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**Lamy: Mini-Ministerial (in June) Is One Possible Scenario**

Aileen Kwa

***Focus on the Global South***

*“If the G4 delivers a breakthrough, we will see the package multilateralised within a day. If there is no G4 breakthrough, the Chairs will be called to deliver texts, taking “everybody’s” position into account.”* African trade negotiator in Geneva

G4 (US, EU, Brazil and India) talks have so far not delivered. According to one negotiator from the G4: “There is nothing right now (in terms of stitching the deal together), but this does not

mean that there will not be something soon. And if it happens, it could happen very quickly”.

Even in G4 talks, the US has yet to put a concrete offer in domestic supports on the table since its last offer of October 2005. As such, G4 negotiations, whilst progressing on agriculture market access issues, remain stalled on the domestic supports pillar. According to the Director General, Pascal Lamy in his briefing to NGOs on 27 March, “G4 convergence is slower than

hopped...and this is starting to create anxiety and frustration...”.

There had been press speculation that a G4 deal might be delivered prior to the G33 Ministerial meeting in late March. The dates have now been shifted to April, possibly after the French elections, or even in May when the OECD meets.

### **Lamy’s Plans**

Lamy outlined two scenarios that could play out in the coming weeks:

- 1) Convergence takes place within the G4 on the “triangle issues”<sup>1</sup>
- 2) Convergence does not happen. “If the political momentum lapses, then Chairs will go back to centre stage. I don’t have a clear view on this and we have not discussed this”.

When asked precisely how the Chairs will go about “multilateralising” a G4 deal in the first scenario, Lamy emphasised the centrality of the Chairs. His statements are rather ironic in the light of Crawford Falconer’s own statements last week when he was calling on Harry Potter to unlock the agriculture stalemate. According to Lamy,

“We operate under the tradition that the Chairs run the process in normal negotiations. They table texts which are either working texts, texts which are part of the consultation process (whether he meant G4 consultation is unclear), their own process, options, feedback or their feeling of where the Members are, or compromise texts which the Chairs believe could represent possible trade-offs... some kind of draft agreement. In between the

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<sup>1</sup> The triangle issues include market access in agriculture, domestic supports in agriculture and market access in industrial products.

working papers and the draft agreement, there are possible intermediate steps”.

“The G4 is trying to get comfort that these elements (of the triangle) can find a landing zone. How would that feed into the normal process? Chairs are kept in the loop and the knowledge they have allows them to shoot in the zone that could be a consensus than if this were not there. A possible G4 convergence would be taken on board by the Chairs and if necessary, changed. It is up to them to make the judgment.

“Falconer (the Agriculture Committee Chair) has said that he is working on texts without giving a definition of what stage these texts would be – technical, compromise or half and half. He is simply giving the signal that the time has come to go back to papers on the table.”

One African negotiator, clearly disapproving of the process and the likelihood of Chairs delivering their own texts reflecting the positions of the majors said, emphasizing the parentheses he uses:

“If the G4 delivers a breakthrough, we will see the package multilateralised within a day. If there is no G4 breakthrough, the Chairs will be called to deliver texts, taking “everybody’s” position into account.”

There have been rumours in Geneva that the breakthrough could be “more than the July framework but less than full modalities”. However, Lamy did not think that a breakthrough could take place without concrete numbers. “I cannot imagine what this would look like”.

He also confirmed that the Secretariat was planning a possible Mini Ministerial before the expiration of the

US trade promotion authority on 30<sup>th</sup> June. "Among the scenarios we are working on, this is one of them". African delegations are very worried that the G4 package will be shoved down their throats. Some African delegations are meeting this week in Nairobi to chart their strategy should there be a G4 convergence. In the meantime, US and EU are also in bilateral talks with certain African Ambassadors this week in Geneva.

The G4 will reconvene this week, this time in Paris. And finally, to tune up the multilateral machinery (either in preparation for the G4 convergence, or for the Chair-led process to deliver compromise texts), Crawford Falconer resumed the agriculture committee meetings last week. However, as one Secretariat staff commented, given that members are still waiting on the G4, "There will not be any real negotiations there".

#### **China follows up on Beijing summit with African Leaders**

*In a follow-up to the Beijing Summit of the Forum on China-Africa Cooperation (4-5 November, 2006), the President of China, Hu Jintao completed a marathon eight-nation tour of countries in Africa on 10 February, 2007. His state visits covered Cameroon, Liberia, Sudan, Zambia, Namibia, South Africa and Mozambique and Seychelles. The following is an account of the significance of Hu Jintao's latest visits to Africa as provided by Foreign Minister Li Zhaoxing to journalists accompanying the Presidential delegation and reported by the Chinese Foreign Ministry on 11 February, 2007.*

Li said that President Hu's eight-nation African tour is a journey of friendship and cooperation and another

significant event following the Beijing Summit of the Forum on China-Africa Cooperation. The huge success of the tour will surely exert far-reaching influence on the future development of China-Africa relations.

Li said that the eight nations are located in different sub-regions of Africa. Some are big and some are small. They are at different stages of development. The tour to these countries is a good demonstration of the comprehensiveness and diversity of China-Africa relations. It is the first time for 6 nations to receive the visit by a Chinese President. In the past 12 days, President Hu traveled some 38,000 kilometers and flew over 50 hours. In addition to holding talks and meetings with more than 20 leaders of the 8 countries, President Hu communicated with over 100 high-level persons from all walks of life and reached out to the African people and those Chinese working in Africa. President Hu attended over 90 activities and delivered more than 30 speeches.

Li pointed out that President Hu's tour achieved many important results in many areas and is a veritable journey of friendship and cooperation.

The friendship between the Chinese and African people will be passed on from one generation to another.

Li said that in looking back upon the past half-century and more, the Chinese and African people established profound friendship in the fight for national liberation and in the process of national building. Such friendship has withstood the tests of time and becomes stronger and stronger. The Tanzania-Zambia railway, the Chinese medical teams working in Africa, and the return of China to the United

Nations have all shown the rarity and sincerity of China-Africa friendship. Such sincere friendship ran through the entire tour.

The leaders of many countries received and saw off President Hu at the airport and hoped to make President Hu feel at home. South African President Thabo Mbeki held a meeting with President Hu in the meeting room of the Cabinet. The headmen in local villages presented rice, fruits and white pigeons to President Hu, which is the most sacred traditional ceremony held by the local people to express the best wishes for peace and prosperity. There were over tens of thousands of people along the streets welcoming President Hu by playing the drum, singing, dancing, waving the flags, or cheering. There were even some shouting “Welcome” and “Hello” in Chinese. Some even danced Yangge (a popular folk dance in China). The singer in South Africa who sang the Chinese national anthem in the state banquet was very impressive.

The African friends, from the leaders to common people, all sang high praise for the traditional friendship between China and Africa, thanked China for supporting and assisting Africa’s liberation causes as well as Africa’s economic and social development, and called China “the brother of Africa”, “the all-weather friend of Africa” and “the most important partner of Africa.”

