

BRIDGES NETWORK

BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

VOLUME 1, ISSUE 6 - DECEMBER 2012



Connecting the continent

BUSINESS DEVELOPMENT

Cross border business obstacles in Sub-Saharan Africa

CLIMATE CHANGE

The effects of climate-friendly policies on South African trade

WTO

Delegates in Geneva consider "realistic" goals for Bali



International Centre for Trade
and Sustainable Development

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Connecting the continent



This year-end issue of Bridges Africa delves into the continent's need to connect both in the physical sense of improving infrastructure and at the political level by expanding regional integration.

Despite Africa's huge natural resources reserves, the continent has been unable to increase its three-percent share of world trade. The situation is particularly dire in Sub-Saharan Africa, where numerous barriers are holding off economic development, including the high cost of doing business, overly complicated and lengthy border procedures, weak legal and administrative institutions, corruption, inefficient use of modern communications technologies and – in particular – lack of transport infrastructure such as roads, railways, ports, and airports.

Another huge task facing Africa is the conclusion of new Economic Partnership Agreements with the European Union. These are meant to set trade between the two continents on a more equal footing, replacing the decades-old unilateral preferences extended by the EU to most Sub-Saharan countries. The negotiations have been fractious and long-drawn out, with many African trade blocs complaining that they do not have the resources or expertise to negotiate effectively with their powerful trading partner.

West Africa has found at least part of the answer to this dilemma through the inclusion of civil society representatives in its negotiating team and internal trade policy making. This has brought in new perspectives, which in turn have influenced the EU to show greater flexibility. Opening up the negotiating process has yielded the additional benefit of making trade officials more aware of the concerns of ordinary people.

Sub-Saharan Africa is a region identified by the World Bank as particularly vulnerable to the impacts of climate change. These may interact with one another in complex ways across sectors, producing potentially cascading effects that are largely unpredictable. Among major threats are extreme heat waves, wide-spread coastal flooding due to sea level rise likely to displace swathes of populations, and severe storms that could cause freshwater resources to become contaminated with saltwater.

South Africa is currently putting together a multi-pronged climate change response strategy, but it has trade-related worries, too. These concern the potential effects on the country's exports, imports, and net trade as a result of regulatory regimes adopted by its main trading partners in order to reduce carbon emissions. For instance, new efficiency requirements for vehicles in the United States mean that South Africa has no other choice than to comply with US norms if it wants to continue selling cars to one of its most important export markets.

We would like to take this time to thank all our contributors, readers, and donors for their invaluable support and feedback, and we wish you all the best for 2013.

The Bridges Africa Team

OPINION

Bring 'development' back to the Development Round

Sungjoon Cho

The Doha Round, the longest stretch of trade negotiations ever, could not be more ill-fated. Despite having been launched as a 'development' round, it has failed to help the world's poor when they need it most amidst the current economic hardship.

Now that elections and power transitions are over in major countries, we should bring development back to the Doha Round.

Why has this otherwise perfect global stimulus package not yet materialised despite painstaking negotiations over a decade? It is in no small part due to collective amnesia among members of the World Trade Organization, in particular developed countries, which seem to have forgotten the round's very origin. Launched against the backdrop of the September 11 terrorist attacks and the UN Millennium Development Goals, developed countries originally pledged to substantially slash their chronic protectionist tariffs and subsidies against poor countries' lifeline crops.

Over time, the development label has been degraded to an inconvenience. Presumptuously, some countries have even attributed the Doha doldrums to a mischaracterisation of a *trade* round as a *development* round. Since the latter label sounds like charity, they argue, their business communities, which would have otherwise supported the round, have lost their interest.

Critically, however, the kernel of the development round is not about doling out aid. On the contrary, it is about playing by the rules of free trade, i.e. reducing or eliminating prohibitive farm tariffs and market-distorting subsidies. What is the point of reciprocal bargain when rich countries keep pouring an astronomical amount of money into their farm industries at the expense of the poor? According to the WTO, major developed countries now spend enough on their dairy farmers to fly more than 40 million cows first class around the world one and a half times. African farmers should compete with American farmers, not with the US Treasury Department!

Furthermore, what is the point of the so-called 'balanced' deal advocated by the United States when more than three billion people on earth still live on less than US\$2.50 a day, and will soon become even poorer due to a crisis not of their own making? Given the situation, how can one possibly justify the fact that United States collects more tariffs from Bangladesh than from France?

What developed countries fail to realise is that global poverty, if left unaddressed, will affect them eventually. As the Constitution of the International Labour Organization declares, "poverty anywhere constitutes a danger to prosperity everywhere." According to Nobel economics prize winner Amartya Sen, growing interdependence tends to make extreme poverty more intolerable. The clear and present danger is that such poverty generates an increasing number of the young and unemployed who are highly vulnerable to illicit activities, such as drug trafficking, piracy or even terrorism.

For example, rampant poverty triggered the chronic conflict over water and land between farmers and nomads in Sudan, which eventually precipitated the Darfur genocide. Likewise, the dragged out poverty in the inland of Somalia is pushing young Somalis into criminal activities such as piracy.

Of course, reviving the Doha Round could not solve all these development-related problems. Nonetheless, a scaled-down – but still decent – package, such as immediate and unconditional duty- and quota-free market access for the world's poorest countries, would make an enormous difference to their tribulations.

According to Oxfam, if each developing region of Africa, Latin America, East Asia, and South Asia increases its share of world exports by just one percent, such enhanced market access could lift approximately 0.3 billion people out of poverty. In Africa alone, this would generate over US\$0.1 trillion, which is equal to five times the total amount of aid and debt relief to the continent.

Last but not least, development through freer trade brings peace. Granting the poor better access to rich country markets and thus supplying them with decent food, jobs and the possibility of a better tomorrow can help prevent the poor from being recruited as terrorists or pirates. This is why a Doha success would eventually mitigate global security concerns related to the 'war on terror'. It would help attain 'comprehensive security' as posited by the late political scientist Robert Scalapino. All the concessions necessary to deliver a Doha success would not cost an iota to rich countries in comparison to their astronomical defence spending dedicated to keeping themselves safe!

Obama's challenge

What can be done? First and foremost, the United States should spearhead the conclusion of the Doha Development Round. Of course, domestic politics could be an impediment to this initiative. Fortunately, however, stars have recently begun to align in the right formation.

Having secured a second term, President Obama has become relatively freer from protectionist pressures. Republicans appear ready to cooperate. Kevin Brady, the Republican chairman of the Subcommittee on Trade in the House of Representatives, has recently urged the president to seek the renewal of the 'trade promotion authority'. Regaining this authority would equip the United States with the necessary leadership in the negotiation.

Once President Obama has been given the authority, he should propose to host a special WTO ministerial conference in the United States with the sole purpose of closing the Doha deal. He should persuade other WTO members to be pragmatic. Currently, two negotiation items have garnered the broadest support from WTO members: the conclusion of a trade facilitation agreement and duty- and quota-free market access for the world's poorest countries. President Obama should provide proactive leadership in delivering a minimum development package comprised of these two items.

The president could refer those domestic constituencies who may want a more ambitious package to other current initiatives, such as the Trans-Pacific Partnership (TPP) negotiations. He should, however, emphasise the unique multilateral and moral agenda around the Doha Round. A successful deal can translate into a successful foreign policy for the United States, given its powerful message to the developing world stricken by conflicts and economic hardship.

The Obama administration should realise that leading the Doha Development Agenda to a successful conclusion would serve the United States' own interest, let alone those of the world at large.



Sungjoon Cho

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BUSINESS DEVELOPMENT

The Cost of Doing Business in Sub-Saharan Africa

Koffi Christian N'da

Sub-Saharan African countries are generally considered to have some of the highest costs of doing business. In many of these, the business environment is complex and unpredictable, and procedures are costly and often risky. All of these factors act as a brake to economic and social development. This article highlights some of the constraints that impede business development in Sub-Saharan Africa.

