

Keynote speech by Minister of Trade and Industry, Mandisi Mpahlwa South Africa's National Consultative Conference for the 6th WTO Ministerial Conference Gallagher Estate, 27 October 2005

Good Morning and welcome to this National Consultative Conference on the WTO. This meeting offers us all an opportunity to interact on what is undoubtedly the most significant trade policy issue confronting the international community at this stage: That is, our preparations leading to the 6th Ministerial Conference in Hong Kong in December 2005. Our deliberations should inform and provide guidance to South Africa's approach to the Hong Kong Conference.

I am pleased that we are entrenching the important tradition of convening such consultations in advance of key WTO meetings. We have done this for previous WTO Ministerial Conferences in Seattle in 1999; Doha in 2001, and Cancun in 2003. We know there is always the need to strengthen and broaden such consultations and all of us needs to take responsibility to do this. As Government, we regularly interact with stakeholders in NEDLAC on WTO issues as well as with our Parliament. We have recently strengthened intra-governmental consultations on trade issues through the establishment of a Permanent Trade Forum. All these consultations need to be continuously intensified and we need to find a new way to extend engagement with our NGOs.

At this meeting we welcome all viewpoints and, as Government, we will take all these into account as we define in more precise terms the approach to the 6th WTO Ministerial Conference in December 2005. You should all appreciate that, as Government, we must exercise judgment in drawing together our developmental objectives, the variety of national views on these complex issues and the possibilities and constraints elicited by the global environment.

In thinking about the Hong Kong Conference, it is useful to consider the other developments and events on the international agenda. Here, I am talking about the Commission on Africa, the G8 meeting in Gleneagles where development issues were discussed and the recent UN Summit that assessed progress in the Millennium Development Goals. Each highlighted the need for progress in the Doha Round as vital to promote development, manage globalisation and ensure the trading system is sustainable and legitimate.

Allow me some remarks outlining the South African Government's judgment on the WTO negotiations. South Africa is a strong proponent of multilateralism. This is a fundamental principle of our foreign policy and central to our trade policy. In our view, multilateralism is the necessary inter-governmental response to globalisation and interdependence. South Africa has, with others, actively pursued a policy of working to reform multilateral institutions to ensure that developing countries are able to play a more decisive role in defining priorities for effective global economic governance.

This shapes our approach to the WTO. In our globalising world economy, the WTO has moved to the centre stage in an evolving system of global economic governance, and is vital to our prospects for engaging in international trade. The WTO offers – at least in theory – all countries an equal vote and thus the opportunity to address developing countries trade and development concerns in a manner not available in other bodies. WTO rules are extensive and increasingly intrusive on domestic policy-making. We need to take an active part in shaping evolution of rules in a manner that supports our development and integration into the global economy.

The importance of the rules based system in the WTO is it enhances:

- security in access to global and national markets;
- predictability in trade relations;
- non-discrimination;
- transparency; and
- reduces - does not eliminate - scope for unilateral action by the economically powerful nations.

This is without doubt only part of the picture. We are clear that the existing rules largely reflect the interests of powerful players in the system. In almost all the agreements one can find imbalances and inequities that prejudice the trade and development interests of developing countries.

South Africa's support for the launch of the Doha Development Round was thus based on our assessment that without a new round of negotiations we would remain locked into prejudicial existing rules. Negotiations open up the possibility to address our trade and development concerns. For us, development

cannot be an adjunct to the main business of the global economy but is a systemic necessity for sustained global growth, and the key lies in unlocking growth and development in developing countries.

As we look to the 6th WTO Ministerial Conference, we believe the overall objective must be to secure an agreement on "modalities" that matches the developmental ambitions agreed in Doha. Modalities establish the shape of the final agreement and should place the WTO in a position to conclude negotiations in 2006. Achieving agreed modalities by Hong Kong will be difficult, but we are convinced that our interests are best served if the development objectives set in Doha are translated into reality as soon as possible.

