

**Memorandum of Civil Society
to the 3rd Ordinary Session of the African Union Ministers of Trade,
Cairo, Egypt, June, 5-9 2005**

Members of the Africa Trade Network (ATN), and other civil society organisations working on issues of trade and development in Africa, take the opportunity of the third ordinary session of the African Union Ministers of Trade in Cairo, Egypt, to communicate to the ministers our views on Africa's concerns and positions on the on-going trade negotiations in the World Trade Organisation as well as within the framework of the Economic Partnership Agreements.

As with previous occasions of engagement with African governments, our aim is to contribute to upholding the unity and resolve of African countries in the on-going negotiations, as well as to support their continuing efforts to ensure that the interest of African people and economies are central in the outcomes of those negotiations.

This year is even more critical for African countries both in terms of the WTO and EPA negotiations.

As members of the WTO prepare towards the Ministerial Conference in Hong-Kong, we note that four years since the adoption of the Doha work programme, there is little evidence of progress in tackling the developmental concerns of African and other developing countries which were proclaimed as pivotal to the success of the Doha agenda. On the contrary, as evident from their proposals, the rich and powerful industrialised countries of the WTO continue to pressurise African and other developing countries to undertake further and deeper liberalisation commitments in their industrial and agricultural sectors even while the developed countries remain intent on maintaining their advantages and protection.

Thus, in spite of the legitimacy of their positions, and of all their efforts, African and other developing countries face the prospect that the current imbalances of the international trade regime - which has wreaked havoc on their economies and their peoples - will not be addressed; and that indeed these will be worsened.

These dangers are being replicated in the context of negotiations for regional and bilateral trade agreements which African countries are having to engage in. Many African regions are engaged in negotiations with the European Union for so-called Economic Partnership Agreements, which have been widely acknowledged as posing serious dangers to the sustainable development of the African regions and economies. Nevertheless the EU insists on the negotiation of EPA packages that will undermine rather than contribute to sustainable development.

As they prepare for the forthcoming WTO General Council meeting in July and subsequent gatherings on the way to the Hong-Kong Ministerial, we urge our governments to remain firm in articulating positions which promote the interests of their people and economies. In this light, we wish to bring the following recommendations on the most pressing issues on the agenda of international trade negotiations to the attention of this meeting.

Agriculture

Progress in addressing the current imbalances of the Agreement on Agriculture which have favoured the developed countries against African and other developing countries is critical for the development, food security and livelihood concerns of African countries, and a critical test as to whether or not the Doha work programme will live up to its developmental proclamations. However, the negotiations are headed in the opposite direction.

Developed countries are aggressively aiming for deeper reduction of agricultural tariffs in all developing countries, which would worsen the profound and adverse impacts on the lives of millions of peoples that have already resulted from earlier rounds of forced liberalisation, particularly in the context of the World Bank and IMF imposed conditionality. In addition, the developed countries are seeking to water down pro-development elements of the July framework, including mechanisms such as special product and special safeguard mechanisms for developing countries.

By contrast, the developed countries want concessions for themselves to protect their own interests, through a host of measures such as a new Blue Box domestic subsidy, the concept of “sensitive products” (to be subjected to lenient tariff cuts) and postponing the end of their export subsidies for as long as possible. The current proposals would allow the developed countries to continue with their high domestic trade-distorting subsidies because one important category of subsidies (Green Box subsidies) will not be subjected to any reduction, and these subsidies could be increased without control.

In short, in the ongoing negotiations African and other developing countries face the danger of being forced to open their markets to the developed countries while the latter continue to protect theirs. Worse, they will be exposed to the unfair subsidies of the developed countries, with artificially cheapened products being dumped in their markets, their own farmers displaced, and their livelihoods disrupted.