The trade structure of most Sub-Saharan countries is characterised by the export of raw materials and import of manufactured products. This model of integration into the global economy yields few development benefits as it generates little additional value and leads to vulnerable export-dependent growth. Numerous attempts have been made in the past few years to diversify production and increase capacity for economic transformation, notably through mobilising internal resources and calls for foreign direct investment. These efforts, however, face many challenges – including costly, complex, and often irregular procedures – which engender damaging cost increases for concluding business deals.

Why are business costs so high in Sub-Saharan Africa?

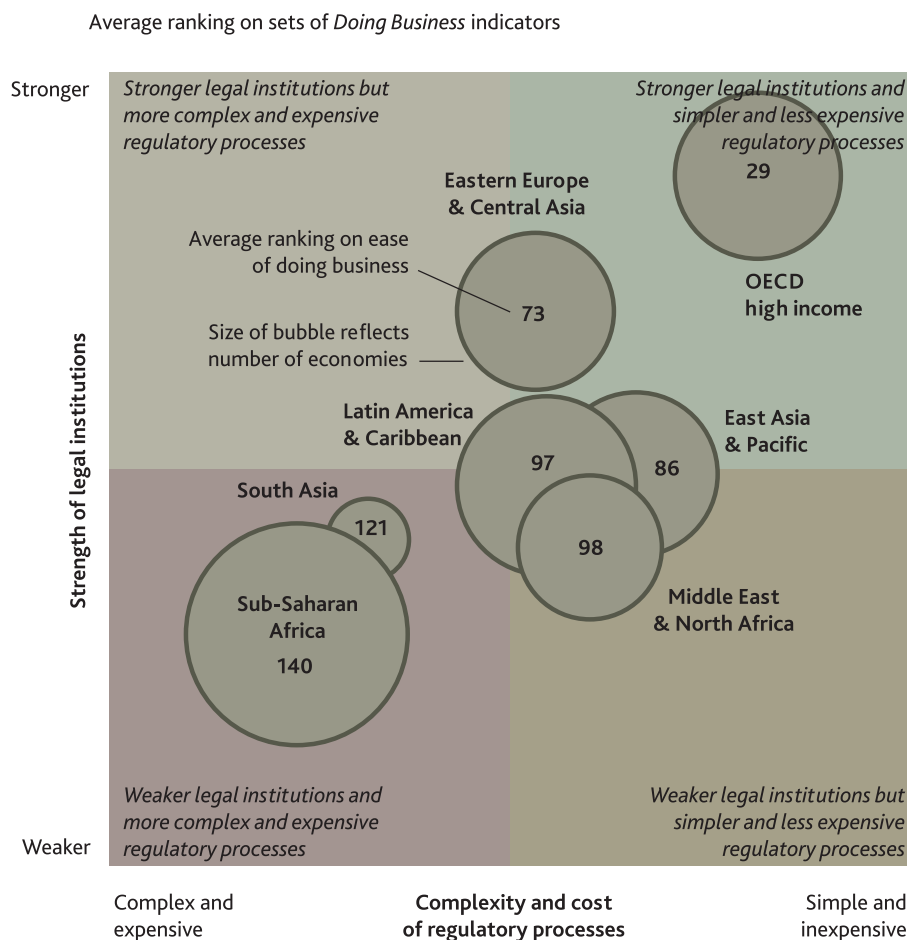
The World Bank's annual *Doing Business* reports assess the ease of doing business in different parts of the world. Nine main indicators for evaluating the quality of a country's business environment have been identified: the ease of setting up enterprises, obtaining construction permits, transferring property, securing loans, investor protection, the ease of paying fees and taxes, cross-border trade, fulfilment of contractual obligations, and resolving insolvency cases. The costs of doing business are assessed according to these indicators. They also make it possible to evaluate the level of transparency of the business environment in a given country.

There is a strong correlation between the speed and transparency of administrative procedures and the ease of creating enterprises, obtaining permits, and paying fees and taxes (among other things). Similarly, the efficiency and solidity of judicial entities are strongly linked to the fulfilment of contractual obligations and resolving trade disputes. The existence of competent and independent judicial institutions bolsters the confidence of national and foreign investors and is conducive to business development. On the other hand, complex administrative procedures and bureaucratic regulations, coupled the weak judicial institutions, create an environment of unpredictability, arbitrariness, corruption, and high costs. This amplifies the risks inherent to investment and discourages principled entrepreneurs in favour of dishonest investors.

There is a strong correlation between the speed and transparency of administrative procedures and the ease of creating enterprises, obtaining permits, and paying fees and taxes.

The viability of the market depends of the existence and efficiency of institutions essential to the smooth operation of business, such as courts and tribunals, customs and tax administrations, as well as other bodies attached to different ministries that provide administrative services needed by the business world. However, even where these institutions exist, they are often inaccessible as the information and services they deliver are generally hard to obtain. This is due to poor utilisation of modern communications as support to enterprises and as tools to foster relationships between the private sector

Illustration of the business climate in Sub-Saharan Africa compared to the rest of the world



Source: *Doing Business* 2013, page 4

and public administrations. In a world characterised by vertiginous development of means of communication, information technologies can help improve the efficiency of procedures and institutions by installing electronic systems ranging from inscription to the commercial register to customs clearance and registration of procedural acts. This would lead to significant benefits in terms of saving time and money.

In numerous Sub-Saharan countries, access to administrative information is subject to physical presence of the applicant and a meeting with an official. For instance, only half of Sub-Saharan African countries provide online information on border conditions and procedures. As for obtaining a construction permit, less than 40 percent of countries have put their procedures online, while all such information is digitally available in OECD economies.¹

Tribunals provide essential information, particularly in the area of resolving insolvency cases.

Information produced by judicial institutions is also crucial for the business world. Tribunals provide essential information, particularly in the area of resolving insolvency cases. However, few African countries have the necessary capacities in this field. In most of the continent (75 percent of Sub-Saharan African countries), the dissemination of information on starting insolvency procedures is subject to restrictive laws. This increases the cost of searching for information. In addition, reducing delays in business creation has a favourable effect on investment rates. Studies show that reducing the delay by 10 days leads to a 0.3 percent growth in the investment rate, as well as a 0.36 percent increase in GDP.

Implications of high costs for export trade

The costs of trade are linked to transport and procedures at the border, as well as inside the country.

Limao and Venables have calculated a tariff equivalent for transport costs affecting exports. They conclude that in Tanzania and Uganda this tariff equivalent is in the order of 40 percent compared to 15 percent in ACP countries as a whole.^② In addition, the doubling of the average value of transport costs reduces the volume of trade by 45 percent, which translates into a negative relationship between transport costs and the volume of trade. Transport costs penalise land-locked countries in particular. In Sub-Saharan Africa, their costs are more than 50 percent higher and trade volumes 60 percent lower than those of coastal countries. In addition, the high cost of transport constitutes an important obstacle, not just to development, but also to FDI flows to Africa.

Furthermore, examination of documents and inspection of goods at border posts remains inefficient partly due to restricted opening hours and poor coordination between the parties to the transaction. Delays in the reimbursement of duties further slow the process. The high costs of border procedures limit intra-African trade; for instance, transit through a territory adds 4 percent to the cost of trade independently of the distance covered.

Other international transaction costs stem from internal corruption, as well as the lack of transparency and predictability of commercial operations. Political tensions in African countries also act as impediments to production and cross-border trade.

The importance of infrastructure

The state of material infrastructure – roads, airports, ports, railways, telecommunications, financial intermediaries, logistics, etc. – also has an influence on international trade. For instance, halving transport costs could increase the volume of commerce fivefold. Efficient and reliable trade-related services also have a positive effect on cross-border exchanges, while deficient infrastructure can lead to productivity losses of up to 40 percent for enterprises.