During the tour, President Hu held cordial talks with African leaders and people from different walks of life and communicated frankly with the media. He talked pleasantly with the common people at the airports, meeting places, construction sites, factories, hospitals and residence buildings, conveying the best wishes of the Chinese people to the African people and sowing the

seeds of China-Africa friendship. He pointed out on multiple occasions that the Chinese people will always be the good friend, partner and brother of the African people. The Chinese people will never impose our ideology, social system and development model upon others. The Chinese people will never do anything that harms the African countries and people. President Hu was warmly applauded every time when he affirmed so. He also paid a visit to the old friends of the Chinese people, Kaunda and Nujoma. He put forward an initiative to the African youths aimed at carrying forward the friendship, enhancing exchanges and creating a joint future, which was also warmly responded.

Li pointed out that the visit indicates that the torch of China-Africa friendship can surely be passed on to the generations to come, just as President Hu declared in speech at the University of Pretoria, “The friendship between the Chinese and Africa people can surely be passed on from one generation to another.”

#### **Pragmatic cooperation with Africa**

Li mentioned that President Hu put forward eight policy measures aimed at strengthening the pragmatic cooperation with Africa and supporting the development of African countries at the Beijing Summit last November, which were warmly welcomed and earnestly expected by the Africa countries.

During the trip, President Hu told the African side that China will, in light of the needs of African countries, earnestly implement the 8 measures in a step by step manner, according to the overall planning, and in the principle of mutual benefits, win-win cooperation, friendly consultations, effective and pragmatic

implementation. Within this framework, China will offer free aid, interest-free loans, and preferential loans to the eight countries, identify the assistance projects, implement debt and tariff exemption treatment, assist the construction of schools in rural areas, demo centers for agricultural technologies, and malaria prevention and treatment centers, and increase the number of government scholarship recipients.

There were over 50 cooperation agreements signed during Hu's visits, most of which relate to the implementation of the achievements of the Summit. President Hu attended the board-unveiling ceremony for China's first economic and trade cooperation zone, demo center for agricultural technologies and malaria prevention and treatment center in Africa.

President Hu also put forward some policy proposals for the expansion of mutually beneficial cooperation, such as enriching means of cooperation, utilizing complementary advantages, promoting joint development and benefiting the people. Hu stressed that China will be committed to optimizing the trade structure, expanding investment in Africa, strengthening technical training and helping African countries improve self-development ability.

African friends complimented China for implementing the achievements of the Summit in such an efficient manner, saying that they had been convinced by China's pledge, sincerity and actions to help Africa develop and improve the lives of its people. The actions declared by President Hu on different occasions were warmly applauded.

The African leaders commented that China is a trust-worthy and reliable partner. Both sides will strengthen coordination so as to turn the cooperation projects into great successes. Africa expects to consolidate cooperation with China in trade, investment, infrastructure, agriculture, resources, energy, health, medical treatment, human resources and other fields.

Li believed that President Hu's tour has vigorously advanced the pragmatic and mutually beneficial cooperation between China and Africa for the achievements of the Beijing Summit have been implemented in many areas during this tour. President Hu mentioned on a number of occasions "to enable the African countries and people to benefit in the earliest possible time", a goal that can surely be reached.

The new type of strategic partnership between China and Africa will embrace a bright future Li said that in the Beijing Summit, China and Africa agreed to establish a new type of strategic partnership featuring political equality and mutual trust, economic win-win cooperation and cultural exchanges.

President Hu and the African leaders jointly planned the future development of China-Africa relations. Hu pointed out that China adheres to the policy and principle of sincerity and friendliness, equality and mutual benefit, solidarity and common development and is willing to work together with Africa to earnestly implement the achievements and consensus of the Beijing Summit, enhance mutual trust in politics, expand economic and trade cooperation, increase cultural exchanges, solidify international

cooperation, and advance China-Africa relations toward higher levels and broader areas. Hu proposed that China and Africa learn from each other, promote joint development, jointly safeguard the interest of developing nations, and promote the building a harmonious world featuring lasting peace and common prosperity.

The African leaders spoke highly of China's African policies and called the cooperation between China and Africa "a new practice in international cooperation", "the cooperation based upon friendship, sincerity and mutual benefits", and "the model for the cooperation between nations". They appreciated the proposed policies and recommendations and said that consolidating the relationship with China is the strategic choice of African countries, which complies with the time and situation as well as the fundamental interest of the African people.

South African President Mbeki said that economically China is the most important partner of South Africa, politically the consultations and cooperation with China are the wealth for South Africa in dealing with challenges, and in terms of Africa's rejuvenation, the cooperation with China and China's continued attention to Africa are of great significance to Africa. The eight nations all expressed their adherence to the one-China policy and support to China's grand cause of reunification.

Li said that China and Africa have reached broad consensus on strengthening the all-round friendly cooperation and furthering the new type of strategic partnership. Li quoted one sentence told by President Hu to journalists in South Africa, "I'm convinced that with the concerted

efforts of both sides, the new type of strategic partnership between China and Africa will surely embrace a brighter future."

### **Promoting peace and stability in Africa**

During his visit to Sudan, President Hu expounded China's principle and position on the Darfur issue: China respects the sovereignty and territorial integrity of Sudan, adheres to resolving the Darfur issue by peaceful means through dialogues and equal consultations, and supports the African Union and the United Nations to play constructive roles. China also offered material assistance for the improvement of living conditions in Darfur.

The Sudanese leaders thanked China for holding such a position and making such efforts to help Sudan achieve peace and stability and indicated that they will make positive efforts to resolve the Darfur issue politically. In response to the concerns of the international community, President Hu expounded China's policies and positions on many different occasions. This is a good reflection of China's sincerity in supporting Africa to achieve peace and stability with concrete actions, in supporting African countries join hands to pursue the rejuvenation of Africa, and in supporting Africa to achieve lasting peace and sustainable development.

### **Advance China-Africa relations**

Li said that President Hu will go to visit the Chinese citizens working in Africa and the representatives of overseas Chinese in every of the eight countries he visited. He required the diplomats to bear their mission in mind and work hard to promote the development of China-Africa relations and safeguard the interests of the

Chinese citizens. He instructed the Chinese-funded enterprises to pursue reputation and quality, take active actions to work and live in harmony with the local people, earnestly undertake social responsibilities and help the African people improve their lives. He inspired the Chinese peacekeepers to carry forward their outstanding traditions, fulfill their peacekeeping tasks, perform their sacred missions and safeguard the global peace. He encouraged the Chinese medical teams to improve their medical expertise, heal the wounded, rescue the dying, and serve the local people.

The Chinese staffs were greatly inspired and indicated that they will never fail the expectations of the country and will work hard in their respective posts to implement President Hu's instructions of "making greater contributions to developing China- Africa relations and benefiting the African people."

President Hu asked the overseas Chinese to carry forward the good tradition of the Chinese nation of working hard and being kind, pay attention to protecting self-safety, and consolidate solidarity and mutual help. The people present were greatly moved by President Hu's remarks. Li said that the African leaders all spoke highly of President Hu's eight nation African tour, saying that the tour was a historical one and a milestone for bilateral relations.

Hu's visit was widely covered by the media of the eight countries. Some newspaper published special issues and some TV even broadcast the tour live, commenting positively on the significance and achievements of Hu's visits and stressing that China-Africa relationship is a type of cooperative

relationship based upon equality and mutual respects. The local people even called Hu's visit "the pride of our country". Li pointed out that President Hu's eight-nation tour is a journey of friendship, which fulfilled the goal of consolidating the traditional friendship between China and Africa, implementing the achievements of the Beijing Summit, expanding pragmatic cooperation, and promoting common development.

