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Dreaming Out Loud: Implications of a Doha End-Game for South Africa

Peter Draper and Memory Dube

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Programme head: Catherine Grant email: catherine.grant@saiia.org.za

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ABSTRACT

In November 2011, the Doha Round will be in its tenth year. Efforts continue in Geneva to conclude the negotiations but with no sign of agreement anytime soon. The talks have essentially been stuck since the last draft modalities of 2008, and no agreement seems close in the three key negotiating areas of agriculture, non-agricultural market access (NAMA) and services. Political will to conclude the talks is lacking, particularly among the major players, which include South Africa. Against this background, the broader political economy of the negotiations is analysed, focusing particularly on the likely political compromises and exchanges necessary to achieve agreement in the three separate negotiating areas. In South Africa, government, business and labour offer different perspectives of what would constitute a good development outcome for each negotiating area. Given that the NAMA-agriculture 'exchange rate' is weighted in favour of developed countries, in the event of a successful Doha outcome, South Africa's interests would be best served by making more concessions in the services sector in exchange for further concessions by developed countries in the agriculture negotiations; insisting on less policy space for developing countries; as well as the preservation of the NAMA carve-out for the Southern African Customs Union.

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ABOUT THE AUTHORS

Peter Draper's current domestic affiliations include: senior research fellow in the Economic Diplomacy Programme at the South African Institute of International Affairs; visiting adjunct professor of international business at Wits Business School; programme director of the think-tank consortium at the Centre for Development and Enterprise; and research associate of the Department of Political Science at the University of Pretoria. His current international affiliations include: board member of the Botswana Institute for Development Policy Analysis; non-resident senior fellow of the Brussels-based European Centre for International Political Economy; chair of the World Economic Forum's Global Agenda Council on Trade; and member of the World Economic Survey Expert Group co-ordinated by the Institute for Economic Research at the University of Munich.

Memory Dube is a researcher and project manager in the Economic Diplomacy Programme at SAIIA. She holds an LLM (*cum laude*) in International Trade and Investment Law from the University of Pretoria. Memory's areas of research interest include trade policy reform; World Trade Organization policy; global economic governance; regional economic integration; as well as trade and sustainable development.

ABBREVIATIONS AND ACRONYMS

ACP	African, Caribbean and Pacific Group of States
APEC	Asia-Pacific Economic Cooperation
BUSA	Business Unity South Africa
CAP	Common Agricultural Policy
COSATU	Congress of South African Trade Unions
DDA	Doha Development Agenda
DTI	Department of Trade and Industry (South Africa)
EU	European Union
G33	Group of 33
GATS	General Agreement on Trade in Services
HS	Harmonised Commodity Description and Coding System
LDC	least developed country
MHN	most favoured nation
NAMA	non-agricultural market access
NGP	New Growth Path
OECD	Organisation for Economic Co-operation and Development
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIDS	Small Island Developing States
SSM	Special Safeguard Mechanism
SOE	state-owned enterprise
SVE	small, vulnerable economies
US	United States
WTO	World Trade Organization

INTRODUCTION

The start of 2011 saw renewed optimism that a Doha Development Agenda (DDA) deal could be struck before the end of the year.[1] At the Group of Twenty (G20) Summit in Seoul, and at the preceding Asia-Pacific Economic Cooperation (APEC) summit, some political momentum emerged, where before there had been none. However, subsequent attempts to move towards the final grand compromise in Geneva have failed, reminding those still interested in the DDA that the member states remain far apart on many issues.[2] Indeed, continuing talks in Geneva do not equate to real political will to make the painful political compromises necessary to come to an agreement. As before, everything depends on politics and whether the main players can align sufficiently within rapidly tightening deadlines.

Unfortunately, little convergence appears to exist among the membership, and a successful resolution of the Doha Round (plan A) seems unlikely. Although their provenance is uncertain, discussions over a possible 'plan B' have therefore started. Notwithstanding this uncertainty, the paper explores the implications for South Africa of a potential DDA outcome being concluded this year. With the Doha Round in hibernation, now is a good time to take stock of what exactly is on the table.

The focus is on the core issues of agriculture, non-agricultural market access (NAMA) or industrial goods, and services. Other negotiating issues are clearly important, but as including everything would be an impossible undertaking, the focus here is on what is regarded as the centrepiece: the market access agenda.

