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The Southern African Development Community (SADC) and The Millennium Development Goals: Can Trade be the vehicle for achieving Goal 8?

A research paper submitted in partial fulfillment of the requirements for the LLM degree in International Trade and Investment Law in Africa

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ABSTRACT

In the year 2000, in Monterey, Canada, Heads of State and Government met under the banner of the United Nations and set developmental Goals to be achieved by the year 2015 by the developing world. This initiative has come as sweet news to the populace of poor Least Developed and Developing nations as they hope to salvage some decency into their otherwise unbearable living standards. The element of development under these Millennium Development Goals as they have colloquially been branded has shifted focus and now looks directly at formulating partnerships between the poor and richer nations. True, the economic and social gap that has characterized most developing nations has and continues to be of global concern. In Africa the problem is particularly alarming. Whilst the Millennium Development Goals have been adopted on a global scale, this paper instead chose to digest the initiative, the suggested routes and possibilities of achieving these goals by 2015 on a regional level.

The development Goals are all constricted to raising standards of living, eradicating poverty, reducing illiteracy levels and other objectives. However, the only Goal that has the potential to achieve all these sectoral objectives and more in terms of longer term sustainability, job creation, enhanced economic welfare and as a general stop gap measure on the gulf between the rich and the poor is Goal 8. As a result the focus on this paper has a tremendous bias towards this Goal, yet at the same time focus has not been limited to it. The other seven Goals are always kept close by an intertwined holistic approach on all developmental Goals and the targeted general objective of raising the standard of living in the Southern African Development Community. As a way forward, and indeed as a method of seeking to speed up the attainment of Goal 8, the author has taken time to explore at length various trade issues and possibilities of overcoming the inherent obstacles.

DECLARATION

I, Tendayi Shomwe do hereby declare that the topic: "Southern African Development Community and Millennium Development Goals: Can Trade be the vehicle for achieving Goal 8?" is my own intellectual creation and has never been submitted anywhere for publication or any other use whatsoever. Where information has been used from works of other people, full acknowledgements have been made.

Signed…………………………………………….

On…………………………………………………

Tendayi Shomwe

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Sometimes in life we receive blessings, and sometimes we do not appreciate them. Fortunately for me, I did get the chance to appreciate mine. My wife proved the most reliable helper I could ever have. She was always there when I was getting tired, always there to give that extra nudge for me to give out the extra strength. She was not alone. To Enoch and my family, I say God Bless you all.

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CHAPTER ONE

WHAT ARE THE MILLENNIUM DEVELOPMENT GOALS?

1.1 INTRODUCTION - RESEARCH OBJECTIVES

The general objective of the proposed research is to examine how SADC states can attain goal 8 of the Millennium Development Goals (MDGs) set up by the international community through the UN in the year 2000, using trade under the mechanisms envisaged by the World Trade Organization by the target date of 2015. It will also seek to demonstrate the shortcomings of just considering debt cancellation without a long lasting international trading platform to which member states must rely on in order to completely climb out of the economic and social ills that currently bedevil the sub-region. The specific objectives of the research are to:

- Assess the role that external players have been playing and suggest possible ways of improving this role with clearer and well defined reciprocal benefits for both SADC and these players,
- Discuss the enhanced debt relief for Heavily Indebted Poor Countries (HIPCs) within the region,
- Examine the cancellation of official bilateral debt
- Critically analyze development assistance.
- Digest and explore the possibilities of tariff and quota free access for SADC member states exports,
- Investigate what the SADC member states shortfalls are in attaining goal 8 and offer possible solutions
- Make recommendations as to which provisions SADC can exploit within the Multilateral Trading System and how this can be an instrument of realizing goal 8 by 2015.

1.2 BACKGROUND OF RESEARCH

In the year 2000, 189 Heads of State and Government endorsed the idea of Millennium Development Goals at the 2000 Millennium Summit. All countries committed themselves to reaching specific and measurable targets by 2015, such as reducing by half the proportion of people living on less than a dollar a day, ensuring that all boys and girls complete a full course of primary schooling, halving the proportion of people without sustainable access to safe drinking water. All in all eight goals where set aside. However the most important of these goals is goal number 8. This is the only goal that seeks to foster a global partnership between the developed world and the developing world through debt cancellation, addressing the special needs of Least Developed Countries and economic development. The shift from aid to trade is very much evident.[1]

At the World Economic Forum (WEF) Africa Economic Summit in Maputo,[2] President Joachim Chissano said, "The destination today is the Millennium Development Goals, the defeating of absolute poverty and the beginning of sustainable development for all." Of the 8 Millennium Development Goals (MDGs), goal 8 is critical. It is the only goal devoted to international relations. Aimed at developing a global partnership for development it encompasses targets 13 and15. Skeptics argue that this is rhetoric as goals before have not been met. However it is important to examine these targets to gauge SADCs prospects of attaining this goal by 2015. It would be costly if by 2015 this goal is not achieved.

Target 13 addresses least developed countries (LDCs) special needs. It focuses on four areas:

(a) Tariff and quota free access for exports,

(b) Enhanced debt relief for Heavily Indebted Poor Countries (HIPCs),

(c) Cancellation of official bilateral debt and

[1]www.un.org/millennium**goals**/

[2] www.we**forum**.org/site/homepublic.nsf/Content/
Africa+Economic+Summit+2005%5CAfrica+Economic+Summit+2004 - 57k - 29 May 2005

(d) Development assistance.[3]

According to UN assessment (December 2003), half of SADC states are LDCs. Target 15 deals with developing countries debt problems through national and international measures to make debt sustainable. This applies to the remainder of SADC states. Inevitably goal 8 directs the world's rich countries to aid developing nations in their efforts. Inter-governmental organizations such as WTO, Paris Club, G7, IMF and World Bank, are key to the achievement of this goal.[4]

Role of external players

Under target 13, which deals with LDCs it is critical to examine how external players have/may contribute to the achievement of the four areas specified above. In terms of tariff and quota free access for SADCs exports, the role of WTO is crucial. It aims to liberalize and eliminate barriers to trade by lowering tariffs and eliminating quotas. Special needs of LDCs and developing countries are being increasingly noted. The Doha Round pledged more effective **"special and differential treatment"** to them. Some SADC states have taken advantage of this treatment.[5]

Effective January 1998 EU granted LDCs preferential access to its market in agricultural and manufactured goods.[6] Whilst this is plausible considering that most SADC states rely on agricultural exports, the West has not been sincere in their offer. With their farmers receiving US$1billion in subsidies a day, most SADC states can only benefit to a limit. Their agro-based exports cannot offset these huge subsidies. A country like Mozambique which earns two fifths of GDP from agricultural exports cannot afford to subsidize its farmers to compete with European farmers. The much touted **"July package 2004"**[7] is not helpful. Despite the West agreeing in principle to eliminate agricultural subsidies no

[3] www.un.org/millenniumgoals/
[4] www.un.org/esa/forests/documents-unff.html
[5] www.mfat.govt.nz/support/ tplu/tradematters/tradedevelopment.html
[6] www.europarl.eu.int/facts/6_4_2_en.htm
[7] www.wto.org/english/tratop_e/ dda_e/dda_package_july04_e.htm

dates have been set when this will become reality. This might mean the dream of equal market access to the West may remain a pipe dream beyond 2015.

Debt relief is a sticking point. A WTO Trade Policy Review (8 February 2002)[8] cited Malawi having an external debt of US$2.6billion in 1999. This was equivalent to 150% of its GDP. LDCs will never partner the developed world in trade as long as they must sacrifice programmes to strengthen their economies by paying interest on billion dollar debts incurred by previous leaders. IMF helps such countries through policy advice, technical assistance, financial support and debt relief. Although it recently agreed to a 2 year extension of debt relief for HIPC countries scheduled to end this year, Marie Clarke Brill of Jubilee US Network summed up by saying, "HIPC has been thoroughly inadequate to address the debt problem and this approval will also be inadequate."[9] Despite much hype about the HIPC initiative external debts of poor countries have continued to balloon.

A communiqué by heads of states and government at the 20th SADC summit in Namibia said, "While we appreciate the cancellation of bilateral debt by some developed economies, we note that an examination of the debt profile of the countries shows that much of the debt is due to Multilateral institutions, and accordingly the cancellation of bilateral debt has not been very effective in reducing burden."[10] Observers have noted that unless the G7 takes decisive action the debt crises will continue growing. Following Britain's announcement in September 2004 that it will shoulder the burden of 10% of the world's poorest debt, the US and the Bretton Woods institutions have now pledged to follow suit and are considering 100% debt relief. This could be the answer. The pace must however match the magnitude of the problem.[11]

Regarding target 15, from 2002-2007 development assistance from EU to SADC is expected to be EUR101 million. SADC enjoys prominent position in Danish

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[8] www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm
[9] www.jubileeusa.org/jubilee.cgi?path=/ press_room&page=unhappy_advisory.html
[10] www.info.gov.za/speeches/2000/0008081010a1006.htm
[11]www.jei.org/Archive/JEIR99/9937w3.html

development policy and receives more assistance than any other single region. Mozambique, Tanzania, Zambia and South Africa receive long term development assistance. However, donors tend to withdraw once a country shows economic success. In Botswana's case, most donors withdrew as a consequence of economic of economic success. Economic assistance is now only a small component of the country's economy. This "concept of leaving countries in the middle of the river" is not a positive one. Development assistance must continue until goal 8 has fully been realized.[12]

SADCs approach

The international community has set up a 2 pillar strategy, good governance and sound domestic policies for international support. SADC is not collectively ready for this. Speaking to Debt and Development Africa during the official opening of the 20th SADC Summit, Dr Kaunda pointed out that, "The region should speak with one voice if their demands are to be taken seriously."[13] For example, whilst Zimbabwe castigates and despises the IMF, UK and US who are major players in this game its economy has been shrinking since 2000. Mozambique continues to benefit generously from the same players and GDP has grown steadily towards 7%, which is the anticipated target for attainment of goal 8. Of the 14 SADC states only Angola and Mozambique have managed 7% growth projected to attain MDGs by 2015. DRC under the circumstances managed a modest 5%. Zimbabwe has a negative growth of 5%.[14] A Global Monitoring Report, which monitors the trends of MDGs (September 2004)[15], showed that on current trends most MDGs will not be met by most countries. The approach within the region needs revamping. SADC must set collective targets in the same manner that it set minimum standards for elections in Mauritius in July 2004.[16]

[12] www.sardc.net/editorial/sanf/2000/Iss3/Nf2.html
[13] www.info.gov.za/speeches/2000/0008081010a1006.htm
[14] www.cia.gov/cia/publications/factbook/
[15] www.imf.org/external/pubs/ft/ar/2004/eng/
[16] www.sokwanele.com/articles/ sokwanele/mwatch_17_21feb2005.html

This paper will seek to find a way in which SADC countries can benefit from the idea of Millennium Development Goals. This is a chance, which the region cannot afford to miss. The economic benefits have the potential to catapult the region into one of the success stories of both economic and social development. To this end the author shall seek to explore the status of multilateral external players that are critical to achieving this goal. Proposals will then be made as to how best these external players can be of more effective help to the region. To this end, trade will be explored, as the best possible vehicle to which the region can transport itself from being a basket case to being a breadbasket in itself. Analysis of the multilateral trading system will be used to find pointers to which maximum benefits can be achieved.

1.3 THE SIGNIFICANCE OF THE STUDY

According to Dr K.Y. Amoako (Executive Secretary UN Economic Commission for Africa), "There is enough analysis and consensus that most African states will not meet MDGs on current trends."[17] The 2-pillar strategy set up by international community is noble. There must be checks and balances in approach by all partners. SADC must speed up implementation of sound domestic policies. Continued structural reforms could improve the growth prospects and dynamism of SADCs economies. Structural adjustment programmes since mid 1980`s substantially liberalized Malawi's economy. There was high economic growth-almost 9% in 1996, and inflation came down to single digit levels-9% in 1997.[18] Sound domestic policies attract Foreign Direct Investment. Global Coalition for Africa noted in 1997 that, "trade preferences are needed as temporary support to structural changes and development of competitiveness, but they cannot be a substitute for strategies and policy measures that promote strong supply response and good export performance."[19]

On the multilateral level, the WTO must address trade imbalances. Issues of subsidies in particular and proposals of the Doha Development agenda must take centre stage within

[17] www.comesa.int/COMESA%20Newsletter/comesa-nov-news
[18] www.phmovement.org/pubs/issuepapers/hong09.html
[19] www.sardc.net/editorial/sanf/2001/iss10/policy.pdf

the organization. Initiatives such as AGOA are most welcome. Their advantage of seeking democracy and good governance in return for trade are commendable. Many Southern African states have reaped huge export harvests through this initiative. Lesotho is a shining example.[20] Impediments such as the HIV pandemic must be tackled with practical solutions as they threaten human resources. Debt financing policies and development assistance must adapt to the situation of each country past completion point. They must also be based upon the quality of its policies and its vulnerability to shocks.

Differing approaches will bring different results. Goal 8 aims at one result, economic sustainability of developing countries by 2015.

1.4 METHODOLOGY

The method employed to undertake this research is by way of literature review. Reliance will, therefore, be placed on relevant primary and secondary sources relating to trade, SADC and other multilateral organizations. This includes treaties, declarations, books and articles. The paper will also make use of data and statistics compiled by SADC, World Bank, the WTO and other multilateral organizations relevant to the topic.

Inevitably, the MDGs have only been launched five years ago. As a result not much literature has been put forward in the form of books directed at this topic. Thanks to the World Wide Web, much of the source information in this paper inevitably had to come from there. Public debate forums such as newspapers, articles as well as other forms such as electronic media and seminars have also been very helpful.

1.5 KEY WORDS AND PHRASES

Millennium Development Goals, Debt cancellation, Highly Indebted Poor Countries, Least developed countries, Southern African Development Community, Tariff and quota free market access, Multilateral trading system, Regional Economic Cooperation, Developing and Developed Countries, Global partnership.

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[20] www.bharattextile.com/newsitems/1988568

1.6 CHAPTER OVERVIEW

Due to the inescapable nature of complexities associated with the topic, each Chapter has been prefaced by an introduction and some are capped by a chapter conclusion. This is useful in that, since each Chapter pulls in a certain direction, it needs such treatment for fuller comprehension. And again each topic under those respective Chapters has been enumerated by a figure prefix for easier cross-referencing. The reader will notice that from time to time, reference is made both in text and in the footnotes either to a preceding Chapter or to a later one. This is a result of the factor that whilst the Chapters remain autonomous in their divergence, there still remains some cross-linkages that warrant such form of referencing.

