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UNCTAD XII RE-AFFIRMS THE MANDATE BUT PARES DOWN THE UNCTAD INTERGOVERNMENTAL MACHINERY

Reported by Ambassador Nathan Irumba

The twelfth Ministerial Conference on Trade and Development held in Accra concluded 2008 by adopting on April 25th the Accra Declaration and Accord, which while reaffirming the UNCTAD mandate, downsized the UNCTAD intergovernmental machinery from three commissions as agreed at the Midrand conference, to two commissions. This is perhaps the most dramatic downsizing of UNCTAD since then and could be a forerunner of further downsizing the UNCTAD secretariat, with negative impacts on programme delivery.

The group of 77 had put forward a proposal for a fourth commission to be devoted to "Globalization and systemic issues." The

proposal for a new commission was strongly opposed by the developed countries, who instead, wanted to abolish all the existing commissions so that the expert group meetings would report directly to the Trade and Development Board. The compromise at the conference was to reduce the existing commissions to two and, as a "carrot" to the G77, to have a standing item on the trade and Development Board Agenda entitled "Development in a globalizing world".

The conference was held against the backdrop of economic uncertainties triggered by the financial crisis in the USA, the surging food prices with the food riots spreading in many countries, and in the aftermath of the Bali conference that highlighted the nexus between climate change, trade and development. Also in the background was the failure, thus far, to reach an accord in the WTO Doha Round of trade negotiations. With conference being held in Africa, the expectation was that Africa's plight would take centre stage. These is-

sues were highlighted in the debates and speeches in various forums as well as in the Accra Declaration and Accra Accord, adopted by the conference.

Long term Strategies needed to address food crisis

Dr. **Supachai**, speaking to the press just before the opening of UNCTAD XII, cautioned against “kneel-jerk” responses in coping with the global food shortages and skyrocketing commodity prices. He encouraged long term strategies and policy options including, including the scaling up of investments in agricultural research and development. He said the rising food prices were driven by, among other things, population growth in the developing world, climate change and weather extremes, and soaring energy costs, coupled with shortages in staples such as rice and corn. Some governments had responded by restricting food imports and setting limits on commodity prices, or both. Such stop-gap measures, he said, were not the best solution and could actually prove more demanding in the long run, especially since coping with the global food shortage was also about coping with shortages in agricultural development processes.

The international development community had long emphasized social-sector and emergency aid at the expense of investment in productive sectors such as agriculture.

President **Kufuor** of Ghana, in his opening address, noted the significance of UNCTAD XII taking place in Africa – a continent whose chequered history has dogged its development efforts for decades. Most countries in Africa are still classified among developing nations, inhabited by some of the poorest populations of the world. The conference must therefore be seen as a unique opportunity firstly to give a boost to the fight against poverty and human indignity and secondly to strategise to assist Africa and other developing nations.

Reverse Africa’s Marginalization

He said Ghana and other African countries are subject to vagaries of a savagely competitive global system which leaves them with no control over the pricing of their commodities and denies them the opportunity to protect their farmers and infant industries. Both the domestic and international economic policies need constant adjustment to enable them to respond to unique or emerging challenges, address new development goals, and define mechanisms for achieving them.

He called for immediate measures aimed at reversing Africa’s dwindling fortunes in the global trade arena. Undoubtedly, Africa remains deeply marginalized in the expanding global trade.

The era of colonialism had been described as the first wave of colonial powers while seriously compromising Africa’s development. It had inflicted such deep-seated psychological wounds on the continent that it still defied the best laid plans aimed at healing them. Therefore, on the threshold of its second wave, globalization must be driven by a high moral imperative to ensure that it did not leave any scars of losers in its wake, he stressed. It should be beneficial for all and detrimental to none.

UNCTAD XII must be seized upon as opportunities to review the process of empowering nations to meet the ever-changing challenges and conditions of globalisation.

President **Lula** of Brazil recalled that the 11th UNCTAD had introduced the innovative concept of “space for national policies” which captures the essence of the challenge resulting from the interaction between domestic policies and international commitments. One of the fundamental ideas of UNCTAD: is the notion that development is an autonomous and sovereign responsibility of each nation to be exercised in an international environment conducive for efforts to overcome poverty and underdevelopment.

Massive Agriculture Subsidies a numbing drug

He said since taking office his government had sought to implement initiatives that meets the ideals of UNCTAD, in line with the teachings of **Raul Presbisch and Celso Furtado**. The very establishment of the group of 20 in the WTO reflected the changing geography of global trade and the determination of developing countries to take charge of their own destinies. The G-20 sought to eliminate the distortions that affected agricultural trade. The massive subsidies paid by the treasuries of developed countries worked like **"a numbing drug that turns its own users into addicts"**, while the main victims are the farmers of the poorest nations," he stated.

South-South Trade a survival imperative

Stressing the importance of trade exchanges between developing countries, President Lula said South-south trade has been growing faster than the average growth rate of world trade. Brazil has been contributing to that by expanding substantially their exchanges with the countries of the south. "We reduced our dependence on the North. At the same time, we reduced the vulnerability of the Brazilian economy. Diversifying partnership is, today, more than geographical goal. It is a survival imperative" he continued. "The international economy is experiencing a crisis caused by problems regarding good financial governance in the world's richest economies. The poor countries should not pay for the costs of adjustments. Globalisation, which already brings so many strands of symmetry, cannot become a way of transferring losses to the developing economies. Indeed, they are precisely the ones that have most contributed to maintain the world's economy growth levels" he stressed.