Immaterial infrastructure refers to a country's general policy and regulatory frameworks, the transparency and predictability of companies' administration and, more generally, the quality of the business environment. Such measures aim to improve the efficiency of border procedures, simplify red tape, and show political will to combat corruption and reduce frustration related to transport and customs procedures. Judicious policies and regulations within borders ensure the quality of the business climate and determine the degree of exploitation of commercial opportunities. However, regional coordination is often necessary for the creation and/or maintenance of costly infrastructure. A case in point is the railway line that will link Burundi, Rwanda, and Tanzania to East Africa's main rail corridor, which will greatly improve access to the port of Dar es Salaam. Co-financed by the three countries, the completion of the project will substantially reduce the cost of trade in the region.

① Doing Business in a More Transparent World (2012), page 5

② Limao and Venables, 2001, in Economic Development in Africa, UNCTAD 2009, page 45



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REGIONAL INTEGRATION

The twin crises of multilateralism and global leadership: How can Africa meet its trade challenges?

Silke Trommer

This article reviews the state of ongoing trade negotiations involving Africa and analyses the challenges and opportunities confronting the continent in the twin crises affecting multilateralism and global leadership. It also looks at the innovative model of participatory governance that the Economic Community of Western African States (ECOWAS) has adopted in its Economic Partnership Agreement negotiations with the European Union.

While the WTO prepares for its ninth Ministerial Conference in Bali in December 2013, the Doha Development Agenda remains stuck on agriculture and market access for manufactured products. Negotiations on the Economic Partnership Agreements (EPAs) between the EU and African countries seem doomed to an equally sad fate after more than a decade of negotiations that involve one of the world's largest global trading powers and a number of much poorer countries. Meanwhile, Africans continue to ponder how to balance their trade relationships with other major economies, such as the United States and China.

Fifty years of participation in the global trading system have shown that the economic performance of African countries is not determined by just the economic and trade policies that the continent adopts towards third countries. In an interdependent world, the general political and economic environment plays a crucial role in determining the success of African marketing strategies. Unfortunately, the global economic climate remains mired in crises ranging from finance to food and energy, as well as the environment and ideology. The economic consequences of this situation are exacerbated by the crisis of leadership in multilateral cooperation in general, and in trade governance in particular. Faced with these facts, Africa needs a trade policy that takes into account not only the specific local economic, national and regional circumstances, but also global market requirements, including the strategies and agendas of state and private trading partners.

Africa needs a trade policy that takes into account not only the specific local economic, national and regional circumstances, but also global market requirements.

While drawing up such a policy is a big challenge, the growing complexity of the global trading system could make the task even harder. It is also clear that the realities of different regions and countries in Africa vary widely. Differentiated solutions are required, adapted to the advantages and challenges faced by individual countries.

Doha deadlock fans controversial re-emergence of plurilateralism

The Doha Round, launched in Qatar in November 2001, has not delivered the results expected. Nearly 11 years after its launch, the negotiations remain at an impasse. In July 2008, differences were reconciled on eighteen out of twenty contentious points, leaving only the special safeguard for agriculture and cotton to be resolved. In 2011, however, the inability of WTO members to agree on market access for non-agricultural products ground the revival of the round to a halt. Adding to the woes, on the eve of the last Ministerial Conference in late 2011, least-developed countries' expectations for an early harvest quickly turned into disillusionment.

Given these constraints, new issues are beginning to emerge in the corridors of the laborious and fragmented processes that constitute the Doha Round. Due to the lack of results in the field of services, for example, twenty-one countries¹ (counting the 27 EU member states as one) are close launching formal negotiations on a plurilateral International Services Agreement (ISA). Modelled on the WTO's Government Procurement Agreement, ISA members will be able to undertake services liberalisation commitments far exceeding those bound under the WTO's General Agreement on Trade in Services. This development has exacerbated tensions in the Doha Round, with the BRICS (Brazil, Russia, India, China, and South Africa) quick to denounce the plurilateral approach on the grounds that it breaches fundamental WTO principles, such as transparency, inclusion and multilateralism. They see the ISA as a serious threat to ongoing WTO negotiations that protect weaker countries.

Regional integration matters more than aid

In the absence of multilateral agreements acceptable to poor countries, the WTO secretariat is currently reorganising its statistical databases in response to a growing interest in global value chains. While not new, the discourse focuses on development opportunities resulting from the integration of poor countries into these chains. More Aid for Trade for trade facilitation would improve their chances of reaping profits from deeper integration.

However, a recent study entitled *Investigating the Impacts of Intraregional Trade and Aid Per Capita Income in Africa*, published in the journal *Economics Research International*, found a negative correlation between aid and growth in the average per capita wage in West Africa after comparing the impact of regional trade and that of international aid on wages in the region. The study showed that intra-regional trade was a stable factor in stimulating growth of the average wage level of ECOWAS members, and recommended the promotion and diversification of its industrial base and infrastructure network.

These considerations suggest that it is in Africa's interest to formulate its own answers to its economic and trade situation in the context of profound global change. The West African region's Economic Partnership Agreement (EPA) negotiations with the EU offer an interesting example of how to capture the expertise and capacities of different stakeholders in a quest to take charge of the continent's future.

Finding African solutions: participatory trade governance

While the civil societies of major trading powers regularly complain that they do not have a voice in internal policy debates, ECOWAS has established a participatory approach in the context of the EPA negotiations, which allows a large number of economic and social interests to be heard by West African negotiators and officials. Stemming from the region's specific context in the EPA negotiations – characterised by asymmetries with regard to economic and bargaining power between the partners – West Africa's participatory trade governance model is an example of inclusiveness, which helps redress the balance of bargaining power and expertise between the two parties.

ECOWAS has established a participatory approach in the context of the EPA negotiations, which allows a large number of economic and social interests to be heard by West African negotiators and officials.

At the practical level, ECOWAS has included a representative of civil society, as well as the private sector, in its negotiating team and the internal procedures that determine the region's official negotiating position vis-à-vis the EU. From the West African point of view, this approach has brought many benefits. With the opening of decision-making processes to a large number of stakeholders, not only do officials get a fuller picture of the impact

of trade policy on the daily realities in the region, but the exercise has also brought up a number of entirely new considerations, perspectives, and arguments. While the state remains the final arbiter in trade policy decision-making, participatory trade governance has resulted in a broadening of sources of ideas and inspiration. These, in turn, have animated political debates and led to some new approaches.

African civil society organisations are often integrated into transnational networks. This not only gives them access to a wide pool of expertise, but also facilitates their access to relevant information and funding for scientific studies. It has also made it possible for West Africa to bring new arguments to the table, which has helped balance the asymmetry between the two parties. As a result, the EU has shown greater flexibility on points that it previously insisted were non-negotiable.

For participatory governance to work, it is clear that only knowledgeable non-state actors can play an effective role in a field as technical as international trade. This leads to the difficult issue of how to ensure that trade policy remains in touch with the reality of society at large. As in other political processes, questions inevitably arise about the representative, democratic, and technical legitimacy of various stakeholders. It is not surprising, then, that the West African experience has undergone episodes of political contestation between the different actors. At the idealistic level, nothing is more democratic than frank and open discussion that includes different sides of a debate. In practice, internal deliberations within ECOWAS have often been more animated than the sub-region's negotiations with the European Commission. The lively internal discussions just might have prepared the West Africans well to confront their sophisticated negotiating partner and find solutions to problems once believed to be nonexistent.

① Australia, Canada, Chile, Colombia, Costa Rica, the EU (27 countries), Hong Kong China, Iceland, Israel, Japan, Korea, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Taiwan, Turkey and the US.



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CLIMATE CHANGE

Towards a climate compliant trade regime in South Africa

Godwell Nhamo

This article examines the effects that climate-friendly global and national policies of South Africa's main commercial partners – China, the United Kingdom and the United States – would have on the country's exports, imports and net trade.