The first Chapter is mostly introductory in nature. It captures the necessary explanations of what Goal 8 of the MDGs is and what it entails. The Chapter then plunges into the overview of the whole topic by looking from a bird's eye view the complex nature of the subject. This is achieved by looking at what kind of a partnership exists presently between the SADC region and the developed world. A few guideline suggestions are then promptly put forward on the possibility of a mutually advantageous coming together of the two worlds thereby steering the reader in the direction the whole paper will eventually take.

Chapter two nose-dives into the role of external players and into the issues of debt relief and cancellation as envisaged by Goal 8. The cruciality of this Chapter is unveiled by the cognizance of the fact that in order to make trade a vehicle for Goal 8 attainment, debt problems must first be resolved amicably. The question as to whether this is possible and if so how, thus forms the crux of the Chapter.

Chapter three delves into the almost insurmountable task of assessing the SADC trading structures, its complex history as well as a review of the said mechanisms. The flavor of the Chapter is espoused in revealing those areas deemed weak in terms of attaining Goal 8 and subsequent recommendations, as well as balancing it up with the areas of strength and further suggested mechanisms to make such areas even stronger.

Chapter four is reconciliatory in nature. It looks into the multilateral trading system and tries to locate SADCs trading positioning that labyrinth of multilateral trading rules. To this end the role of the WTO becomes pivotal and the relevant provisions within its functions are laid bare. It will then seek to suggest how trade can be made a vehicle for achieving Goal 8.

The last Chapter is a conclusion. It is replete with very strong recommendations, goes on to suggest potential areas for future expansion and on the general outlook, seeks to tie all the loose ends from the first Chapter to the last. Inevitably this is where the arrow armed with the way forward is catapulted into the crucially must win target of achieving Goal 8 by 2015.

CHAPTER 2

THE ROLE OF EXTERNAL PLAYERS IN ISSUES OF DEBT RELIEF AND DEVELOPMENTAL ASSISTANCE.

2.1 INTRODUCTION

In an abridged version of an address by Rodrigo de Rato, Managing Director of the International Monetary Fund (IMF) at Columbia University, New York [21] it is heartening to note that he attributed to significant progress over the past decade in growth and stability by developing countries. He noted further that important as these advances may be, much more is required in the war on poverty.

"It is natural to begin any meaningful discussion of global poverty with the UN Millennium Development Goals. When this initiative was launched in 2000, achievement of the Goals seemed a distant objective. We are one-third of the way through the MDG timeline and 2015 is fast rising over our planning horizon. It is timely for the International community to be reminded of our commitments to the world's poor"[22]

What is disturbing to the IMF boss is, however, the contents of the 2004 report of the Millennium project, an organization that monitors the trends of MDGs. More crucial to SADCs attainment of the goals is the finding that Sub-Saharan Africa, in particular, is seriously falling behind despite recent economic expansion. The millennium project is quoted as branding this region as "…the epicenter of crisis…"[23]

It is in view of these concerns that the role of the International community in the realization of Goal 8 becomes of paramount importance, if not critical. SADC as a region is not an island and as such it cannot go it alone. Eloquent cries for help can be traced directly to issues of heavy indebtedness to the developed world, insufficient receipts from trade, and this coupled with poverty, hunger and disease can throttle any dreams of

[21] www.undp.bg/en/documents/ press_releases/2005/january_17_2005.pdf
[22] Supra
[23] Supra

emancipation which Goal 8 seeks to bring about. Indeed assistance, and more importantly rejuvenation of trading opportunities is key to jump start the whole economic turnaround envisaged under Goal 8.

Without playing too much the international assistance card, due regard must be given to structures within the recipient countries or regions so as to ensure assistance does not, as has been the factor in the past, go down the drain. A five-man IMF team that was in Kenya in April 2005 to assess the countries lending programme allayed fears that the IMF could freeze its lending to Kenya in line with other international donors who have suspended aid due to growing concerns over corruption in President Mwai Kibaki's government. However they were right in encouraging the Kibaki led government to " act on governance reforms…"[24] The team referred to governance as not only being corruption but also public expenditure management and that systems are put in place to make it more transparent and less open to abuse.

Within the SADC region, Zimbabwe is currently reeling under the wrath of the international community due to allegations of economic mismanagement and political turmoil. The British government and to a lesser extent the US have together lobbied for the international isolation of Harare labeling it a rogue state. This has resulted, albeit among other reasons, in the Southern African country being slapped with suspension by the IMF as well as sanctions targeted at the government in power. As a consequence the once vibrant manufacturing sector in the country has taken a nosedive and all the economic achievements since independence from the British rule in 1980 have suffered a hard knock[25]. Under an IMF Article IV consultation slatted for May 2005, the three member delegation expected in the country has already warned that in the absence of foreign financing, arrears in debt to the organization continued to accumulate to reach US$2.2billion or 44% of external debt[26]. Further the IMF has already indicated that

[24] See the Financial Gazette, Thursday 8 April 2005 at www.fingaz.co.zw
[25] In 2003 Zimbabwe had the highest inflation in the world which was pegged at over 600%.According to the Zimbabwean Central Statistical Office Inflation stood at 129% in May 2005.
[26] Financial Gazette, Business Digest, Page 3, April 8 2005 at www.fingaz.co.za

domestic expenditure fell sharply in 2003 as wages were eroded by inflation whilst the domestic interest bill declined owing to negative real interest rates.

In response the Zimbabwean government has dismissed the allegations of both the IMF and EU in respect of mismanagement as being a front for the British revenge on the developing country which embarked on a haphazard Land Reform Programme in 2000. This dispossessed thousands of white landowners of mostly British descent in favor of blacks[27].

The case of Zimbabwe thus immediately raises many concerns for the SADC region on various platforms but in view of attainment of MDGs particularly Goal 8 by 2015. One of the Major questions that spring to mind and needs an urgent resolution would be, is the international community sincere in its dealing with African issues? On the other hand, Zimbabwe prompts those with analytical minds to inversely ask, is SADC sincere in dealing with the international community?

Without clouding our focus with the dust coming out of the Zimbabwean political arena, it is only prudent to re-emphasize that the international community is a vital ingredient to attain Goal 8. Simply put, it can only be fatal to venture into Goal 8 with a “we can go it alone” attitude. Zimbabwe in itself is an example. A multitude of economic problems have ravaged the country such that since 2001, its economy has been shrinking by an average of 5% annually.[28] At the same time, however, the international community should not be allowed to bully smaller and weaker economies simply by virtue of being economic powerhouses without whom Goal 8 cannot be a reality by 2015. Perhaps what is lacking in the Monterrey Consensus, which gave birth to MDGs, was a commitment by both developing and developed countries to embark on the Millennium Development journey in total earnestness. Many of the institutions that are vital to Goal 8 have more often that not been on the receiving end. As would be divulged below, much of the criticism stems from the fact that whilst on paper proposals are ‘squeaky clean’ most

[27] The Voice, March 23 2002 at www.Zanupf.co.zw
[28] See The Herald, January 16 2005 at www.herald.co.zw

nations often hold the political card up all too frequently such that sound economic goals are trodden upon by world leaders rushing to protect or promote their own political agenda’s.

Having laid the emerging issues arising out of international assistance and the role that outside communities can play to assist SADC attain Goals 8, it is trite to consider what is it that the outside world is or may be expected to do. According to Rodgrigo de Rato, the IMF managing director, the first issue is aid, and then trade.[29] He justifiably argues that developing countries still lack resources for social expenditures and investments in infrastructure both of which are critical for economic growth. In the above-mentioned article,[30] he says ‘there is no doubt that developing countries need more aid’

Despite increases in recent years, aid levels remain, in real terms well below those seen in the 1990’s, and also well below the commitments made in Monterrey three years ago. The IMF boss welcomed the debt relief initiatives by some developed societies as well as new financing mechanisms of which he signaled out the proposals by the G7 group. However, as has been alluded to in the previous paragraphs, such proposals should be seen as complements of existing instruments and channels for aid.

With regards to trade, the IMF boss stressed that this was more important and has been the view of many who include the G7, EU, Paris Club and others. Low-income countries can achieve sustained and rapid growth with more opportunities for trade. Thus developed countries have to go beyond providing aid by making determined efforts to open up their markets to exports from developing countries. The protectionism that rich countries still engage in, particularly in their agricultural sectors and in some light manufacturing has become increasingly indefensible.[31]

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[29] See article Global Imbalances: Challenges for the IMF, Zimbabwe Standard newspaper, Standard business, Page 5 of 27 February 2005 at www.thestandard.co.zw

[30] Supra

[31] Supra

2.2 THE PARIS CLUB

In an article published in Montreal on 30 September 2004,[32] it was stated that unless the debts of the poorest African nations are completely forgiven, those countries stand no chance of achieving the world's development goals by the target date of 2015. According to UNCTAD, between 1970 and 2002 Africa received some US$540 billion in loans. But despite paying back close to US$550 billion in principal and interest, it still had a debt of US$295 billion at the end of 2002. Accordingly the cost of servicing debt means African countries will not be able to attain the seven to eight percent growth it is estimated they must hit in order to achieve Goal 8 by 2015.

The Paris Club is an informal group of official creditors whose role is to find co-ordinated and sustainable solutions to the payment difficulties experienced by debtor nation.[33] Paris Club creditors agree to rescheduling debts due to them, and this serves as a means of proving a country with debt relief through a postponement and, in the case of concessional rescheduling, a reduction in debt service obligations. Of immediate concern however is the fact that in spite of such activities as critical as debt relief, the Paris Club has remained strictly informal since its inception in the 1950's.[34] It is a voluntary gathering of creditor countries willing to treat in a co-ordinated way the debt due to them by the developing countries. It can be described as a "non institution". Before getting into how the club can be of use to the SADC debt relief efforts it would be appropriate to understand and acknowledge the types of debt the club has often dealt with.

Types of debt

The debt owed by a country can be divided into a number of different categories

(a) External debt vs. Domestic debt

External debt is generally defined using residency criteria where debt is owed by private and public entities resident in a country to non-residents and this type of debt has direct

[32] Marty Logan in "Debt dooms development goals- UN" at http://www.ipsnews.net/new-asp? idnews=25676

[33] http://www.clubdeparis.org/en/presentation/presentation.php? BATCH=BO1WPO1

[34] Supra

impact on the balance of payment of the debtor country. For practical purposes, external debt is sometimes compiled according to the currency of the debt and without using a residency criterion.[35]

(b) Private and Public debt (classification by debtor)

External debt owed by the public sector is called Public Debt and that owed by the private sector is called Private Debt. However debt owed by the private sector, but guaranteed by the public sector is often included in the public debt[36].

(c) Classification by creditor

Multilateral creditors

Claims by international financial institutions are considered senior to other categories of bilateral claims[37].

Official bilateral creditors

These include governments or their appropriate institutions. The Paris Club is comprised of this type of creditor and though not all official bilateral creditors are members of the Paris Club, Paris Club creditors hold the majority of official bilateral claims.[38]

Private creditors

These are all the other creditors not mentioned above.

Rules and Principles of the Paris Club

To get a clearer understanding of the Paris Club and how it functions, it is necessary to look at its guiding rules and principles. There are basically five points to note here. Firstly the club makes decisions on a case-by-case basis in order to adjust itself to the

[35]http://www.clubdeparis.org/en/presentation/presentation.php? BATCH=B02WP02
[36] Supra.
[37] Supra.
[38] http://www.clubdeparis.org/en/presentation/presentation.php? BATCH=B02WP02

individuality of each debtor country.[39] Almost all countries within the SADC region are at varying levels of economic development, gross domestic output, inflation and endowment with natural resources etcetera etcetera. Therefore it is only prudent that this principle be upheld as accordingly they can only have varying needs and capabilities.

Secondly, no decision can be taken within the Paris Club if it is not the result of a consensus among the participating creditor countries.[40] Whilst this may sound plausible and reasonable to members of the club, it is of concern to note that the same principle has often been the drawback for such organizations that applaud it like the WTO.[41] Without stretching our imaginations too far, it is disheartening to note that the principle of consensus may well result in a lose-lose scenario, where for instance all the other concerned creditor countries may agree to waiver debt with the exception of only one. Thus given that MDG's are slatted within a rigid time frame, this principle may well be an utter hindrance to progress against goals that must be met within a certain time frame.

Thirdly, debt treatments are applied only for countries that need a rescheduling and to implement reforms to resolve their payment difficulties. In practice conditionality is provided by the existence of an appropriate programme supported by the IMF, which demonstrate the need for debt relief.[42] This principle augurs well with the argument posed in the introduction of this chapter. Indeed donors must not splash money where a country's structural, economic and developmental readiness is in question. The IMF may be used as an essential tool in ensuring cross balances before debts can be forgiven in order to obtain meaningful returns from the gesture. However these conditionalities must be balanced against a backdrop of sound economic reasoning and unbiased expert opinions. The IMF itself is not a saint as will be exposed in the following arguments under the IMF heading. A balance must be struck in this instance.

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[39] http://www.clubdeparis.org/en/presentation/presentation.php? BATCH-BO1WPO4
[40] Supra.
[41] Seattle and Doha deadlocks have shown that it is sometimes impeding when institutions go all out to get consensus among members.
[42] http://www.clubdeparis.org/en/presentation/presentation.php? BATCH=B02WP02

Fourthly, creditors agree to implement the terms agreed in the contract of the Paris Club.[43] Lastly the Paris Club preserves the comparability of treatment between different creditors, as the debtor country cannot grant to another creditor a treatment less favorable for the debtor than consensus reached in the Paris Club.[44]

Indeed, it cannot be argued that the Paris Club plays a critical role in terms of Goal 8 because debt is a sticking point. In 2002 Malawi was cited as having a debt of US$2.6 billion in 1999. This was equivalent to 150% of its GDP.[45] Developing countries cannot partner developed countries under Goal 8 for as long as they must sacrifice programmes to strengthen their economies by paying interest on billion-dollar debts incurred by previous leaders.[46] In as much as the Paris Club may be critical in helping reduce debt; certain factors must be addressed by the club for it to be more effective in SADC.