It is an important chapter in the annals of China-Africa relations. It had shown to the world that a China that is walking on the path of peaceful, harmonized and scientific development is an important force for the promotion of peace and development of the world.

The Chinese nation will make new and important contributions to the progress of human civilizations.

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### **Dangers in the dark alleys of the WTO**

\*Bhagirath Lal Das

After hectic meetings and consultations among nearly 30 trade ministers in Davos (Switzerland) during the last week of January 2007, the Director General of the WTO has announced full resumption of negotiations on the Doha Work Programme of the WTO.

The talks in Davos on the sidelines of the annual meeting of the World Economic Forum were preceded by intense bilateral talks within the G6 countries (US, EU, Australia, Japan, India and Brazil) following the collapse of negotiations in the WTO in the last week of July 2006.

Some reports indicate that the US and EU would have liked the negotiations

to continue within a small group of countries which would then be brought to larger groups in the WTO when some concrete results were achieved. But the developing countries preferred an inclusive and transparent multilateral format of negotiation in Geneva.

Talks have now been resumed in the various negotiating groups, though a parallel process of negotiations in small groups is also reportedly continuing.

The speed of the negotiation is conditioned by the Trade Promotion Authority (TPA) of the US (commonly called the "fast track authority" which enables the US executive to conclude a trade agreement and place it before the Congress for a "yes" or "no" vote without any amendments) that expires on 30 June 2007.

If the agreements are not reached by then, and if the TPA is not renewed by the Congress, the US executive will find it impractical to continue with the negotiation. And if the US does not participate in the negotiation, the EU will find little incentive to continue. With the US and EU out of the negotiation, other countries will have hardly much interest in it.

Hence, the time of expiry of the TPA is of critical importance. Already the US President has called upon the Congress to renew it, but the Congress, in its new form, may not be quite obliging.

Reports from the US indicate that some important Congress members are suggesting the inclusion of labour standards and environmental protection in the trade deals, which will be highly provocative to the developing countries. They see such measures as new forms of protectionism.

## **Risks of hurry**

With the uncertainty over the renewal of TPA, it is likely that attempts may be made to rush through the negotiations in the WTO to hammer out a deal by the end of June 2007 enabling the US executive to present it to the Congress before the expiry of the TPA.

The pre-Davos activities within the G6, intense though subterranean, are pointers towards such outcome. For example, the Director General of the WTO is reported to have said in Delhi during his visit in January 2007 that something was being cooked by the US and EU and India needed to put in some spice.

It is likely that the developing countries may soon be faced with a boiling pot of results, cooked mainly by the US and EU with the addition of Indian spice and Brazilian flavour. And the developing countries may be hurried into quick assent on the plea that any more delay might result in total disruption of the talks for several years. It may then become politically difficult for the developing countries to say "no".

But such hurried efforts are usually not beneficial to the developing countries. The past experiences of the collapse in GATT/WTO negotiations have been that it is normally followed by results, which are detrimental to the developing countries.

The collapse in Montreal (1988) was followed by the inclusion of intellectual property standards in the Uruguay Round negotiations, that in Seattle was followed by the inclusion of the new issues in the WTO agenda in Singapore, Doha, and more recently the Cancun collapse was followed by

the July 2004 framework where the concerns of the developing countries were almost totally ignored and those of the developed countries almost totally included.

There lies the need for caution and vigilance so that the collapse of July 2006 is not followed by the emergence of yet another set of dangerous results for the developing countries.

As a defense against such possible danger, it is important that the developing countries come out at this stage with their clear stand on what "must be" and what "must not be" in any emerging result. This should follow from an analysis of where the talks were when they broke down in July 2006.

### **Recent feelers**

The final collapse reportedly took place when the US was not prepared to give a better offer in reduction of the total Trade Distorting Subsidy (TDS) in agriculture, which is the sum of the amber box, blue box and de minimis subsidies.

The US's offer was US\$23 billion against the demand of US\$12 billion by the G20 (a group of developing countries having come together in the agriculture negotiation to seek reduction of subsidies and tariff in the developed countries). Now, in the background of the recently resurrected talks, some reports indicate that the US may be prepared to offer a level of US\$15 billion.

The EU, through the EC, has already appeared flexible on its tariff reduction, France's stiff and loud opposition notwithstanding. Its offer of TDS reduction during end-July 2006 was already close to the G20's

proposal. Now, it is reported to have said in Geneva that it would be prepared to offer a tariff reduction in agriculture by 53 percent against its earlier offer of 39 percent.

So the pressure will now be on the developing countries, particularly India and Brazil, the two developing countries in the G6, to make commitments on a heavy reduction of industrial tariff, significant opening up of their services import and softening the stand on Special Products (SP, to be explained later) in agriculture.

The US and EU do not let any multilateral or bilateral event pass without emphasising that the developing countries have to reduce their industrial tariff and liberalise their services import to facilitate liberalisation of agriculture in the developed countries. The latest reiteration of this stand has come on the occasion of the meeting of the finance ministers of seven developed countries in Essen (Germany).

Against this background, the developing countries have to work out their "must be" and "must not be". Most of the former are in the area of agriculture and most of the latter in the area of industrial tariff (formally called non-agricultural market access, NAMA). The area of services will have a mix of the two. The following sections discuss in brief the risks and options in these three areas.

### **Agriculture**

In agriculture, the negotiation has narrowed down to TDS and tariff. The base levels of TDS in the US and EU are respectively US\$48 billion and Euro 110 billion (year 2000, the last year of notification). They had offered in July 2006 to reduce the levels to

US\$23 billion and Euro 33 billion respectively. The G20 had proposed reduction by 70-80 percent, which would bring these levels to US\$12 billion and Euro 27 billion respectively.

There were expectations that the EU might be flexible. Now with the indication that the US might consider a level of US\$15 billion, the gap is not large. Tariff in any case has not been a hard issue, as the EU has been the main target of attention in this regard and the EC, on behalf of the EU, has shown willingness to go up to 53 percent reduction. The proposals of the G20 and of the US in this regard are for reductions of 54 percent and 66 percent. Slightly more flexibility on the part of the EC appears likely.

Thus, the gap between the demand and offer has considerably narrowed down. The point to ponder over is whether this convergence will bring benefit to the developing countries in terms of protection of their farmers in the domestic market and expansion of their export prospects outside.

The fear is that neither of these two objectives will be attained since a vast loophole and a wide escape route has not yet caught the full attention of the developing countries. The US and EU may reduce their tariffs and TDS and, at the same time, increase their Green Box subsidy without limit, thus neutralizing the effects of reduction of TDS and tariff.

This fear is real as is evident from the practices of the US and EU post-1995. They fulfilled their obligations of reduction of reducible subsidies (i.e. the categories of subsidy which they were obliged to reduce) in agriculture but enhanced the subsidies that were immune from reduction.

There is no reason to believe that they will not do the same again and use to their advantage the loopholes and escape routes available in the newly emerging agreement. In the case of the EU, the Common Agriculture Policy (CAP) of 2003 would shift a large bulk (about 75 percent) of the Blue Box subsidy to the Green Box. The latest Five Year Farm Bill of the US stipulates additional payments (about US\$5.5 billion over a 10-year period) through the Green Box. Reports from the US indicate that this move is partially aimed at avoiding challenges in the WTO.