An array of climate change regulatory regimes has emerged in the South Africa's top three trading partners. As of October 2009, China became the main destination for South African exports. Even if China does not take (mandatory) emission reduction targets in 2013, countries from the developed North, the UK, the EU and the US among them, have been pressurising China to reduce her huge carbon footprint. Global pressure to coerce China into reducing emissions will have spill-over effects as Beijing will in turn influence its key trading partners such as South Africa to do likewise. Although many still believe China is not doing enough voluntarily to curtail its carbon emissions, reports from that country show great movement towards a low carbon economy. The UK and its EU trade block are at advanced stages in terms of being climate compliant. The new US administration has also joined the global movement to reduce emissions and is a pioneer in the area of regulating vehicle emissions and energy efficiency.

Using 2005 to June 2009 trade data obtained from South Africa's Department of Trade and Industry, this article addresses two key questions: (1) Which climate change regulatory regimes are in place in China, the UK and the US and what impact will these have on the future of South Africa's export sector and business? (2) What measures can South Africa put in place so as to move closer to a climate compliant import regime, particularly in response to the three import markets under review?

Exports

South Africa's export figures for the first half (H1) of 2009 show a strong bias towards China. Of the 58.83 bn rand worth of exports, China alone accounted for 46.86 percent of total trade value. Exports to the US stood at 22.62 percent, while the UK came in third place with 22.62 percent of traded value.

Up to 85.36 percent of South Africa's export value in H1 2009 was accounted for by the following five sectors, in descending order: mineral products (contributing by far the largest share of value at 33.19 percent of total value exported); natural or cultured pearls, precious or semi-precious stones (18.06 percent); base metals and articles of base metals (16.98 percent); vehicles, aircraft, vessels and associated transport (12.44 percent); and products of the chemical or allied industries (4.68 percent).

Further insights reveal that the top ten trade sectors contributed 96.38 percent of total export value. Included in this enlarged group are products that have been attacked in terms of their carbon footprint in the UK and the EU, including vegetable products (in sixth place with 2.82 percent of export value); and prepared foodstuffs, beverages, spirits and vinegar (seventh with 2.78 percent).

South African exports of vehicles and associated products to the US ranked first and second in 2008 and H1 2009 respectively. This scenario presents a huge challenge to the local export sector as more stringent carbon regulations will be in place by 2016. By that date, vehicle manufacturers will be forced to increase fuel efficiency to an average 6.6 litres per 100km, while emissions from cars and trucks should meet a combined average of greenhouse gas emissions of 155g/km. Exhaust emissions will also be regulated for the first time with a major goal of cutting carbon emissions by 21 percent by 2030 and reducing dependence on

imported oil. South African manufacturers will need to comply with these initiatives if they intend to maintain the US export market.

Imports

South Africa's H1 2009 import figures once more show a strong bias towards China. Of the total 69.07 bn rand worth of imports, China alone accounted for 51.02 percent of total value. The US was in second place with 33.71 percent, and the UK represented 15.27 percent of traded value.

Up to 72.05 percent of total import value in H1 2009 was accounted for by the following five sectors, in descending order: machinery, mechanical appliances and electrical equipment (by far the most important at 40.42 percent); products of the chemical or allied industries (9.64 percent); vehicles, aircraft, vessels and associated transport (8.55 percent); textiles and textile articles (6.93 percent), as well as base metals and articles of base metal (6.51 percent). Together, the top ten import sectors contributed 89.23 percent of total import value.

Further analysis by country reveals additional dimensions. For example, machinery, mechanical, appliances and electrical equipment products were ranked first across the three import markets in both 2008 and H1 2009. The picture is more uneven in other sectors, such as textiles and textiles articles imports, where imports from China vastly outstripped those from the UK and the US. If the Chinese government moves towards regulating this export sector for climate compliance, the impacts will be felt significantly by South Africa. The likely pressure will be on a need to move towards organic and other climate friendly farming practices that increase production costs. This will in turn result in much more expensive textiles and textiles articles for South Africa.

Import data for the machinery, mechanical appliances and electrical equipment sector in the first half of 2009 reveals a sharp increase in imports from China. Overall, the country accounted for 109.94 bn rand (51.58 percent) of mineral products import value from the three countries between 2005 and H1 2009. The total value of the imports stood at 213.16 bn rand, with the UK accounting for 18.82 percent and the US for 31.60 percent. Machinery, mechanical, appliances and electrical equipment from China stood at 37.62 bn rand in 2008; representing an impressive 311.42 percent growth since 2005 when the figure was only 12.08 bn rand. A similar upward trend is evident in the other two import markets, the UK and the US.

It is the application of industrial and equipment standards that will have significant bearing for South African trade as this affects both the inward and outward movement of goods traded between the two countries.

The World Resources Institute² notes that China's approach to addressing climate change as spelt out in the National Climate Change Programme uses a mixture of regulatory instruments, including targets and quotas, industrial and equipment standards, energy taxes, and financial incentives and penalties. It is the application of industrial and equipment standards that will have significant bearing for South African trade as this affects both the inward and outward movement of goods traded between the two countries. Since the Chinese economy is much bigger than that of South Africa, this is likely to influence the direction of trade.

Net trade H1 2009

Net trade figures for the first half of 2009 showed a trade deficit with China (-7.67 bn rand) and the US (-5.34 bn rand). There was also a deficit in terms of total trade for the H1 2009 period and this figure stood at a negative -10.24 bn rand. However, South Africa remains a net exporter to the UK as reflected by the positive figure of 2.76 bn rand. The top five export product cluster sectors (ranked from first to fifth) were: natural or cultured pearls, precious or semi-precious stones (45.10 percent of total value); vegetable products (11.00 percent); prepared foodstuffs, beverages, spirits and vinegar (7.50 percent); machinery, mechanical appliances and electrical equipment (7.50 percent); and mineral products (6.60 percent). Base metals and articles thereof; pulp of wood or of other fibrous cellulosic materials; products of the chemical or allied industries; vehicles, aircraft, vessels and associated transport; and plastics, articles thereof and rubber completed the top 10 export sectors to the UK, contributing 93.90 percent of total export value.

Some of the products identified in the top 10 above can be negatively impacted by both climate change regulatory regimes in the UK and climate change vulnerability in the host country South Africa. For instance, the Food Miles Programme in the UK and EU can have a significant negative effect on South African exports of vegetable products, as well as prepared foodstuffs, beverages, spirits and vinegar since importing such items from a distant country leads to high carbon footprints.

Looking ahead

The World Bank³ has introduced the concept of taxing 'virtual' carbon, raising the question: "Should carbon be taxed where it is emitted, or at the point where goods are consumed on the basis of their 'embodied' or 'virtual' carbon?" Virtual carbon is the amount of carbon emitted in producing and delivering a particular good and service. The Bank reports that many major exporting countries argue that off-source carbon taxing will penalise them since much of the carbon is generated and emitted during the production process of export goods. China and the Russian Federation are reported by the Bank as net exporters of virtual carbon, while the EU, the US and Japan are net importers. Importers of virtual carbon are concerned with competitiveness and carbon leakage effects if competing countries do not have similar measures in place. This will result in considerations to tax virtual carbon imports to level the playing field.

In his 2009 speech to the UN Secretary General's High Level Summit on Climate Change, South African President Jacob Zuma focused on building bridges for a new climate deal agreement post 2012. While President Zuma stressed the need to move swiftly and ensure there would be a new climate treaty, he also expressed caution:

The global agreement should be guided by a shared vision. It should be inclusive, fair and effective. It must recognise that solving the climate problem cannot be separated from the struggle to eradicate poverty. [...] On mitigation, the agreement must contain ambitious, quantified, and legally binding emission reduction commitments by developed countries. It must set the framework for mitigation actions by developing countries that are supported and enabled by finance and technology. [...] Our goal should be to significantly reduce emissions across the globe without constraining development in the countries of the South.⁴

Stringent climate change regulatory regimes in South Africa's key trading partners will certainly have implications for both the export and import markets, as well net trade. If not adequately checked, the bias will always remain against South Africa, particularly with regard to exports. Hence climate change regulatory regimes should leave room for development and poverty eradication, especially from emerging economies' perspective like that of South Africa.