TOWARDS THE END GAME? PLAYERS AND ISSUES

The United States (US) remains the indispensible nation for concluding a DDA deal.[3] With the 2012 elections in mind, President Obama is purportedly tacking to the centre, while his domestic reform agenda is in tatters. Although foreign policy may be the last refuge of a lame-duck US President, tangible trade gains could be achieved. Furthermore, historically a core bi-partisan consensus exists on trade liberalisation and the US 'mission' in maintaining and extending the multilateral trading system. However, it is not clear whether this consensus – if indeed it still exists – is enough in the midst of the continuing geopolitical crisis afflicting the Middle East and West Asia; the ongoing financial and debt crises, budget battles and entrenched unemployment; escalating economic tensions with China; the seemingly entrenched positions of various trade policy lobby groups; and Congress and the administration's current singular focus on regional trade agreements including the ambitious Trans-Pacific Partnership. Nor is it evident that the administration has sufficient political scope to focus on concluding the DDA in the foreseeable future.

Offsetting this is the fact that big emerging markets are likely to grow more rapidly than those of the industrialised world. Therefore, a successful Doha Round would yield some market access gains for US business, which would accord with President Obama's export drive and deliver political momentum to his re-election campaign.[4] Consequently, a big push from the US to conclude a deal in the next few months may seem tenuous but is not entirely implausible.

What the US wants is more 'ambition' from big developing countries, particularly China, India and Brazil. The US and the European Union (EU) tacitly (or perhaps overtly) agree on the limits to reforming their domestic agricultural policy regimes. Therefore, to wring further agriculture concessions from them will require a reciprocal big push on emerging market industrial tariffs and services markets. The drive is on to reduce industrial tariffs beyond the NAMA formulas, through discussions on key industrial sectors. For services, very little is currently on the table apart from seeking commitments on liberalisation in some key sectors.

The possible response of the big developing countries is mixed. Brazil is likely to come on board, as the proposals would satisfy its farmers, and Brazilian industrial tariffs have enough 'water' to accommodate relatively ambitious NAMA bound tariff reduction formulas[5] and perhaps additional tariff reductions through sectorals. In return, Brazilian farmers will gain additional agricultural market access, which both the US and EU could deliver. India (and perhaps China) could be prepared to give more on industrial tariffs but are defensive on agriculture and therefore harder to convince. However, given the two countries' growing prominence in global economic governance, in the end they could both be convinced to 'do their bit' for the multilateral trading system.

South Africa also enjoys growing prominence in world affairs but, for domestic political economy reasons, is likely to strongly resist industrial tariff liberalisation. The Trade Policy and Strategy Framework and Industrial Policy of the Department of Trade and Industry (DTI) indicate that state-driven industrial policy is favoured over liberalisation. In the DDA this finds expression in valid concerns over the 'NAMA-Agriculture exchange rate'.[6] In other words, a DDA deal would see developed countries, in particular the US and EU, retain the right to pay large subsidies to their farmers, while South Africa and its NAMA 11 allies[7] (probably excluding China, India, and Brazil) must 'pay' for this by liberalising domestic industrial tariffs.

Consequently, the NAMA 11 countries do not seem to be in any mood to offer deeper concessions. Nonetheless, if South Africa's BRIC (Brazil, Russia, India and China) partners (Russia not being a World Trade Organization (WTO) member) sign up, then South Africa is likely to take the 'special deal'[8] on offer, perhaps in return for symbolic concessions by developed countries on agriculture, since real concessions will not be available.

Agriculture will be difficult, particularly the axis of protection encompassing India, the developing country Group of 33 (G33) alliance, the largely developed country Group of 10 alliance, and the old culprits in the US and EU.[9] The likely price developing countries will charge for offering more access to their industrial goods markets is to refuse to concede any substantial agricultural liberalisation (carve-outs) in their own markets. Their logic will be difficult to resist, as the US and EU behave in a similar manner. It will also be interesting to see how the Common Agricultural Policy (CAP) reform process within the EU unfolds now that the European Parliament has co-decision authority over it.