The Green Box subsidy is immune from reduction in the WTO as it is presumed to be non-trade-distorting. This presumption is a mistake as the subsidy, even though not strictly in the form of direct market intervention enhances the staying capacity of the farmer in agriculture by its wealth effect and by assisting the farmers to take risk. It encourages and supports unviable agricultural production and thereby distorts agricultural trade.

A recent analytical and quantitative study done by the UNCTAD India office has come out with revealing conclusions that without the Green Box subsidies in the major developed countries:

\* Agricultural exports of the US and EU will decrease by 39 percent and 45 percent respectively, while the exports of the developing countries will increase by 22 percent;

\* Agricultural production of the US and EU will decrease by US\$20.9 billion and US\$53.8 billion respectively, while the production in the developing countries will increase by US\$41.9 billion;

\* Agricultural employment will decrease in the US and EU respectively by 2.4 percent and 5.8 percent, while it will increase by 4 percent in the developing countries;

\* The cost of production will rise in the US by 15 percent and in the EU by 17 percent.

It is thus necessary that the developing countries firmly cast aside the myth that the Green Box subsidies are non-trade-distortive and set about having them eliminated or minimized.

The July 2004 Framework (WTO General Council Decision of 1 August 2004, Annex A, paragraph 16), which elaborates the mandate of the negotiation under the Doha Work Programme, calls upon a review and clarification of the criteria of the Green Box subsidy (of) with a view to ensuring that "they have no, or at most minimal, trade-distorting effects or effects on production".

The G20 has given some proposals on it. But the proposals are not specific in terms of quantitative targets as those on TDS and tariff. Further, the G20 has not so far insisted on integrating the Green Box criteria in the mainstream negotiation on agriculture.

In fact, the G20 members in the G6, i. e., India and Brazil, appear to have allowed the G6 negotiation on agriculture to be centred around tariff and TDS without bringing in the Green Box criteria as an essential and compulsory part.

It is important to insist that the Green Box is brought into the mainstream of agriculture negotiation and given the same priority and importance as the tariff and TDS.

While the major developed countries are firmly defending their Green Box, they are trying to weaken the provisions for Special Products (SP) food security, livelihood security and rural development needs of the developing countries.

Reports from Davos indicate that there were pressures on the developing countries to dilute their stand on SP, but the G33 (a group of 45 developing countries that have been actively championing Special Products and Special Safeguard Mechanism), with active roles played by Indonesia, India and China, issued a firm warning in Davos that any such dilution would not be acceptable.

The developing countries must continue to remain firm on two essential elements in SP: adequate coverage of the SP and adequate protection for them. The G33 has given specific proposals, which need to be pursued with full determination.

## **NAMA**

In the area of NAMA, the developing countries are feeling strong pressure from the major developed countries for drastic reduction of industrial tariff.

They have already made a significant concession in the Hong Kong Ministerial Conference in December 2005 by accepting the Swiss Formula which will result in tariff reduction on each product, a significant departure from the past practice of reducing only the average of industrial tariff whereby the developing countries retained the flexibility to spread the average over the whole range of tariffs in consonance with their respective development needs.

The Swiss formula connects the initial and final tariffs by a coefficient in such a way that the adoption of a lower coefficient results in greater tariff reduction. Further, all final tariffs are lower than the coefficient.

The EC has proposed a coefficient of 15 for the developing countries. There are some suggestions for 10 as the coefficient for the developed countries. There were some reports in the intense phase of the negotiation within the G6 during end-July 2006 that the coefficients for the developing countries and the developed countries would be 30 and 10 respectively. It is relevant to examine the implication of these coefficients in terms of tariff reduction.

Taking 30 as the coefficient for the developing countries, their tariff of 28, which is their average tariff, will be reduced to 14, which represents a 50 percent reduction (from 28 to 14). Taking a coefficient of 10 for the developed countries, their tariff of 4, which is their average tariff, will be reduced to 3, representing a reduction of only 25 percent (from 4 to 3). This is clearly a reversal of the agreed principle of "less than full reciprocity" for the developing countries and will be extremely unfair.

It is unfortunate that the developing countries have allowed the negotiation to be centred on the coefficient in the Swiss formula. The negotiation should, instead, be on the respective reduction of tariffs by the developed countries and the developing countries and then the appropriate coefficients should be calculated to achieve the agreed levels of reduction.

Adhering to the agreed principle of "less than full reciprocity" for the developing countries, one alternative is

to have an appropriate differential in respect of tariff numbers.

For example, if the developed countries reduce the tariff from 10 to 4 (thus having a reduction of 6 in the absolute tariff number), the developing countries could reduce their tariff from 35 to 31 (thus having a reduction of 4 in the absolute tariff number). The respective coefficients in the Swiss formula for the developed countries and the developing countries then work out as 6.7 and 271.

A second alternative may be to have differential rates of tariff reduction for the developing countries and the developed countries. For example, the developed countries and the developing countries may reduce their tariffs respectively by 60 percent and 40 percent. In order to have such reduction in their respective tariffs of 4 and 30 (which are near their respective average industrial-tariff levels), the coefficients for the developed countries and the developing countries respectively should be 2.7 and 45.

These examples show that the pairing of coefficients as 15-10 or even as 30-10 (for developing and developed countries respectively) is totally inappropriate and grossly unfair. The negotiation must be reoriented in a basic way. The primary focus should not be the coefficients in the Swiss formula; rather, it should be the reduction in absolute tariff numbers or the percentage reduction in tariffs. Then appropriate coefficients should be worked out in order to have the desired reduction.

### **Services**

In Services too, the developing countries have lost a lot of ground in the Hong Kong Ministerial

Conference. The decision of this conference has fixed the base levels for liberalization across the board in all sectors.

It stipulates that there will be commitments at existing levels of market access in Mode 1 (supply of service by the service provider of a country to a consumer located in another country) and Mode 2 (supply of service in a country to a consumer coming from another country).

Further, it calls for enhanced levels of foreign equity participation and elimination/substantial reduction of necessity criteria in respect of Mode 3 (supply of service through the commercial presence of a foreign firm).

This decision has taken away the current flexibility available to the developing countries in the General Agreement on Trade in Services (GATS), which permits the developing countries to choose the services sectors to be liberalized and also to impose conditions and limitations on market access and national treatment in these sectors. In particular, the GATS stipulates that the developing countries shall have the flexibility to liberalize fewer sectors and fewer transactions.

The main interest of the developing countries in the services area is in liberalization in Mode 4 (supply of service by movement of persons) and in respect of qualification and quality standards in the developed countries. It is important for them to ensure that they get commensurate benefits in these two areas to balance their commitments, which benefit the developed countries.

It is useful for them to establish a mechanism for assessing such balance,

taking into account both tracks of the services negotiations, i.e., the request-offer track and plurilateral track.

### **Conclusion**

In conclusion, the developing countries should remain vigilant and cautious against being hurried into unfavorable and unfair agreements. In agriculture, the Green Box criteria should be brought into the mainstream of negotiation along with TDS and tariff and the provisions for SP should be effective and useful.

In NAMA, the negotiation should shift from the coefficient in the formula to the targets of tariff reduction in the developed and developing countries.

In services, there should be a careful balancing of benefits to the developing countries with the obligations they undertake.

