

**PRESENTATION ON BEHALF OF THE AFRICA TRADE NETWORK ON
'INTERNATIONAL TRADE AS A TOOL FOR DEVELOPMENT'; AT THE HEARINGS
OF CIVIL SOCIETY ON FINANCING FOR DEVELOPMENT, UN HEADQUARTERS,
NEW YORK, 18th JUNE 2008.**

Co-Chairmen,

On behalf of the Africa Trade Network (ATN) and Third World Network Africa (TWN Africa), I would like to begin by expressing my appreciation for the opportunity to directly represent the voices and concerns of civil actors on the subject of 'International Trade as a tool for Development' within this important Financing for Development (FfD) review process. As we know, this area of 'International Trade' is one of the key pillars and leading areas of action of the Monterrey Consensus.

Indeed, the Consensus avers that a "non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can substantially stimulate development that would benefit all countries at all stages of development". It further identifies trade as being "in many cases the single most important source of development funding" and, by implication, of "economic growth, employment and development for all".

Tellingly, the most salient features of the prevailing global economic conditions – most notably the crises in the Food and Oil commodity market regimes, and the destabilizing turmoil in Financial markets – attest to inter-relationship between international trade and economic growth and, above all, to development.

Even allowing for the most acute relativities, Developing Countries have participated and shared in the growing demand for some commodities and the resultant price boom. They have also been impacted by the credit boom. They have not been immune from the fall out arising from the unfolding commodities and financial crises – indeed, they will be hardest hit by them.

In this context, it is an urgent necessity to revisit and interrogate what appears to be the excessively benign assumptions of Monterrey Consensus about 'International Trade as a tool for Development'; and to clarify the pre-conditions, approaches and interventions necessary to realize the outcomes that the Consensus envisages.

The case of Africa offers a critical and urgent reference point for this.

Imbalances in the Structure of International Trade

Africa has experienced better than average growth performance in recent years, particularly since 2004, and as a direct result of favourable export prices for some of her commodities, notably oil and mining. But this has been accompanied by growing imbalances in production, in the accentuation of the resource gap for financing development, in the developmental impacts on human welfare and human resource development – in short, Africa has not realized her share of the overall positive benefits that ought to make international trade work as “a tool for development”.

The reasons are not hard to find. The emphasis on international trade, on an export-led model of growth, and on inappropriate trade liberalization, have deepened and intensified Africa’s dependence on a narrow basket of primary commodities for export production. This has worsened the distortions in her economy. Thus, as the United Nations Economic Commission for Africa (ECA) notes, “economic activity has shifted away from agriculture into sectors such as mining and oil production”. As a share of Africa’s GNI, industry and manufacturing has declined from the already low 12%-plus during 2000-2005 to an abysmal 10.2% in 2007.

Added to this, inappropriate trade liberalization has generated an explosion of cheap and often subsidized cheap imports that has further paralyzed domestic agriculture, particularly in the food sector, destroying production, incomes, employment and exacerbating dependency on food imports and food aid. Many areas on the continent face no immediate prospect of relief – as arable land and agricultural infrastructure is turned over to the production of bio-fuels. Tens of millions across the continent have suddenly been hurled to the brink of famine in the current food crisis.

Rapid de-industrialization also means import dependency in the entire range of goods and services, from pharmaceuticals to infrastructure, deepening the imbalance between exports and imports.

Moreover, given that the structure of ownership and control of global commodity value chains monopolizes higher-end economic activity – and benefits – to Trans-National Corporations (TNCs) in the global North, the relative benefits of liberalized access to developed country markets are severely imbalanced against developing country primary producers.

Necessarily these conditions have profound deleterious effects on the comprehensive range of conditions for generating Finance for Development. The enclave structure of primary commodity export sectors also means the collapse of domestic incomes and savings; it means crowding out of domestic investment in other sectors; it means balance of payments problems.

Combined with pro-corporate rules and liberalization of Financial Services it also means the perpetuation of oligopoly in banking and financial regimes on the one hand, and massive leakages and capital flight on the other. Not only is transformative investment crowded out, but investment in research and development, in innovation and skills development, in jobs and social services are imperiled as well.

Disciplines in intellectual property rules and investment regulations also effect a regression in the diffusion of technology.

No wonder that the morbid vulnerabilities to terms of trade shocks have re-asserted themselves with a vengeance even in the midst of a boom in primary commodity prices.

These imbalances in the terms of trade stem primarily from the failure of the prevailing trade liberalization models to stimulate diversification of production away from primary commodity dependency. But they are amplified and perpetuated by unfavourable demands for trade rules and frameworks that lock-in vulnerable economies and regions even further in a particular international division of labour which constrains genuine prospects for diversification and transformation.