Alluding to the MFN clause in the EPAs between EU and ACP countries, President Lula said; "we must be vigilant against the temptation of rich countries to step up their protectionist practices. Equally damaging are the initiatives to perpetuate relations of dependency by creat-

ing barriers to the expansion of south-south trade. This is what happens when the renewal of trade preferences in the developed countries is conditioned to the extension to them of the same benefits that the economies of the south may grant to each other". He noted with satisfaction that "some African countries have been resisting such attempts".

Bio-fuels

Commenting on concerns about the Bio-fuels, he saw no contradiction between the search for alternative sources of energy and development of agriculture standards that ensure food safety. This is a challenge that they are successfully overcoming in Brazil. Levels of malnutrition in Brazil had fallen as the production and use of ethanol increased, helping to reduce CO₂ emissions. Bio-fuels could increase the participation of developing countries in international trade by diversifying exports – especially in the case of African countries.

UNCTAD has been, since its foundation, the focal point in the United Nations System for Trade and Development. Its three pillars of research and development, consensus building and technical cooperation remain central.

Crisis of development takes extreme forms

Mr. **Ban Ki-Moon** the UN secretary general said this was a crucial time, when fresh thinking and new approaches were needed. The crisis of development takes extreme forms, including the sky-rocketing prices of food. The prices of staple foods had increased by more than half in the last six months. The ban on rice or wheat exports by some countries threatened to exacerbate the problem.

The causes of the crisis are many, including the switch to bio-fuels, high costs due to oil price increases, and financial speculation. The world has consumed more

food than it produced and this is unsustainable.

He said while immediate humanitarian action is needed, in the long run production must be increased, and indicated the need for a Green Revolution in Africa. He announced that he would set up a task force of experts to look at all elements of the food crisis.

Calling on wealthier nations to rethink their old policy on agricultural subsidies, he asked. **"If we can't reduce subsidies when the prices are high, then when will we do so?"**

Earlier Mr. **Ban** announced the creation of a UN system-wide task force to address the food crisis.

CSOs viewpoint

Ms **Jane Nalunga** of SEATINI, presenting the viewpoints of civil society, stated that the two major challenges we currently face are the financial and food crisis. The current food crisis is mainly caused by supply not meeting increased demand. One factor is the shift from producing food crops to bio-fuels which shift should be arrested and reversed. Another factor are the loan conditionalities of World Bank and IMF imposed on governments to remove subsidies and support to farmers and the removal of tariffs on food imports, while high agriculture subsidies continue in rich countries. **"This makes policy changes imperative,"** she continued.

Developing countries must be allowed to safeguard their food security and support their farmers. Developed countries must quickly phase out their distorting subsidies, including those in the Green Box.

Commodity dependent developing countries have been facing complex problems ranging from price volatility to corporate concentration. She called for expansion of UNCTAD's work on commodities so as to help developing countries get better value for their commodities.

Policy space being whittled down

Recalling that the significant achievement of UNCTAD XI regarding the recognition of the importance of policy space for developing countries, she said "this space continues to be reduced through loan conditionalities, WTO rules, and free trade arrangements including EPAs". EU should stop putting pressure on African, Caribbean and Pacific countries to conclude EPAs and an alternative should be found.

Doha "certainly not Development Round"

Regarding WTO Doha trade negotiations she observed that as subsidies in the North continue, the developing countries are being pressured to cut their agricultural tariffs further. This would lead to import surges and rural dislocation. In the industrial goods negotiations, developing countries are being asked drastically lower their tariffs which will destroy many local industries. Benefits are few but costs are high for developing countries. Although the LDCs are told they do not have to reduce their tariffs at the WTO, most of them will be affected by even deeper tariff cuts through agreements like the EPAs. "it is certainly not Development Round" she declared.

She underscored a unique role of UNCTAD especially in these uncertain times and stressed that its support role to developing countries must be strengthened and expanded.

Accra Accord and Declaration adopted

The Accra Accord and declaration were adopted by consensus. These address economic, trade and development issues as well as set UNCTAD's four-year work programme. The conclusions highlighted the challenges facing many developing countries and set out a detailed agenda for progress in economic and social development spanning areas ranging from commodities, trade and debt to investment and new technologies.

While welcoming the strong economic growth rates that global trade and investment flows have brought, UNCTAD XII cautioned that these advances have not been shared by all and have been accompanied by new difficulties, most notably the current crises in food prices and financial markets, and growing income inequalities.

It called for UNCTAD's role to be strengthened, including through work on the trade and development aspects of such key emerging issues as climate change, energy security and international migration. The conference asked UN Secretary-General Ban Ki-moon to reinforce UNCTAD's commodities work and put it under the direct responsibility of Dr. Supachai.

The Accra Accord emphasized the urgency of meeting the needs of least developed countries, many of which are in Africa, the host continent of UNCTAD XII.

UNCTAD XII underscored the importance of diversifying economies away from dependence on one or two commodities, building the capacity to produce a wide range of goods, ensuring access to basic services and strengthening legal and regulatory frameworks and institutions. Policies should be tailored to needs of individual countries, while at the same time respecting international law. There is no one precise model for improved, growth-enhancing governance and institutions".

The conference stressed the immense potential created by growing trade and investment links within the developing world, spurred by the emergence of dynamic developing economies, such as China, India and Brazil. It called for such ties to be encouraged and reinforced.

At a time of economic slowdown in developed countries, UNCTAD XII signaled the increasingly prominent role that developing countries can play in fostering global economic stability.

Forums

UNCTAD XII featured a number of roundtable debates. Among the highlights of the conference were the civil society forum and the World Investment Forum.

The world investment forum brought together government, corporate leaders and international experts to consider how to enhance the impact of foreign direct investment on economic development and poverty reduction.

