of 149 countries. The overwhelming majority are developing countries. They have found their voices, they have found their agenda, they have found their unity and I believe that all this is positive because for many years we developed countries would argue that it pays to join the Organization and play from within, rather than criticize it from the outside, and developing countries have done just that. (See also the article on negotiating coalitions on p. 24.)

But why do we keep hearing this complaint from developing countries?

That's a good question. I used to hear it a lot, I still do. I used to live it every day and the two do not match. I think part of it is folklore, part of it is perception. Part of it is to the advantage of some who might be frustrated or disagree with how the WTO is going and therefore throw out this issue that [the WTO] is undemocratic.

Again, this is an imperfect organization – I do not pretend it is not the case. But I always would say that we need to watch how hard we sometimes kick the WTO because I think if we were to lose the WTO I do not think that the world would be better off. I don't think it would be a kinder, gentler place without an organization that speaks to rules, speaks to a dispute settlement mechanism, and is consensus-based. On top of that, if the WTO were to [disappear] and countries moved to bilateral and regional trade agreements, I would argue that the poorest of countries would be the most vulnerable and marginalized without a proper, international, functioning WTO. If you are a well-to-do country and you are a trade minister and you ask your deputy minister to draft you a list of ten countries to do an FTA [Free Trade Agreement] with, how many on that list would be poor

countries? My prediction is zero, because they [individual well-to-do countries] do not look to do a good trade deal with someone who might not be able to give you something. So the argument is that I think that the WTO is a good platform for developing countries from a trade policy perspective. It provides them a democratic voice in the international community and we should take absolute care about how we treat this WTO. Beware of what you wish for...

You spoke about the responsibility of developed countries to break the deadlock in the negotiations. How about developing countries, what are their responsibilities and what should they do?

I think developing countries in general should go to Hong Kong with how they would like to see the Industrial and Service Negotiations moving forward, because those are not just areas that are of interest to the developed world. These are areas that very much concern developing countries as well. If you get some movement on Agriculture then [developing countries] will have to show some movement on these issues.

These two issues are crucial to developing countries. The tariffs on industrial products are higher in South-South trade than they are in North-South trade. I mean the North has lowered tariffs on industrials much much further than the countries in the South. You can not forget that a lot of the world trade is also South-South, and by not moving on Industrials [they] are also denying South-South trade potential.

On Services, again, I think that sometimes developing countries make the mistake of thinking that Services is only a rich man or a rich woman agenda. It is true that in Services some countries, like the US, have had a heck of a head start, but it is equally important for developing countries to see Trade in Services as the economy of tomorrow for them. So developing countries need to think about Services and Industrials not only from the perspective of being responsible for getting movement in Doha, but also from a national vested interest – how do we position our countries to take advantage in both of these areas?

JAMES LENNOX...

FORMER CEO OF THE SA CHAMBER OF BUSINESS



PICTURE COURTESY OF MR. LENNOX

Mr. James Lennox joined the South African Chamber of Business (SACOB) in 2000 to establish an International Trade Policy, Facilitation and Assistance Division. He took over as CEO of the organization in 2002.

While at SACOB, Mr. Lennox was involved in monitoring the implementation and impact of the African Growth and Opportunity Act (AGOA) as well as assisting in facilitating a greater interest and involvement by business in broader trade policy issues.

Mr. Lennox left SACOB in 2005 to accept the position of CEO at the Southern African Federation Against Copyright Theft (SAFACT).

In developed countries, the private sector plays a key role in determining negotiating priorities for national governments and, as in the case of Services, for example, dictating, or at least influencing, national negotiating positions. What is your assessment of private sector participation in the WTO process in South Africa?

I think there is room for improvement in the involvement of the private sector both nationally and regionally. The state tends to determine its position internally and then engage in the consulting process [afterwards]. I think what needs to happen is an ongoing interaction where, in effect, instead of [business] responding to, or reacting to, external developments, we should be almost having things put on the agenda. Business needs to get far more involved in the process and [business] needs to be allowed to get far more involved in the process.

Do you think this applies to South Africa only or to the whole region?

I can not talk about specific countries in the region but if one looks for example at SADC, you will see that there are all sorts of forums for business to engage in, but you know engaging is one thing and being heard is another.