In view of the above, we

- call on African governments not to undertake further commitments to reduce their tariffs on products that are essential for food security, the protection of small farmers’ livelihoods and incomes, and for rural development and poverty eradication;
- support the proposals of African and other developing countries that their “special products” (i.e. those needed for food security, the protection of small farmers’ livelihoods and rural development) should not be subjected to tariff cuts, and that countries can designate which and how many products, according to their own national context;
- support the proposal that a “special safeguard mechanism” be created in the WTO Agriculture Agreement, so that developing countries can in a simple and effective manner increase the tariffs of agricultural imports whose prices may fall so low as to threaten the livelihoods of small farmers;
- call for an immediate end to export subsidies by developed countries, and the rapid phasing out of all domestic subsidies that contribute to the dumping of agricultural products into other countries, especially the poor countries, with Green Box subsidies capped and subjected to strict disciplines.

Non-Agriculture Market Access

African and other developing countries have suffered severe de-industrialisation as a result of policies of trade liberalisation undertaken over the past two decades, particularly under the World Bank/IMF structural adjustment programmes. This situation would be worsened if the proposals put forward by developed countries in the current negotiations in the areas of Non-Agricultural Market Access (NAMA) are adopted.

Not only are developed countries such as the US, EU and Japan pushing for draconian reductions in the levels of tariffs, through application of non-linear formula with a low coefficient applied on a line by line basis. They are also trying to dictate the scope and level of tariff binding, whereby African and other developing countries would have to bind all of their tariffs at relatively low rates, even though members have hitherto chosen for themselves the level at which to bind tariffs. There is also an attempt to get all countries to participate in the reduction of tariffs ultimately to zero in selected sectors.

Under the proposed non-linear formula, higher tariffs would be subjected to deeper cuts. Given the tariff profiles of most developing countries this would lead to a situation where these countries would be making more dramatic cuts and thereby providing a much greater increase in market access than the developed countries. The drastic reduction of tariffs threatens to further undermine domestic industry in Africa, already suffering from decades of World Bank/IMF imposed liberalisation.

African and other developing countries have consistently rejected proposals by the developed countries, and have put forward alternatives which addressed their concerns. Nevertheless, the current text (Annex B of the July 2004 Package) upon which the WTO consultations are being held, is dominated by the proposals of the developed countries, and has failed completely to take on board the proposals repeatedly put forward by developing country members.

What we need is to restart on a new basis that fully respects the development needs of African countries, and, to that end, fully incorporates the principle of special and differential treatment, and acknowledges the Doha mandate of less than full reciprocity.

We therefore urge African ministers to remain firm in their insistence on the flexibility for developing countries to determine for themselves the level and nature of their tariff commitments, in order to retain the flexibility and policy space enjoyed even by the developed countries in the past and which is crucial for the industrialisation prospects of African and developing countries. In particular,

- African and other developing countries should not be subjected to a “formula approach” to tariff reduction on a line-by-line basis; instead they should be able opt for approach used in the Uruguay Round, whereby developing countries reduced their tariffs according to an overall target, with countries choosing different rates with which to reduce tariffs in different products;
- African and other developing country members should not be compelled to bind all their tariffs, nor should they be compelled to bind them at particular rates, but should have the flexibility to determine for themselves their binding coverage and the rate at which their tariffs are bound, as in previous rounds of tariff negotiations;
- concrete measures must be provided within negotiations to enable African and other developing countries to meet the challenges of preference erosion.

Cotton

We note that since the cotton sectoral initiative was submitted, the Cotton 4 countries alone have lost 381 million US Dollars in export revenues due to cotton subsidies and that in the year 2004-5 the estimated deficit to West and Central African cotton subsidies is 400 million US Dollars. We also note that the C4 countries submitted a proposal on 22 April, supported by the African group, on modalities for rapid, ambitious and specific solution to cotton problem, in the framework of agriculture negotiations.

Dismissing the above, the US in particular is resisting to negotiate on cotton, in spite of their agreement to a rapid, ambitious and specific solution in the July 2004 Framework. Moreover, we are seeing resistance of bilateral donors to the C4 proposal for an emergency support fund for the Africa cotton sector, in spite of commitments to increased development resources to cotton sectors made by the WTO and other institutions, most recently the IMF.