The Civil society forum organized a series of dialogues on many current issues con-

cerning people centered development. These included, inter alia, the state of negotiations on EPAs and WTO Doha Round and their implications for development, the food crisis, and governance of international financial system etc. It was noteworthy that the civil society forum mobilized support for UNCTAD and provided a more frank interaction between stakeholders.

Mixed feelings on the outcome of the conference

The conference agreed that UNCTAD XIII will take place in Doha Qatar in four years time.

There were mixed feelings regarding the outcome of the Accra conference. On one hand there were those with a sense of joy and satisfaction that UNCTAD mandate had been reaffirmed and the declaration and Accord had been adopted by consensus. The developed countries were happy that inter-governmental machinery had been pared down.

On the other hand many developing countries delegates, left with a sense of frustration and apprehension. They had failed to secure a fourth functional commission which would have dealt with globalization and systemic issues and failed to resist the pressure of reducing intergovernmental machinery. They were apprehensive that the structure that had been carefully crafted at Midrand conference and meticulously safeguarded at Bangkok and Sao Paulo conferences was beginning to unravel. There was a real danger that in the interim period and at UNCTAD XIII in Doha Qatar, UNCTAD could further be weakened by its detractors. This calls for vigilance of delegates in Geneva to avert such eventuality.

**By Ambassador Nathan Irumba is the Chief Executive Director of SEATINI and formerly was Ugandan Ambassador to WTO in Geneva.*

AFRICAN COMMODITIES: How corporatization squeezed out producers?

We are living in a confusing time in the history of commodity markets. Commodity prices are currently high. Yet producers in Africa and other parts of the developing world do not seem to be benefiting from these high prices. Instead, they are crying out for protection.

It has been reported that in Asia, food prices rose by 70% during 2007. If the rise in food prices that we are now experiencing in Africa is being driven by the quest of the industrialized North for new sources of fuel, namely biofuels, then the implications for food production are potentially terrifying.

To illustrate this point – currently, Ghana's total production of oil palm is nowhere near sufficient to meet the demand of the industrialized North for palm oil for the manufacture of bio fuels. This means that if the prices being offered are raised to attract palm products away from the Ghanaian market and towards bio fuel producers in the North, there would be no palm oil left for Ghanaian consumers. In a country like Ghana, where most people prepare food with palm oil and other palm products almost every day, that would be unthinkable. Yet if we do not act, this is what is likely to happen.

The three features of commodity markets

The recently released joint Action Aid - South Centre report *"Commodity Dependence and Development: Suggestions to tackle the commodities problem"*, at an UNCTAD XII pre-event in Accra explains how dependence on a few primary products seals and perpetuates poverty. It draws attention to three features of commodity markets that will keep those that are dependent on commodities poor forever. First is the unpredictability of international prices. Second is the belief that over the long term, prices of primary commodities go down (in relation to prices of finished goods or goods to which value has been added); and third, there is a tendency towards concentration of production in just a few hands, internationally.

On the first point, the report says:

'Commodity price fluctuation is anathema to economic development for commodity-exporting developing countries: it translates into export earning fluctuations. These in turn lead to fluctuations in domestic income, savings and in government revenues. As a result there is an adverse effect on domestic investment in productive assets. Therefore....the report says.... 'Commodity price volatilities lead to macroeconomic instability, which is detrimental to economic development.'

This is the macroeconomic instability that we are seeing all over Africa. One of the biggest sins of the neo-liberal paradigm - the gravest errors of judgment in the so-called Washington Consensus was to advise African countries to do away with their state marketing boards. Many Asian countries managed to avoid the crisis currently facing African agriculturalists because they did not fall into the debt and structural adjustment trap, and because the state refused to withdraw from taking the lead in development.

But in Africa, the IMF and World Bank told African producers to get rid of state marketing boards and that agriculture would flourish. The state is kleptocratic and parasitic; the state is a vampire. So let us throw the state out of development and without these parasitic marketing boards, we would all be better off. Yet what we are seeing is that in countries where the marketing boards have been privatized, producers are in trouble.

Historically, the marketing boards were established during the colonial period, ironically, to protect African producers from the price crash during the great depression of the 1930s. They were further strengthened to protect African producers from the effects of World War II. In the settler colonies, the marketing boards were usually set up by settler farmers themselves. In countries where these marketing boards have now been abolished in the names of structural adjustment, liberalization and fair trade, we are seeing a worrying picture.

Producers have been left without state protection and are defenceless in international markets, which favour the strong. Yet our producers are weak. No wonder then that countries like Senegal, that liberalised their groundnuts sector, are facing a crisis. It is the crisis of overdependence on a narrow band of commodities. The joint Action Aid – South Centre study is a cautionary tale about the effects of trade liberalisation on sensitive African commodities.

In relation to the Senegalese experience, during the 1960s, groundnuts were seen as the engine of the Senegalese economy. With structural adjustment in the late 1970s – Senegal was one of the first countries in Africa to liberalize – groundnuts production began to decline as the government's support to farmers by way of inputs, fertilizer and technical support started to decline. The final step of liberalisation came in 1996 when state marketing of groundnuts was privatised.

Liberalisation has seen a rise in prices, yet Senegalese farmers do not seem to benefit from these rising prices as trade monopolies have become a feature of the sector. No wonder then that Senegal's President, Abdoulaye Wade has emerged as a vocal champion of the Stop-EPAs campaign. Unlike Ghana, Senegal has refused to sign the Economic Partnership Agreement (EPA) despite tremendous pressure from the European Union, to which in West Africa Ghana, Cote d'Ivoire and Cameroon have succumbed. Corporate Concentration: Profits over Producers.