Taking into account the need for an overall balance in the negotiating outcome as well as the underlying principle of the single undertaking, the key to unlocking the process is a focused developmental outcome. We are clear on what this entails and I will set this out.

An early conclusion of current round of the Doha negotiations, consistent with the mandate agreed in Doha, would deliver the best overall context for the development prospects of African countries. More open and undistorted international trade would make a positive contribution to global economic growth, creating an environment in which African economies may diversify exports by destination and in higher value production. Correcting the profound imbalances in agricultural trade is a central element of this objective but it also requires expanding real market access for industrial products of export interest to developing countries. Differential treatment in favour of developing countries must underpin the negotiations

For those African economies that face adjustment costs, assistance must be provided to advance processes of diversification and enhance competitiveness in order to take advantage of new trade opportunities. We must also cushion the short run costs involved in the reform process. Packages such as the IMF contingency support and grant aid programmes need to be strengthened to deal with foreign currency earning adjustments and revenue loss.

Making the WTO deliver for Africa is critical. Mercantilism should be put aside in the Doha negotiations and focus should be on what makes sense from a development perspective. What this means will depend on specific circumstances. I propose a 10-point programme:

First, The Doha negotiations should fast track the elimination of tariff peaks and escalation in developed country markets on products of export interest to African countries.. Similarly, fast tracking the elimination of export subsidies and trade-distorting domestic support particularly on agricultural products of export interest to developing countries would deliver early benefits. An early harvest on cotton- critical to a number of economies on this continent - is essential. The implementation period here should be the conclusion of the round.

Second, developed countries should cease efforts to exempt "sensitive" agricultural products from tariff liberalization. While we recognize that governments have a responsibility to assist specific groups in society, this should not be done through instruments that distort trade and the ability of African farmers to export or sell into the domestic market.

Third, all G-8 countries should provide non-reciprocal duty free and quota free access for all products from least developed countries. This together with targeted assistance to realize the opportunities created by enhanced market access will go a long way to ensuring that poorer countries benefit from the round.

Fourth, it will be vital to facilitate exports of African services into developed country markets. This will include providing better access for temporary movement of African workers and outsourcing. Although the movement of workers may be sensitive, serious consideration should be given as the potential benefits it offers could dwarf benefits from openings in traditional sectors.

Fifth, a mechanism should be established in the WTO that provides African countries with "flexibility" not to implement specific rules, if the rationale is properly motivated. This should be understood as operationalising the principle of special and differential treatment, and targeted capacity building should assist to meeting the obligation.

Sixth, it will be important to review and revise WTO agreements from a development perspective. A specific example of direct relevance and great importance for Africa is a review of Article 24. Article 24 requires signatories of FTAs to eliminate trade barriers on substantially all their bilateral trade flows. This is not in the interest of Africa as it will cause trade diversion and transfer tariff revenues. This is anti-development and an example of policy incoherence.

Seventh, more effective financial and technical cooperation will need to address any erosion of preferences that will occur as a result of the Doha Round and regional arrangements. Such "compensation" should be designed to encourage sustainable diversification and to cushion any negative

socio-economic effects of the reform process. Moreover, preferences need to be improved to make them meaningful. This could include deepening preferences, where feasible, to retain the margin over MFN rates.

Eighth, we require expanded trade capacity to more effectively address supply constraints: the so-called "aid for trade programme" which spans trade capacity building, enhancing competitiveness as well as action in importing countries to both assist African exports penetrate markets and to raise the returns accruing to Africa. It should extend to establishing appropriate regulations, enhancing industrial and technological capability, product and export diversification, and infrastructure development etc. Specific action is needed in the area of product standards, both technical product regulations and sanitary and phytosanitary measures. All of these would complement actions already underway under NEPAD.