For WTO members, services will be a tough nut to crack, and it is not obvious what the 'contract zone' is (or more accurately series of 'contract zones' – zones where agreement can be reached). These negotiations operate under a different modality: the bottom-up or 'positive list' approach whereby countries voluntarily nominate sectors they are prepared to liberalise, without any mandatory targets regarding coverage or degrees of liberalisation. Consequently, given the prominence of services exports and investment to the US and European economies, the lack of movement in this market access area may be the major fly in the ointment.

A new 'G', the Group of 11, is managing the big push.[10] This 'core group' is broadly representative of the dynamics described above. Each member state, including South Africa, will be expected to make a contribution to the end game: a DDA agreement. If a core group consensus emerges among all the majors, the other players will find it difficult to resist.

The African, Caribbean and Pacific Group of States (ACP)/least developed country (LDC)/Africa configuration is a substantial 'bloc' that could resist, unless their interests are sufficiently catered for. One totemic issue, bananas, appears to have been removed from the agricultural equation, as the EU seems to have largely accommodated both Latin American interests (through bilateral deals) and ACP interests (through promises of increased development aid).[11] The EU has also promised to retain ACP preference margins[12] on Cotonou and 'Everything But Arms' products. Furthermore, LDCs/small, vulnerable economies (SVEs)/Small Island Developing States (SIDS) – in other words, the poorest countries – will have their interests accommodated through substantial carve-outs from the NAMA deal (they will have to bind their tariff regimes at current levels but not much else). For the Africa group, cotton, particularly US cotton subsidies, remains the totemic issue and so the US will need to offer something here to bring them on board. The Brazilians won their case against US cotton subsidies and subsequently cut their own deal in an abject lesson of the limits to developing country solidarity.

The end game of the Doha Round, if indeed there is one, will no doubt be filled with high-stakes dramas as the title of Paul Blustein's evocative book suggests.[13] This time around the world holds its collective breath, but as usual, will not be surprised if the end result is failure.

DEAL-MAKING IN THE CORE-MARKET ACCESS AGENDA

The following analysis confines itself to the core outstanding contentious issues in the three negotiating areas of agriculture, NAMA and services. These are the issues identified in the paper as requiring resolution if the DDA is to stand a realistic chance of concluding; consequently, some issues will be left out.

Agriculture negotiations

Agriculture remains the core of the DDA. What makes agriculture so special is that it was largely excluded from multilateral oversight for the first seven rounds of the General Agreement on Tariffs and Trade negotiations. The Uruguay Round, with its resultant Agreement on Agriculture, was an attempt to bring agricultural trade into the fold but failed to yield substantial reforms, and minimal liberalisation occurred.[14] The effects of continued agriculture subsidies, particularly in the developed world, have been lower global prices of some agricultural products, increased competitiveness of agricultural output from developed countries and reduced competitiveness of African exports in the same products. Subsidisation is accompanied by tariff protection for key products, which raises the prices of commodities imported into the markets concerned and, hence, puts further downward pressure on export prices. These policies are closely tied to development in African countries, including South Africa, since so many depend on the sector to sustain their economies and livelihoods.[15]

Negotiations have sought to reduce and, where possible, eliminate agricultural trade protection and the consequent price distortions created in global markets. Key aspects of the latest publicly available draft modalities[16] (that date from December 2008) are reflected in Annexure 1 (see page 22).

The chairman of the agricultural negotiations has consulted with members to try and build consensus on the various outstanding issues from the December 2008 modalities.[17] In addition to these consultations, the chairman submitted a report in April 2011, together with other chairmen of other negotiating issues, on the progress made to date.[18] The new report shows no change from the status quo at the time of the 2010 stocktaking exercise, as positions remain the same with no compromise or resolution in view. The report contains no new modalities text; instead, the December 2008 text is attached.

'Domestic support' forms the backbone of developing country disgruntlement with the negotiations. While the proposals in the December 2008 modalities appear generous, the US has managed to have the 'blue box'[19] expanded to include the counter-cyclical payments it makes under its 2002 Farm Bill, thus facilitating the movement of $7 billion worth of limited subsidies from the 'amber box' into the supposedly less trade-distorting 'blue box'.[20] This has resulted in calls to have the 'blue box' disciplines tightened so as to prevent 'box shifting' and to tighten 'green box' disciplines since those subsidies are unlimited. The 'green box' contains 'minimal' trade distorting subsidies, which some studies have found to be significantly distortive.[21] Therefore, the size of the reductions in domestic support remains significant, especially considering the related box disciplines.