The stage is set for a green and low carbon global economy. As one of the emerging global leaders and players, South Africa must play ball or else the country's solid development path will be curtailed if a trade regime that is climate compliant is not put in place. Such a regime must focus on both the export and import markets. Although the greatest challenge will come from the UK (including its EU trade block) and the US, China is likely to follow suit as more and more global pressure is exerted, especially from the developed North, for

it to move towards a low carbon economy. As discussed earlier, some of South Africa's top exports, especially to the UK, include products that are exposed to both a stringent climate change regulatory regime and a vulnerable physical local landscape.

It would be hypocritical not to acknowledge the great work and progress made by South Africa in the face of the global climate change and green economy challenges so far. The framework and political will to migrate to a greener and low carbon South Africa is in place. What remains to be done is to awaken some of these policies. The Long Term Mitigation Strategy, for example, identifies a need to move towards a green economy, as well as develop and deploy carbon capture and sequestration technology. The environmental tax reform is another initiative currently running. The energy Efficient Accord^⑤ and the Carbon Disclosure Project^⑥ are two landmark voluntary climate regulatory regimes that have been put in place by business. The most recent pieces of policy for South Africa are the 2011 National Climate Change Strategy and the Green Economy Accord, and the establishment of the Green Fund in 2012. Following the passing of the National Climate Change Strategy, the nine provinces in the country have developed their climate change policies as well.

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 - ② WRI (World Resources Institute). 2009a. Energy and climate policy in China. Geneva: World Resources Institute, page 1.
 - ③ World Bank. 2010. *World development report 2010: Development and Climate Change*. Washington D.C.: World Bank, page 263.
 - ④ Zuma, J. 2009. Message by South African President Jacob Zuma to the UN Secretary General's High Level Summit on Climate Change. Pretoria: The Presidency, page 1.
 - ⑤ DME (Department of Minerals and Energy). 2005. *Energy Efficiency Accord*. Pretoria: Department of Minerals and Energy.
 - ⑥ Carbon Disclosure Project. 2009. *CDP 2009 (CDP7) Information Request*. Johannesburg: Carbon Disclosure Project 2009.



Godwell Nhamo

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Special meeting report

MODERATE PROGRESS ACHIEVED IN DOHA AS UN CLIMATE TALKS SHIFT INTO NEW PHASE

UN climate talks are wrapping up long-standing issues and moving on to a new phase that will define a post-2020 global climate treaty.

Negotiations went into overtime at year-end UN climate talks, as countries grappled with the details of closing one familiar set of negotiating tracks and operationalising a new track aimed at securing a new global climate deal by 2015. A number of observers voiced their concerns that delegates attending the UNFCCC's eighteenth Conference of the Parties (COP 18) lacked the sense of urgency needed to achieve meaningful progress.

In the end, however, parties managed to accomplish much of what they set out to do in Doha. Most importantly, they established a rough timeline for how they intend to work on striking a new global climate treaty under the Durban Platform negotiations, and set up plans to address future 'loss and damage' in developing countries that may arise as a result of climate change – ranging from a rise in sea levels to severe weather events.

Deflated Kyoto given second period

Negotiations to ensure there was no gap between the first and second commitments periods of the 1997 Kyoto Protocol began in 2005. The first commitment period included binding emissions reduction targets of five percent below 1990 levels for 37 industrialised countries and the EU member states. Work on securing commitments for the second one advanced in fits and starts over the past seven years with many developed countries starting to reconsider their support for the Protocol, often citing the lack of binding commitments for emerging countries as an unacceptable oversight.

With the loss of support from several key countries – including Canada, Japan, New Zealand and Russia – the number of industrialised countries signing onto another round has dropped to EU member states and seven others: Australia, Belarus, Kazakhstan, Monaco, Norway, Switzerland and Ukraine. Experts say this group accounts for less than 15 percent of global greenhouse gas emissions.

The second phase of Kyoto will cover the gap years 2013-2020, when a new global treaty is expected to take its place. But critics say the agreement will not prevent the planet from warming more than two degrees Celsius above pre-industrial levels, the agreed ceiling for avoiding some of the most catastrophic effects of climate change.

In order to address the lack of binding commitments from the world's top emitters, countries agreed in Doha that one of the two work streams established under the Durban Platform would focus on ramping up ambition before the 2020 pact takes effect.

End of one process, beginning of another

However, talks on the new global treaty took a back seat as delegates focused on other contentious issues, in particular the Kyoto Protocol and the closure of discussions under the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA). This gave rise to at times heated debates, with some observers questioning whether efforts to finish the LCA would indeed be successful.

Ultimately, intense negotiation and trade-offs allowed negotiators to bring the talks to a close as scheduled. Among the most difficult issues to resolve were financing, 'loss and damage' (see below) and 'unilateral measures'. The latter refers to measures taken by a country to mitigate climate change, such as the EU's controversial inclusion of aviation into its emissions trading scheme at the beginning of 2012.

Rather than abandoning the unilateral measures issue, it was forwarded to the Forum on the Impact of the Implementation of Response Measures established at COP 17 to discuss the possible consequences of actions taken by developed country parties to reduce their greenhouse gas emissions. Such actions can often have trade implications, but prior to Doha it was unclear whether the scope of the forum would include trade. Some delegates have interpreted the inclusion of unilateral measures as a green light for addressing trade issues in the forum.

With the two major issues of Kyoto and LCA now resolved, countries will have room to focus more directly on moving the Durban Platform discussions forward. They established a rough timetable for cementing a 2020 pact by 2015, but were unable to agree to any further details.

In 2013, parties will meet in Bonn, Germany, from 29 April to 2 May, with another possible meeting in September. At least two sessions will also be held in both 2014 and 2015. The Durban Platform negotiations will take place under two work streams, with one looking at tackling climate change post-2020 and the other focusing on ramping up ambition over the next eight years.

UN Secretary General Ban Ki-moon intends to convene a meeting of world leaders in 2014, to help keep the world's attention focussed on climate change at a crucial time. Loss and damage complicates financing

Financing, which has been one of the more difficult issues to resolve in recent years, made little progress in Doha. At the troubled 2009 climate meet in Copenhagen, developed countries agreed to provide US\$10 billion per year in 'fast start' financing for the period of 2010-2012 to help developing countries begin adapting to a changing climate. They also agreed to a separate goal of providing US\$100 billion in 2020, leaving a void for the period from 2013-2019. With many developed countries facing austerity measures at home, most have been hesitant to agree to further financial commitments. The agreed text emerging from Doha – dubbed the Doha Climate Gateway – merely 'encourages' developed countries to provide funding at the same level or greater than their fast start commitments from 2013 to 2015.

The Doha package includes language aimed at establishing a possible mechanism for addressing loss or damage resulting from climate change – including 'extreme weather events' and 'slow onset events' – in countries that are particularly vulnerable to the adverse effects of climate change.

The issue has been somewhat controversial, with the United States reportedly adamant that any financial commitments established under the deal would not be in addition to US\$100 billion already promised for 2020. According to The Australian newspaper, US climate envoy Todd Stern vowed to scupper the provision, but proved unsuccessful.

Developing countries welcomed the text as a move in the right direction. However, some critics say the language could lead to an unwieldy surge of long-term financing claims for natural disasters that occur in the developing world.

Trade issues also factored into some discussions on financing, including whether the international shipping and aviation sectors could be used as a means to generate funds to combat climate change. Japan and China said they were against a proposal seeking to establish an expert group – comprised of the UNFCCC Secretariat, the International Civil Aviation Organization and the International Maritime Organization – to examine the issue. Saudi Arabia further noted that an international tax scheme on shipping or aviation would negatively impact developing countries and would be a violation of WTO member countries' obligations.