The worst aspect of the removal of state marketing boards is that market power has been transferred to private hands. This resulted in market concentration. The report draws attention to the quickening pace of concentration in the hands of a few processors, traders and retailers. In 1994, 80% share of the global pesticides market was in the hands of 12 companies. By 2002 just six companies controlled the same share. By that time just two companies controlled 65% of the world's maize seed market.

In relation to food manufacturing and processing, the report says that two companies

controlled close to 60% of the world market for roasted and instant coffee in 2002. Currently, three companies control 85% of the world's tea market. In Africa, the effects of such corporate concentration are being felt in different ways. Let us consider the case of a very African example, coffee, which was first given to the world by Ethiopia.

Of 23 robusta producing countries, 17 are African. Yet the large supplying countries are currently in Asia and Latin America. During the 10-year period from 1995 to 2005, Africa's share in global coffee exports fell from 14% to 7%. For LDCs as a whole, the share fell from 9% to 5%. In the 1970s, exporting countries retained a mere \$5 for every \$10 of coffee exported. By 2006, they retained just 20%. Corporate concentration has changed the nature of commodity markets. Corporates are unlike the state marketing boards, which were the buyer of last resort (and this means that they had a duty to buy grain or cocoa or coffee or groundnuts from the last producer on the margin of the last region in a country).

By contrast, the companies that now rule the market in countries where the state marketing boards have been abolished think only about company profits and not the economic development of poor producers.

There is a strong positive correlation between dependence on primary agricultural commodities and poverty. What it means is that as long as we are dependent on primary agricultural commodities, we will always be poor. There is no country in the world that grew rich on agriculture alone. We in Africa cannot be an exception to this economic truth. The industrialised North grew rich because of the industrial revolution in Britain 200 years ago. This was quickly imitated in all the countries of Western Europe. When we look at the more recent experience of East Asia, South-East Asia and South Asia, we can confirm that it is the added value through manufacturing processes that separates the rich countries from the poor.

So when agricultural commodity production is concentrated in a few hands, it means that those who are already rich will get richer, and those on the margins will be

further squeezed out. They will never have the opportunity to build up their cash income, or to diversify their sources of income, or to add value to their products. This is not a major surprise. The tendency towards monopolies is a fact of economic life that is well known to economists. That is why in the industrialised countries you find institutions that regulate the growth of monopolies. In developing countries on the other hand, these institutions are not well developed.

It is for this reason that we need to have an institution like UNCTAD that insists on having the market regulated on behalf of poor producers and not rich producers. Need to Defend Policy Space of UNCTAD Commodities crisis is forcing the question of commodity pricing back onto the international agenda. Let us recall briefly the history of UNCTAD. The first Secretary General of UNCTAD was Raul Prebisch, a renowned Argentinian economist.

During the 1950s, Prebisch belonged to the school of structural economists that spawned the dependency theory. Dependency theory, which argues that, a small core of rich countries keep the bulk of peripheral countries in a dependent relationship, was popular until the 1970s. It has been out of fashion with mainstream economists since the era of structural adjustment from the 1980s.

However, the pendulum seems to be swinging again. It is evident from testimonies by representatives of farmers' movements and by individual producers of poultry products, rice, groundnuts and shea butter. Some of the stories are desperate.

African farmers are not benefiting from the current high prices. They are facing unfair competition from an overwhelming influx of illegally subsidised imports. Their States seem unable to prevent this onslaught. They are being forced to play by the WTO's rules. Yet they are being squeezed out of business by powerful forces that appear to follow their own rules.

There is a need to recall the ideals of the original advocates of international trade. The classical theory of international trade was

developed by giants like Adam Smith and David Ricardo. It is not usually remembered that Adam Smith was a passionate defender of the rights of the poor. He pointed out the folly of beggar-thy-neighbour policies.

By contrast, the neo-classical ('neo-liberal') paradigm that informs mainstream economists today seems to have no such concern. In pursuing free market policies, that sound good in theory but in practice are only free on one side of the poor-rich divide, we are creating the conditions for a global, social and political catastrophe.

What we are sensing today is a moral outrage that the game is not being played fairly. That the rich industrialised North has set the rules of the game, but instead of holding its producers accountable to those rules, it is distorting markets in their favour. Meanwhile, African producers whose governments have accepted to play by the rules are losing out.

UNCTAD is still one of the international spaces where we expect serious attention to be paid to the cause of producers in developing countries. We cannot give up this space. We need UNCTAD to be strengthened for the enormous task of defending the rights of farmers in developing countries to a fair share of the market. Given the terrible constraints facing producers in developing countries, the space occupied by UNCTAD is the space we want to defend. This is our understanding of the situation facing producers in developing countries who wish to trade their goods with consumers in developed countries on terms that are transparent and fair and that do not encourage the rise of monopolies.

As there do not seem to be any strong initiatives on behalf of commodity producers in developing countries, UNCTAD must take steps to strengthen institutions of producers in developing countries.

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MKAPA CALLS FOR STRENGTHENING OF UNCTAD AND ENHANCING ITS DEVELOPMENT ROLE

"The UNCTAD mission is not obsolete; its relevance is strong to-day than ever before. So the challenge to member states is not to make the organization more relevant to our times; it is to make it more effective."

This was stated by Benjamin Mkapa former President of Tanzania when addressing UNCTAD XII in Accra.

Observing that UNCTAD was founded to be an agent of the development of the poor he said clearly the development of this agency to this purpose is fundamentally the responsibility of the developing countries themselves – to determine the issues for research and analysis; design implementation strategies, mobilize the consensus for their realization.

Below is an abridged version of his statement

Let me start by affirming the obvious but whose perception has increasingly been questioned in recent years. The UNCTAD mission is not obsolete; its relevance is strong to-day than ever before.