Apart from the concern raised above a quick perusal of the creditor countries that make up the club will reveal that these are the same members that make up the other equally important organizations such as the G7, the European Union and inversely call the shots at IMF and World Bank due to their economic clout.[47] Thus while care is taken to avoid a duplication of roles, this is inevitably bound to happen. It would be beneficial if these organizations create different roles for each of the clubs that are different so that when they step into the shoes of respective organizations of which they have influence, there may not be an overlap of ideas as well as roles.

2.3 THE EUROPEAN UNION

Botswana is often cited as a development "success story" that has managed its aid resources effectively. At independence the country was one of the poorest in the world and the government relied of foreign aid for all its budgetary capital expenditures and a large part of recurrent expenditure. International aid was a crucial resource that was used

[43] http://www.clubdeparis.org/en/presentation/presentation.php? BATCH=B01WP04
[44] Supra
[45] W.T.O Trade policy review dated 8 February 2002 found at www.wto.org
[46] www.zambia.co.zm/president/index.php?entry=30
[47] See http://www.clubdeparis.org/en/presenattion/presentation.php? BATCH-B01WP03

strategically to develop the physical and social infrastructure. At that time aid provided 45% of the total government expenditure, and was still nearly 20% in 1982, but has fallen dramatically to less than 5% since the country was classified as a middle-income country in 1992.[48] This case is an eloquent testimony of the fact that international assistance is a two horse race - aid and trade. It also proves that the international community does not and cannot continue to sustain other countries through aid and debt relief.

In one of the speeches by Peter Mandelson, a commissioner in the European Union,[49] he argues that Britain through its G8 presidency cannot make a difference on aid and debt, but on trade on behalf of European countries with the weight of negotiation. He argues further that trade is the most vital leg of the development triad and that only a growing trend of world trade can ignite the poorest countries engines of growth. “If sub-Saharan Africa could regain just an additional 1% share of global trade, it would earn US$70billion more in exports- nearly five times what the region receives in foreign aid and debt relief.”[50]

It can be argued that the easiest answer to this would be to have better access for developing country products to richer country markets. But it is not that easy! The sectors where the developing world often has natural comparative advantages - particularly agriculture and textiles - have been precisely the sectors that rich countries have fought hard to protect.[51] To avoid digressing this point will be dealt with in chapter 4 where the multilateral trading system will be reviewed. However for purposes of argument in favor of trade after aid in the context of this chapter, the European Union by nature of its size and sometimes-philanthropic face is a good example to illustrate how SADC may benefit from this arena.

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[48] See the 2003 May-June issue of the Courier ACP-EU at page 69 in an article titled “ don’t leave us in the middle of the river”

[49] http://europa.eu.int/comm/commission_barosso/mandels…/temp_icentre.cfm?temp=artpm005-e

[50] Supra

[51] http://www.actsa.org/trade/TDU/0101.htm

Prior to the year 2000, SADC along with other ACP countries benefited form a non-reciprocal trade agreement known as the Lome agreement.[52] This meant the region enjoyed preferential access to the European markets. However of the eve of the millennium, official negotiations for a new framework were under way as the Lome agreement was set to expire in 2000. SADC along with other ACP countries indicated that they wanted a status quo then maintained or even bettered.[53]

On the other hand the EU indicated that it would want the Lome agreement replaced with something that is W.T.O compatible or precisely, an agreement based on reciprocal trade[54]. Many economists agree that trade liberalization is vital to economic growth, which increases aggregate global welfare. Indeed it would seem that SADC could have a reciprocal trade relationship with the EU. These aggregate gains may soon begin to pour into the region.

However the situation in many African countries is different and difficult and SADC is no exception. Their few exports, primarily unprocessed products that depend heavily on preferences have an overall declining trend.[55] Thus the full benefits that could be derived from this reciprocal relationship are not as clear cut as in other developing countries. The fundamentals in many of the region's countries are not in place.[56] For example lack of capacity to participate in the global trading system, insecure environments, lack of institutional integrity and administrative efficiency, huge debts, small markets and protectionist policies are some of the factors.[57] These are serious issues that must be addressed first.

Within the SADC region, many countries engaged in forced liberalization at breakneck speed under the programmes of the World Bank and IMF before addressing supply side

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[52] www.henciclopedia.org.uy/autores/Hormeku/CotonouENG.htm
[53] http://www.sardcnet/editorial/sadctoday/y2_6_04_1000/y2_6_04_1000.htm
[54] Supra
[55] http://www.bday.co.za/bday/content/direct/1,3523,1800771-6096-0,00.html
[56] http://www.bday.co.za/bday/content/direct/1,3523,1800771-6096-0,00.html
[57] http://www.bday.co.za/bday/content.direct/1.3523,1800771-6096-0,00.html

constraints. This led to massive de-industrialization and unemployment.[58] According to an article published by the South African Business Day in February 2005 titled “easing the pain of free trade”, the situation was made worse by there being no safety nets or adjustment programmes to cushion poorer countries against the negative effects of liberalization. The article point out to the fact that even worse is that issues close to the heats of African countries such as market access, especially in agriculture where they have a natural comparative advantage, have not been fully addressed.[59]

Thus, unless the above concerns are addressed, the dream of getting out of debt and using trade as a vehicle to achieve economic independence and alleviation of poverty will remain a pipe dream even beyond the target date of 2015.

2.4 THE IMF AND WORLD BANK

The World Bank is a development bank, which provides loans, policy advice, technical assistance and knowledge sharing services to low and middle income countries to reduce poverty.[60] The IMF on the other hand is an international organization of 184 countries established to promote international monetary cooperation, exchange stability and orderly exchange arrangements.[61] Although much has been said about these two institutions, it is a reality that they are an important vehicle to achieving Goal 8. However, rather than cooperating fully with these institutions, developing nations have developed a love-hate relationship with them.

For example, the IMF encourages programmes that involve cuts in government spending and sometimes do not make provision for social safety nets.[62] A good example would be the Economic Structural Adjustment Programme (ESAP), which Zimbabwe undertook at the advice of the IMF in the early to mid 1990’s. This was a virtual failure, which

[58] http://www.bday.co.za/bday/content.direct/1.3523,1800771-6096-000.html
[59] Supra
[60] http://www.worldbank.org/wbsite/external/extaboutus/0
[61] http://www.imf.org/external/about.htm
[62] http://www.imf.org/external/np/exor/ccrit/crams.htm

resulted in job losses, and far from reducing poverty it worsened that plight of ordinary citizens.[63]

The IMF also acknowledges that it is oft criticizes for imposing impossible solutions without room for self help or home grown assisted solutions.[64] It has also been said that once a country borrows, it becomes hooked never to climb out of debt. Thus funding tends to encourage imprudence and is a cause for moral hazard.[65]

Lastly and more importantly, the IMF is dominated by G7 and rich nations, especially the US, which is pro-globalization and liberalization. These have not always proved to be in the best interests of developing countries.[66]

Again as with the European Union, these are serious issues. Until they can be resolved amicably with the developing world, with both institutions taking a country specific approach, their efforts may well hasten the poorer nations back to the dungeons of debt rather than pulling then out. Their role, however, if done to perfection is unquestionable in importance to the attainment of Goal 8.

2.5 MARKET ACCESS FOR SADC AS A FORM OF ASSISTANCE

Whilst development assistance and aid directed at debt sustainability are important in terms of Goal 8, these are clearly not the beginning and end of the form of assistance that the developed world can extend to developing countries in general and to SADC in particular. Concerted efforts must also be directed at opening up markets for SADCs exports to ensure in the long run there is self-sustainability through high returns from international business transactions. In an article titled "Market Access in US brings Happy Days for SA Clothing Manufacturers,"[67] Gill Moodie expagorates on hoe the advent of the Africa Growth and Opportunity Act (AGOA) has seen better days for South African clothing and textiles exporters. Accordingly the trend, say industry experts, is

[63] http://www.imf.org/external/np/exr/ccrit/eng/crams.htm
[64] Supra
[65] Supra
[66] http://www.imf.org/external/np/exr/ccrit/eng/crams.htm
[67] http://www.sundaytimes.co.za/2002/04/14/business/news/news07.asp

reviving what was long considered a sunset industry buckling under a flood of cheap imports into South Africa.

The Act which grants duty free access to Africa textile and clothing manufacturers saw at that time in 2002, clothing exports to the United States jump 60% to R1.2Billion. For Cape Town's House of Monatic, which makes brands such as Carducci, Embassy and Shakur Olla, export based earnings at the time rose about 30% since 1998 to well over 50%. The company, with an annual turnover of more than R200million has always been exporting to the United Kingdom and Europe for many years. But the "US invasion," as Monatic's Managing Director Brian Buckingham put it – of US retailers and trade delegations has been good news for the company.

This example demonstrates at company level the impact that market access may have on the region. In South Africa, and indeed other parts of the SADC region, since 1994 the clothing and textile industry has been restructuring in terms of its World Trade Organization obligations. As a result many jobs have been shed.[68] Thus AGOA is seen as a redeemer of the situation that is otherwise adverse to the aspirations of Goal 8 of the Millennium Development Goals.

The Africa Growth and Opportunity Act is, however not fully fledged in its present form to take SADC to the helm of Goal 8 by 2015. For one, it is unilaterally decided by the United States Government, which countries benefit from it, or not. These shortcomings will be discussed fully in the following Chapters, but the point here to make is that, market access as a form of development assistance and managing SADCs debt and balance of payment difficulties is an important facet of the envisaged partnership under Goal 8 between the world's rich and the poor.

2.6 CONCLUSION

Debt is a problem for developing and least developed countries. It is a fact, without efforts directed at eliminating debt and making is sustainable, developing countries and

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[68] http://www.sundaytimes.co.za/2002/04/14/business/news/news07.asp

their least developed counterparts will never be able to partner the industrialized countries in their quest for development. For SADC this problem is particularly nauseating, as an analysis of the following seven member countries of SADC show.

COUNTRY	PUBLIC DEBT AS A % OF GROSS DOMESTIC PRODUCT {2003 ESTIMATE}
1. Botswana	7%
2. Mauritius	31.9%
3. Namibia	35.6%
4. South Africa	38.2%
5. Tanzania	6.1%
6. Zambia	133.6%
7. Zimbabwe	41.3%

Source: Compiled for the CIA World Fact book found at http://www.cia.gov

Zambia is one of the least developed constituent members of SADC. Its debt levels as shown above hovering above 130% of its Gross Domestic Product make a mockery of all the debt relief initiatives in the region. Such a country clearly needs debt alleviation programmes that are effective and results oriented. Botswana at a modest 7% and Tanzania at 6.1% are better placed to achieve Millennium Development Goals by 2015. But the rest of the members whose debts have been enumerated in the table, them being pegged at over 30% debts in relation to their Gross Domestic Products is not encouraging to say the least. Target 13[69] seeks a redress in this area. It calls for relief for Heavily Indebted Poor Countries (HIPCs) such as Zambia and the cancellation of official bilateral debt. This is where the role of such organizations as the Paris Club, IMF and the World Bank comes in. the recommendations made earlier in this Chapter on how these multilateral organizations may improve their effectiveness in this initiative must be revisited with intents of redress.

[69] Goal 8 of the Millennium Development Goals.

At the 4th Doha Ministerial declaration,[70] under paragraph 36, Ministers agreed to an examination in a Working Group of the General Council, of the relationship between trade, debt and finance, and to any possible recommendations on steps that might be taken within the mandate and competence of the World Trade Organization. This would enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least developed countries. They also aim to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effect of financial and monetary instability.[71]

Target 13[72]also contains a provision to enhance tariff and quota free access for less developed countries exports as well as development assistance. Both the IMF and World Bank provide for developmental assistance in both monetary and technical cooperation spheres. However, market access is a thorny issue. As has been discussed earlier through the demonstration of effectiveness of the Africa Growth and Opportunity Act, market access is one of the pillars that can direct the developmental partnership envisaged by Goal 8.

Improved market access is a cornerstone to any effective policy to integrate least developed and indeed developing countries into the world trading system and to ensure their participation in international trade and investment flows. According to a High Level Meeting on Integrated Initiatives for Least Developed Countries[73] an approach based solely on this policy has its limits over time. Besides market access, measures are needed that could help lesser-developed members to produce more exportable goods in order to make use of the market access they currently enjoy. The Chairman of the Economic Committee meeting of the Global Coalition for Africa[74] said, "trade preferences are needed as a temporary support to structural changes and development of competitiveness,

[70] http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm
[71] Supra
[72] Of Goal 8 of the MDGs
[73] http://www.wto.org/english/tratop_e/devel_e/hlm_minutes.htm
[74] Held in Abidjan in 1997.

but they cannot be a substitute for strategies and policy measures that promote strong supply response and good export performance." Beyond political stability, which is a pre-condition for growth, sound policies play a major role in influencing exports and growth.[75]

In conclusion, the European Union has long promoted an integrated approach to development. It works with other multilateral donors such as the Paris Club and international financiers such as the World Bank and IMF in this regard.[76] It attaches great importance to human rights, social values, education and training, and the preservation of the environment. This is a broad, solid basis, which provides the EU with experience of developmental processes as it combines the above with first hand experiences of trade liberalization, structural policies, regional cooperation and integration.[77]

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75 http://www.wto.org/english/tratop_e/devel_e/hlm_minutes.htm
76 Supra
77 Supra

CHAPTER THREE

THE INTERNAL SADC TRADING STRUCTURES AND REVIEW MECHANISMS

3.1 INTRODUCTION

The question as to whether SADC is adequately equipped to embrace the MDG goal number 8 can only be addressed if a determination is made on whether the existing structure are enough to absorb all the necessary changes and implementations that will inevitably be required to attain the goal by the year 2015. Originally, security and regional solidarity were the motives for SADC. The body had very little to do with issues economic development and trade, but rather its creation was as a result of the desire to enhance and guarantee peace among the states that had acquired independence. Today the main goal has transformed to a desire to form not only common political interests but also to support high trade and investment flows between members.[78] As a result, the SADC Trade Co-operation Protocol was signed in 1996 and it establishes a free Trade Area[79] in order to facilitate opportunities for trade in goods and services and enhancement of cross border investments. After ratification of the Protocol all existing forms of Non-Tariff barriers shall be removed and all trade documents and procedures in member states of SADC shall be harmonized.[80]

The Southern African Development Community is a fourteen-member bloc, which comprises of Angola, Botswana, The democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Talks are underway to have Madagascar join the group by the end of 2005. Out of these fourteen states, half are Least Developed Countries (LDCs). These include Mozambique, Malawi, Lesotho, Swaziland and Zambia to mention a few. The other countries are all developing countries and these include Zimbabwe, Tanzania, Botswana

[78] http://goss.rho.net/ncci.doc/trade/sadc_trade_protocol/sadc_trade-protocol.htm
[79] In this case it is in the form of a Preferential Trade Area (PTA)
[80] http://gross.rho.net/ncci/doc/trade/sadc_trade_protocol/sadc_trade_protocol.htm

and others. The only country with an economy that has been stable and large enough to compete with the international community is South Africa.[81]

3.2 AREAS OF STRENGTH

A close inspection of the Protocol will quickly bring to the fore the importance of the set objectives in terms of realizing goal 8. It is true that goal 8 in itself is an objective and as a result should there be any conflict with those of the protocol then SADC may find itself in a quagmire. The Protocol's objectives are enshrined under Article 2. Article 2.1 aims at furthering liberalization of intra-regional trade in goods and services on the basis of free, mutually equitable and beneficial trade arrangements, complemented by Protocols in other areas. The notion of non-discrimination needs to be noted for its compliance with the provisions of the GATT[82] as it ensures the aspect of fair competition.