The December 2008 modalities provide for cotton subsidies to be treated 'ambitiously, expeditiously and specifically', in accordance with the provisions of the Hong Kong Ministerial Declaration of December 2005. The current draft modalities[22] reflect the proposal put forward by the Cotton Four countries[23] in 2006, with the support of most of the developing countries. However, developed countries, particularly the US, have yet to commit to any reductions in cotton subsidies.[24] Instead, the US is trying to resolve the cotton issue by offering more aid to the Cotton Four in place of reducing subsidies.[25] Therefore, WTO members still do not agree with the draft modalities on reducing cotton subsidies and, despite consultations, no new technical or substantive proposals have been tabled.[26] Cotton is an issue that has achieved prominence but is likely to be sacrificed for the sake of concluding the negotiations if members reach a broader agreement on other issues.[27]

Currently, the three contentious market-access issues relate to 'sensitive products', 'special products' and the Special Safeguard Mechanism (SSM). Since 2010 the position of Japan and Canada has not budged: they are not willing to be limited to designating 4% of tariff lines as sensitive products and are seeking flexibility to choose more.[28] Developing countries are currently entitled to designate one third more tariff lines as 'sensitive products'.[29] However, some developing countries have expressed concern that developed countries could use the 'sensitive products' provisions to shield their export products to developed countries from trade liberalisation especially given '(a) the highly skewed nature of agricultural tariffs in some countries and (b) attempts to selectively improve market access conditions through assigning country-specific quota entitlements.'[30] Of course the ACP and LDC groups hope to benefit from (b) in order to preserve their preference margins in the EU market particularly.

'Special products' is another bone of contention in the negotiations, particularly for the G33 group of developing countries. Some developing countries are not happy with the figures given for the designation of 'special products', but the chairman indicated in his 2010 report signs of possible agreement on this issue.[31] Nonetheless, agreement has not yet been reached, and the dissent over the designation of 'special products' is still active.[32]

Another controversial issue is the Special Safeguard Mechanism (SSM) which was designed to contain import surges that result from the opening up of a market. This issue remains complex and messy, in particular determining whether an import 'surge' has damaged domestic production or not. WTO members have contributed various SSM proposals, covering issues such as price and volume cross-check (where increased imports are accompanied by declining or stagnating product prices), seasonality, price-based SSM, flexibilities for SVEs and pro-rating (the use of SSM leads to a lower import volume and volume trigger).[33] The December 2008 modalities adopted a compromise position on the issue, between the G33 who want a generous SSM and the developing country exporters of Argentina, Paraguay and Uruguay who are against the SSM.[34] The current modalities provide for a price-based and volume-based SSM without product limitations, although price-based and volume-based SSMs cannot be applied simultaneously.[35] A number of conditions are laid out for the formula that calculates the SSM trigger as well as the extra duty to be charged. Countries' positions remain far apart on seasonal perishable goods, disruption of 'normal' trade, and provisions for LDCs and SVEs.[36] However, the chairman is of the view that there is no more room for 'useful analytical discussion', and every effort should be made to resolve the stalemate through a solution that contains import surges without upsetting demand-induced trade.[37]

NAMA negotiations

Despite being initially off the table in the discussions on the agenda for the Doha Round, the NAMA negotiations, which focus on industrial goods, have assumed the same level of significance and controversy as the agriculture negotiations and hence also hold the key to the resolution of the DDA. Trade in industrial goods accounts for over 90% of world trade.[38] However, this trade faces many barriers notably high tariff levels, tariff peaks, tariff escalation and non-tariff barriers.[39] The major issues in the NAMA negotiations relate to the level of tariff reductions and market access for both developed and developing countries. The Doha mandate is 'to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries.'[40] Nonetheless, there is a big gap between mandates and the actual outcomes in most negotiating processes. The latest NAMA modalities date from December 2008 and are largely drawn from the July 2008 modalities, with slight modifications to the text. The latest document on the NAMA negotiations is a report by the chairman on the current state of play.[41] In this report, the December 2008 draft modalities are added as an annexure. As with the agricultural trade negotiations, the NAMA negotiations have become controversial, particularly the effect of increased trade liberalisation on developing countries when tariff reduction formulas are applied, the country-specific cases of

Argentina, Venezuela and South Africa (discussed below), non-tariff barriers to market access and the sectoral initiative.[42] However, the chairman's report of April 2011 focused on the relatively uncontroversial matter of non-tariff barriers, steering clear of hot issues that have long been the bone of contention in the NAMA negotiations.