I also do not think that if you go across the sectors that business has been active enough in lobbying on a proactive and ongoing basis for various positions. This is compounded by the fact that we have a large number of multinationals who dominate many sectors and their positions become almost a global position as opposed to a specific country position. This is one of the issues that we have to grapple with in the global corporate trading environment.

To what extent has the private sector been involved in the negotiations in preparation for Hong Kong?

In my previous life as President of SACOB we were trying to be very proactive with regard to Singapore issues and Services, but

it was very difficult to get Government to address those issues because they had a political position. Also, we really were not prepared to engage them with anything of substance. From a South African point of view, I think the Government would be quite right if they say "who the hell do we engage with, nobody came to us with anything, so we developed a position". To be quite honest, I can understand [the critique] about the involvement of business in this process. There is a fair amount of truth in that.

What factors have undermined the participation of the private sector?

One factor is our small economy with dominant players who have international footprints. There was not a great deal of interest. You have to put it in the context [of] where we come from. We come from a very protected economy and, other than in specific instances, we were not particularly outward-looking; particularly from a Services point of view. We have not gone out to sell services other than tourism. When we do trade negotiations we are always responding to a position put by the other side – we are not saying "OK, we hear what you want, but this is what we want".

You are implying two factors that undermined private sector participation in the negotiations; that the Government does not try to engage the private sector and that the private sector itself is not very pro-active in promoting its own interests. Is this the case?

Yes, and this creates the environment for Government to increasingly determine its position in isolation. They come to NED-LAC [the National Economic, Development and Labour Council] with their mind made up.

But business needs to engage Government directly, as labor does, in a proactive manner with well-researched and well formulated positions. That is what we were trying to get to in SACU [Southern African Customs Union], and I think the momentum is building, but I think it is slow, and in some

instances, too late.

I think business is [fixated] on tariff lines. When you talk bilateral agreements or WTO, the majority of businesses turn around and say, "so what's the tariff going to be?" They do not ask about customs facility services, intellectual property rights, government procurement. [Business] is very focused on tariffs rather than trade and the business environment.

How can private sector participation in these negotiations, and in trade negotiations in general, be enhanced?

I think it is really up to the private sector to actually realize that the WTO Agreements and bilateral agreements have significant impact on their ability to do business globally and in their own country, and they have to say "what do we need to do in order to maximize our influence on the government negotiators?" They have to make that decision first.

I do not think it is for the state to create the structure for the private sector. It must be an independent business view and position; business must lobby, understanding that they may not get everything that they want. But, if they go in with a compromise, they will get even less. They have to have strong and well-researched positions and they must lobby the national government and internationally. The private sector has to do more for itself, by itself, and that will require funding. When you get into smaller economies, it becomes an issue, and what would help is access to some of the WTO capacity building structures for non-governmental stakeholders.

I think [that] if you can sort out South Africa's business engagement, then it is easier to replicate that to variable degrees in other sub-Saharan African states.

How do you view WTO Agreements compared to those that South Africa and other countries in the region have been concluding by negotiating outside the framework?

Our position is that [agreements concluded outside the WTO framework] must be consistent with the WTO objectives and

they must be building blocks to the WTO Agreement. We are against a multiplicity of bilateral agreements that all have different requirements. One of the advantages of the WTO is that it is binding and that there is a dispute settlement framework. In the case of bilateral and regional agreements in particular, many states that sign these agreements lack the political will to implement them. Capacity to implement is another problem, but that is a tangible problem that can be addressed.

Therefore, with the WTO we can force people to do what was agreed upon, but with SADC there is no dispute settlement mechanism and it excludes Services – it excludes a lot of things.

With some bilateral agreements, there is a compliance pressure because they [the other country] will enforce their agreement. Similarly, the WTO brings that discipline and accountability. That is why we think that any bilateral or multilateral agreement must be a building block of the WTO Agreement. That has been our view at SACOB for the last three or four years.

What are some of the immediate measures that should be taken to address Trade Facilitation constraints in the region? What role can the private sector play?

From a business point of view, as far as Trade Facilitation is concerned, [the priority] is actually to implement – particularly the border post issues. They have got to sort out these issues once, and for all. The obstacles to doing business and the hassle of doing business in this region as a result of ineffective and corrupt border crossing, are a huge concern. And [Government should] accept the offer of assistance from the private sector.