*(\* Bhagirath Lal Das is a prominent international trade expert and formerly Director of International Trade Programmes in UNCTAD. This article first appeared in the Economic and Political weekly (India).*

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### **Forward with the Struggle to Stop EPAs**

*A declaration of the 9th Annual Meeting of the Africa Trade Network*

*African Trade Network which brings together Civil Society Organisation dealing with trade in Africa expressed their concern that while there is wide-spread recognition of the dangers posed by EPAs to the economies and peoples of the ACP countries, this has not yet led to fundamental changes in the design of the EPAs and the process of negotiations. Instead the EC simply adopted new rhetoric to continue to impose its parameters, agenda and*

*momentum on African and other ACP groups. It is against this background that the statement below was issued:*

We, African civil society organisations gathered at the 9<sup>th</sup> Annual Review and Strategy Meeting of the Africa Trade Network in Accra, from the 11-14 of December, 2006, having reviewed the on-going negotiations on the so-called Economic Partnership Agreements as well as developments in the World Trade Organisation negotiations, declare as follows.

We affirm as primary the right of our countries to pursue autonomously determined policies, which promote the development of our economies, and fulfill the social and human rights and livelihood needs of our people. We also assert the integration of African countries both regionally and continentally, on the basis of our own imperatives, as a key condition for the development of our countries and for the benefit of our people.

Over the past two decades, this right of African countries to pursue their own individual and collective developmental agenda have been attacked and subverted by the countries of the north that dominate the world economic system, as part of their never-ending attempts to further open up the economies of African and other developing countries for the benefit of their transnational corporations.

### **Economic Partnership Agreements**

The so-called Economic Partnership Agreements being negotiated by African countries (and the Caribbean and Pacific) with the European Union, are, like other bi-lateral and multilateral free trade agreements, simply the latest instruments deployed in the attack on our countries. These agreements are set to be even more

restrictive of the policy choices and opportunities available to our governments, and even more severe in their impacts than the World Bank/IMF structural adjustment policies as well as the WTO agreements.

It has been three years since members of the Africa Trade Network launched their opposition to the Economic Partnership Agreements. Since then, several hundred civil society organisations, social movements, and mass-membership organisations across Africa, the Caribbean, the Pacific and Europe have been pursuing a campaign to STOP the EPAs as currently being negotiated between the European Union and ACP groupings of countries.

While there is wide-spread recognition among governments, inter governmental institutions, parliamentarians, civil society actors and a diverse range of social constituencies across the ACP, Europe and the rest of the world of the dangers posed by the EPAs to the economies and peoples of the ACP countries, this has not yet led to fundamental changes in the design of the EPAs and the process of negotiations.

Expressions of concern among some European Union member-states and institutions about the EU proposals for the agreements have not yet translated into changes in directives for the European Commission. Instead, the EC has simply adopted new rhetoric to continue to impose its parameters, agenda and momentum on African (and other ACP) groups. Furthermore, while the EC negotiators have sought to strike a public profile of reasonableness, they have continued with characteristic arrogance in the negotiations.

On their part, Africa's EPA negotiating regions still seem unable to give expression to the fundamental logic of their stated developmental concerns in the overall architecture of the EPA and its different themes. Rather, they have tended to get bogged down in disputes with the EC over narrow (even if legitimate) questions of support for adjustment costs, transition costs and supply-side constraints.

Furthermore, many countries in the African regions have still not fully carried out their own independent assessments and studies of the overall as well as sectoral implications of the EPAs. They continue to rely on support from the EC, while the latter continues to reject those studies whose outcomes it does not like. In some instances, the secretariats of the regional groupings whose role it is to represent the interests of the regions in the negotiations have been overwhelmed by the EC.

Above all, in spite of the fact that they are patently not in a position to do so, many of the African negotiating regions are rushing to engage in the more advanced and complex stages of the negotiations.

The region of the Economic Community of West African States (ECOWAS) has declared itself ready to move into text-based negotiations, in spite of continued deadlock (indeed as a way of breaking out of the deadlock) over fundamental issues of principle such as the development content of the EPAs. Furthermore, in spite of their own stated opposition to the Singapore Issues in the EPA, ECOWAS has agreed under pressure from the EC to adopt its own regional policy frameworks of investment and competition in a manner that is set to prejudice its ability to continue to

resist the inclusion of these issues in the EPA.

On its part, the Eastern and Southern African (ESA) region has tabled its own draft EPA agreement ahead of any meaningful progress on such fundamental principles as development in the EPAs, and in the absence of clarity on how to deal with some subjects such as services in the EPAs, or even on such practical matters as approaches to dealing with sensitive products that should not be subject to tariff liberalisation. The draft agreement's provisions on tariff liberalisation give up the right of ESA countries to use tariff to develop the capital and raw material goods sector, thereby undermining their long-term industrialisation.

Similar contradictions and tendencies have been displayed in other EPA negotiating regions in Africa and beyond.

The above narrow and superficial approach has been adopted in relation to the mid-term review into the EPA negotiations as mandated in the Cotonou Agreement. The declared principle that the review be comprehensive, transparent and inclusive of all stakeholders has so far not been observed. In addition, none of the regions seems to have taken seriously the stated objective of the review to explore alternatives, and indeed some have stated that there is no alternative to the current approach.

As they are proceeding therefore, the EPA negotiations reinforce our declared concern that they aim to establish nothing other than free trade agreements between Europe and the regions of Africa (and the Caribbean and the Pacific), where reciprocal trade liberalisation is coupled with

deregulation of investment in favour of European investors.

We therefore re-iterate our rejection of the Economic Partnership Agreements, and re-affirm our campaign objective to stop the EPAs.

We re-state our position that as free-trade agreements between two unequal parties, the EPAs are fundamentally anti-developmental. This is especially so in the particular context of Africa's weak, fragmented economies, which have been ravaged and distorted by years of European and (other) external domination. This anti-developmental essence cannot be reversed by means of the on-going attempts to inject some so-called development dimensions into these FTAs. We also assert that any alternative to the EPAs can only be defined as the right of, and support for, African and other countries of the ACP to determine their own policies and agenda for development.

We therefore re-affirm the demand of the stop EPA Campaign for an overhaul and review of the EU's neo-liberal external trade policy, particularly with respect to developing countries, and demand that EU-ACP trade cooperation should be founded on an approach that:

- is based on a principle of non-reciprocity, as instituted in the Generalised System of Preferences and special and differential treatment in the WTO;
- protects ACP producers, domestic and regional markets;
- excludes the pressure for trade and investment liberalisation; and
- is founded on the respect for and supports the space of ACP countries to formulate and

pursue their own development strategies.

In furtherance of the above, we demand that:

- the Singapore Issues of Investment, Competition Policy and Government Procurement should be unconditionally excluded from trade agreements with the European Union;
- rules and disciplines on services liberalisation and intellectual property must not form part of such agreements, since the related disciplines in the WTO are sufficient for any interaction with the European Union; the imbalances of those disciplines in the WTO will not be removed but rather worsened in the EPAs.
- there should be no reciprocal removal of tariff, in whatever form, whether asymmetrical or otherwise, with the European Union; any market access relationship should be based on the Generalised System of Preferences (GSP).

## WTO

We reiterate our views that the negotiations under the Doha Work programme have continued to marginalise the developmental concerns of African and other developing countries, in favour of the developed countries. This is affirmed by the very circumstances of the suspension of the negotiations in July 2006, which was occasioned by deadlock among an exclusive group of countries, consultations among whom had taken centre stage of the negotiations, at the expense of the democratic participation of other member countries.