New negotiating landscape

In his closing remarks, COP 18 president Abdullah bin Hamad Al-Attiyah told delegates that the meeting had "opened up a new gateway to bigger ambition and to greater action." However, he also acknowledged that the package fell short of what could have been achieved.

Since the meeting closed, several of the 9,000 COP participants – from government officials to NGO representatives to the media – have said they feel disheartened by the lack of ambition and progress in Doha. While some criticised host country Qatar for not doing more to push the parties to achieve greater results over the two-week conference, others noted that the missing sense of urgency compared to previous COPs was due to the fact that the focus was on tying up loose ends and transitioning to a new set of negotiations.

Moving forward, several changes lie in store, not only in structure of the negotiations, but in the structure of the alliances. The past year has seen cracks develop in the traditional developed /developing country 'firewall', with some poorer developing countries – particularly low-lying island states – acknowledging that they have less in common with emerging developing countries, such as India and China.

A new negotiating group – comprising Chile, Colombia, Peru, Costa Rica, Guatemala, Panama, and Peru – emerged this year and spoke formally for the first time in Doha. The group, known as the Association of Independent Latin American and Caribbean States, said it was committed to supporting the UNFCCC as the "most effective way to achieve the objective of a below-2 degree world."

The so-called 'like-minded group' of developing countries remains committed to upholding the UNFCCC's principles of 'common but differentiated responsibilities', equity and developed countries' collective responsibility for climate change. With several developed countries adamant that any new climate pact include binding emissions reduction targets for all countries, including advanced developing countries, heated debates look to be guaranteed for the next several years.

LDCs

New LDC report examines migration patterns and braindrain

The UN Conference on Trade and Development's latest LDC report shows some surprising facts and figures.

UNCTAD released its latest annual report on least-developed countries, subtitled *Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities*, in late October 2012. This year's special focus on the effects of migration contains some little-known facts.

Migration patterns

The number of LDC emigrants rose from 19 million in 2000 to 27 million in 2010. Contrary to the wide-spread perception that LDC citizens move from South to North, four-fifths of the emigrants live in developing countries. University-educated people are an exception, however, with two-thirds heading to the North.

The contrasting trends can be partly explained by the fact that developed countries tend to accept skilled immigrants, but increasingly erect barriers to exclude the unskilled. An astonishing 83 percent of Haitian college graduates leave their country, followed by Samoans (73 percent), Gambians (68 percent), and Tuvaluans (65 percent). A third of these emigrants live in the US.

In 2000 (the last year for which data are available), high-skilled migrants accounted for one-fourth of total emigration from LDCs. This is 11 times higher than their 2.3 percent share in the total labour force of these countries.

Brain drain and remittances

"Brain drain," i.e. the emigration of university-educated people, is measured by the number of high-skilled emigrants as a share of all nationals with the same education level. Collectively, LDCs have the highest brain drain rate among the world's major country groups, averaging 18.4 percent, much higher than other developing countries (10 percent). Six LDCs have more high-skilled professionals living abroad than at home: Haiti, Samoa, the Gambia, Tuvalu, Kiribati, and Sierra Leone.

The main drivers of brain drain are higher income, better working conditions, career prospects and immigration policies of the host country, adverse political and economic situations in one's home country and lower migration costs.

The number of high-skilled international migrants climbed from 16.4 million in 1990 to 26.2 million in 2000 (the latest year for which data are available). When the 2010 figures are finally released, they are expected to show a sharp increase in the volume of high-skilled international migration. The major regional source of high-skilled LDC emigrants is Asia, home to 45.9 percent of tertiary educated migrants, followed by African LDCs, which account for 40.4 percent of LDC brain drain.

While brain drain can be damaging to home countries that lose their best-educated people, it also has beneficial effects, as witnessed by the remarkable increase in remittances (i.e., money that emigrants send back to their home countries). These grew almost eight-fold between 1990 and 2011: from US\$3.5 billion to US\$27 billion, and have continued to rise since 2008 despite the onset of and fallout from the world financial and economic crisis.

While remittance receipts expanded significantly in all regions, the rise in global remittances is chiefly driven by a surge of inflows to developing countries. South-South remittance flows are particularly important to LDCs. In 2010, it was estimated that as much as two-thirds of their recorded remittances originated in other Southern countries.

For nine LDCs, remittance flows exceeded receipts of both foreign direct investment (FDI) and official development assistance from 2008 to 2010. This was the case for Lesotho, Senegal, Sudan, and Togo, as well as Bangladesh, Haiti, Nepal, Samoa, and Yemen. Africa also accounts for the near totality of states where LDC remittances over the same period surpassed FDI. Kiribati was the only "outsider" in a group composed of Benin, Burundi, Comoros, Ethiopia, Gambia, Guinea-Bissau, and Uganda.

Economic performance

True to tradition, the UNCTAD report also reviewed key economic indicators.

In 2011, LDCs grew by 4.2 percent, 1.4 percentage points lower than the preceding year despite a notable 23 percent increase in exports. The total value of merchandise exports in 2011 (US\$204.8 billion) was twice as high as five years ago.

Overall, LDCs' merchandise trade shifted into surplus in 2011 after two years of deficits. The positive result for the group was due entirely to African countries and their surplus of US\$21.4 billion, largely driven by Angola.

More than half of LDC exports were destined for developing countries in 2011. China accounted for more than one quarter of these, surpassing both the EU and the US. Sixty-two percent of exports from the 48 LDCs originated from just five countries: Angola, Bangladesh, Equatorial Guinea, Yemen, and Sudan. Oil generates 46 percent of LDCs' total export revenues.

LDC exports also benefited from higher international commodity prices. In the summer of 2012, food prices, in particular for maize and wheat, were once again on the rise due to drought in major producing countries. However, higher prices will negatively affect many poor people in LDCs, who generally spend 50 to 80 percent of their income on food. The situation in some parts of Africa is critical, as food insecurity threatens the lives of hundreds of thousands.

Official development assistance (ODA) disbursements, together with net debt relief to LDCs, reached a record level of US\$44.8 billion in 2010, an 11 percent increase over 2009. In nominal terms, aid inflows were 3.5 times higher in 2010 than in 2000. While data for 2011 are not yet available, there are signs of a decrease in ODA from some donor countries.

Next year, however, look less promising. As of mid-2012, economic activity has slowed in many parts of the world. As a consequence, LDCs' short- to medium-term prospects are somewhat weak. Thus, a relatively prolonged period of uncertainty – along with a possible escalation of financial tensions and real economic downturn – is likely.

The full report can be accessed at <http://bit.ly/Zi5KYj>.

WTO

WTO members focus on "realistic" Doha deliverables for 2013

Delegates meeting in Geneva this month discussed possibilities for clinching a "realistic" deal at next year's WTO ministerial conference in Bali.

One year after the Doha Round of trade talks was formally declared at an impasse, WTO members are beginning to show signs of re-engagement in the negotiations, according to WTO Director-General Pascal Lamy. However, he warned delegates attending the last Trade Negotiations Committee meeting in December that they must be pragmatic in the months ahead to avoid jeopardising the small Doha deliverables package that they aim to clinch by the global trade body's next ministerial conference (MC9) to be held in December 2013 in Bali, Indonesia.

At the previous ministerial, held in 2011, trade ministers formally directed WTO members to explore new negotiating approaches in light of the stalemate in the talks. Lamy noted that activities in 2012 had contributed to "building some momentum," and urged delegates to transform the renewed sense of engagement into concrete proposals during the first quarter of 2013.

Progress in some areas, standstill in others

Chairs of the various Doha negotiating groups also gave delegates an overview of the current state of play on the different topics under negotiation. Progress had been made in areas such as trade facilitation, agriculture, special and different treatment, least-developed country issues and dispute settlement, they said, while others – such as the WTO's negotiations on services – had barely moved at all, and were unlikely to do so in the months ahead.