The private sector can provide capacity, we can provide expertise and we can actually take over some of the functions. A good example, for instance, is the ATA carnet which is a customs document indicating a commitment to re-export. That is administered by the private sector. SACOB is the national guaranteeing agency for the region, so we put ourselves at risk as well. We were finan-

cially responsible for the correct operation of this procedure. One of the problems we have in the region is goods-in-transit and the one thing that would smooth it out is the use of a goods-in-transit-document so you do not have to pay duties going into the country and claim them when you are going out.

On Trade Facilitation, we actually need to do something. We need the customs authority, the immigration authority and the private sector to sit down with a clearly defined time period and say, "this problem is going to be sorted out". Everybody knows what the problems are: everybody knows there is a documentation problem and everybody knows there is a corruption problem.

The practical implementation of Trade Facilitation, it goes without saying, would greatly assist the growth of the region. If we cut the cost of transactions it would benefit not only the end consumer, but also the industry.

With respect to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), do you think the South African Government has done enough to implement the Agreement?

I think certain parts of the Government have got issues with the TRIPS Agreement, but they have to live with it while they lobby to have it changed. I think one of the problems we have [in relation to TRIPS and other trade agreements] is the fact that we have inconsistencies between signing treaties and ratifying, implementing and enforcing them. When it comes to implementation, the first excuse for not implementing an agreement is the Development Agenda. On generic drugs, we have companies in South Africa producing generic drugs who are making more on the export of these drugs to other developing countries than they are in their own country. So it strikes me as a bit odd to consider exempting these companies from abiding by international laws on copyrights as part of the development agenda.

When it comes to TRIPS, what is key is the implementation and enforcement of these treaties and here, again, the private sector must play a role.

TANYA VAN MEELIS...

OF THE CONGRESS OF SOUTH AFRICAN TRADE UNIONS



PICTURE COURTESY OF MS. VAN MEELIS

Ms. Tanya van Meelis has worked as Trade and Industry Coordinator for the Congress of South African Trade Unions (COSATU) for the past four and a half years.

Before that she served as restructuring coordinator for the Chemical Workers Industrial Union (a COSATU affiliate).

Labor engages with the South African Government and business on a regular basis on socio-economic issues in a forum called the National Economic Development Council (NED-LAC).

COSATU is also, along with the South African Communist Party (SACP), an alliance partner of the African National Congress (ANC) in Government.

To what extent have you been engaged with the Government on trade negotiations at the WTO? Can you also tell us about the participation of unions in the region in trade negotiations?

In South Africa we have a forum called the National Economic Development and Labour Council (NEDLAC) and, by law, Government has to engage with trade unions and business on socio-economic issues. We meet with the Government regularly – at least once a month – to discuss trade issues and part of the discussion is about the WTO. So we had a large amount of consultation with Government in relation to issues of the WTO, but it doesn't mean that if there is consultation, that we necessarily agree on every position that our Government has taken.

In terms of the region, I don't know. I know that in the region unions are probably treated with hostility from governments. My assumption is that there has not been sufficient consultation in the region between trade unions and their governments because of the hostilities of many governments towards trade unions.

Do you think your engagement with the Government has been effective in shaping the Government's position with respect to different WTO issues?

I will give you some examples. In some cases we have had real influence and the Government has adopted some positions that we pushed; in other cases not. An example is on Trade in Services. We consistently pushed for basic services not to be opened to guests and this is the position that Government takes now.

So, to that extent we have been successful. Also, for example, where we pointed to issues that relate to development – such as the potential impact of NAMA on development. We have not won but we have certainly managed to ensure that the Government has looked at a range

of issues with a great deal of seriousness. What we have also done is that we have embarked on joint studies together with Government, for example on the impact of NAMA on trade or on poverty. So I think we have been engaged seriously and we listen to each other. Sometimes we manage to win our positions and at other times we have not managed to win our positions. It depends on an issue by issue basis.

So, are you generally satisfied with the extent to which the Government has taken into account your views in formulating its negotiating positions in the WTO?

I think in the last few years the Government has moved significantly towards listening to our position and consulting with us more seriously. There has been a definite improvement, but there are still areas where we can have more improvement. For example, one of the labor demands is to have a full impact study of the potential impact of a trade agreement before the trade agreement is concluded. So we started doing more and more studies and this is welcomed and it does influence positions.