We reject any resumption of the Doha talks that is based on the exclusion of the concerns and interests of African countries.

We reject the continued drive by the developed countries to further open our markets to their agricultural and industrial products, and to their services suppliers. Instead, we insist on the right of our countries for a continued use of tariff instruments to protect our agricultural producers and industry, to support our industrialisation; and maintain our flexibility to determine whether and how to further open our economies to foreign entities.

### **Responsibility of African governments**

We call on all African governments to rise up to their primary responsibility to the African peoples and states in the context of all the trade negotiations.

In relation to the EPA negotiations, we urge our governments to resist attempts to railroad them to stick to tight and unrealistic negotiating time-lines. They must use the space that is gained for a more meaningful engagement with their stakeholders around our own autonomous regional integration agenda as basis for a beneficial relationship with the European Union. We further call on our governments to rise beyond narrow regional fragments in dealing with the European Union that has been imposed by the region-based negotiations of the EPAs, to assert the collective vision for Africa which the people yearn for and which the imperatives of our economies demand. They must also work more closely with the Caribbean and Pacific regions.

### **Civil society**

As civil society organisations, we commit ourselves to strengthen our continent-wide solidarity and action, and to further strengthen our interactions with our allies from the African, Pacific, the Caribbean and Europe and all over the world to take forward the struggle to stop the EPAs.

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### **G33 stance of protecting small farmers hailed**

Civil Society Statement

*Rice Watch and Action Network (RI) from the Philippines and Koalisi Rakyat Untuk Kedaulatan Pangan (KRKP) from Indonesia issued this statement upon the conclusion of the G33 Ministerial Meeting on March 21, 2007.*

We appreciate the G33 for upholding developing countries' right to protect their small farmers from trade liberalization amidst mounting pressure from the US, WTO DG Lamy and others to weaken the nature and intent of Special Products (SPs) and Special Safeguard Mechanism (SSM). The US and the EU have no right to demand any concession from developing countries since they themselves are not willing to commit to the total elimination of their trade distorting subsidies and have not offered anything substantial to indicate that they are serious about moving the negotiations forward.

We support the G33's strong demand for the early removal of trade distortion caused by subsidies and significant market barriers in developed countries. The responsibility of concluding the Doha Development Round is now back to developed countries. We must not forget that development is at the heart of the Doha Development Round, It cannot be achieved under the current

trade arrangement where developed countries' subsidized agricultural products continue to flood the markets of developing countries, marginalizing the poor farmers.

We welcome the coalition's call to enhance transparency in the negotiations in view of many ongoing bilateral, small group and plurilateral talks that undermine members' meaningful participation in the multilateral trade negotiations.

However, we call on the G33 to ensure that SPs and SSM are responsive to the development needs and agenda of poor farmers in the developing countries. After all, food security, livelihood security and rural development are the poor farmers' utmost concern in this period of trade liberalization.

We therefore urge the coalition's members to ensure the active involvement and participation of poor farmers and agricultural stakeholders in the process of defining the indicators and in identifying which commodities should be designated as special products. The G33 must include the gender dimension in the indicators and selection of SPs.

We also reiterate our concern that the emerging Free Trade Agreements are hampering the developing countries' capability to use SPs and SSM. The FTAs have rendered ineffective the intent of SPs and SSM to protect the livelihood of poor farmers. We therefore urge all G33 members to recast all FTAs in a manner that upholds developing countries' right to protect their food security, livelihood security and rural development.

Moreover, we urge the G33 to stop the reinstatement of the peace clause in view of the US and the EU's refusal to

substantially reduce, if not totally eliminate their trade distorting subsidies.

We call on other farmers and civil society organizations to actively participate in the process of designating special products and in finalizing the modalities for SPs and SSM. Our substantial participation in this process will help ensure that just, equitable and gender-equal safeguards are in place in the light of food security, livelihood security and rural development objectives of developing countries in the WTO.

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### **Africa must not be treated unfairly in the 21<sup>st</sup> century**

*Angela Merkel*

*In her address to the World Economic Forum (24 January, 2007) Ms Merkel expressed her conviction that the essence of globalisation today provides the world with more opportunities than risks. However, if these positive forces of globalisation are to benefit everyone, we have to create a new balance of power in world trade, in the consumption of resources, in education, in the fight against AIDS and in state finances. To put it in nutshell, we need a global economy, which complies with the rules of fair regulatory framework.*

*She underscored that the question of how Africa can be better integrated in global economy is a priority for Germany G8 presidency. What is needed is a responsible approach to natural resources and development of independent African capacities. This strengthens the position of African states as equal partners when it comes to access and control of Africa raw materials. "For one thing must not be allowed to happen, namely that Africa*

*is again treated unfairly in the 21<sup>st</sup> century in the fight for raw materials”.*

Thank you very much for inviting me to speak to you this year. For me the motto of the Forum, "The Shifting Power Equation", sums up the global situation. The world economy is undergoing an unbelievable process of change, and many things we thought were totally immovable are being shifted around.

We should constantly remind ourselves that this development was set in motion by three historic events within the space of just over fifteen years – first, the fall of the Berlin wall and the reintegration of Central and Eastern Europe, as well as of Russia, into the global economy; second, the technological revolution in IT and communications – we should merely consider that the number of sent e-mails increased by a factor of 215 between 1997 and 2005 –; and third, China's, India's and other countries' transition from static to dynamic economies and their quantum leap onto the world markets.

This last process has meant that one-third of the world's population has changed from spectators on the global stage to actors. This means that the perspectives are changing. We, the established actors, say that the situation has become less clear, while the new actors say that there are now greater opportunities. The fact is that a completely new global balance of power is being created. The positive thing about this is that today the world's economic potential rests on many more shoulders than even ten years ago, as can be seen from the extraordinarily high and sustained global economic growth rate. This benefits all of us – the industrial

countries, the emerging economies and the developing world.

The challenge in this is that old habits, perquisites and inherited rights no longer guarantee success. The old hierarchies are being flattened. As the American journalist Thomas Friedman has said, the world is flat. Resources, potentials and power can shift completely overnight.

Yesterday the Swiss Prognos institute published a study, which states that in two years' time, in 2009, China will replace the world export champions for the past half century, Germany and the US, at the top of the league table.

But of course this challenge not only faces the classic industrial countries. To put it bluntly, those who see themselves, as tomorrow's winners must not be too sure of still being on top the day after tomorrow. Let me give you an example – I have heard from a German machine building SME, KTR Kupplungstechnik, a highly specialized firm with over 40 subsidiaries, engineering offices and distribution partners worldwide, that its Chinese customer has moved its weaving production line from China to Botswana because the wages there are lower! This shows how fluid the whole process is. But it also shows that if we get things right all three sites can benefit – in terms of jobs, export opportunities, investment, know-how transfer or indeed tax revenue. Nonetheless this example also highlights the downside of globalization. Hope for one side means worry and fear for the others.

We politicians know these concerns only too well and we must therefore do all we can to shape globalization in political terms. We must not neglect this aspect because people look to us

and ask what we are doing to give globalization a human face. We know that within individual economies the consequences of globalization vary widely, and that there are still many countries cut off from the global upswing. In addition, the global competition is accelerating the rate of destruction of natural resources. Intellectual property protection is being eroded. It is obvious that many of the answers found to these questions to date no longer work properly, or that we still don't have answers to many questions.