However of direct relevance to goal 8 is that it encourages trade to start from within the region. A cursory look at target 12 under goal 8 will reveal that it advocates for an "open rule based predictable, non-discriminatory trading and financial system." This augurs well with the objectives of SADC and as such it would not be too difficult to merge the objectives of the Protocol and goal 8.[83] Adversely, however one might wonder whether in actual fact the international community has not reinvented the wheel. The goal of trade has always been evidently a desire of many developing countries and SADC has demonstrated so with the Protocol. The answer to that question should not loose focus of the fact the target 12 does not work in isolation, but must be seen as a component of other factors like debt relief and developmental aid. As this paper will show in the ensuing chapter, trade itself will not and cannot take off without firstly sweeping off the debt burden.

Secondly Article 2.3 provides for a desire by SADC to contribute towards the improvement of the climate for domestic, cross border and foreign investment. Emphasis

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[81] http://gross.rho.net/ncci/doc/trade/sadc_trade_protocol/sadc_trade_protocol.htm
[82] See GATT Article 1 where the Most Favored Nation Principle (MFN) is enshrined. This will be Discussed in full under Chapter Four.
[83] See chapter one

here should be on the context of the term "conducive climate". A conducive climate can be construed to mean a politically enabling environment or a business friendly environment. This is very important because as goal 8 seeks global partnership with the international community, focus will dwell on how likely the assistance will be effective. Investors, donors and international financial institutions have shown reluctance to assist in African countries mainly because the environment has seldom been conducive for growth and development.[84] It is for this reason that this objective should be defined in a manner that will allow it to make effect on the ground. Stability, both economic and political will be critical. Predictability is highly essential. Issues of accountability will form the epicenter of any considerations whether a country would put to effective use any assistance rendered to it.

It is essential to make quick reference to Article 2.4, which advocates for an enhancement of economic development, diversification and industrialization of the region. In an effort to make both article 2.3 and 2.4 objectives a reality SADC has done two things:

Firstly, on the 9th of March 2001, SADC heads of States and Governments convened an extra-ordinary summit in Namibia[85] at which they approved a report on the restructuring of SADC institutions, which spells out enhanced objectives and a "common Agenda" based on the objectives outlined in Article 5 of 1992 SADC Treaty. This common agenda includes:

a) Promotion of sustainable and equitable economic growth and socio-economic development that will ensure poverty alleviation with the ultimate objective of its eradication.
b) The promotion of common political values, systems and other shared values, which are transmitted through institutions, which are democratic, legitimate and effective.
c) Consolidation and maintenance of democracy, peace and security.[86]

[84] The IMF suspended Zimbabwe form its programs in 2000 one of the reasons being " an environment that is not conducive for economic growth"
[85] http://www.sadcreview.com/sadc/sadc_profile.htm
[86] http://www.sadcreview.com/sadc/sadc_profile.htm

Two things stick out here. One is that it is commendable to have a common agenda. This will set parameters that define the common goal. This has already been demonstrated by the adoption of the Mauritius Minimum Standards on elections to which all members acceded.[87] This will bring about a predictable and harmonized system of electioneering. Secondly the absolute exclusion on the common agenda of minimum targets, say as guidelines in terms of targeted Gross Domestic Product percentages to be aimed for by all countries must be seen as a cause for concern, if not an outright weakness. This will be explored fully under the topic on weaknesses of the SADC system.

The second aspect to enhance predictability done by SADC has been the adoption of the so-called Regional Indicative Strategic Development Plan.[88] This is a 15-year plan to be implemented in phases of three years each. The plan is indicative in nature and outlines the necessary conditions that should be realized towards achieving these goals. For purposes of monitoring and measurement of progress it sets targets and timeframes for goals in the various fields of cooperation.[89] The essence of being able to measure targets with results enhances the chances of members desiring to attain the targets.

The RISDP is a 15 year blue print that is being implemented in three-yearly phases. Approved by SADC leaders at the SADC summit in August 2003 in Dar es Salaam, the challenge is for the blue print to be embraced at the national level.[90] It remains to be seen whether this initiative, noble as it may be, will materialize out of the yawning cocoon of cheap politicking and mouthwatering speeches that African Leaders are so fond of making without due regard whatsoever to the required action.

3.3 AREAS OF WEAKNESS

SADC member countries are endowed with various natural and human resources, which together with colonial history has resulted in them, being at various levels of

[87] www.sokwanele.com/articles/ sokwanele/mwatch_17_21feb2005.html
[88] Hereafter referred to as the RISDP
[89] http://www.sadcreview.com/sadc/sadc_profile.htm
[90] http://www.sardc.net/editorial.sadctoday.v7-2-6-04.risdp.htm

development. A cursory look at the member states GDP will show that there is still some way before the region can reach the envisaged annual growth of 7% in GDP to meet Goal 8 by 2015. The table below contains some statistics, which can be used to illustrate several points.

Country	**GDP 2003 Estimate**	**Inflation Rate (Consumer prices) 2003 estimates**	**Unemployment rate**	**Public debt as a % of GDP 2003 %**
Botswana	7.2%	9.2%	40%	7%
Lesotho	4%	6.1%	45%	--
Mauritius	4.1%	4.2%	9.8%	31.9%
Mozambique	7%	14%	21%	--
Namibia	3.3%	7.3%	35%	35.6%
South Africa	1.9%	5.9%	31%	38.2%
Swaziland	2.2%	7.3%	34%	--
Tanzania	5.2%	4.4%	N/a	6.1%
Zambia	4%	21.4%	50%	133.6%
Zimbabwe	-13.6%	384.7%	70%	41.3%

Source: http://www.cia.gov

To begin with only Mozambique and Botswana reached the 7% growth target as shown above in the table. Whilst some countries are not far off the mark like Tanzania at 5.2% and DRC (not shown) at 5%, Zimbabwe makes all hope for a uniform target seem unreal with its negative growth of 13%. Thus these inconsistencies do not reflect positively on the general outlook of the region. The same can also be said for the unemployment rate as a percentage of total population.

In an MDG forum report[91] it was noted that it is critical for each individual country to work towards an optimal mix of appropriate policy and effective institutional performance. Thus in as mush as the SADC trade protocol may have noble provisions, each country would still need a broad array of policies and institutional capacities, ranging from governance and an efficient public sector to sound macro-economic policies

[91] Johannesburg 2-4, 2003

geared to ensure equitable growth and poverty reduction, a as these are a prerequisite for achieving the MDGs.

In August 2001, the Directorate of Trade, industry, Finance and investment (TIFI) was launched as a cluster composed of trade and industry, mining and finance and investment intervention areas.[92] The overall goal of the directorate of TIFI is to facilitate trade and economic liberalization and development for deeper regional integration and poverty eradication as well as the establishment of the SADC common market on a step-by step basis. The directorate has already begun focusing on the implementation of the SADC protocol on trade in conformity with the multilateral trade rules, obligations of member states, development of policies and strategies for industrial development and preparations for ACP-EU negotiations and the 5th World Trade Organization ministerial Conference.[93]

In a lecture given by Dr Migai Akechi[94] in Cape Town, he noted that Regional Integrations such as SADC could enhance Africa's Development and foster global partnerships in several ways. One of these ways is that if all the rhetoric illustrated above were to be converted into action, SADC would overcome constraints arising from small domestic markets allowing then to reap benefits of scale, bigger economies, stronger competitiveness and more domestic and foreign investment.

The table also brings out two interesting observations when one looks at the public debt profiles of countries as a percentage of GDP. Firstly there are still some inconsistencies with only Botswana and Tanzania having what can be called manageable debt levels at single digits, the rest are all above 30% of GDP with Zambia at a shocking debt level of 133.6 of GDP. The second point to observe is that Lesotho, Mozambique and Swaziland cannot be accounted for how much their public debt is. This is due to lack of an effective information and statistics compilation systems in place in some of these countries.

[92] http://www.sadcreview.com/directirate_reports/report_tifi.htm
[93] Supra
[94] At the University of Western Cape in October 2004

According to MDG forum report,[95] the acute lack of basic regional and country statistics poses a major challenge to the implementation of the MDGs. Development progress in over 50 countries in Africa is difficult to summarize and at times regional information is not always reliable, comparable or up to date. SADC is no exception to this. A major challenge to the implementation of the MDGs lies in the weakness of basic statistics. It is critical that this weakness is overcome and that a strong focus is placed on institutional capacity strengthening for policy formulation, analysis and implementation.

In his lecture in Cape Town, Dr Migai Akechi[96] short listed several reasons why regional economic communities such as SADC have failed to acquire maximum benefits as intended by their economic co-operation. Some of these reasons are listed below:

a) Multiple and overlapping memberships. This wastes effort and resources and adds to work of harmonization and co-ordination. Within SADC, some member countries are also members of the Common Market for Eastern and Southern Africa (COMESA) whilst others are members of the Southern African Customs Union (SACU) of which focus on SADC becomes increasingly diluted and of peripheral significance.
b) Some countries tend to shun integration programmes due to unawareness in gains and losses.
c) Divergent and unsustainable national macroeconomic policies.
d) Inability to make integration objectives plans and programmes part of national development frameworks.

3.4 CONCLUSION

The Protocol on Trade in the Southern Africa Development Community (SADC) is a comprehensive tool divided into nine parts. Part one contains definitions and objectives.[97] Part two deals with trade in goods and particularly dwells on the elimination of barriers to trade, both tariff and non – tariff.[98] The Protocol comprehensively deals with the elimination of barriers to intra SADC trade, elimination of import duties, elimination of

[95] Johannesburg 2-4,2003
[96] October 2004 at the University of Western Cape
[97] Articles 1 and 2 of the SADC trade Protocol.
[98] Articles 3 to 11

export duties, non-tariff barriers, elimination of quantitative import restrictions and export restrictions. There also are, as in line with the GATT provisions that contain exceptions and these include those directed at maintaining security and national treatment as envisaged by the GATT.[99]

Another important component of the Protocol is the one found under Part Five, which relates to investment measures. The importance of Article 22 is underscored by the fact that it provides an escape route where infant industries are threatened by trade liberalization or as a result of foreign direct investment. Investment measure will be discussed in detail under Chapter Five. However, it is trite to point out from the onset that in a quest to attract foreign direct investment which is crucial to the partnership envisaged by Goal 8, it is important to safeguard infant industries. Infant industries are a foundation for any future developmental successes, and needless to say they are key to the attainment of Goal8 by 2015. One of the problems that will be discussed below is that of developing countries lacking a product range wide enough to fully utilize special and differential treatment, which they currently enjoy. The growth and sustenance of infant industry will help curb this problem.

Article 21[100] says: Notwithstanding the provisions of Article 4 of this protocol, upon application by a Member state, the CMT may, as a temporary measure in order to promote an infant industry, and subject to WTO provisions, authorize a member state to suspend certain obligations of this Protocol in respect of like goods imported from other member states.

Undoubtedly this is one area where SADC has some strength as it enhances competition in that it encourages diversification of industry in a region where most member states rely on the primary industry centered around agriculture. Member states must seek to make inroads in traditionally monopolized manufacturing and tertiary sectors.

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[99] Article 9, 10 and 11
[100] Of the protocol

Finally another serious problem for least developed and developing countries has been the dependency of their export revenues on a limited number of export products, normally primary commodities. SADC is not immune to this. In a monetary policy presented by the reserve Bank of Zimbabwe Governor, Dr Gideon Gono,[101] he noted that Zimbabwe like most countries in the SADC region depended heavily for its Gross Domestic Product contribution on agricultural output. To avert or at least reduce this dependency, an effort must be made towards diversification.

According to a High Level Meeting on Integrated initiatives for Least Developed Countries[102] the best way to achieve sound, market oriented diversification lies in private sector initiative. The role of government institutions should focus on opening markets and deregulating the economy in a way to favour the emergence of entrepreneurship and to attract domestic and foreign investment, while preserving societal values characteristic of local and national traditions. There is therefore need to examine other elements besides market access which contribute to the development of less developed such as those in SADC in their integration into the global economy.

As a parting note the example set by the Reserve Bank of Zimbabwe Governor Dr Gideon Gono should be emulated.[103] The central bank in a bid to stimulate growth in the manufacturing sector has set up a fund known as the "Productive Sector Facility." Players in the productive sectors such as manufacturing, mining and agriculture can access these funds under favourable interest rates in order to stimulate growth in the economy that has been characterized by a warping investor confidence and industrial flight. If this facility is prudently managed, it is sure to produce results, which if adopted on a regional scale could see SADC scaling the dizzying heights of economic success as envisaged by Goal 8.

[101] Broadcast live by the Zimbabwe Broadcasting Holdings on Thursday 19 May 2005 at 2pm.
[102] http://www.wto.org/english/tratop_e/Devel_e/hlm_minutes.htm
[103] 2005 Monetary Policy presented on May 19 2005

CHAPTER FOUR

THE MULTILATERAL TRADING SYSTEM

4.1 INTRODUCTION

International trade consists of legal rules, principles and institutional framework designed to regulate trade in goods and services across national boundaries. This multilateral framework became important after the World War II. This is because it was only after the end of the war that the General Agreement on Tariffs and Trade[104] and on international trade and development financing system[105] were put in place primarily for the purpose of facilitating international trade. These developments originated from the conviction of many national leaders that it would be mutually advantageous, economically and otherwise, to promote or expand international trade. The modality by which global trade liberalization was to be pursued was to establish limitations on tariffs[106] and to control the use of certain non-tariff barriers to trade.