The possibility of a trade facilitation deal by end-2013 – an area of the talks that deals with easing customs procedures and other border restrictions – has gained some traction over the past several months. Negotiators have been working toward finding a balance within the subject-specific talks, as well as trying to find deliverables from other areas of the round to complement it, in response to some members' concerns that a deal focused solely on trade facilitation would not be "self-balancing."

The negotiating group chair Eduardo Ernesto Sperisen-Yurt noted that talks in this area had shown promising developments over the past year, with members demonstrating a willingness to continue pressing ahead next year. He stressed that they should not be alarmed by the various unresolved parts of the trade facilitation draft text.

"Those who don't follow these negotiations closely could see themselves tempted to count the brackets that still remain in the text," he said. "But I'd warn them that it would be an error to see that as an indicator of current progress," he added, noting that in many cases, just one area of disagreement is the source of many of those brackets.

A number of members raised the issue of special and differential treatment in the trade facilitation talks in their interventions, and the topic is expected to feature prominently in upcoming negotiations.

In parallel, three proposals on agriculture – two from the G-20 coalition of developing countries and one from the G-33 developing country group – have been debated as possible components to pair with a trade facilitation deal, earning a cautious welcome from fellow WTO members (see related story in this issue).

Australia, speaking for the Cairns Group of agricultural exporters, reportedly commented that the new proposals had been a positive development, given that they had helped re-establish agriculture as a key element of the negotiations. However, Switzerland – on behalf of the G-10 coalition of countries with highly-protected farm sectors – reminded delegates that agriculture was not the only issue on the table.

Steer clear of surprises, Lamy cautions

In preparing for MC9 in Bali next year, members should “go back to our well-known principle of ‘no surprises,’” the Director-General cautioned on Friday. “Any kind of ‘Christmas-tree syndrome’ as we get closer to MC9 would have destabilising effects on the entire process, jeopardise the ministerial conference itself, and dent the credibility of the WTO.”

Last year's efforts to build an LDC-focused “Doha-light” package in time for the December 2011 Geneva ministerial ultimately fell apart, due to members' inability to agree on the components of such a deal – referred to as a “Christmas-tree syndrome” at the time.

In order to achieve results in time for Bali, Lamy added, members should pursue “realistic” demands that account for other members' so-called “red lines,” while avoiding unattainable goals or being confrontational in the negotiating process.

He also said that proponents of any new proposals should take on the responsibility to build consensus among other members, and warned against setting “new and unworkable” deadlines.

MC9: a Doha Round stepping stone

While a small package of Doha deliverables for next December now appears to be members' goal, many made clear that the Bali event would not mark the end of the organisation's efforts to conclude the entire round.

“Of course, we should be under no illusion about the breadth of what we can achieve in the short timeframe between now and MC9,” Lamy said. “Nor should we create unrealistic expectations. The main stumbling blocks of the [Doha Development Agenda] are still standing and many of the toughest nuts will likely not be cracked by the time ministers meet in Bali.”

“But we should also not wait for the last minute to engage,” the trade chief warned. “One more housekeeping ministerial conference in Bali would not suffice to keep the Doha House alive.”

Various delegations who spoke on Friday echoed the Director-General's comments, noting that Bali was just one step in a longer process. EU Ambassador Angelos Pangratis said that a successful MC9 appeared today “clearly as a necessary precondition for the conclusion, at a later stage, of the whole round. Progress achieved is fragile; the road ahead is long and the time to MC9 is in fact very short.”

“Bali is not a deadline, but it has already emerged as a milestone. One way or the other, Bali will mark a moment when not only we but the world outside of Geneva take stock of our work and the health of the trading system,” US Ambassador Michael Punke added.

WTO

WTO members cautiously welcome new farm proposals

Ahead of the WTO's ministerial conference next year in Bali, delegates are considering two developing country proposals on agriculture as possible elements of a modest package of "Doha deliverables."

Trade officials gave a cautious welcome to new proposals on farm trade at an informal WTO negotiating meeting held in November.

The proposals could help countries carve a path towards a scaled-down package of measures to be agreed at the global trade body's ninth ministerial conference in Bali, slated for next December. However, deep-seated differences remain over how best to resolve the overall impasse in the WTO's Doha Round of trade talks, which were launched over a decade ago.

Making it easier to send agricultural goods overseas to countries that use import quotas could be one step forward, developing countries in the G-20 coalition at the WTO have argued. Such a move could also help "re-balance" a separate package of measures on trade facilitation, says the group, which includes major economies such as Brazil, China, and India.

The G-20 proposals are being widely seen as "doable," with negotiators from the G-10 group of countries with highly-protected farm sectors amongst those saying they were willing to engage in discussions.

A request from the G-20 for the WTO secretariat to conduct studies on export subsidies and related areas was not opposed by other members, despite initial misgivings by some that had feared the issue could be linked to the trade talks. G-10 countries asked that these studies also include updated information on export restrictions - measures which they fear can exacerbate price spikes on world markets, and harm food-importing countries.

A proposal from another developing country coalition, the G-33, was seen as more complex by trade officials. Members of the coalition - which includes China and India, alongside other countries with large smallholder farming populations - were among those privately saying that more discussion may still be needed on the proposal, which would exempt subsidised food purchases from current WTO ceilings under certain conditions.

Proponents of the initiative had argued that subsidised food purchases for public stockholding or domestic food aid should not have to count towards countries' maximum-permitted levels of trade-distorting support, so long as the food has been bought from low-income or resource-poor producers. The group also proposed that several kinds of developing country farm programmes - including policies and services related to farmer settlement, land reform programmes, rural development and rural livelihood security - should be exempt from any ceiling on subsidies by classing them with other green box programmes at the WTO.

Both developed and developing countries privately cautioned that the move could counter reforms aimed at moving towards less trade-distorting forms of farm support. The lack of an agreed definition of "low-income or resource-poor producers" could also make it harder to ensure support is targeted towards the most vulnerable farmers.

WTO

Formal plurilateral services negotiations may be launched in March

Despite the controversial nature of the initiative, twenty-one countries are forging ahead with a far-reaching new agreement on services trade.

A subset of WTO members who have been examining possible ways to lower barriers in services trade hope to formally launch negotiations for a services liberalisation agreement in 2013, sources familiar with the discussions have said.

In meetings held in Geneva during the first week of December, the group exploring such a move – known as the “Real Good Friends” (RGF) of Services – reviewed a series of proposals from the participating members. The proposals touched on topics such as government procurement, postal and courier services, professional services, and mode 4 (i.e., services provided by foreign nationals abroad) among others.

Based on discussions held over the past year, RGF members now have an agreement in principle for a framework for negotiations, sources say. The framework is meant to help those members who need a mandate from their capitals to formally participate in negotiations, once those are launched. Others see the framework essentially as a summary of the talks to date.

Although no formal date has been set, participants in the initiative are tentatively planning to start negotiations in the first few months of next year, possibly as early as March.

With Iceland's recent adherence to the RGF, participants in the initiative now stand at 21 countries, counting the 27-strong EU as one member.

Doha services stalemate in the background

Efforts to deepen services trade among a subset of WTO members comes as services negotiations in the WTO's Doha Round of trade talks remain stalled.

Reporting to the WTO's Trade Negotiations Committee in December, chair Fernando de Mateo of the negotiating group on services noted that talks among the organisation's 157 members in this area had seen little progress in the past year. “There has been very little movement on these issues,” he said. “Looking to the next six months, so far I can see no signs that the situation will change.”

Some WTO members not participating in the RGF talks have expressed misgivings over whether a plurilateral approach, such as that of the RGF, might end up undermining the Doha Round and the broader multilateral trading system as a whole. Emerging economies, such as Brazil, China, and India, are among those to have raised such concerns.

Speaking at the last meeting of the WTO's General Council – the organisation's highest decision-making body outside of the ministerial conference – Director-General Pascal Lamy told the membership that the RGF discussions were worth watching: “You know that a group of members is working in different configurations to achieve further services opening. The shape of an agreement remains open, but I think that you should all keep an eye on the outcome of this process because such engagement may be a positive starting point for further progress next year.”