There is space for improvement, but I certainly have to give Government credit for engaging and consulting seriously on a range of issues.

Free trade proponents would accuse you of being protectionist and say that your agenda contradicts the WTO objectives for free trade. How do you view the WTO framework?

We are opposed to free trade, and by that I mean removing all barriers to trade and leaving trade to take place when large companies want it to take place. But we are not opposed to trade under specific circumstances. What we say is: "what would be the impact of trade on jobs, on poverty, on equality and on economic structure?"

So, in certain cases, we are for bringing

down tariffs, but in other cases we are not. So, you can not say we are against the idea of trade. It really depends what aspect of trade and under what specific circumstances. We really prefer to engage at that level of detail.

I will give you an example. If a sector is losing jobs and it is being linked to imports, we make a call that our applied rate should be raised to the level of WTO bound rates. Some people argue this is protectionist, but it is well within the rules.

On the other hand, we supported, for example, the lowering of tariffs on iron and on steel. The idea was that our downstream producers, because of import tariffs, pay excessive prices for steel products and the excessive prices are thwarting the development of the downstream sector which would create jobs. So, in that case we supported and pushed for lowering the tariffs on steel so that downstream producers will have access to cheaper material.

Thus, to some extent we supported a raise and to some extent we supported a drop in tariffs, but the key factor for us is how we try and develop and industrialize, and how we create jobs. And depending where in the value chain you are, we determine our position on the tariffs. Therefore, if we are not producing a product in South Africa at all we are not opposed to a zero tariff. What we want though, is for a sub-sector to be able to raise the tariff for an infant industry that is developing in that sub-sector.

How do you interpret the failure of Hong Kong to produce a specific architecture, as Members had hoped?

First, on multilateralism our position is that we support multilateralism. But [the question] is how we engage in multilateralism and how countries engage in trade. So we pick up an issue about the WTO process; like lack of democracy or transparency. We would also pick up on areas where we think there are certain issues that need to be agreed, such as tariff escalation in the EU. We certainly want to engage within the framework of the WTO, but we want to

try to change it to ensure that it supports development.

In terms of our understanding of what has been coming out on Hong Kong, it is similar to our assessment of what happened in Cancun. Our view [in Cancun] was that we rather not make an advance if we are going to pay too high a price for that advance.

It is almost a similar thing now. My understanding is that developed countries are wanting NAMA to go through and they are quite strong on Services and for that they are not willing to look at some kind of movement on Agriculture. I don't think this is appropriate. I think we need to implement the Doha Agreement and implementing the Doha Agreement does not mean that [developing countries] are going to pay again in order to get access to developed countries. That is not our understanding of it. If there is not movement in Hong Kong, this is an appropriate thing, because if there is movement and the developing countries roll over, the end result would be greater imbalances in the international trading system.

Did you expect this outcome?

Yes, we expected it. There has been very little movement in the negotiations. What is needed is political will to get a breakthrough and that political will is not evident.

You alluded earlier to the imbalances present in the WTO. In your view, what are the priority areas where the WTO process needs to be reformed to reflect developing country needs?

The first would be regarding the WTO processes themselves – the implications of pressure by developed countries on developing countries to conform to developed country demands. We keep hearing from small developing countries, for example, that they take a position to oppose a formula in NAMA and then they keep getting calls from one developed country or another trying to pressure them to take another position. The pressurizing tactics end up alienating many countries. This is an example of a process that needs to be reformed.

The other issue is that, at the WTO, devel-

opment issues are confined to flexibilities; for example for LDCs which are tackled under Special and Differential Treatment (S&D). Our understanding is that the development issues are much more wide-range. For example, if we are discussing Trade in Services it is going to have a massive impact on development and if you are discussing NAMA, it is going to have a massive impact on development.

The current confining of development issues to certain task teams really does not cover development issues. I think the development agenda needs to be expanded and we need to look into the phasing and timing of implementation issues. In terms of agreements, some are implemented [while] some are not implemented. Developed countries sometimes come back and say; "now that we implemented we want something else in return".

There needs to be a better kind of idea when we agree to things; [of] when is everything going to be implemented. We need to make sure that there is proper implementation.

Certainly the agreements themselves do not highly favor developing countries, but developed countries seem highly selective as well in terms of implementation. This should be addressed.