Thanks to the GATT, tariffs have declined to near ***de minimis*** levels in developed countries. As a result, though, other much more complex barriers to trade have become relatively more important. Non-tariff barriers are myriad, and the ingenuity of man to invent new ones assures us that the problem of trade barriers will never go away. According to renowned American economist and noble laureate Paul Samuelson, "There is essentially only one argument for free trade or freer trade, but it is an exceedingly powerful one, namely: Free trade promotes a mutually profitable division of labor, greatly enhances the potential real national product of all nations, and makes possible higher standards of living all over the globe". Put differently, Samuelson's claim is that free trade increases economic welfare, both for the world as a whole and for each nation. In simple terms, this sums up what Goal 8 stands for. [107]

[104] Hereafter referred to as GATT. This was concluded in November 1947.
[105] This includes the IMF and World Bank.
[106] A tariff is a tax levied on imports at the time of importation, which usually has the effect of increasing the prices at which the imported goods are sold.
[107] www.tude.com/prn/prn04q4/p041129Toldyou.htm

4.2 THE ROLE OF THE WORLD TRADE ORGANIZATION

Since 1947, GATT was the principal international multilateral treaty for trade. In theory, GATT did not establish an "organization" (Administration structure); although in practice it operated like one. The Uruguay Round results created a new and better defined international organization and treaty structure – the World Trade Organization[108] in 1994 to carry forward GATT's work.

According to a Ministerial declaration,[109] the multilateral trading system embodied in the WTO has contributed significantly to economic growth, development and employment through out the past 50 years. The Ministers further declared their determination, particularly in the light of global economic slowdown, to maintain the policies, thus ensuring that the system plays its full part in promoting recovery, growth and development. They further reaffirmed the principles and objectives set out in the Marrakesh Agreement Establishing the WTO, and pledged to reject the use of protectionism.

Indeed, it is this multilateral trading platform which can only form the core of any recovery and development aspirations which SADC must turn to in order to make them a reality. It may well be argued, that the WTO did not make a rush to implement any formal or legal reform in order to embrace the MDGs and therefore is not prepared to be used as a vehicle to achieve MDGs. However, this argument fails if one looks at the existing institutional framework that exists within the organization.

The Preamble of the Marrakesh Agreement Establishing the WTO stresses the objective of the organization to have a trade and economic endeavour to be conducted "with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income". Needless to say, this is a mimick of Goal 8. Furthermore, the Preamble recognizes the need for positive efforts designed to ensure that developing countries, and especially least developed countries[110] secure a share in growth in

[108] Hereafter referred to as the WTO.
[109] Doha WTO Ministerial 2001 released on 20 November 2001 .Available at http://www.wto.org/english/thewto_e/minist_e/min0)_e/minded_e.htm
[110] Also known as LDC's.

international trade commensurate with needs of their economic development. According to Bernard M Hoekman[111] the WTO has a number of functions. It is charged with facilitating the implementation and operation of Multilateral Trade Agreements, providing a forum for negotiations, administering the dispute settlement mechanism, and cooperating with the World Bank and the IMF to achieve greater coherence in global economic policy making.[112]

An important dimension of the WTO is its recognition and acceptance of regional trading blocs such as SADC. Accordingly arrangements that reduce or eliminate trade barriers between two or more countries while maintaining barriers against imports from territories outside the region date back to the 19th Century. Customs unions, as they were generally called, were established by means of treaties or agreement between the various states of the British, German and Australian Empire. In the first half of the 20th Century, there were customs unions between European, African and South American States. Since the formation of GATT in 1947, regional economic groupings have continued to flourish. SADC is amongst the oldest in Africa.

The criteria for the formation of a regional trade grouping that will be considered legitimate and acceptable within the GATT/WTO system are set out in Article XXIV.[113] In that article three forms of regional integration are recognized namely;

a) Free trade areas
b) Customs unions and
c) Interim agreements for the formation of free trade areas or customs unions within a reasonable period of time.
d) SADC by its form and structure falls under the category of free trade areas. The said criteria is essential two fold in that in order for a free trade area to be legitimate within the multilateral trading system it must, firstly ensure all restrictive duties and regulations of commerce should be eliminated on

[111] And Michel M. Kostecki in " The Political Economy of the World Trading System, 2nd Edition, Oxford University, 2001 at page 51.
[112] See Article III of the Marrekesh Agreement Establishing the WTO.
[113] Of the GATT 1947.

substantially all trade between the contracting parties to the regional trading agreement. Secondly, where the parties choose to adopt a common external trade policy and tariff, such should be no more restrictive than the policies of the individual states prior to the formation of trading blocs.[114]

Lastly, it is important to note that one of the cornerstones of the WTO system is the Most Favoured Nation Principle (MFN). It provides that any advantage, favour or privilege which a contracting party extends to products originating in or are destined for another country must be extended immediately and unconditionally to any like product which originate in or are destined for the territories of all other contracting parties."[115] In essence this provision entails that a country that seeks to export a product must unconditionally open up its borders for like products form other WTO members to be brought into its territory. A close look at developing counties and developed countries will expose a revelation that once developing countries seek to export products, they may open floodgates that allow developed countries, which in most cases have a higher and more efficient capacity to flood their domestic market with like products. This may in turn destroy domestic industry.

However, this is quickly repelled by a provision for exceptions, or enabling clause or safety nets.[116] The following hypothetical example may help illustrate how potentially damaging the Most Favoured Nation Principle may be to a regional trading group without these safety nets.

Hypothetical Example of South Africa and Libya

South Africa is a member of the WTO whilst Libya is not. Yet, South Africa and Libya enjoy excellent relations. Suppose the South African department of trade and Industry were to decide to charge a flat 5% duty on all goods imported from Libya. The main

[114] This requirement is clearly designed to ensure that countries that are non-members of the regional trading arrangement are not disadvantaged by the new arrangement through an increase in applicable tariff and non-tariff barriers.

[115] Article I of the GATT.

[116] Bernard M Hoekman and Michel M Kostecki in "The Political Economy of the World Trading System", 2nd Edition, Oxford University Press, 200 at page 36.

imports from Libya to South Africa are crude oil and leather. The US, a member of the WTO also exports leather to South Africa for which the importers pay South Africa's MFN rate of 12% duty. In such a case the US has a legal right to demand that the lower rate of 5% duty charged on the Libya leather imports be extended to its own leather exports to South Africa. This means any other WTO member with an interest in the said products may also demand the same favour. Without safety nets this would be potentially damaging to South Africa's tariff revenues.

Escape clauses thus operate in three main forms namely:

a) The Generalised System of Preferences whereby the maintenance of tariff preferences conferred upon developing countries by their developed counterparts in order to facilitate access to developed national markets by products originating from developing countries. This facilitates the process of development. Whilst this clause is not directly relevant to the example given above, it does however, form a pivotal cornerstone for market access to which SADC must push hard for in the multilateral trading negotiations, and exploit in order to make trade a vehicle for achieving Goal 8. It is inescapable to note that developing and least developed countries of which SADC is comprised, cannot under present circumstances be expected to compete on the same platform with developed countries in terms of trade. This provision is therefore, to say the least, critical.

b) The second exception is the creation of regional trade arrangements.[117] The rationale behind this exception is that the elimination of barriers on each other's trade by associated countries would be a further step towards general trade liberalization, especially if the preferential arrangement does not harm the trade of non-constituent members of the trading group.

c) The last exception is that of the imposition of counter-veiling and anti-dumping duties on subsidised exports or imports which are sold at less than domestic prices

[117] Found under Article XXIV of the GATT.

or below their production cost, resulting in injury to domestic industries of importing countries.[118]

Given the magnanimity of the potential that the WTO may bring unprecedented development off spins through trade, one might ask, why therefore do developing countries still view the WTO as not being balanced and at times acting in reverse to their favour? Why do we still have the Seattle debacle reinventing itself in the Cancun failure and threatening to split the organization into two, pitting developing countries against developed ones? It is indeed this author's submission that the answer does not lie in the developed countries being able to efficiently arm-twist the skewed WTO rules to their advantage at the detriment of developing countries. No! The answer lies in developing countries having misplaced priorities and as a result lacking in capacity, which results in developing countries hoodwinking each other into the cry babies that are always at the mercy of their developed counterparts. The answer simply lies in greater participation in the process of negotiations and enhances trading opportunities from within.

4.3 MAKING TRADE THE VEHICLE FOR ACHIEVEING GOAL 8

On 10 December 2004, the noted environmentalist, women's rights activist and pro-democracy campaigner Ms Wangari Maathai of Kenya became the first African woman to win the Nobel Peace Price. In an exclusive interview with Africa Renewal in New York recently[119] she had the following to say about the problems bedeviling the African continent, "…Africa has not been given the opportunity to do trade fairly. The trade balance, the trade tariffs, the rules and regulations which are required for Africa, are still very harsh, very unequal…"

Whilst this statement may sound very convincing, it is not entirely true. Undeniably there are some underhand dealings which the developed world seems to be keen to play, for example restricting market access for developing country products, huge

[118] See Article VI of GATT.
[119] Published by the Zimbabwean Standard Newspaper on 8 May 2005 at page 21.

subsidies in agriculture which have a trade distorting effect; the rules of WTO provide a very useful platform with which developing countries may exploit to make Goal 8 a reality. To this effect three distinct areas below are offered as possible routes for exploitation to make this Goal 8 partnership an effective reality. If fully utilized, these routes are sure to catapult SADC from a basket case into a bread-basket, not only for Africa but for the entire global family.

The three suggested routes are:

a) The effective exploitation of special and Differential Treatment within the WTO
b) Enhancement of the SADC regional integration through effective cooperation and
c) Advocating for Market Access.

4.4 SPECIAL AND DIFFERENTIAL TREATMENT

The WTO Agreement contains provisions which give developing countries special rights. These are called "special and differential treatment" provisions. They give developed countries the possibility to treat developing countries more favourably than other WTO members.[120] These special provisions include:

- Longer time periods for implementing Agreements and commitments,
- Measures to increase trading opportunities for these countries.
- Provisions requiring all WTO members to safeguard the trade interests of developing countries.
- Support to help developing countries build the infrastructure for WTO work, handle disputes, and implement technical standards, and
- Provisions related to Least- Developed Country [LDC] members[121]

In the Doha Declaration, member governments agreed that all special and differential treatment provisions should be reviewed with a view to strengthening them and making them more effective and operational. Trade Ministers in Doha, at the 4th WTO Ministerial

[120] This should be seen as a distinct advantage considering the MFN principle and its stipulations as disclosed earlier in this chapter.
[121] See WTO/Development-Work on the Special Differential Provisions at www.wto.org

Conference mandated the Committee on Trade and Development to examine this special and differential treatment. This committee meets in special sessions to examine the issues of special and differential provisions.

The WTO Agreement[122] in its chapeau cites sustainable economic development as one of the obligation of the WTO. It also specifies that international trade should benefit the economic development of developing and least developed countries. This is intended to be achieved in various ways of which some are listed below.

The General Agreement on Tariffs and Trade [GATT] Goods

GATT[123] read in conjunction with the Decision on Safeguard Action for Development Purpose and the Declaration on Trade Measure Taken for Balance of payments Purpose both of 28 November 1979, and the Understanding on the Balance of Payments Provisions of the GATT 1994, gives developing countries the right to restrict imports, if doing so would promote the establishment or maintenance of a particular industry, or assist in cases of balance of payment difficulties.[124]

Part IV of the GATT includes provisions on the concept of non-reciprocal preferential treatment for developing countries, thus when developed countries grant trade concessions to developing countries they should not expect the developing countries to make matching offers in return.[125] However, it is important to note that developing countries claim that Part IV has been without practical values as it does not contain any obligations for developed countries.[126]

[122] Also known and has been referred to above as "The Agreement Establishing the World Trade Organization".
[123] 1994
[124] Article XVIII.
[125] This is an escape route to the reciprocity concept envisaged by the MFN principle.
[126] See WTO/Development- Work on Special And Differential Provisions at www.wto.org

Enabling Clause for Developing Countries (Goods)

The Enabling Clause[127] allows developed members to give differential and more favourable treatment to developing countries. This clause is the WTO legal basis for the GSP [Generalized System of Preferences].[128] Under GSP, developed countries offer non-reciprocal preferential treatment such as zero or low duties on imports, to products originating in developing countries. The Enabling Clause is also the legal basis for regional arrangements among developing countries and for the Global System of Trade Preferences [GSTP], under which a number of developing countries exchange trade concessions among themselves. This relates to the formation and functions of SADC and is a pointer to what the region may use as part of its arsenal to increase intra-trade engagements as well as international trade exploits.

General Agreement on Trade in services (GATS)

GATS[129] aim at increasing the participation of developing countries in world trade. It refers, among other things to strengthening the domestic services competitiveness of developing countries through access to technology and improving their access to information networks. GATS also allow developing countries and countries in transition to restrict trade in services for reasons of balance of payment difficulties.[130]

Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)

Article 66[131] provides least-developed countries with a longer time-frame to implement all the provisions of the TRIPS Agreement and encourages technology transfer,[132] whilst Article 67 refers to the provisions of technical assistance.

Waivers

Going beyond legal provisions stated explicitly in WTO agreements actions in favour of developing countries, individually as a group, may also be taken under "waivers" from

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[127] Officially called the "Decision on Differential and More Favourable Treatment Reciprocity and Fuller Participation of Developing Countries", adopted under GATT in 1979.
[128] This has been discussed before in the preceding Chapter.
[129] Under Article IV.
[130] See Article XII of GATS.
[131] Of the TRIPS Agreement.
[132] See Work on Special and Differential provisions at www.wto.org

the main WTO rules. These are granted by the General Council.[133] The June 1999 General Council Decision on Waiver regarding Preferential Tariff Treatment for Least Developed countries allows developing country members to provide preferential tariff treatment to products of least developed countries.[134]

4.5 ENHANCING THE SADC REGIONAL INTERGRATION THROUGH EFFECTIVE COOPERATION

The requirement for the formation of a regional trading bloc such as SADC has already been outlined before. The objective as well as the expected outcomes thereto has also been stated. The pertinent question is thus, why go regional? What is it that can be achieved better as a bloc rather than tackling trade issues and partnership on an individualistic point of view? To this end, it is critical to always remember that the SADC region has very limited resources as individual countries to make meaningful participation on the trade negotiations forums at the WTO. This alone, is a factor that pushes for a more integrated approach.