The organization was founded in response to the overwhelming reality 40 years ago that billions of people in newly emerging countries were on the margins of reconstructing but relatively prospering globalized world of that time. It was the factor that would balance the wants of the developing world and the needs of the developed world and even out the comparative advantages of both sides in the development equation.

By all yardsticks that imbalance remains, and some will say has been accentuated. Africa accounts for a paltry 3.7% of global trade. Most LDCs produce what they don't eat/use what they do not produce; they bare are not value addition producers, they are an expanding voracious market. Of the developing country economies of the 60's how many have

graduated into middle income producer economies? The end of cold war and the disappearance of the East/West divide have ushered in a new development thinking and paradigm while necessitating a review of relations between the developing countries themselves.

So the challenge to the member states of UNCTAD is not to make the organization more relevant to our times; it is to make it more effective. Dr. *Supachai* invited me to be a member of the Panel of Eminent Persons. My fellow members Ms *Tarja Halonen*, The President of Finland, at the Tuesday luncheon address, walked us through the work of the Panel and its key recommendations. I fully endorse her address and wish merely to share with you my view on the way ahead for UNCTAD.

UNCTAD must play a lead role in tackling key emerging issues.

- *Development strategies:* The rapid advance of globalization means that the whole development context has changed. This will require changes in our global way of doing work. For example, we devoted much effort to establishing the rules for our trading system, but the same is not true for our monetary and financial system. We will have to tackle these issues together, and determine the best strategies to do so. Where else could we do this but in the UN? And in the UN, the best place to the job is UNCTAD.

Trade and development: Trade issues continue to be at the heart of many of our concerns today. Here in Africa, our main concern is commodities, and there are many of us that think commodities must return to the centre of our development efforts. UNCTAD of course has a long record of dealing with commodities, and it clearly has an essential role to play in any undertakings in this field.

Aid for trade: Aid for trade is an essential initiative, based on the realization that market access is a necessary but not sufficient condition for greater participation by devel-

oping countries in the world trade. Countries need help to gain capacity to produce for world markets and to carry their products to those markets. UNCTAD has a natural role to play here. Through its integrated approach to trade and development, it can help countries at every stage of the trade process, from financing to enterprise development, insurance, transport, customs, and so on. I am confident that UNCTAD should play a lead role in this area.

Investment for Development: Harnessing investment for development is a key for developing countries, especially those that have not yet succeeded in attracting investment flows. UNCTAD can also promote a balanced approach to the rights and obligations of multinationals and home and host countries. Development without investment is impossible, and I applaud the holding of World Investment Forums.

Regional integration and South-South cooperation: UNCTAD should play an important role in supporting the emergence of the new south. The dynamism of South-South trade and investment must be sustained, and this will demand institutional and regulatory change, as well as innovation in respect of both South-South and North-South development dialogue and cooperation. South-South liberalization needs to be pursued, including through rationalization of South-South RTAs. Investment in research and development and technological cooperation at the regional level are also needed. UNCTAD has long played an important role in this area, and I believe that it should raise its efforts to a new level. This will clearly be a key area of focus in the coming years, and UNCTAD should be at the centre of international efforts.

UNCTAD must play its full role in a reformed UN. It should strive to promote

- o *Coherence at the country level.*
- o *Coherence among functions. And ;*

Coherence among mandates: President Halonen of Finland emphasized the duo of focus and partnership, and I agree with her. Each organisation must focus on its own compe-

tences, and at the same time enhance its role through partnerships. Partnerships should be a feature of every aspect of UNCTAD's work, including its research and analysis. A number of organisations come to mind here: the Bretton Woods institutions, DESA, UNDP, ILO, FAO, UNIDO and the regional commissions. I believe that, with Dr. Supachai's Leadership, UNCTAD could and should take the lead in a series of participants that will help restore the organisation to its rightful prominence.

Conclusion

The UNCTAD was founded to be an agent of the development of poor, developing, newly independent countries. Clearly the development of this agency to this purpose is fundamentally the responsibility of the developing countries themselves – to determine the issues for research and analysis; design implementation strategies, mobilize the consensus for their realization. To them I have an earnest plea; review your style of participation; don't stretch your resources and time; avoid omnibus discourses and tackle as far as possible one issue at a time; do not hesitate to outsource your knowledge of globalising market; harmonize positions and remedy shortcomings in negotiations capacity.

Half towards the 2015 deadline for the achievement of the millennium development goals, we have to work together; we have to use all the tools and all the fora that we have available to us. The United Nations is clearly the only place where we can all come together on an equal footing in order to achieve our common goals, and in the particular field of trade and development, UNCTAD is the essential forum. Let us make sure that we get the best out of the globalisation, so that it can contribute fully to the tasks that lie ahead.

It can be done; all it will require is will and sustained commitment. Surely the billions of to-days poor and marginalized expect and deserve no less from the international community.

CSOs Reaffirm the centrality of development in the Doha Round and oppose the holding a Ministerial meeting May/June

The Civil Society Organizations which attended UNCTAD XII issued a joint declaration on the WTO negotiations, the food and financial crisis in which they reaffirmed the centrality of development concerns and the interest of developing countries in the outcome of the WTO Doha Round. They were particularly concerned by moves to convene a WTO ministerial meeting in May or June with a view of rushing to conclude the WTO Doha Round. They said that promises made by developed countries at Doha in 2001 had been betrayed in the current tradeoffs. What is now on the table is not development package as envisaged and lacks any development content. The time was not ripe to have horizontal process or to convene a ministerial meeting as there are still too many contentious issues yet to be resolved. It is more important to get the agreement right than to meet deadline

Below is an abridged version of the CSOs statement at UNCTAD XII:

The WTO's Doha Round negotiations are at a crucial stage. At this time, we need to reaffirm the centrality of development concerns and the interests of developing countries in any outcome of the Round. It should be remembered and reaffirmed that the objective of this Round is not market access per se, and especially not market access for developed countries, but the reorientation of the multilateral trading system so that it will contribute to the development of developing countries.