What is COSTATU's position regarding the negotiations on Trade Facilitation at the WTO?

The push for Trade Facilitation would put a greater burden on developing countries.

Even if [the developed countries] offer financial assistance, the administrative and financial burdens in many developing countries are excessive. So, we are mainly not in favour of Trade Facilitation.

It is a matter of opportunity cost. If you have developing countries with limited resources, do they want to put their money in traditional infrastructure or development or fighting poverty. Generally it does not sound like a bad concept, but if you look at the opportunity cost, the opportunity cost is too high for many developing countries.

M. MURIU & G. NDIRUNGU...

HEAD OF PAN AFRICA TRADE ADVOCACY AND SOUTHERN AFRICA TRADE ADVISOR OF OXFAM



PICTURE COURTESY OF MS. MURIU

Ms. Muthoni Muriu is the Head of Pan Africa Trade Advocacy at Oxfam. Prior to taking up her current position, she served as Regional Program Manager for Oxfam in West Africa.



PICTURE COURTESY OF MR. NDIRANGU

A lawyer by training, Mr. Gichinga Ndirangu has worked on trade policy for over 10 years. He was a member of the official Kenya Government Delegation to the Seattle, Doha and Cancun WTO Ministerial Conferences.

What is your assessment of what has happened so far in the run-up to Hong Kong, and what do you think of the draft Ministerial Text?

MM What has happened until now is that for example in Agriculture, members have not been able to come to an agreement on the various issues and an analysis of the text will give you a very good idea why. For example, in Agriculture, if you look at the discussions around domestic support there is definitely a lack of convergence in terms of what sort of cuts will be given. What the US and the EU have put on the table we judged to be inadequate and so did developing countries.

On other issues such as the NAMA, we are particularly concerned by the fact that the Chairman's Report seems to suggest that there was some sort of convergence, especially on the issue of the formula, where his report does not reflect all the propositions that have been put on the table. He also suggests not limiting flexibilities, but the proposal he has highlighted would limit flexibilities for developing countries and the policy space for developing countries to decide what policies and regulations they need to put in place to support developing industries.

So the frustration for many developing countries is that the report seems to lean towards the proposals that have come from developed countries and to a large extent ignored the reactions from developing countries. The worry is that either small countries will negotiate on the side and then form a pressure on others to join or, what we will see probably not in Hong Kong but after Hong Kong, is intense round the clock negotiations in all the areas under NAMA to try and push solutions that are dangerous from developing countries' perspective.

The point is this: all these formulas and all the propositions that are being put on the table in order for [developing countries] to

engage, they need to analyze the impact on their plans for industrialization, etc., and there is just not enough time. It is ingenious in a way to say agree first and then find out what happens later.

GN I think it is quite clear that Hong Kong will not move the agenda forward, there is not the level of expectations that developing countries had on Agriculture. The expectation was that the EU and the US would commit to very definite proposals in terms of how they intend to do away with their trade distorting subsidies and eliminate their export subsidies which continue to create a problem of dumping, which has affected many farmers in Africa and the developing countries.

I think that on the whole the assessment is that that particular text does not provide any basis on which countries can hope that there will be any meaningful progress on the issues that have been sitting on the table for too long.

What are the implications of the scaling back of the Hong Kong objectives for the region?

MM For African countries in general one of the things that they have been insisting on, and this is what has come out of the Ministerial Meeting in Arusha, is that they are not going to agree to signing up to policies that can be detrimental to the development in their countries. However, there is no country suggesting that they will leave the multilateral trading system. What they are saying is that they need to be fair and equitable and that sufficient time should be accorded to [developing countries] in terms of being able to get ready to play the role they are supposed to play. They also say that can not be signing up to an agreement on the same level as developed countries and this is where the issue of differential treatment comes in. It has already been recognized because of the different levels of development you have to accord [developing countries] Special and Differential Treatment (S&D). For example, take

South Africa, if you look at Services or NAMA what has been suggested would hit South Africa particularly hard. For example in terms of the agriculture sector, as it is, the canning industry as a whole, because of the treaties that South Africa has with the EU, has already been hit with a loss – I think with 4,000 jobs. The point is if they are not able to put in [place] policies to build up their competitiveness to a point where the opening up of their markets even more – in South Africa they liberalized very, very quickly in the last ten years – then it means that at the end they are looking at serious destabilization in terms of employment.