We urge African governments to

- continue to give strong support to the proposal for a rapid, ambitious and specific solution to the cotton issue, and the particular date-lines proposed by the four West African cotton producing countries for achieving such solutions;

- remain vigilant that revisions to the Blue Box do not enable reclassification of illegal subsidies;
- request that EU, US and other bilateral and multilateral donors reconsider their position on emergency support fund;
- provide technical and political backing to the C4 initiative, under the African Union.

Services

The WTO's General Agreement on Trade in Services enshrines the right of countries to decide whether to liberalise any of their services, which services to liberalise, to what degree and at what pace, a right reaffirmed in the "Guidelines and Procedures for the Negotiations on Trade in Services" modalities for the special treatment of LDC's. In spite of this, African and other developing countries are unceasingly under tremendous bilateral and multilateral pressures to provide "offers" in response to the "requests" made on them. This is because the GATS is being used by the developed countries to open up service sectors in African and other developing countries for their global service corporations.

African countries know from their experience under the World Bank/IMF structural adjustment programmes (SAPS) that opening up their services to foreign operators and ownership has impacted negatively on people's access to services and governments' development policy instruments.

In this context

- we urge African governments not to proceed with offers through bilateral processes unless:
 - there is comprehensive impact assessments of the liberalisation of all services;
 - the multilateral working group on domestic regulation, government procurement, subsidies and safe-guards have been concluded satisfactorily for Africa's development needs.
- we call on African governments to insist on their right to regulate services and liberalize according to their national policy objectives; and
- we demand that developed countries and their services firms should not put any pressures on developing countries to open up their services sectors to foreign ownership and participation. In particular, the developed countries should not demand that developing countries open up services sectors that are sensitive (especially from a human development point of view), such as water, health, education and other public services. Moreover, other sensitive sectors that are crucial to the economic well-being of developing countries, such as financial services, energy and utilities, should not be subjected to any pressures for liberalization.

Trade Facilitation

We remain convinced that trade facilitation should not be dealt with through a multilateral agreement in the WTO. However, we note that African governments have agreed that this be negotiated within the Doha round.

Because we are aware of the importance of improving African trade facilities in the context of Africa's own national and regional development strategies, we call upon African governments to:

- refrain from making any commitments in the WTO that do not arise from and serve their development needs;
- refrain from making commitments in this regard that are beyond their economic capacities;
- refuse to accept any demands from the developed countries without full, targeted and long-term finance and technical assistance in this sphere in the framework of Africa's own defined priorities;

- insist that any agreement in this area is not subject to the dispute settlement provisions of the WTO.

Economic Partnership Agreements

The threats to the economic development of African countries in the WTO are replicated, in some instances more severely, in the context of the negotiations for the Economic Partnership Agreements with the European Union.

Notwithstanding the attempts by officials of the European Commission to paint the EPA in a more positive light, the EPAs are essentially free-trade agreements between unequal partners, which will tie up Africa's regions to Europe in an imbalanced framework and undermine Africa's producers, economies, and autonomous efforts at regional integration.

At a time when even Member States of the European Union are raising serious concerns about the EC negotiating mandate for EPAs, we call on Africa governments to heed the call from their citizens for a stop to the EPAs in their current form. We call on the governments to work for an alternative framework with the EU which:

- is based on the principle of non-reciprocity;
- allows for national and regional support and protection for African producers, and to this end, protection for Africa's domestic and regional markets;
- reverses the pressure for trade and investment liberalisation;
- recognises the necessary policy space for African countries to pursue their own development strategies.

Conclusion

We urge African governments to build on the unity of the African Union (AU), the Least Developed Countries (LDCs) and the African, Caribbean and Pacific (ACP) States in Cancun, and to strengthen strategic alliances with other developing country groupings in the WTO - above all the G33 and G20 – in order to increase their combined negotiating power, and to counterbalance the power of the developed countries.

Signed by

for Africa Trade Network (ATN):

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- ENDA-Tiers Monde, Senegal
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- Southern & Eastern Trade Information & Negotiation Institute (SEATINI), Zimbabwe
- Centre pour le Commerce International et Development (CECIDE), Guinea

Oxfam International