The newsroom

Be sure to visit ictsd.org/news/bridges-africa regularly for breaking African trade and development news

Ag deal aims to boost production and trade

The African Union Commission (AUC) and the Technical Centre for Agricultural and Rural Cooperation (CTA) in November struck a deal to strengthen agricultural policies in Africa. The new memorandum of understanding aims to enhance agricultural policies in Africa to increase productivity and boost intra-regional trade in agricultural products.

The deal also seeks to promote sustainable natural resource management and help accelerate the implementation of the Comprehensive Africa Agriculture Development Programme (CAADP) at the national, regional, and continental levels.

While the two institutions had already forged strong partnerships through collaborative initiatives, analysts say the new partnership shows a scaling-up of their efforts to help eradicate hunger and poverty.

Clinton calls for global solution to wildlife trade

US Secretary of State Hillary Clinton is calling for a concrete global response to help bring an end to illicit wildlife trafficking. Clinton said the issue has major implications for the security and prosperity of people around the world.

"Over the past few years wildlife trafficking has become more organised, more lucrative, more widespread, and more dangerous than ever before" Clinton told an audience last week at the Partnership Meeting on Wildlife Trafficking in Washington.

Apart from its devastating consequence on the preservation of vanishing species, Clinton highlighted that this phenomenon also bears many negative consequences for the population of some African countries. Clinton noted that illegal wildlife trade often hits the most vulnerable populations the hardest.

Conference Emphasises Africa's Strength

Participants meeting at a major economic conference in Rwanda acknowledged Africa's remarkable ability to achieve considerable poverty reduction and human development advances, in spite of a global economic slowdown. Many attending the annual African Economic Conference suggested that despite continued high levels of poverty, hunger, and unemployment, the continent has weathered the economic crisis.

Participants at the African Economic Conference discussed the continent's impressive growth into economic opportunities for ordinary citizens. But despite general optimism, participants pointed to key areas that need to be addressed to move the continent forward.

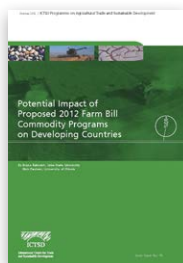
AfDB Urges Human Capital Investments

Human capital investments are crucial to Africa's medium- and long-term development, according to a new paper published by the African Development Bank (AfDB). The draft approach paper focuses on areas where the Bank can exploit its comparative advantage to respond to new and emerging challenges in Africa.

The report, "One Billion Opportunities: Building Human Capital for Inclusive Growth in Africa," served as a discussion paper for consultations with stakeholders from five North African countries last month in Casablanca, Morocco.

Speaking at the 1-2 November talks, Mohamed Gueye, AfDB's chief economist on education, stressed that the majority of the millennium development goals (MDGs) will not be reached because of major obstacles such as low growth among poor populations, strong inequalities in the distribution of goods and the access to services, and low quality services.

Publications and resources



Potential Impact of Proposed 2012 Farm Bill Commodity Programs on Developing Countries – ICTSD – October 2012

The United States is the largest exporter of many key commodities leading to a significant impact on international markets. In this paper Bruce Babcock and Nick Paulson examine what proposed changes in US agricultural policy would do to the scale of production and the potential impact for developing countries. Currently available estimates examine scenarios with stable or increasing prices for farm goods, our experts take this analysis further by considering how low market prices would interact with government policy and highlight the products and countries likely to be affected.

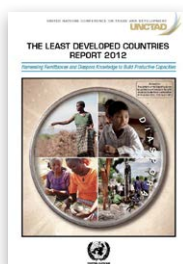
The full study can be found at <http://bit.ly/Zi4uVg>.



Development Co-operation Report 2012: Lessons in Linking Sustainability and Development – OECD – December 2012

This report highlights today's development challenges from the rise of the world population to seven billion to the contraction of clean water and electricity availability. The study contrasts this with the reality of the first drop in official development assistance since 1997. The analysis looks at how the development community – i.e., developing, emerging and OECD countries, multilateral organisations, civil society organisations, and the private sector – have combined efforts to tackle specific environmental challenges.

The full report can be purchased at <http://bit.ly/Wo86zn>.



The Least Developed Countries Report 2012: Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities – UNCTAD – November 2012

This report examines the potential role of migrants or diasporas at large from LDCs as sources of development finance, as channels of knowledge transfer, and as facilitators of trade and market access opportunities in the host countries. It identifies policies, including policy lessons from other countries that LDCs may wish to consider in designing policy frameworks for harnessing remittances and diaspora knowledge to build productive capacities.

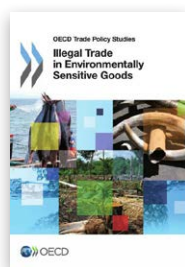
The full report can be accessed at <http://bit.ly/Zi5KYj>.



Turn Down the Heat: Why a 4°C Warmer World Must be Avoided – The World Bank – November 2012

This report spells out what the world would be like if it warmed by 4 degrees Celsius, which is what scientists are nearly unanimously predicting by the end of the century, without serious policy changes. According to the report, a 4°C warmer world would be one of unprecedented heat waves, severe drought, and major floods in many regions, with serious impacts on ecosystems and associated services. The report also aims to outline a range of risks, focusing on developing countries and especially the poor. In his forward to the study, World Bank president Jim Yong Kim says he hopes the report "shocks" the people of the world into action.

The full report can be accessed at <http://bit.ly/T6AHbK>.



Illegal Trade in Environmentally Sensitive Goods – OECD – October 2012

This OECD publication uses evidence based on customs data and information from licensing schemes to document the scale of illegal trade, as well as the economic and environmental impacts of such trade. The report asserts that national and international policies have an important role to play in regulating and reducing illegal trade and highlights a range of measures that can be taken at both levels.

The full report can be accessed at <http://bit.ly/TC5Scb>.



A Guide for the Concerned: Guidance on the Elaboration and Implementation of Border Carbon Adjustment – ENTWINED – November 2012

This guide, produced by a seven-person international expert drafting group, offers an in-depth look at a range of issues that policy-makers need to consider when building and implementing a border carbon adjustment regime. The authors assert that while the implementation of BCAs may appear straightforward, it is plagued by deeply complex problems in practice, including trade law considerations, methodological challenges, and consistency with principles such as common but differentiated responsibility.

The full guide can be accessed at <http://bit.ly/UUxLgC>.



Agriculture in the International Climate Negotiations - Supporting Sustainable Development or Just Dubious Emissions Reductions? – German Development Institute – 2012

This briefing paper asserts that climate change will have increasingly negative impacts on agricultural activities through fluctuations – and in many world regions a permanent reduction – in crop yields. Addressing the relatively new topic of mitigation of emissions in agriculture, the paper stresses the need to establish a work programme that would mainly deal with mitigation, but also with other climate-related aspects of agriculture.

The full briefing paper can be found at <http://bit.ly/SOq4YI>.



International Technology Diffusion in a Sustainable Energy Trade Agreement (SETA) – ICTSD – September 2012

This research paper sets out to clarify the issues and options for a possible Sustainable Energy Trade Agreement (SETA) through several levels of analysis, ranging from products to industries to countries and the modes of technology transfers in international business. The paper places an emphasis on addressing all modes of technology transfer such as international direct investment, licensing, and trade in goods and services.

The full research paper can be found at <http://bit.ly/UcgzGG>.



Global Financial Reform and Trade Rules: The Need for Reconciliation – Frederick S. Pardee Center for the Study of the Longer-Range Future – September 2012

This policy brief describes the outcomes of a "compatibility review" between the ability to implement capital account regulations and the standard provisions of the global trading system. It argues that changes should be made so that the two systems are more compatible, providing countries - especially developing countries - with the policy space to stabilise their economies and stave off boom-and-bust cycles, while still participating in bilateral and multilateral trade and investment treaties.

The full brief can be accessed at <http://bit.ly/WoaHcH>.

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