According to Bernard M Hoekman and Michel M. Kostecki,[135] although countries such as Egypt, Thailand, India and Brazil are very active in the WTO, many least developed countries are not represented in Geneva at all. A large number of African members essentially do not participate in the WTO. This explains why, with the exception of South Africa, there are no Sub-Saharan countries that appear in the list of dispute settlement cases that have been brought to the WTO so far. According to Hoekman and Kostecki,[136] Although having a resident mission in Geneva is not a necessary condition for bringing a case to the WTO, not having one impedes the process.[137] Even if developing countries have a delegation at the WTO, consultations and negotiations that are held under its

[133] This is done in accordance to procedures set out in Article IX: 3 of the Agreement Establishing the WTO.
[134] See WTO/ Development- Work on the Special and differential provisions at www.wto.org
[135] The Political Economy of the World Trading System, 2nd Edition, Oxford University Press 2001, at page 395.
[136] *Supra.*
[137] The converse may also be true-lack of a mission in Geneva may lower the probability of being confronted with a complaint.

auspices often do not attract much attention in capitals. Representatives are left to operate without instruction and are not integrated into the domestic policy formation process.

The result can be an inconsistency between the positions taken by delegations in the WTO and policies that are actually being pursued by a government towards trade and investment. As noted by Blackhurst, Lyakurwa and Oyejide,[138] greater integration of Sub-Saharan African countries into the global trading system requires building the requisite capacity to enable them to contribute to shaping and designing the rules of the game.

Fifteen of 38 Sub-Saharan African countries had no resident representation in Geneva in 1999.[139] Blachurst, Lyakurwa and Oyejide[140] argue that a resource neutral method of increasing capacity to participate in the WTO is to reallocate spending priorities, and shift resources away from diplomatic missions to economic functions. This can achieved by pulling resources together through regional trading blocs. In the run-up to Seattle, South Africa hosted a workshop for senior advisors to Ministers of Trade in LDCs to prepare for the WTO ministerial meeting. Ministers from SADC agreed to common negotiating objectives before the Seattle meeting.[141] As noted by many observers[142], part of the solution to participation constraints must involve efforts to cooperate and share the burden of sending representatives to WTO meetings, as well as form coalitions for agenda-setting and negotiating purposes.

4.6 MARKET ACCESS

In a communication dated 20 December 2002, the People's Republic of China noted that as a result of the previous rounds of multilateral trade negotiations, the market access of non-agricultural products has been improved substantially. However, they noted further

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[138] "Options for Importing Africa's Participation in the WTO," The World Economy, 2000 at page 491-510.

[139] Hoekman and Kostecki, The Political Economy of the World Trading System, 2nd Edition, Oxford University Press 2001, page 396.

[140] *supra*

[141] "The Challenges of Integrating LDCs into the Multilateral Trading System" WT/GC/W251, July 13 1999 and "SADC Ministers Agreed Negotiating Objectives, WT/L317, October 1, 1999.

[142] Blachhurst et al 2000 *supra.*

that market access deserves the world's attention in that the existence of unbound tariffs, tariff peaks, tariff escalation and non *ad valorem* tariffs still affect the effective and balanced development of international trade.

For purposes of this chapter, market access shall be reviewed in the context of non-agricultural products, as agriculture will be discussed in chapter five. Starting with the Kennedy Round, Multilateral Trading Negotiations began to focus on domestic regulatory policies and administrative procedures that have an impact on trade. The focus of the GATT was largely limited to the reduction or abolition of discrimination against foreign products or producers.[143] The approach was one of negative or shallow integration: agreement not to do specific things (for example raise tariffs above bound levels) or to do things in a certain way if a government decided to pursue a policy (for example undertake an injury investigation as part of an Anti-Dumping or Counter Veiling action) Thus shallow integration has been and continues to be the bedrock of the trading system, it does not require governments to take action, but imposes disciplines if they do.[144]

Tinbergen[145] sees deep integration becoming more prominent on the WTO agenda because the liberalization of traditional trade policy instruments increased the visibility of differences in national regulatory regimes. This is where market access comes in. Sovereign countries traditionally have pursued limited economic integration in the multilateral context. The approach has been one of reducing barriers to market access.[146]

However we have seen such technical aspects such as domestic policies with potential trade impact such as subsidies and product standards, and most recently areas where domestic regulatory regimes are directly at issue such as services and Intellectual

[143] Hoekman et al,The Political Economy of the World Trading System, 2nd Edition, Oxford University Press 2001, page 414
[144] Supra
[145] J. (1954), International Economic Integration, Amsterdam: El Sevier
[146] Hoekman et al,The Political Economy of the World Trading System, 2nd Edition, Oxford University Press 2001, page 414

Property rights.[147] This has resulted in restricted market access affecting mostly developing countries. Whilst efforts are being made to do away with such barriers to trade, the pace cannot match with the steep time frame of meeting Goal 8 by 2015. What is required is a multilateral agreement premised on the Africa Growth and Opportunity Act (AGOA) favorable principles.

AGOA is an initiative by the United States government that significantly liberalizes its imports from eligible Sub-Saharan African countries. It was originally signed into law by the then Clinton administration in 2000, and covered eight years to 2008. However it has since been extended to 2015.[148] Sadly whilst AGOA is plausible and has been responsible for enhanced trade receipts for countries like Lesotho, the legislation has its weaknesses in light of achieving Goal 8 by 2015.

AGOA is a unilateral US initiative, which sets criteria for country eligibility on its own. Whilst most SADC states have benefited countries like Zimbabwe have been visibly left out of the deal. Angola only got consideration when the extension was considered by the US senate. Some countries have even been removed from the list of beneficiaries whilst some have opted out.[149] This creates uncertainty and impedes countries from planning in long term when they become beneficiaries of AGOA. The product range covered under the legislation is also cause for concern. The US government too unilaterally decides it. Thus despite AGOAs broad product coverage, many gaps remain both on sector wide coverage and intra sector coverage level. In some cases, certain goods within a sector remain non eligible and continue to attract import duties due to certain industrial interests in the US home market, while in other cases non eligible goods already have a zero level of duty. On the whole however, the majority of US bound exports from eligible African Countries enter the US market duty free, but the aforementioned problems need redress.[150]

[147] Supra
[148] http://www.AGOA.info
[149] Supra
[150] Eckart Naumann, Tralac trade brief No. 3/2004 (August): Recent Changes to AGOA legislation.

If however the industrialized worlds as a whole could take this cue from AGOA and open up their markets, developing countries not only in SADC, but others in Africa as well would reap immeasurable benefits. SADC countries must thus strive hard at the multilateral level to have an AGOA kind of market access to the developed market through negotiation. However, eligibility criteria and product range coverage would need serious scrutiny and be made friendlier and less unilateral.

It therefore came as a relief for the SADC region when on the 2nd of August 2004 after marathon meetings; a decision was finally adopted by the General Council of the WTO on the Doha Work Programmed. This decision has been dubbed the "July Package"[151]Whilst some chide this package for lack of specific time frames on the projected provisions that were adopted in terms of market access, it is still plausible decision in that the General Council mandated itself to fulfilling the development dimension of the Doha Development Agenda, which places the needs and interests of developing countries at the fore. The General Council further reiterated the important role that enhanced market access, balanced rules, and well targeted, sustainably financed assistance and capacity building programmes can play in the economic development of poorer countries.

[151] WT/L/579, 2 August 2004.

CHAPTER FIVE

CONCLUSION

5.1 INTRODUCTION

Nobel Peace Laureate, Wangari Maathai, in an interview with Africa Renewal in New York[152] noted that Africa has not been given the opportunity to do trade fairly. Debt has continued to eat into the capital of Africa so strongly that many governments are still not able to service their people as long as they are servicing the debt. On the counter, she also lambasted the African governments, which have not done their part either. She recalled the industrialized countries and even the World Bank saying, "If we cancelled this debt, it is not the poor who will benefit. It is the leaders, who are corrupt, who are mismanaging the economies of your countries, who are undemocratic, who are engaging in wars and making it impossible for people to do even the little that they could, who will benefit. Therefore it doesn't make sense to cancel the debt."

Her sentiments hinge directly on exactly where the challenge for SADC is today. The respective governments must decide whether they want to continue doing business as usual, or whether they want to appreciate this challenge. If the industrialized countries want to assist, SADC needs to create an enabling environment. Unfortunately there is no more time left to waste on empty rhetoric. We have already eaten the first third of the time span set to achieve the MDGs.

Essentially what is required now for SADC is not only an immeasurable change of -attitude, but effective policy reform. These reforms should evolve around enhanced regional cooperation, trade liberalization, changes in government expenditure and tax policies, and effective interpretation of the results. The gradual elimination of import

[152] Published by the Zimbabwe Standard Newspaper on May 8 2005 at page 21

licenses and freeing of foreign exchange controls as well as simplifying the tariff structures in place.[153] The net effect of a reduced average tariff rate may well serve to increase trade and diversify opportunities. In terms of the overall income effect, standard trade theory shows that both static and dynamic gains result from trade liberalization associated with increased efficiency or resource allocation and use.[154] The chief beneficiaries are export-producing sectors, where relative incentives are made more favorable by the lower cost of imported material inputs and higher output prices in domestic currency. The sustainability of trade liberalization, however, depends largely on whether the perennially large fiscal deficits by governments can be reduced significantly.[155]

David Loyn[156] noted that the Africa Commission holding its final meeting in London before the meeting of the G8 group in Scotland in July 2005 promised in blunt style that the meeting would not just be a talking shop, but would deliver radical new thinking to change the direction for Africa. Amid appeals for more aid, fairer trade and less debt, the Commission report was largely expected to demand a much tougher line on corruption. Sadly, corruption has been a cancer that has significantly afflicted many African states. As a result, resources that are essentially targeted for national economic development primarily end up enriching a few individuals at the expense of national economies. This needs to be addressed if Goal 8 is to be met. The SADC trade protocol has a list of acts of corruption that are prohibited.[157] What is then required is effective implementation of sentencing as a deterrent. Wangari Maathai[158] rightly stated that, "We cannot afford to have a region where a few people are filthy rich and a large number of people are in dehumanizing poverty." Undeniably, this imbalance has been at the core of most of the armed conflicts that have rocked the length and breath of the African continent. Corruption must be uprooted so as to gain donor and investor confidence.

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[153] Bautista *et al* , Macroeconomic Policy Reforms and Agriculture, IFPRI Research report No. 138 at page 68

[154] Bautista *et al* , Macroeconomic Policy Reforms and Agriculture, IFPRI Research report No. 138 at page 69.

[155] Supra

[156] Article "African Commission Concludes Talks" The financial Gazette, May 8 2005, Harare

[157] http://www.iss.co.za/pubs/Other/CorruptHandbookNov04/Contents.htm

[158] Published by the Zimbabwe Standard Newspaper on May 8 2005 at page 21

Ambassador Elias Links, South Africa's chief negotiator to the South Africa/EU Trade Development and Cooperation Agreement (TDCA)[159] said, "The aim should be to move away from receiving aid. Developing countries should be given the capacity to assist themselves, to generate levels of economic growth which enable them to tackle poverty alleviation themselves." The following areas are thus offered as possible ways in which developing countries, and in particular SADC may follow to enhance the region's chances of meeting Goal 8. It is however important to note that these suggested areas are by no means exhaustive.

5.2 THE WAY FORWARD

Enhanced Regional Cooperation

It has already been mentioned before that regional trading blocs are GATT compatible.[160] It has also been stated that regional trading blocs increase the flow of trade between members, and on the general outlook, enhance the spirit of global trade liberalization.[161] The advantages thereto, are innumerous. They include, *inter alia,* a general uplift of standard of living through the resultant aggregate gains, enhanced and mutual regional cooperation, aid in political integration and stability whilst also multiplying net income earnings for constituent member countries.

However, the Trade, Development and Cooperation Agreement[162] between South Africa and the European Union (EU), has shown that trading blocs can be taken to another level. This agreement is one of the most ambitious cooperation agreements that the EU has ever concluded with a third country. It confirms both a clear determination by the EU to support the process of change and reform in South Africa, and reflects both sides' desire to further expand their political, trade and cooperation contacts to the benefit of South

[159] http://europa.eu.int/comm/dg08/index
[160] See Article XXIV of GATT and Chapter Four.
[161] See Chapter Four.
[162] Hereafter referred to as TDCA

Africa, and indeed the Southern African region as a whole.[163] It is also unique in that it is the first negotiated FTA after the Marrakesh agreement under the rules of the WTO.

The main components of the agreement, which are not common to other FTA agreements include, the creation of a Development FTA, Development cooperation, Institutional set up, Political Dialogue, Economic cooperation and most importantly, Financial assistance.[164]

The uniqueness of a developmental FTA lies in that while focus will be on improving market access for exporters from both sides, the agreement also concentrates on promoting South African development. In recognition of South Africa's economic restructuring efforts, the EU will open up its market faster and more extensively for South African products than it will ask South Africa to do for EU products.[165] Specifically, the EU will liberalize about 95% of its South African imports within ten years while the respective figures on South African side are around 86% in twelve years.[166] Within these transitional periods, the bulk of liberalization of industrial products on the EU side will take place in the first four years, whereas on the SA side tariff reduction for most industrial products will only start after six years.[167]

Whilst in present terms, the ten and twelve year time-frames contained in this agreement are not compatible to the attainment of Goal 8, it is useful to take cognizance of the realization within an FTA that specific time frames and measurable targets are an essential ingredient to the effectiveness of the FTA. In contrast, the SADC region has taken far too long to agree on specific time frames and measurable targets. Its full inception as a fully compatible FTA is still a pipe dream as huge tariff barriers still haunt constituent members in their quest to increase intra-regional trade.

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163 http://europa.eu.int/comm/dg08/index
164 http://europa.eu.int/comm/dg08/index
165 Supra.
166 Supra.
167 Supra.