Developed countries seek more market access to advanced developing economies, but many developing countries do not wish to concede too much tariff liberalisation in the NAMA negotiations, mostly because of policy space and industrial policy considerations. Yet, increased trade liberalisation has the potential to reduce the over-reliance of developing countries on commodity exports and to encourage export product diversification. Opening up developing country markets would allow the importation of products that are critical to the consumption as well as production of value-added goods.[43] This is the liberalisation dilemma that faces developing countries and is reflected in the NAMA chairman's March 2010 progress report, which shows that both developed and developing countries view the modalities text as imbalanced because both sides have failed to increase the level of market access.[44]

As decided at the Hong Kong Ministerial Conference of December 2005, the Swiss formula is to be used for NAMA tariff cuts.[45] The Swiss formula reduces high-bound tariffs proportionately more than low tariffs, with the rate of tariff cuts depending on the co-efficient used: a higher co-efficient translates into lower tariff cuts and vice versa.[46] The December 2008 modalities present a choice of 20, 22 and 25 as co-efficients for developing countries and eight for all developed countries.[47] The choice of co-efficient also determines the range and scale of flexibilities available to developing countries.[48]

- A country that chooses a co-efficient of 20 can either implement 'half the formula' cut on 14% of its tariff lines or keep 6.5% of its tariff lines unbound or untouched by formula cuts.
- A co-efficient of 22 entitles a developing country to implement 'half the formula' cut on 10% of its tariff lines or keep 5% of its tariff lines either unbound or uncut.
- A co-efficient of 25, however, will leave a country without any flexibilities.[49]

The co-efficients for developing countries have been criticised for reducing the bound tariff in a manner that also reduces applied tariffs; by reducing tariffs in this manner, countries have little flexibility to raise tariffs.[50] The flexibilities[51] offered to complement the co-efficients have also been criticised for the double constraints that they impose on developing countries, restricting both the percentage of tariff lines to which they could be applied and trade volumes.[52] According to Khor, the co-efficients used in the December modalities actually impose a greater tariff reduction burden on developing countries than on developed countries. For example, the co-efficient 8 imposes only a 28% reduction on the average bound tariffs for the US, EU and Japan, whereas the co-efficient 22 would impose a 60% reduction on the average bound tariffs of India, Brazil, Indonesia and Venezuela. Given that the average industrial tariffs in developed countries are much lower, the objection of many developing countries is not surprising.[53]

The flexibilities that come with the co-efficients cannot be used to exclude an entire (HS[54]) chapter of the tariff book. This 'anti-concentration clause' was introduced to ensure comprehensive product coverage and the application of full formula reductions to a minimum of either 20% of national tariff lines (the entire tariff book) or 9% of the value of imports in each HS chapter.[55] This provision has been criticised for forcing developing countries to cut tariffs across all tariff lines.[56] The draft modalities also contain provisions for developing countries that have not bound the majority (i.e. less than 35%) of their NAMA tariffs. These countries will not be expected to make tariff cuts according to the Swiss formula. Instead countries with less than 15% binding coverage shall be expected to bind up to 75% of their tariff lines, whereas countries with between 15% and 35% shall be expected to bind up to 85% of their tariff lines.[57]

Sectoral negotiations aim to reduce or eliminate tariffs in certain product sectors, with reductions going beyond those required by formula cuts. Participation is supposed to be voluntary in the sectoral negotiations, which are encouraged for the purpose of balancing the overall result.[58] However, sectorals have now emerged as one of the major stumbling blocks in the NAMA negotiations, despite being supplementary to the tariff cuts as dictated by the Swiss formula, to the extent that the director-general of the WTO, Pascal Lamy, has had to intervene to try and find middle ground.[59] In his report, issued as part of the April 2011 reports, Lamy notes the wide divergences among the major players.