This means that dealing with the consequences of globalization is above all an intellectual challenge, not least for Europeans. During the past 200 years we, and indeed Europe as a whole, became accustomed to taking a highly Euro centric view of the world. Today we see that this simple view no longer applies. To take up this year's Davos motto once again today's equation of power contains many more variables than was previously the case. This makes many people insecure, particularly in Europe.

So what would be more obvious for Europe than for it to just hold its ground and cut itself off from the rest? We know that even in 2011 the European Union will still contribute four times as much to the world economy as China. Would it not be a successful strategy to exploit our strengths ruthlessly, secure the global resources necessary for our own prosperity just in time, and build a few walls to conceal our own weaknesses? My short and sweet answer is no. I'm firmly convinced that the process of globalization is one of liberalization because, as Benjamin Franklin, one of America's Founding Fathers, once said, "Those who would give up essential Liberty, to purchase a little temporary

Safety, deserve neither Liberty nor Safety."

For that reason, more freedom for new security is the guiding principle by which we – and here I'm speaking as the current EU Council Presidency – want to make Europe fit for the future. In some sectors, for example energy or services, the European market is far from complete. We want to and indeed must make progress on this.

We therefore support the European Commission in its ambitious aim of reducing bureaucracy by 25% by 2012. This also means that we in the Member States have a duty to take every effort to follow suit. I'm convinced, however, that we will only be able to tackle all the challenges facing Europe if we pool our strengths. When the European Community was founded Europeans made up about 21% of the world's population, today that figure is around 11%, and by mid-century it will have fallen to about one-third of the original share, i.e. 7%. Therefore we in Europe are increasingly less able to afford division.

But with today's setup Europe is scarcely able to take adequate action, and thus I am convinced that the European integration process now needs to be consolidated in a way that is geared to the new challenges rather than the old. We also know that the EU cannot be extended if the status quo is maintained. This is why we have said that during Germany's EU Presidency we need to restart the constitutional process. To that end, in June, we want to present a roadmap aimed at safeguarding Europe's effectiveness. We know, as proved by the failed referendums in France and the Netherlands, that if we want to achieve this we need citizens who trust this Europe. This means we must place

greater emphasis on our shared vision. We must show the citizens that the EU is good, that it is important for them personally, and that it will improve their lives.

On 25 March 2007 we will celebrate the fiftieth anniversary of the signing of the Treaties of Rome in Berlin. We will thus have a unique opportunity to reaffirm our shared vision in the city, which stood for the Cold War and the division of Europe. This means that Europe can be successful if it acts together, but it must show the citizens that this action is for their prosperity and stability.

As Germany's Chancellor – let me digress for a moment – I am aware that as the EU's largest economy Germany has a major responsibility in this regard, as Europe can only prosper if Germany is economically strong. So last year we set ourselves the target of getting Germany back among the EU's top three within ten years in terms of growth, jobs and innovation. If we look at the latest economic data we can say that we have got quite a lot closer to that target already. In spite of increasing competition German firms have not only held on to their market share but in some cases even raised it. Unit labour costs are finally falling, as is unemployment. More jobs are being created. We will reduce company taxation to under 30%, and state new debt will this year in all probability be lower than at any time since German reunification.

The public sector share of GDP, too, is at its lowest level since 1990. I am telling you this today because I know that economic success brings with it a greater responsibility to share our peace, prosperity and development with other parts of the world. This means helping to make sure that

coming generations can live in a really liveable way, not just in some parts, but worldwide.

One of the major realizations of our times is that although our world is becoming more varied – there are ageing and very young societies, countries whose prosperity is based on raw materials and those whose sole resource is their people's education and ideas, regions threatened and afflicted by religious and political tensions and those where that threat is absent – but we are all facing the same great challenges to a much clearer extent than we previously thought: Safeguarding free and fair world trade, stabilizing financial markets which are increasingly integrating, protecting against international terrorism, securing energy supplies, combating climate change and dealing with migration due to poverty.

So there is a simple reason why Germany and Europe must not merely engage in navel-gazing but rather look further afield. It is in our fundamental interests to together tackle these challenges facing the world. To quote an African proverb, "if you want to go fast, go alone. If you want to go far, go together." I think we should take this wisdom to heart. In fact this is exactly how we want to meet Germany's and indeed the EU's responsibility in the world. This will of course be clearly reflected in our agenda during Germany's EU and G8 Presidencies.

Many themes are important to both organizations, and so our concurrent Presidencies give us the opportunity to generate synergies. We deliberately gave our G8 Presidency the motto of "Growth and Responsibility". Growth remains for all countries the basic prerequisite for achieving more employment, higher living standards and greater resource productivity. But

growth is not an end in itself. It must be created equitably, not through unfair measures. Global competition must therefore in my firm opinion be placed within an international framework. It is precisely here that politics comes into play, as politics has the responsibility for this framework.

We have therefore set ourselves the goal of putting economic themes back to the forefront of the agenda during our G8 Presidency. We want to increase the options for global investment and are committed to the equal treatment of cross-border and domestic investment. We want to continue the G8's joint efforts to reduce the strong global imbalances, for example in exchange rates or oil supplies. We want to minimize the international capital market's systemic risks while increasing their transparency. Let me make it very clear that I see much room for improvement, especially regarding hedge funds. We want to support innovation, as the key to growth and prosperity, and markedly advance the effective worldwide protection of intellectual property. We want to supply impulses for climate protection, greater energy efficiency and increased security of supply.

When I say all this I am aware that the tasks facing us are truly massive. Therefore we must realize that only a unified G8 approach can help persuade the emerging economies, with their dynamic economic growth, to join us in our shared global responsibility. Any other approach will fail. Therefore my aim is for Germany's G8 Summit, in Heiligendamm in June, to place special emphasis on new forms of dialogue with the major emerging economies, i.e. Brazil, China, India, Mexico and South Africa. The Summit will initiate that dialogue and pass it on

to other international organizations because we need a coherent, joint approach in the many international bodies.

I'm convinced that the sine qua non for global growth are open world markets. The World Bank has established that growth has increased considerably in those countries actively participating in globalization. It has fallen, however, in those countries, which have opted for self-isolation. This applies to both industrialized and developing countries. It is therefore in everyone's interests that the Doha Round succeeds. I hope that key talks can be conducted on this during the next few days. There is undoubtedly a chance of success. However, the positions of Europe, the United States, emerging economies and developing countries have to converge.

We all have to be flexible. Responsibility for making the Doha Round a success rests on many shoulders. Failure would, however, be a severe setback. I want to stress that we should not focus solely on the agricultural sector. We also desperately need to make progress in the negotiations on industrial goods and services. This concerns the industrialized nations' key interests'. I am aware of that. A fair balance is therefore required. We have to use the little time at our disposal for making progress in the negotiations.

What's more, I believe it's essential we intensify transatlantic economic relations. This isn't intended to be contrary to, but rather to supplement and support, the multilateral approach. History has shown us time and again that close transatlantic economic ties have always generated sustained increases in growth. That began in the 19th century when investors from

Europe were heavily involved in the financing of the American railway network, which was of vital importance to America's industrial development. Conversely, we remember that after the Second World War, when Europe's economies were in a critical state, capital flowed from America to Europe within the framework of the Marshall Plan. This laid the foundation for reconstruction not least in my own country.