It is only South Africa that has taken the initiative to reduce export duty on all products from SADC.[168] Trade analysts attributed this adjustment to being in line with the SADC trade protocol. With effect from January 1 2005, Pretoria implemented a phased tariff reduction on certain products. The adjustment would benefit the SADC region and on another level serve some EU trade agreements.[169]

There are two levels in which this adjustment may not attain the full-intended benefits for SADC. Firstly, some governments within the region have not reciprocated this adjustment and still hang on to their prohibitive high tariffs. Secondly, because South Africa has also extended the favor to the EU due to the TDCA,[170] products from the SADC region will face stiff competition from the formers exports. Weaker currencies in the SADC region coupled with a stronger EU economy buoyed by both domestic and export subsidies particularly in agriculture will almost definitely eliminate any chance the region may have had to compete with the EU for the lucrative South African market.[171] In order to make this adjustment more effective, South Africa and SADC should have invoked the provisions of special and differential treatment, which allow developing countries to give trading concessions to each other.[172] This is possible under the enabling clause, which is also the legal basis for regional arrangements among developing countries and for the Global System of Trade Preferences (GSTP). Preference giving countries unilaterally determine which countries and which products are included in their schemes.[173]

The TDCA between SA and EU also provides the legal basis for continued financial assistance for development activities at a substantial level for the duration of the agreement.[174] The EU currently implements a large-scale development programme in SA under the European Union Programme for Reconstruction and Development.[175] The

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[168] Business Digest of February 25, 2005 at page 3 on www.fingaz.co.zw
[169] http://europa.eu.int/comm/dg08/index
[170] Supra
[171] Business Digest of February 25, 2005 at page 3 on www.fingaz.co.zw
[172] www.wto.org/english/tratop_e/devel_e/ dev_special_differential_provisions_e.htm
[173] Supra.
[174] http://europa.eu.int/comm/dg08/index
[175] Hereafter abbreviated to EPRD.

programme, with an average annual budget of 127,5 million Euros, is the largest single development programme in South Africa and one of the biggest implemented by the EU in any part of the world.[176]

The aim of the EPRD is to assist the government of South Africa in tackling the wide range of socio-economic problems resulting from the apartheid era. EPRD programs are thus designed in close cooperation with the South African government and the implementation of each project is carried out hand-in-hand with the relevant authorities.[177] Ambassador Elias Links, SA chief negotiator to this agreement said, "But I think it is important for me to stress that the relationship is not just about market access. What South Africa needs, at this stage, is to be able to progress to a higher level of development and innovation. The so-called "Free Trade Area" will certainly provide much-needed stimulus in this regard. Likewise, the development facet of the agreement also provides for crucial support not just in the fight against poverty but in enabling us to move on to further stages of economic restructuring and liberalization."[178]

It is undeniably true that no SADC member state is in a position to offer financial or developmental assistance to another in a similar manner to the EU/SA agreement. But admittedly it would be mutually advantageous for SADC to lobby as a region for such assistance from the industrialized countries. Such an arrangement would thus not only be single footed on enhancing market access but would guarantee the much coveted developmental assistance in order to ensure the sustainability of liberalizing trade, as well as easing the associated pain of freer trade. However a cursory look at the region will show that Zimbabwe, Angola, and the Democratic republic of Congo are in turmoil and this could potentially scare off assistance givers to the region. Zimbabwe is dogged by political turmoil and economic meltdown such that even the benevolent IMF has slapped it with suspension from the fund since its inception of the chaotic and often violent land seizures in 2000.[179] The DRC and Angola have been intermittently bogged down by armed conflicts and sporadic armed conflicts frequently occur such that individual

[176] http://europa.eu.int/comm/dg08/index
[177] http://europa.eu.int/comm/dg08/index
[178] Supra
[179] www.afrol.com/Categories/Economy_Develop/ econ011_recession_zim.htm

property rights are not guaranteed.[180] It is therefore this author's suggestion that SADC should adopt an effective peer review mechanism like the one the NEPAD initiative is advocating for.[181] This would ensure members counsel and consult each other in amicably resolving potential conflicts. The resultant stability would then draw both donor and investor confidence in the region.

5.3 THE DEBATE ON AGRICULTURE

Finally as a way of moving forward it is prudent to look at sector specific multilateral trade agreements. Whilst the EU in particular, and industrialized countries in general, have climbed a pedestal in preaching the gospel of freer trade, they are the worst culprits who manipulate that same notion to suit their sometimes selfish needs. Hoekman and Kostecki[182] contend that poor agrarian economies have a history of taxing agriculture relative to other tradable sectors. Most SADC states are merely developing countries and this is true of them. As nations become richer, their policy regimes often change from taxing to assisting farmers relative to other producers. This is true of the EU.

But what makes agriculture special? The political influence of agricultural sector is substantial in many countries. Agriculture is mostly food, and food is often very political. President Nyerere of Tanzania used to say if he needed shoes and apartheid South Africa was the only was the only place where he could get shoes he would not go to South Africa, but if he needed corn and the only place where he would get corn was apartheid South Africa, he would go there. Food shortages can lead to riots, revolutions and wars.[183]

There is a striking difference between the way agriculture is treated in the industrialized and poorer countries such as those in SADC. In developing countries, policies tax agriculture and subsidize food consumption of the urban population. In industrialized countries exactly the opposite pattern can be observed: an urban population that is taxed

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180 www.igd.org.za/pub/g-dialogue/africa/**drc**.html
181 www.web.net/~iccaf/debtsap/**nepadpeerreview**.htm
182 The Political Economy of the World Trading System, 2nd Edition, Oxford University Press 2001
183 Supra

to subsidized farm production and incomes. In both cases governments use subsidies, trade barriers, state trading and public purchasing to regulate production and trade.[184]

Winters[185]argues that in the European Union support programmes were so effective in stimulating output in the 1990s that they had to be complemented by production quotas and incentives to take land out of production. In developing countries marketing boards – monopoly buyers and distributors of food - set prices for farm products. Farm gate prices are frequently kept low; below world market levels, in a deliberate attempt to lower the cost of subsidizing the price of basic foodstuffs for the urban populace, or in an attempt to tax tradable commodities and generate revenue for the government. The result is ofeten a drop in agricultural output, rural to urban migration and rising imports of food.[186]

As a consequence of agricultural intervention, countries with no comparative advantage in agriculture not only become major producers but net exporters. Production support policies are complemented by export subsidies to allow surplus to be sold.[187] This has led to numerous trade conflicts surrounding the issue of subsidies. The loss of developing country export revenue resulting in agricultural protectionism in the United States, the European Union and Japan is significant. For sugar and beef alone, it was estimated to be the equivalent of about half of the total international developing aid to developing countries.[188] Policies in developing countries tend to make the situation worse for farmers as they often discourage farm production through a variety of agricultural and non-agricultural policies. These include state control of inputs and prices, high import barriers for manufacturers and overvalued exchange rates, all of which reduce the incentive to invest in agriculture.[189]

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[184]Hoekman et al, "The Political Economy of the World Trading System," 2nd Edition, Oxford University Press 2001 at Page 212

[185] 1987, "The Political Economy of Agricultural Policy of Industrialized Countries," European Review of Agricultural Economies, 14 at Page 285 - 304

[186] Supra

[187] Supra

[188] World Bank, 2002.

[189] Krueger A, Schiff M and Valdes A, "Agricultural Incentives in Developing Countries: Measuring the Effects of Sectoral and Economy Wide Policies" World Bank Economic Review, 1988 at Page 255.

The rules applying to agricultural trade under GATT 1947 were weaker than those for manufactured goods. The attitude of regarding agriculture as a sector of economic activity that deserves special treatment manifested itself during the postwar negotiations on the International Trade Organization (ITO) in US insistence that ITO not affect its agricultural policies.[190]Although ITO was never ratified, GATT rules on agriculture were in part written to fit existing US agricultural policies.[191] By accepting implicitly or explicitly the notion that agriculture is unique, it is proving to be virtually impossible to make cross-sectoral linkages of trade offs in multilateral trade negotiations.[192]

The Agreement on Agriculture (AoA) that emerged from the Uruguay Round has four main parts:

- Dealing with market access for agricultural products
- Domestic support
- Export competition and
- Sanitary and Phytosanitary measures.

By the year 2000 existing export subsidies were to be reduced by 36% in value terms and 21% in volume terms from a 1986 to 1990 base. Hilton Zunckel,[193] a Tralac agricultural trade expert, suggests that when consideration is given to make suggestion as as to the retention, amendment or removal of agricultural subsidies, colloquially described by the "Boxes" in the Agreement on Agriculture, it is critical to recognize that these suggestions are to be made in the context of an overall objective of reform in order to establish a fair and market oriented trading system in agriculture. He notes that the strange but very real position exists that the more distorted the market in the EU the greater the benefit to those with preferential access. Not all enjoy this benefit, which creates a divide in opinion within the developing countries and within the African

[190] Hoekman et al, "The Political Economy of the World Trading System," 2nd Edition, Oxford University Press 2001 at Page214
[191] Hoekman et al, "The Political Economy of the World Trading System," 2nd Edition, Oxford University Press 2001 at Page 212
[192] Supra
[193] "Adequately Boxing Africa in the Debate on Domestic Support and Export Subsidies," Tralac Trade Brief No. 2/2004

contingent specifically.[194] Preferences have created a disincentive for Africa to give a hearty support to the reform tenet, which will eventually have to be given effect. This implies that the right choice of "Box" proposal will not necessarily be the easy choice and will not be without adjustment costs. For this reason it is hereby suggested that enhancing a regional stance in SADC where the prevailing conditions are more or less the same will give the constituent members a better platform to give the much couched for reform in agricultural trade regulation that is incumbent.

5.4 SPECIAL AND DIFFERENTIAL TREATMENT IN THE WTO: WHY WHEN AND HOW?

Special and differential treatment (S&D) for developing countries continues to be a defining feature of the multilateral trading system. The battle to establish the principle that a set of uniform multilateral rights and obligations among a deeply diverse set of nations could not serve the best interests of all parties was won a long time ago. The current S&D debate occasionally gives the impression that some beneficiary governments want to fight that battle again. The impulse may stem from frustration – from the sense that more advanced countries in the system are unresponsive to the real needs of developing countries. It may also reflect a reluctance or an inability to engage debate and undertake analysis at a level of detail and specificity that is indispensable to a worthwhile outcome.[195]

At the end of the Uruguay Round, several assessments were made on how the concept of special and differential treatment was inserted in the new trade agreements. In general, the opinion was that the concept was becoming "obsolete", mainly because, in almost all the provisions, the concept was operationalised through longer transition periods allowed to developing countries for implementing the obligations, but implying the same level of obligations at the end of the transition, and through "best endeavour" clauses implying discretionary measures in favour of the developing countries.[196] The recognition of the S/D seemed also jeopardised in some negotiations on accession, where the existing

[194] Hilton Zunckel, "Adequately Boxing Africa in the Debate on Domestic Support and Export Subsidies," Tralac Trade Brief No. 2/2004

[195] http://www.wto.org/english/res_e/reser_e/ersd200403_e.doc

[196] http://www.un.int/unitar/trade_campus/trade_s&d.htm

provisions on special and differential treatment were not fully respected. Similarly, the financial assistance provided by the Bretton Woods[197] institutions has, in several cases, implied the adoption of trade policies that do not take into account the special and differential treatment provisions.[198]

At Doha, this trend was reversed – at least in the language of the Work Programme contained in the Ministerial Declaration and in the Decision on Implementation Issues, that strengthens the relevance of the special and differential treatment in all the topics and through specific paragraphs that reinforce the concept as such. Mandates on the least developed countries and the small economies were also included as "horizontal" dimensions of the post-Doha negotiations. Therefore, the Doha mandates contain both "across-the-board" as well as specific provisions on special and differential treatment.[199]

However, the strengthening of the concept in the language adopted at Doha does not automatically lead to an effective implementation of trade measures that compensate for the structural imbalances in the participation of the developing countries in the trading system. The Work Programme of the post-Doha negotiations provides an opportunity to operationalise the current provisions and to ensure the desirable outcomes of the negotiations regarding special and differential treatment.[200]

Article XXXVII:3 of GATT 1947, for example, states that developed countries shall "give active consideration to the adoption of other measures designed to provide greater scope for the development of imports from less-developed contracting parties...."[201] The same Article also says that developed countries shall "have special regard to the trade interests of developing contracting parties when considering the application of other measures permitted under this Agreement to meet particular problems...."[202] It is difficult to see how these "best-endeavour" provisions could be given legal force through dispute

[197] This includes the International Monetary Fund and the World Bank
[198] http://www.un.int/unitar/trade_campus/trade_s&d.htm
[199] Supra
[200] Supra
[201] Article XXXVII: 3(b), GATT 1947. The reference to "other measures" is intended to cover such actions as promoting domestic structural changes, encouraging consumption of particular products, or introducing measures of trade promotion.
[202] Article XXXVII: 3(c), GATT 1947.

settlement. Should such provisions be considered as substantive components of special and differential treatment? The answer is probably that they should not, simply because the provisions are devoid of legal security and do not offer an opportunity, beyond moral suasion, for putative beneficiaries to insist on their enforcement.[203]

In Paragraph 12(i) of the Doha Decision on Implementation-Related Decisions and Concerns, developing countries sought to address this question. The mandate calls for Members "to identify those special and differential treatment provisions that are ..... non-binding in character, to consider the legal and practical implications .... of converting [them] into mandatory provisions, [and] to identify those that Members consider should be made mandatory..." Although this was supposed to have been accomplished by July 2002, agreement has proved elusive. Even for the limited number of proposals on the table in respect of which agreement may be forthcoming as the Doha negotiations proceed, it remains far from clear whether a significant number of best-endeavour provisions will be converted into meaningful mandatory S&D obligations as a result of the exercise.[204]

In this context, it would be important for the developing countries in the SADC region to achieve, in particular, the following results on special and differential treatment in the Doha process: first, to achieve the binding of the preferential regimes for market access recently adopted by some developed countries in favour of the LDCs, in order to secure these regimes and channel more investments in the development of the supply capacity required to fully take advantage of the new export opportunities. Secondly, to identify concrete measures that could materialise many "best endeavours" provisions (for instance, in the implementation of the provisions concerning transfer of technology in the TRIPS agreement and in the GATS agreement). Thirdly, to agree on formulas for the negotiations on tariff and non-tariff measures for agricultural and non-agricultural products that effectively take into account the export capacity of the developing and least developed countries, as well as provisions that preserve the possibility of adopting national development strategies – particularly in the area of TRIPS, TRIMS. Fourthly, in

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203 http://www.un.int/unitar/trade_campus/trade_s&d.htm
204 http://www.wto.org/english/res_e/reser_e/ersd200403_e.doc

the schedules of commitments on sectorial services, the inclusion of specific special and differential treatment considerations that reflect the peculiarities of each sector from the point of view of development needs, in addition of "horizontal" provisions such as emergency safeguards. Finally, it will be important to ensure that the rules of origin and other new rules applying to the regional trade agreements are designed so that the trade liberalisation among developing countries can be deepened and matches the objectives of their integration schemes.[205]

The single biggest challenge for a new individual threshold approach to special and differential treatment for SADC would consist in defining analytical criteria that are relevant to specific special and differential concerns and measurable with existing data. This process should ideally be as depoliticized as possible and build on the insight that relatively more advanced developing country Members still gain in resigning themselves to access to fewer, but enforceable and relevant special and differential provisions.[206]

It should also be acknowledged that while development-relevance is the key determinant in the selection of appropriate threshold criteria, the effect of access to special and differential treatment on other countries or on the functioning of the multilateral trading system will figure as second-order considerations. This particular problem is likely to be relevant only in a few areas, such as subsidization and certain forms of import protection, for which the economic case may be contentious and the negative impact on others strong, but for which pragmatic arguments can be adduced to justify temporary exceptions. Provision-specific special and differential treatment may, in such cases, only afford a "once-off" time interval to countries qualifying under the threshold criteria at a certain point in time.[207]

Time intervals may also vary on the basis of a set of staggered criteria, providing longer time-frames to weaker Members. Such an approach would allow for the sequencing of trade reforms vis-à-vis other trade and broader economic reforms. This is the suggested

[205] http://www.un.int/unitar/trade_campus/trade_s&d.htm
[206] http://www.wto.org/english/res_e/reser_e/ersd200403_e.doc
187http://www.un.int/unitar/trade_campus/trade_s&d.htm

way forward on the effective implementation of special and differential treatment within the WTO and in view of the developmental aspirations of the SADC region.