This is why African countries are really insisting that whatever happens, their policy space must not be attacked and must not be diminished. When you really look at it, the point is that developed countries for 50 years had the time and space to put in [place] policies that allowed them to grow and become competitive and now to deny the same right to developing countries. [This] is indefensible.

The other reason why not just South Africa, but Southern Africa, will all have the same level of interest in the negotiations, even though you have LDCs who may not have to commit to tariff cuts, is that they are in customs union. So whatever happens, South Africa will have an impact on trade and industry and whatever is going on in the SACU [Southern Africa Customs Union] countries. They all realize that and they keep saying that the only way that they will be able to stand up to the pressures being put on them, is to remain in solidarity with each other. In terms of the principles they are all trying to stick to one voice.

In Hong Kong it will not be a negotiating meeting. There may be movement on some issues, [but] it will be more of taking stock and then discussing the less sensitive points. The pressure to negotiate will continue between January and April of 2006.

GN I think it means firstly that the region is unlikely to get as much as it should out of the international trading system. I think part of the whole question of trade liberalization has been the recognition that all

countries can not liberalize at the same level and that since 1995, when the WTO was created, most of the benefits have gone to the industrialized countries as opposed to developing countries. For this particular region, with the exception of South Africa, all countries in this region are LDCs or low income developing countries which therefore requires a certain level of facilitation in terms of better opportunities, in terms of the reform process of reducing tariffs and opening up better opportunities for exports by addressing the question of the non-tariff market barriers that they face. Therefore, when we find countries in this region are preparing to go to this Conference with a limited level of ambition, then the obvious implication is that they will not be able to benefit much from the architecture that is now being proposed. Of course, that has implications in terms of export competitiveness and their ability to take advantage of international trade to improve the livelihood of their people. It has implications on their efforts of development, poverty alleviation and on their confidence in the multilateral trading system to deliver benefits to their people.

Do you expect Hong Kong to produce any significant outcomes?

MM I would not say significant because the significant issues are, for example, to do away with domestic support and [get] increased market access [in Agriculture]. Also, the Ministers will be asked in Hong Kong to agree to a formula in NAMA, but since July they have been trying to agree – not on the formula, but on what sort of formula might work – and there has been no agreement. Despite [the fact that] the Chair has reported that there is convergence towards the Swiss formula, I say there is not. What is happening with the NAMA Negotiations on the formula is that the coefficient for developed countries must be 5-15 percent, for example, but for developing countries that will work only for a coefficient of over a 100. That is when it starts to make sense; and developed countries do not want to discuss that. So that is out of the question. You have an impasse. They might discuss it, but I will be very surprised if developing countries

accept a formula that means that they will never get a chance to industrialize.

What should be the trade-related priorities for the region post-Hong Kong?

GN We must look at Agriculture as being the cornerstone and the center piece in any meaningful reform or any meaningful progress at the multilateral level. The reason why I say that is if you look at this particular region, with the exception of South Africa, agriculture accounts for at least 70 percent of the income of the population. Therefore, it is important that there is significant progress in Agriculture so that countries can address issues of export competitiveness and countries can face the bottlenecks that they face in the exports of their products to northern markets.

Of course, it is not the only important issue. There are other important issues that we have to look at in terms of the crisis of HIV/AIDS. For that reason there have been a great deal of expectations that the WTO Conference would be able to address the outstanding problems that were raised by developing countries on accessing affordable medicines. And the reason why this is important is that now we are getting into a situation where increasingly people are developing resistance to first line treatment drugs and many of the second line treatment drugs are under patent protection. For this reason it has been difficult to access these drugs because, for example, India, which manufactures those medicines, has to comply with the intellectual property rights provisions of the WTO as of this year. It will be increasingly difficult for countries to access second line drugs because of new limitations by the WTO.

It is also important for [governments of the region] to look for other options outside the multilateral system. To explore more regional trade for example and how they can benefit from [what] regional trade could offer. But one has to recognize that there are many limitations and that many will not benefit a lot from that. There should also be a focus on South-South trade. The multilateral systems as it stands has become unpredictable.