As the Development Declaration of the ACP Group, African Group, LDC Group, Bolivia and Venezuela stressed in their document (WT/L/687 dated 12 July 2007): "For the developing countries, what matters in this Round is the content of the agreements, which must

translate into positive outcomes for our trade and trade balance, improvement in production and supply capacity, and increased employment and incomes of our people. These are among the development yardsticks by which proposals; negotiations, modalities and texts have to be assessed.

We are concerned about moves by some quarters, including the Director General of WTO and the European Trade Commissioner, to rush to conclude the Doha Round as soon as possible. We are especially concerned about plans to hold a Mini Ministerial meeting in May or June, and a super Green Room meeting of senior officials before that. The promise made by developed countries at Doha in 2001 has been betrayed in the current trade offs. What is now on the table is not a development package.

These are our concerns:

-- The time is not right to hold a "horizontal process" or Ministerial. There are too many areas on contention in agriculture, NAMA, services, etc.

-- The main proposals on the table lack development content. Instead, developing countries will be on the losing end in agriculture and industrial products, as well as services, based on these proposals. Developed countries would have to make small commitments, they would also not make much in terms of development obligations, but developing countries would have to cut their tariffs very steeply in NAMA (60-70% in many cases) and also very significantly in agriculture (36% on average compared to 24% in the Uruguay Round).

-- The process of starting a "horizontal process" and a super Green Room of a few senior officials and later a few Ministers is top-down, exclusive, lacks transparency and is fraught with the possibilities of pressures and manipulations. The legitimacy of

whatever is the outcome will be questioned.

The US domestic situation means there is no confidence that any commitments it makes can be honoured. Trade authority lies with Congress, and there is now no fast track authority for the President. Especially in light of the current confrontation between President Bush and Congress over US trade policy, as evidenced by the debate on the US-Colombia FTA, it is clear that Congress will not grant new fast track authority to the current Administration. Thus whatever deal is concluded would have to be passed on to the next President and Congress. Only a new US Administration and Congress would be able to agree to a final deal and ensure follow through for its passage. Thus the current rush for an agreement is illogical.

Governments have to ensure the content of the proposals and draft texts conforms to the development interests of developing countries. Content cannot be sacrificed for timelines. It is more important to get the agreements right than to meet deadlines. Therefore the WTO members should not be rushed into agreements on modalities. We maintain our stand that "no deal is better than a bad deal."

We are concerned about the process of calling a "Ministerial." Unlike a full Ministerial, this "Ministerial" is expected to be attended by only 20-30 Ministers.

The conclusion of a Doha Round on present terms will also worsen the present food crisis and financial crisis, and not help solve these problems, as claimed by some quarters.

The food crisis is in large part a result of supply not meeting demand due to a drastic reduction in food production in many countries. Other factors are sharp price increases due to speculation on the world's food market, the expansion of bio-fuels, climate change affecting weather patterns, and rising oil prices

that push up the cost of fertilizer and fuel. In particular, many developing countries have been pressured to reduce their applied tariffs on food products and to dismantle government support (such as subsidy of inputs, infrastructure and marketing assistance) due to World Bank and IMF policies. This allowed the massive inflow of food products including those that are heavily subsidized by rich countries and thus artificially cheapened.

The Doha Round will worsen this situation by reducing developing countries' tariffs further by an average 36%. Developed countries meanwhile will be able to retain their high domestic subsidies by "shifting boxes." Meanwhile face higher tariff cuts through the EPAs, which in turn will render their agricultural sector less competitive in a more permanent manner than structural adjustment programmes did.

To resolve the food crisis, developing countries need to produce more food. They can do so through having higher tariffs to enable local farmers to compete with imports. There must be a review of the Doha proposals in light of this paramount priority to ensure developing countries can produce their own food, and not just rely on imports. There must also be a change in the policies of the international financial institutions and a renegotiation or cancellation of the EPAs, to enable the use of policy tools (including tariffs and government support to farmers) for food production in developing countries.

The Doha Round would also worsen the financial crisis through the pressures put on developing countries to open their financial services to foreign financial institutions. The practices and financial instruments of these institutions are now recognized as causing the financial crisis. The liberalization of finance can lead to the further spread of harmful financial practices and instruments to developing countries, and thus magnify the world financial instability and crisis. FTAs (including EPAs) will worsen this problem through the services and the investment

chapters, that enable unregulated inflows and outflows of funds.

We therefore request the following to the governments:

1. There should be no rush to convene a Mini-Ministerial at the WTO. After the new Chairs' papers on agriculture and NAMA are produced, the Doha negotiations can be put on the back burner, with all the proposals including those by members (especially developing countries) to be placed on the same status, when talks actively resume after the new US administration and Congress are established.

2. The development content of the proposals on the table must be carefully assessed, and this development content of the Round must be expanded until it reaches an adequate level.

3. The food crisis highlights the need for developing countries to expand food production and increase self-sufficiency to a high degree. Especially due to the food crisis, developing countries should have sufficient leeway to not reduce their tariffs on food products so that they can locally produce food. An effective agricultural special safeguard mechanism should be established for developing countries, as soon as possible, without waiting for the conclusion of the Doha Round.

4. Given the link between financial deregulation and liberalization and the global financial crisis, the WTO should suspend negotiations on liberalizing financial services in the GATS. Any other GATS negotiations including on domestic regulation should not affect governments' policy space to regulate financial services.