5.5 THE ROLE OF EDUCATION IN ACHIEVING GOAL 8.

It goes without saying that entrepreneurship and economic growth go hand in hand. But cultivating the elements of entrepreneurship is no simple task. It is a fragile construct demanding innovation, leadership, determination and the confidence to take risks in charting new ground. It also requires a climate of political and social stability, and a large degree of regulatory flexibility to enable business to move with changing markets.

Perhaps the most important ingredient to achieving Goal 8 in the SADC is to start with human development through education. The rise of economic powers throughout history, and indeed the pre-eminence of the Arab world in ancient times, can be traced to a corresponding expansion of the arts and sciences.[208]

This critical relationship can be seen at the industry level. Stanford University in California is a critical talent pool for Silicon Valley, the global IT hub, while India's position as an IT leader has been fueled by astonishing levels of computer literacy in its higher and vocational education system. It's clear, then, that quality education, the availability of ready markets, modern infrastructure, sound economic policy and government support, and the steady injection of investment make an ideal recipe for development and economic prosperity as envisaged by Goal 8 - at least on paper.[209]

Increased investment in education can yield broad economic and social benefits. Evidence shows that education is associated with increased multi sectoral productivity, higher incomes, and lower fertility rates and with improved nutrition and health. In addition, the expansion of scientific knowledge and technologies that is necessary for development depends on education.[210]Thus the SADC region should re-visit the area of education right from the primary to tertiary education in order to mobilize the human

208 http://www.ameinfo.com/27889.html
209 Supra
210 http://www.malawi.gov.mw/educ/role_of_education_in_national_de.htm

resources that will are required to see through the attainment of Goal 8 and a sustained developmental scheme beyond 2015. The efforts to achieve Education for All in many African countries have resulted in significant enrolment increases at the primary level, which is putting pressure on governments to expand secondary education.[211] This trend should be followed up as a SADC policy to ensure relevant skills are acquired by the concerned citizens, as they must come into the development goals as economic drivers. The region should also ensure that there is a balance between the education received by males and females.

From a historical perspective in Africa in general, and in the Southern African Development Community in particular, the girl child has not had the same opportunities to learn as much as the boy child. Such imbalances must be viewed with a view to economically empower women as they normally form the backbone of many an African family. If such a holistic approach is taken on the Millennium Development Goals in terms of education from the family unit, which forms the nucleus of the African family then the region can be assured that the Goals will be effective for a longer time frame.

It is obvious that most Southern African economies are in development crisis. Apart from notable exceptions such as Botswana, Mauritius, Seychelles and South Africa, the majority of Southern African countries have not made any appreciable improvements in human welfare. The state of development of the region and that of Africa as a whole is not only critical in absolute terms but also in relation to other regions of the world. For example, out of 36 countries classified as having low human development levels in 2003 (UNDP-HDR 2004), in terms of low levels of income, life expectancy and literacy rates, all but six are from Africa. All the bottom 28 countries on the list are from Africa.212

A critical factor in that direction would be improvement in the quality and capacity of leadership in business and industry, public administration, and good governance. In modern economies, political and business leaders are "made, not born" as it is made to

[211] http://ddp-ext.worldbank.org/ext/MDG/regions.do

[212] http://www.ifc.org/ifcext/bsn.nsf/AttachmentsByTitle/Ghana05_MinisterSpeech/$FILE/GhanaMinisterSpeech.pdf

believe in the majority of African countries of which SADC is not unique. They are made largely by training in higher educational institutions. In the case of business leadership, relevant business education is an indispensable incubator and catalyst for building leadership.213

Universities and management institutions play a more important national role in Africa than in other regions. They are the most capable institutions in our countries. They are often the only national institutions with the skills, equipment, and the mandate to generate new knowledge through research, or to adapt knowledge for the solution of local problems. The roles of these institutions in research, evaluation, information transfer, and technology development are therefore critical to national progress and economic growth. In short, higher educational institutions in Africa are key actors in national development.[214]

5.6 CONCLUSION

How many countries in the SADC region are likely to reach the Millennium Development Goals? Much depends on whether the progress in the past decade can be sustained—or accelerated in countries falling behind.[215] The Millennium Development Goals (MDGs) set quantitative targets for poverty reduction and improvements in health, education, gender equality, the environmental and other aspects of human welfare. At existing rates of progress many countries will fall short of these goals. However, if developing countries take steps to improve their policies and increased financial resources are made available, significant additional progress towards the goals is possible. [216] To obtain an estimation of the cost to achieve the MDGs is not an easy exercise, not merely because many mutually interdependent factors come into play in determining such cost. Various efforts have been made, one by a team in the World Bank, to provide an estimated scale of additional resources required to achieve the goals.

[213] http://www.ifc.org/ifcext/bsn.nsf/AttachmentsByTitle/Ghana05_MinisterSpeech/$FILE/GhanaMinisterSpeech.pdf
[214] Supra
[215] http://ddp-ext.worldbank.org/ext/MDG/homePages.do
[216] http://ddp-ext.worldbank.org/ext/MDG/homePages.do

According to the study in "Goals for Development: History, Prospects and Costs" paper, \$40-\$70 billion additional assistance per year would be needed. The amount would roughly represent a doubling of official aid flows over 2001 levels. New cost estimates have recently been made by the Millennium project.

The most important factors in determining the cost of achieving the goals are country policies and the environment they create. Without sound policies and the ability to implement them effectively, additional assistance will not lead to faster progress. This is why the development effort to reach the MDGs is most effective when developing countries and the donors are both committed to effective development strategies. Besides increased financial assistance, there are other things rich countries can do to help developing countries achieve the goals.[217] Some of these things have intermittently been suggested in previous Chapters.

According to the World Bank, [218]in order to achieve Goal 8 economies need to grow to provide jobs and more incomes for poor people. Health and education systems must deliver services to everyone, men and women, rich and poor. Infrastructure has to work and be accessible to all. And policies need to empower people to participate in the development process. While success depends on the actions of developing countries, which must direct their own development, there is also much that rich countries must do to help.

Goal 8 calls for an open, rule-based trading and financial system, more generous aid to countries committed to poverty reduction, and relief for the debt problems of developing countries. It draws attention to the problems of the least developed countries and of landlocked countries and small island developing states, which have greater difficulty competing in the global economy. It also calls for cooperation with the private sector to

[217] Supra
[218] http://ddp-ext.worldbank.org/ext/MDG/gdmis.do

address youth unemployment, ensure access to affordable, essential drugs, and make available the benefits of new technologies.[219]

Slow growth in Sub-Saharan Africa has meant increases in both the poverty rate and number of the poor in the 1990s, leaving it as the region with the largest proportion of people living below $1 a day. The forecast anticipates per capita growth averaging 1.6 percent over the 2006-15 period—a reversal of the region's long-term decline. But even this is far short of the growth needed to reduce poverty to half the 1990 level. In fact the number of poor is expected to rise from 313 million in 2001 to 340 million people by 2015. Sub-Saharan Africa also remains highly dependent on commodity exports and is still experiencing political and economic instability.[220]

Sub-Saharan Africa, however, is a region with diverse performers. There are a few countries that have sustained a remarkable growth and achieved some progress in poverty reduction and other MDGs, such as Uganda and Ghana. A recent survey indicates that Cameroon is making progress in achieving the poverty target.[221]it is disheartening to note that in this context, non of the Constituent members of SADC have been sighted as being top performers in the race to achieve not only Goal 8, but the others as well. In conclusion, reference is made to he speech by the Secretary General of the United Nations, Mr Koffi Annan in September 2003, the World Bank and United Nations Development Programmes.

UN: "Implementation of the United Nations Millennium Declaration"—report of the Secretary General September 2003.[222]

Progress towards achieving the MDGs is at present very uneven, with wide variations across regions and countries, and it is evident that, following current trends, some parts of the world risk falling well short of achieving the Millennium Development Goals in 2015. However, if the international community strengthens its efforts, it remains possible

[219] http://ddp-ext.worldbank.org/ext/MDG/gdmis.do
[220] http://ddp-ext.worldbank.org/ext/MDG/regions.do
[221] Supra
[222] http://www.mofa.go.jp/policy/oda/white/2003/part2_2_2_2.html

to achieve the goals at the global level and at the country level for most countries.

It also remains possible to achieve the reduction of the number of poor people by half. In some regions the goal of reducing hunger by half is difficult to be achieved, so new policies must be formulated. The goal concerning primary education is being achieved except for in sub-Saharan Africa. Progress toward the goal concerning gender is generally moving in the right direction. There is a cause for concern with respect to the goal of reducing child mortality rate and maternal mortality rate, and new policies are necessary. There is also cause for concern regarding the goal of preventing the spread of diseases such as Acquired Immune Deficiency Syndrome (AIDS), but there is a hope that the goal can be achieved

Achieving the MDGs depends on whether or not developed countries meet their obligations, including trade, debt relief, and assistance, with respect to the goal of "Building a global partnership for development." Although some progress has been made with regard to debt relief, further efforts are necessary in the trade, financing and development assistance sectors.

UNDP: Human Development Report 2003

If the world as a whole develops at the same speed as in the 1990s, only two of the MDGs have a realistic prospect of being achieved: the goal of reducing the number of poor people and the goal concerning safe drinking water. Attaining these goals will be largely due to the outcomes of China and India.

Looking at achievement of the goals by region, outstanding progress toward the other goals can also be seen in the East Asia and Pacific region. The Arab countries, Latin America, and the Caribbean region cannot easily achieve the goals by 2015 but it is possible. However in other regions, achievement of the MDGs is extremely difficult. For example, at the current status of progress in sub-Saharan Africa, it is expected to achieve the goal of reducing the number of poor people in 2147 and the goal of reducing the child mortality rate in 2165.

World Bank Development Report September 2003

At the global level, there is a prospect of achieving the goal of reducing the proportion of poor people but achieving the goals concerning education, gender, and child mortality rate will be difficult. If the forecast per capita gross domestic product (GDP) growth rate is achieved, it is expected that the goal concerning the number of poor people can be achieved in all regions except Africa. However, it is difficult for any of the regions except East Asia, Europe, and Central Asia to achieve the goals, etc. concerning primary education and child mortality rate through economic growth alone. In the African region, even if an economic growth rate twice the current were achieved, it would not be possible to achieve the goals concerning health, medical care and education although it would be possible to achieve the goal concerning poverty.

The Southern Africa crisis poses a great challenge to the achievement of the MDGs. In six countries - Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe - there is serious food shortage affecting 15.1 million people. In addition, and closely linked to this, the HIV/AIDS pandemic in Southern Africa is endangering the lives and livelihoods of millions of people. The Face of poverty across most of Africa is quintessentially female and the southern Africa region is no exception. The combination of HIV/AIDS with chronic poverty, erratic rainfall, poor government policies in some countries, and natural resource degradation all culminate in an acute humanitarian crisis that demands immediate action. This has resulted in the reversal of attaining progress already made towards the achievement of the MDGs.[223]

[223] http://www.sarpn.org.za/documents/d0000399/index.php

LIST OF ABBREVIATIONS

ACP	**African Carribean and Pacific Countries**
AGOA	**Africa Growth and Opportunity Act**
AIDS	**Acquired Immune Deficiency Syndrome**
AoA	**Agreement on Agriculture**
COMESA	**Common Market for Eastern and Southern Africa**
DRC	**Democratic Republic of Congo**
EPRD	**European Union Programme for Reconstruction and Development**
ESAP	**Economic Structural Adjustment Programme**
EU	**European Union**
FDI	**Foreign Direct Investment**
FTA	**Free Trade Area**
G7,8	**Group of 7 (Sometimes referred to as Group of 8)**
GATT	**General Agreement on Trade and Tarriffs**
GATS	**General Agreement on Trade in Services**
GCA	**Global Coalition for Africa**
GDP	**Gross Domestic Product**
GSP	**General System of Preferences**
GSTP	**Global System of Trade Preferences**
HIPC	**Highly Indebted Poor Countries**
HIV	**Human Immunodeficiency Virus**
IMF	**International Monetary Fund**
ITO	**International Trade Organization**
LDC	**Least Developed Country**
MDG	**Millennium Development Goals**
MFN	**Most Favoured Nation**
RBZ	**Reserve Bank of Zimbabwe**
RISDP	**Regional Indicative Stratergic Development Plan**
SA	**South Africa**
SACU	**Southern African Customs Union**

SADC	**Southern African Development community**
TDCA	**Trade, Development and Cooperation Agreement**
TRIMS	**Trade Related Investment Measures**
TRIPS	**Trade Related Intellectual Property Issues**
UK	**United Kingdom**
UN	**United Nations**
UNCTAD	**United Nations Conference on Trade and Development**
US	**United States**
WB	**World Bank**
WEF	**World Economic forum**
WTO	**World Trade Organization**
ZBH	**Zimbabwe Broadcasting Authority**

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