Ninth, new mechanisms for generating the necessary, secure and long-term finance for TCB will also be required. Further integration of African countries into the trading system needs to be complemented by a binding, credible commitment for expanded financial assistance for trade capacity.

Tenth, Policy coherence among the multilateral and bilateral donor community should be complemented with greater coordination at the implementation level, and donors should desist from employing non-trade conditions to qualify for assistance.

I believe these ideas deserve serious consideration. My final set of comments is on the state of play in the negotiations. We must continually reassert that this is a development round that must decisively address the fundamental imbalances in the global trade system, and promote the integration of developing countries into the trading system through meaningful expansion of their exports. In this respect developing countries should not be expected to pay for the removal of trade distorting and anti-development subsidies on agricultural products with over-ambitious and costly market access concessions on industrial products. Developing country market access concessions must be commensurate with their level of economic development in a proper expression of the principle of special and differential treatment, and the bigger stronger economies - responsible for the major anti-developmental distortions in agriculture - must be expected to make the biggest adjustments.

On 10 October 2005, the US submitted its technical proposals on **Agriculture**. While it was widely accepted that the US proposal provided impetus to the negotiations as an opening negotiating gambit, the technical assessment was that it was insufficient and more needed to be done to meet the Doha mandate. Our assessment however, is that the main challenge to moving the agricultural negotiations forward lies squarely with the EU which needs urgently to put forward a proposal that responds positively particularly to the Doha mandate of achieving significant improvements in market access. We must be vigilant and ensure that the proposals deliver real reductions on applied levels of trade distorting support, the elimination of export subsidies and meaningful gains in market access.

On 12 October, the G20 finalised its technical proposals. The G20 proposals call for the elimination of export subsidies by 2010 and a substantial, real reduction of trade distorting domestic support provided by OECD countries. On tariff reductions, the G20 calls for a proportionate exchange of tariff concessions. The G20 crafted a proposal charting a middle ground we believe is the basis for a consensus at the 6th MC that reflects the established principle of special and differential treatment.

On **NAMA**, the immediate focus must be on finalizing technical work to clarify the parameters of a possible tariff reduction formula and that balances adjustment costs domestically while advancing the reduction and elimination of tariff peaks and escalation in developed country markets, particularly on products of export interest to developing countries. This will need to become a major focus of our negotiations efforts ahead of Hong Kong and we need to work for a balance and proportionate outcome that does not negatively impact on our and other developing countries industrial policy capacity. We need in this regard to further clarify the scope for flexibility.

On **Services**, South Africa's main concern now is the effort by some to fundamentally alter the agreed negotiating format in a manner that may eliminate existing flexibilities and ignore the realities confronted by most developing countries.

Development, aside from the development dimensions of improved market access for our exports, the 6th MC will also need to deliver a package of specific measures for developing countries. These include: decisions in favour of LDCs; a final resolution to the issues of TRIPS and Public Health; addressing the issue of the impact cotton subsidies on African countries expeditiously; and a clear vision of advancing the aid-for-trade programme I outlined earlier.

The **Rules** negotiations (anti-dumping and subsidies; trade facilitation; environment) are, in our view, vital elements of the negotiations but unlikely to be deal-breakers at the 6th MC. We need to monitor development carefully as the Conference will provide further impetus and direction for advancing this work

in 2006.

A final comment: We need to prepare detailed negotiating positions in a manner that is both technically and politically defensible. This is our collective challenge. South Africa will pursue its strategic objectives through a range of consultations: at the national level through consultations within the PTF, intra-departmental clusters = our Parliament, with NEDLAC, and the Agricultural Trade Forum. Technical work will continue at departmental level and be consolidated in the PTF and NEDLAC. South Africa will consult to develop coordinated positions at SACU, SADC and the AU levels. Consultations with the G20, Cairns G90, and Africa Groups will also continue including in Geneva.

On this note, I reiterate my wish for a rich engagement at this gathering and I undertake to consider all views expressed as we move to the Conference in Hong Kong.