The US continues to be the European Union's most important trading partner; indeed we are also each other's most important investment partners. I believe the potential for cooperation hasn't been fully exhausted yet. I am talking here about non-tariff trade barriers, for example technical standards, rules for financial markets, issues in the spheres of energy, the environment and intellectual property. I see much need and scope for action here. The different regulatory approaches on both sides of the Atlantic generate totally unnecessary transaction costs.

These can be reduced. We should aim to create structures similar to those of an internal market. These issues will be addressed at the European Union's summit with the US in Washington on 30 April.

I want to emphasize again that this approach would be absolutely disastrous if it were to be directed against others. Or let me put it the other way round: this approach is not directed against anyone. What's more, other countries with close trading relations with Europe and the US would benefit from greater economic integration. I invite every country, which promotes free trade and investments to join our initiative.

Ladies and gentlemen, it's becoming increasingly clear that we all Europe of course but I also mean other regions have to look beyond our own noses. Otherwise we won't be able to shape globalization. That's why the question of how we can better integrate Africa into the global economy is another priority of Germany's G8 Presidency. Africa has a population of one billion. We want more to be invested on this continent and growth and employment to be placed on a broader basis. At least we can say that economic growth in sub-Saharan Africa has been 4% on average during the last five years. According to the World Bank, this is partly due to the greater integration of these countries into the global economy. Contrary to some headlines in the European media, we know that Africa now has more economic growth, more democratic governments and less conflicts. We can build on that and we have to seize these opportunities. There's still so much to do.

What we need more, above all, is a responsible approach to natural resources and the development of independent African capacities for conflict management and post-conflict peace building. This not only makes things easier for private investments. It also strengthens the position of African states as equal partners when it comes to access to and control of Africa's raw materials. For one thing must not be allowed to happen, namely that Africa is again treated unfairly in the 21st century in a fight for raw materials. Germany's President once said: "The humanity of our world will be measured against the fate of Africa".

I believe he was right we know that AIDS is undoubtedly one of the great challenges of our time not only, but particularly, in Africa. Some 40

million people around the world are infected with HIV. Roughly 70% of them live in sub-Saharan Africa. It is estimated that one third of all gainfully active people will die of AIDS during the next 20 years. In the past, the G8 states have launched major initiatives, most importantly the Global Fund on Combating AIDS, Tuberculosis and Malaria". However, I also want to say that we can't stop there. In September we'll be holding a conference in Germany at which we intend to assess the activities of this Fund and, above all, at which we have to ensure that it is replenished. With regard to AIDS, we want to make the fate of women and children a top priority of Germany's Presidency.

Ladies and gentlemen, that global challenges can only be mastered through extensive international cooperation was also highlighted by the two greatest challenges facing humanity. And I believe that it's quite justified to call them that. The two challenges I'm referring to are climate protection and energy. Particularly the last few weeks have again demonstrated that energy is, of course, largely a matter of energy supply security and thus also the right political conditions. I spoke about this from a European point of view with the Russian President last Sunday. We agreed – and this also applies to many other spheres – that communication when difficulties arise has to be improved. I want to add that it can indeed be improved. The European Union will therefore endeavour to incorporate market-economy regulations into the agreements between the European Union and Russia. But it is also a fact that if Europe wants to reduce its dependency in order to guarantee its energy supplies in the long term, then we have to step up energy research. We want to

create a functioning single market for gas and electricity in Europe. Every citizen should have free choice of supplier. Our goal is to adopt an Action Plan on an "Energy Policy for Europe".

This will include the aims with which we as the European Union want to go into the negotiations on the climate convention beyond 2012, i.e. once the Kyoto Protocol has expired. I believe this is more important than ever.

Ladies and gentlemen, I would like to remind you of the fuss which the Club of Rome report caused more than thirty years ago in 1972. The report was entitled "Limits to Growth" and warned against treating nature irresponsibly. We are now all too aware of the dramatic consequences of climate change. Anyone who needs a practical example in addition to the scientific surveys should be persuaded by the Stern Report on the economic impact.

We only have to look around Europe, starting in Germany. Our children born today won't see any ice on the ugspitze in 2020. In my part of Germany, we worry whether there will be any trees, such as oak trees, in future. In Spain and Portugal, droughts and desertification are on the increase. If we look at Africa, then we know that some of the migratory flows are due to damage to the environment. But in contrast to the 1972 Club of Rome report, we've drawn a different conclusion today: zero growth can and will not be the answer. Rather, the answer is greater innovation, particularly in environmental technologies. Zero growth would ultimately result in the preservation of the status quo, an absolutely unacceptable idea for emerging economies and developing countries.

We know today – this has been our experience since the early seventies on both sides, i.e. that of the economy as well as of ecology – that those who saw an irreconcilable conflict between economy and ecology were wrong. No, the two must be combined intelligently.

That would benefit humanity. Due to the oil crises we succeeded in decoupling economic growth, consumption of resources and CO<sub>2</sub> emissions from one another. This decoupling should also be possible in emerging economies and developing countries.

Europe attaches considerable importance to developing renewable energies and to climate protection. Since 1990, industry's energy productivity in the European Union has risen by 19%. That's not enough but I say this because it shows that we can make progress. I therefore welcome the proposal by the European Commission that we offer a reduction target of 30% by 2020 in the negotiations for the period after 2012. However, we also expect other major emitters to make a similar contribution. That would mean planning certainty, in particular for the emissions trade, for investments in low-emission technologies and for Europe's energy strategy. Everyone can and should see that we really want to change course because we have to.

Ladies and gentlemen, I've also noticed more encouraging signals from the United States than was the case in previous years. People there, too, are aware that energy efficiency and new technologies are absolutely necessary.

The American President announced yesterday that the US wants to reduce petrol consumption by 20% in the next ten years. That is an ambitious target,

which will enable us to enter into a sensible competition. But it is also absolutely necessary. Incidentally, we also know that politics alone cannot prevent climate change. We need a climate regime, which includes all major greenhouse gas emitters. I just want to remind you that at present the European Union accounts for 15% of all CO<sub>2</sub> emissions. Some 85% is emitted elsewhere. And Europe's share will fall.

We therefore need global responsibility. I'm delighted that impetus is also coming from industry, e.g. the so-called 3C Initiative on global climate protection put forward by Vattenfall's CEO, Professor Lars Josefsson, and I'm pleased that this initiative has received much support. The right message would be sent from here and elsewhere if many companies – if possible all companies – were to contribute.

Ladies and gentlemen, let's not kid ourselves: globalization frightens many people. However, I'm convinced that the essence of globalization today provides the world with many more opportunities than risks. It offers people the chance of more peace, more freedom and more prosperity. However, if these positive forces of globalization are to benefit everyone, we have to create a new balance of power: in world trade, in the consumption of resources, in education, in the fight against AIDS and in state finances. To put it in a nutshell, we need a global economy, which complies with the rules of a fair regulatory framework. It is therefore not right to say that the state has been rendered dispensable or impotent by globalization.

The success, which we, for example in Germany had with the social market

economy is, in my view, the best example of this. However, it is clearly right to say that with changed political conditions, with right and fair conditions, we can shape globalization. Germany will make its contribution towards this during its Presidencies of

the European Union and the G8. I hope that we will find many allies. Thank you very much for your attention!

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