Imbalances in International Trade Governance

Thus, “meaningful trade liberalization” can only have genuine developmental meaning if the imbalances in the structure of international trade are fundamentally addressed by, inter alia, meaningful ‘Special and Differential Treatment’ (SDT) in trade relations, rules and regimes. However, trends at both the multilateral and the North-South bilateral level, especially in the form of North-South Free Trade Agreements such as the Economic Partnership Agreements between countries and sub-regions of Africa, the Caribbean and the Pacific (ACP) and the European Union (EU) promise a worsening of the current imbalances between North and South.

At the multilateral level, the current proposals at the centre of the Doha agenda are anything but developmental. Developing countries face the prospect of disproportionate tariff cuts in Agriculture and NAMA. Their concerns and proposals on Special Products and Special Safeguard Mechanisms are marginalized. The infamous green room mechanisms that hamstring developing country participation and representation in WTO processes are still very much alive.

Yet many developing countries are confronted with even more extreme trade governance challenges in their North-South bilateral trade processes. The IMF and World Bank continue to intervene in ways that constrain policy space and autonomous developmental choices in trade matters. ODA mechanisms such as Technical

Assistance and Aid-for-Trade are deployed as unabashed carrot-and-stick levers by the IFIs and OECD countries.

For the ACP regions, the experiences in these areas related to the Economic Partnership Agreements (EPAs) with the EU have been particularly onerous and bitter. A combination of these unsavory tactics and the threat of market access disruption forced many ACP countries and some regions, under extreme duress, to agree unfavourable terms in so-called 'interim' and 'comprehensive 'Partnership' agreements in the space of a few days in December 2007. The Doha FfD review process must add to the voices against this unacceptable state of affairs and call for an immediate moratorium on all further EPA negotiations, and a comprehensive review and re-negotiation of the 'agreements' reached at the end of last year.

Going Forward – The Challenge for Doha

Mr. Chairman, we endorse the position of the UN Economic Commission for Africa that implementation in the area of 'International Trade as a Tool for Development' has been most unsatisfactory. In fact, African civil actors go further to say that the current trends in International Trade are fatal to the prospects of socio-economic transformation and development.

We strongly urge that the Doha process institutes workable processes, mechanisms and policy approaches that genuinely review and redress the current situation, including the foundational philosophical assumptions that "non-discriminatory, trade liberalization" is necessarily a tool for development. In place of "non-discrimination" we need positive discrimination and affirmative action to enable developing countries the means and space to 'climb the ladder'.

In this vein, we would like to propose the following:

- i. Urgent measures at national and international measures that safeguard against vulnerabilities arising from the paralysis of food crop agriculture in Africa and other developing regions, reduces their food import dependency and enhances food sovereignty.
- ii. Prioritization of meaningful measures and flexibilities for developing countries on Special Products and Safeguard Mechanisms, independent and ahead of (and without prejudice) to the outcomes of the current phase of the Doha negotiations in the WTO

- iii. Prioritization of a comprehensive assessment of the erosion of Special and Differential Treatment and practical measures for its meaningful operationalization as the heart of international trade, particularly North-South trade relations
- iv. Progressive taxes on TNCs in the natural resource extraction sector that ensure both beneficiation and renewability in resources that are depleted through extraction or in appropriate alternatives.
- v. A moratorium on all further demands and negotiations on Trade in Financial Services in the WTO GATS regime and in North-South FTAs, particularly the EPAs.
- vi. A moratorium on any further EPA negotiations and a comprehensive review and renegotiation of the agreements reached at the end of 2007, and the establishment of non-reciprocity as the principle for a trade-in-goods regime that can also meet the requirement of non-discrimination between countries of similar levels of development.
- vii. Exclusion of Trade-Related Issues, i.e. Singapore Issues, from all North-South FTAs
- viii. National and International development benchmarks on employment and incomes, including agricultural incomes for trade rules and trade policy.
- ix. Comprehensive review and re-design of Aid-for-Trade and Technical Assistance schemes to put recipient developing countries at the centre of conception, implementation and monitoring.

Mr. Chairman, these are among the most pressing concerns of civil society today. The current global crises are above all crises of International Trade and Finance. But for developing countries they also have their root in a profound crisis of production and human development. The Doha FfD Review process will gain and affirm its greatest meaning and legitimacy to the degree that it explicitly takes up and addresses these challenges.

Mr. Chairman, I am happy to assure you that the Africa Trade Network, and global civil actors as a whole will continue to struggle and contribute, to the limits of our capacities, to this quest for social justice and a sustainable system of international economic relations that indeed delivers “development for all”. We will therefore

continue to respond to the FfD Review agenda from this standpoint and for the objectives I've briefly talked about today.

One again, Mr. Chairman, I thank you for the opportunity to do so.

Presented by Third World Network Africa (TWN Africa) on behalf of

Africa Trade Network