NEGOTIATING COALITIONS GIVE DEVELOPING COUNTRIES A VOICE

Following the failure of the Seattle WTO Ministerial meeting in 1999, the major developed countries sought to ensure that a future negotiating round would also address the concerns of developing and least-developed countries (LDCs). Since the Uruguay Round of Negotiations (which was launched in 1986), LDCs and developing countries have adopted a range of strategies to raise their voices within the WTO. They have shown an increased propensity to participate in coalitions and alliances that seek to defend their interests and promote their negotiating agendas.

The history of developing country coalitions dates back to the mid-1980s. Until then, developing countries had remained largely inactive in global trade negotiations, which were then conducted under the General Agreement on Tariffs and Trade (GATT). They received unilateral tariff preferences from developed countries as well as tariff concessions negotiated by developed countries in GATT Rounds through unconditional Most-Favored-Nation (MFN) treatment. The absence of any pressure to offer reciprocal tariff concessions resulted in developing economies playing a marginal role in the negotiations.

In the mid-1980s, as more countries began to liberalize their external trade policies, the importance of ensuring effective participation in trade negotiations became apparent. That change was observed in the run-up to the GATT meeting in Punta del Este where the Uruguay Round was launched in 1986. Although developed countries dominated the Uruguay Round, the Round marked the first time in global trade negotiations that developing countries became involved in the nitty-gritty of the negotiations and engaged in forming coalitions and alliances to promote their interests.

After the creation of the WTO in 1995, the coalitions and alliances representing developing countries continued to grow as many countries pursued multiple alliance strategies to serve their diverse and at times complex interests. In 1999, a group of major developing countries including

India and Brazil formed and successfully led the G20 in the negotiations in Cancun. The G20 was a prominent player in the meeting in Cancun and continues to be a key player in WTO negotiations. The success of the G20 inspired other developing countries, and members of the G20, to form new coalitions to promote their interests. Today, forging coalitions and alliances has become an essential part of the negotiating process at the WTO.

Arguably, one of the most influential factors in determining alliances among WTO members is the level of development. On many negotiating issues, LDCs and developing countries have taken different positions to developed countries. However, it is vital to note that there are key differences between the major developed economies with groups of developed countries seeking to bring in developing and least developed countries on specific issues to influence the outcome.

Under the broad and informal developing country alliance, many developing countries have formed smaller coalitions to promote their interests with respect to a specific issue or sector. The G33, which formed immediately before the start of the WTO Ministerial in Cancun (October 2003), for example, pushed to remove "special products" from overall agricultural liberalization. The Like Minded Group (LMG), which includes India, Pakistan, Egypt and LDCs, is another of these coalitions. Such groups have lent voice and influence in the negotiations, especially to small and weak developing countries.

Some developing countries have also joined coalitions with developed countries to defend their interests with respect to a specific issue or sector. The Cairns Group, which represents cereal producers from developing and developed countries, is a good example of an alliance that cuts across different levels of development.

The success of these different coalitions in promoting developing country interests in the multilateral trade negotiations remains an open question. So far they appear to

have succeeded in ensuring that development issues remain on the core agenda and will be addressed in any Ministerial Declaration. They have also been effective in pushing for more transparency and inclusiveness in the WTO process.

African Union (AU) Trade Ministers outlined a common position during a meeting in Arusha, Tanzania, from November 21-24, 2005.

The key "Development Benchmarks" for the AU are market access for African exports and the removal of market distorting measures on agriculture over the next four years.

The AU seeks the complete removal of export subsidies for cotton by December 31, 2005. In addition, the AU seeks a three part schedule for the reduction of domestic support measures that creates unfair trade on cotton – 80% by December 31, 2006; 10% by January, 2008; and 10% by January 1, 2009.

Furthermore, the AU laid out its concerns related to Non-Agricultural Market Access (NAMA). The report encourages the NAMA negotiators to devise a tariff reduction formula that would also allow African countries to develop through industrial policy, employment creation and diversified economies.

Other areas addressed in the report are technical assistance, aid-for-trade, commodity prices, services, trade-related aspects of intellectual property rights (TRIPS), special treatment for least-developed countries (LDCs), trade facilitation, trade and environment, technology and dispute settlement.

The full report can be found at:

http://www.uneca.org/eca_programmes/trade_and_regional_integration/documents/AU_Arusha_Development_Benchmarks.pdf