5. Reforms are urgently needed to the policies of international financial institutions, to stop their policy advice and conditionalities that pressure developing countries to lower

their agricultural tariffs and to abandon or reduce government support to farmers.

6. Existing FTAs (including EPAs) that pressure developing countries to lower their agricultural tariffs and to liberalise their financial sector and other services should be reviewed, renegotiated or stopped. FTAs and EPAs that are being negotiated should not pressure developing countries to cut their agricultural tariffs or to commit to liberalise their financial markets. WTO rules should be reviewed to enable developing countries to have sufficient flexibility, special and differential treatment and non-reciprocal treatment in regional agreements so that they do not face additional pressure towards excessive liberalization.

The African Civil Society Coalition on IGWG calls for action to address research and development of medicines for developing countries.

Reported by Ambassador Nathan Irumba

African NGOs working on health meeting in Arusha from 3-4 April 2008 called for urgent action to improve access to medicines for people in developing countries

Commenting on WHO initiative to develop a global strategy and plan of Action in public health innovation and Intellectual Property Rights, they noted that the pharmaceutical market is not driven by public health interests, but by commercial interests and that there is lack of innovation for medicines for many of the diseases prevalent in our countries – a problem that needs to be addressed. They emphasized that health is a human right and the right to health must take precedence over commercial interests.

Below is a full text of the statement:

The African civil society coalition on IGWG reiterates its commitment to the ongoing

WHO initiative to develop *Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property*. We reaffirm there is an urgent need for action to improve access to medicines for people in developing countries.

The health situation in our Africa countries remains severely affected by various challenges, including the following:

- ✦ Our people cannot access the medicines they need
- ✦ The economic, social and political determinants of illness are not being sufficiently addressed.
- ✦ The pharmaceutical market is not driven by public health interests, but by commercial interests.
- ✦ Patent protection and high prices are two of the barriers blocking poor people's access to medicines.
- ✦ Funding for research, development and access (RDA) to medicines is insufficient.

There is a lack of innovation for medicines for many of the diseases prevalent in our countries. Health interests of poor people are neglected by profit driven pharmaceutical market. Indeed, the WHO commission on IP, Innovation and Health (CIPIH) concluded that patents do not work as incentives for research and development (R&D) for medicines for poor people.

With this background, and having reviewed the outcome of the IGWGII meeting in November 2007, we have compiled notes and comments on the outstanding issues in the current version of the IGWG draft strategy. Our specific in-text comments may be found within the attached draft document, and we welcome this opportunity to share them with African delegates to IGWG II *bis* (scheduled for 28-03 May 2008) and other IGWG related deliberations.

General comments on the draft IGWG strategy

✦ Health is a Human Right. The WHO constitution recognizes health as Human Rights and all Member states of WHO, by way of their membership, reaffirm this fact. The strategy under development by the IGWG on Public Health, Innovation and Intellectual Property must be addressed in a Human Rights context. We support those WHO member states who seek to (a) uphold the WHO Constitution and (b) fulfil their obligations regarding this Human Right.

✦ The issues of Human Rights, public health and access to essential medicines must remain as primary foci and objectives when considering issues of innovation and intellectual property (IP).

✦ The Right to health must take precedence over commercial interests.

✦ The Essential Medicines Concept as defined by WHO must be recognized, and integrated into the IGWG strategy.

✦ The Type I diseases our people are increasingly experiencing should be prioritized along with the Type II and III diseases, as the epidemiologic transition progresses our countries and the rest of the developing world.

✦ "Research" for health products for the disease affecting our people must encompass discovery, development and delivery.

✦ RDA and its funding is the primary responsibility of our governments and the public sector, therefore public and private (including philanthropic) responsibilities should not be constructed as "equal."

✦ Research in traditional medicines should be encouraged, taking into account the rights of local communities and international effort to protect traditional knowledge.

✦ In line with the recent Kampala Declaration and Agenda for global Action on health work, the "brain drain" and migration of our African health professionals, including researcher, is a serious problem for Africa. Developed countries should stop recruiting our skilled health workers and our governments should make all efforts to retain them.

✦ Developed countries should be encouraged to facilitate the transfer of technology to

developing countries, and developing countries must ensure an enabling environment for its success.

The progressive concepts of open source compound libraries and digital database, patent pools and alternative licensing policies should be developed and implemented.

Conclusion

We note deep concern that while our people struggle to access the health care and essential medicines they need, the majority of African member states to the WHO are not adequately represented in the current IGWG negotiations. The outcomes of the negotiations will be an important plan of action; its main beneficiaries will largely be our people. We urge our governments to take action, monitor, and present us effectively throughout this process.

We urge our African governments to honour, without delay, their commitments on health financing in accordance with the Abuja declaration. Financing for the implementation of the IGWG strategy does not absolve our governments from their Abuja Declaration commitments. In this regard, we call upon our governments to support and contribute to financing mechanisms agreed upon for the implementation of IGWG strategy.

We recognize WHO as the United Nations agency with the lead mandate on all issues pertaining to health, including the relationship between health, trade, intellectual property, and innovation. We therefore call upon our African governments to seek technical assistance from WHO when addressing these issues. In turn, we urge our governments to request WHO to strengthen its focus and technical capacity in these areas.

As African civil society, we reaffirm our commitment to the IGWG process and to engage with our governments in the ongoing struggle to ensure the delivery of comprehensive, par-

ticipatory and equitable health care, including universal access to essential medicines, for all our people.

EDITORIAL:

WHO Strategy and Plan of Action Should Advance and Not dilute the Doha Declaration on TRIPS and Public Health

By Ambassador Nathan Irumba

Members of the World Health Organisation (WHO) are now engaged in intensive discussions in Geneva in the Intergovernmental Working Group on public health, innovation and intellectual property with a view of reaching an agreement on a strategy and action plan for the World Health Organisation to address these issues. While considerable progress has been made, every effort must be made to prevent the process from being used as vehicle to narrow down the flexibilities of member states as reaffirmed in the Doha declaration on TRIPS and Public Health.

In this issue we publish a statement by African civil society coalition working on health which met in Arusha 3rd – 4th April. They reaffirmed that health is a human right and that the right to health must take precedence over commercial interests. They stressed that human rights and Public Health, and access to essential medicines must remain the primary focus and objective when considering issues of innovation and Intellectual Property Rights.

They also noted that there is a lack of innovation for medicines for many of the diseases prevalent in our countries. Health interests of poor people are neglected by profit driven pharmaceutical market. The WHO commission on IP, Innovation and Public Health (CIPIH) concluded that patents do not work as incentives for research and development (R&D) for medicines for poor people.

The 2001 Doha Declaration on TRIPS and Public Health was a significant achievement. It recognized the rights of countries to use the flexibilities provided by the agreement including that of compulsory licensing as specified in article 31. Paragraph 4 of the declaration clarified that: "The TRIPS agreement does not and should not prevent members from taking measures to protect public health" and accordingly affirmed that "the TRIPS agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health, in particular, to promote access to medicines for all."

WHO has recognized that its mission demands that, it should be involved in the debate on how intellectual property rights impact on public health. It is advocating that both the governments in the North and South, as well as the pharmaceutical companies, scientists and other stakeholders must address and seek solutions to the problems of diseases which disproportionately afflict developing countries.

W.H.O made a commendable effort to promote the use of flexibilities clarified in the Doha declaration when it established the commission on Intellectual Property Rights, Innovation and Public Health. The commission, in its report recognized that while the price of medicines is important in determining access, so also is poverty and the lack of infrastructure for delivering health care. This calls for holistic approach since **"it is not just neglected disease, but rather neglected people that should be our main concern."**

The commission made many useful recommendations which were the basis of the draft WHO strategy and action plan now being debated in Geneva in the IGWG process. The action plan has eight elements that include, inter alia, promoting research and development, building and improving innovative capacity, transfer of technology and the appli-

cation and management of Intellectual Property to contribute to innovation and promote public health. The expectation was that the strategy and Action Plan will be submitted to the World Health Assembly this year.

Opening the resumed session of IGWG on 28th April, the Director General of WHO Ms. **Margaret Chan** observed that an agreed framework can make the cycles of product discovery, development and delivery more efficient and more sensitive to health needs of developing countries by giving the international community a common tool to leverage health problems. She underscored the need for the negotiations to move as rapidly and efficiently as possible.

As negotiations have been going on for sometime, it is quite understandable if some show some impatience. Some seem to be in a hurry to end the IGWG process. However, what is crucial for developing countries is to have a meaningful outcome. It is more preferable to have the right outcome rather than keeping the timelines whereby developing countries may be short changed.

One of the most contentious issues which has come up is what role the WHO should have in the discussions and development of rules regarding Intellectual Property Rights and Public Health. Some developed countries wish to minimise the role of the organisation in this regard preferring to leave issues of intellectual Property Rights mainly confined to WTO and WIPO forums. It is in this context one should view moves to end quickly IGWG process as part of the strategy of rolling back WHO's involvement in this debate.

Clearly the WHO, which is a lead agency in UN system on issues of public health, must be invariably involved in the debates on how to address these problems and in formulation of rules that relate to Intellectual Property Rights and Public Health. To sideline the organisation would be most unfortunate. As indicated above, since Doha, WHO has played

an important role in trying to ensure the declaration on TRIPS and Public Health serves its purpose as envisaged. This is a development which a number of pharmaceutical TNCs are uneasy about and would like to curtail with a view of circumscribing or rendering nugatory the flexibilities that the declaration provides for.

In the IGWG plenary the representative of medicines *Sans Frontiers* stated "Governments and WHO should not abdicate their responsibilities or pass the buck to others." We are asking you to strengthen W.H.O's role in intellectual property and health, to change the way R&D is prioritized and financed so that paying for research does not equal prohibitive prices and to take measures to increase generic competition." We agree.

The IGWG process was intended to advance the letter and spirit of the Doha declaration on the TRIPS and public health and should not be used as a vehicle for diluting the obligations contained therein, as some are trying to do.

We observe that bilateral arrangements are also being used to limit the flexibilities in TRIPS and Doha declaration on Public Health. A resolution of the World Health Assembly in 2004 called on member states to ensure that bilateral agreements take into account the flexibilities contained in the WTO TRIPS agreement and those recognised in the Doha declaration on TRIPS and public health.

Equally WHO commissions report called on government's to ensure that the provisions of the texts they agree in to in bilateral arrangements respect the principles of the Doha declaration and that bilateral trade agreements should not seek to incorporate TRIPS – plus provisions.

Regrettably in the Free Trade Agreements being negotiated with developed countries,

developing countries are being pressed to take on WTO-plus commitments in TRIPS. This danger is very real in the ongoing EPA negotiations between the EU and ACP countries, where Intellectual Property Rights are on the agenda.

WHO should have a clear mandate to work on Intellectual Property Rights and Health, and the rules relating thereto. It is also crucial for member states to ensure that the strategy and the action plan being considered specifically clarify this role. Equally the efforts being made by some developing countries to dilute the flexibilities in TRIPS agreement and the Doha declaration should be resisted and rejected.

As called for by the African Civil Society Coalition on IGWG, the IGWG process should lead to a strategy and action plan that delivers a comprehensive, participatory Health Care, including universal access to essential medicines. This calls for vigilance of the delegations from Africa and their effective participation in the IGWG process.

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