There appears to be a North–South divide, which has led to the polarising of this issue. On the one hand, developed countries view the sectoral negotiations as a necessary complement to the formula reductions. They seek further tariff reductions in sectors such as chemicals, industrial machinery, electronics and electrical products, enhanced health care, forest products, raw materials and gems and jewellery. In its response to the report on the NAMA negotiations and the chairman's report on sectorals, the EU submitted a proposal for resolving the impasse.[60] Believing that the sectorals issue can be resolved, the EU sought to highlight the various available avenues. Implicit in the proposal is the need for advanced developing country tariff liberalisation to be on a par with developed countries. Developing countries would be able to use the same flexibilities when applying the Swiss formula. Perhaps understandably, as the EU has interests in the matter, the proposal caters mostly for the interests of developed countries and provides no real incentive for developing countries to participate. Not surprisingly, the response to the EU proposal has been lukewarm.[61] On the other hand developing countries view the sectoral negotiations as merely a supplement to formula cuts, as they are satisfied with the level of ambition created by the Swiss formula.[62] Some developing countries are also concerned about the prospect of sectoral negotiations being used to further reduce their policy space and limit the application of tariff reduction flexibilities.

What is particularly interesting is that sectorals have become a major barrier to the conclusion of the NAMA negotiations. Yet the sectoral initiative was introduced as a voluntary initiative for those countries that wanted to take liberalisation further than that achieved by the tariff reduction formula.

General Agreement on Trade in Services Negotiations – Services Trade

Services negotiations are being handled differently from agricultural and NAMA negotiations. They are taking place both bilaterally/plurilaterally (on improved market access) and multilaterally (on establishing new rules and disciplines that apply to the entire WTO membership).

The market access negotiations in services trade employ a 'request-offer' approach, with countries engaging directly with each other. The country that wants market access sends requests to the specific countries, but the offers are made on a most favoured nation (MFN) basis. Therefore, offers are circulated to all WTO members, and final offers become binding commitments.[63] Unlike the agricultural and NAMA negotiations, the progress of the negotiations, particularly about market access, are difficult to trace. No reliable picture exists anywhere of the current market access conditions or even market access conditions prior to the launch of the services negotiations. The situation is compounded by the fact that scheduled levels of commitment across sectors and modes[64] are very different, regardless of whether countries are developing or developed.[65] No tracking mechanism is in place for requests made by countries to each other and, while offers are made on an MFN basis, requests work differently: countries have total discretion over to whom they send requests and for which sectors they request market access.[66]

Nevertheless, some anecdotal evidence of the trends is available. In 2008, the issue of the gap between unilateral domestic services liberalisation by members and their General Agreement on Trade in Services (GATS) commitments was raised at a signalling conference held to gauge members' views on the progress being made in the negotiations.[67] However, at the same conference the countries also indicated their willingness to work on closing the gap.[68] Despite this, since 2008 no progress has been made on the services negotiations, and not even the 2010 stocktaking exercise had an impact. The most recent report states that some members consider the services negotiations to be lagging behind other negotiation issues in the Doha Round. The gaps between offers and requests remain substantial and members are said to have cited Modes 3 and 4 as being particular areas where progress is needed.[69]

Most schedules[70] in services are concentrated in sectors traditionally open to foreign participants, such as tourism and infrastructure development.[71] The available evidence suggests that developed countries have largely been the demanders in the 'request-offer' process, circulating requests to almost all the other members and covering a wide range of sectors and modes.[72] While the 'request' part of the process has been active, the 'offers' part has practically stalled. The majority of offers seem to consolidate existing domestic market openings. In essence, no new commitments are being made in traditionally protected sectors, such as education, health and road transport.[73]

Not surprisingly, developed countries have complained about developing countries' lack of willingness to liberalise services trade, particularly in the communications, financial services and energy sectors.[74] However, the provisions of GATS Article XIX:2 allows developing countries to liberalise fewer sectors, in line with their developmental situation and objectives, and also to offer conditional market access.[75]

On the other hand, developing countries complain about the quality of offers from developed countries. Developed countries have failed to liberalise service sectors that are of export interest to developing countries, in line with the provisions of GATS Article IV, which seeks to promote the participation of developing countries in world trade.[76] The April 2011 report echoes this view of some members, alleging that requests are made without considering developing country flexibilities. In addition, offers by developed countries fail to reflect sectors of export interest to developing countries.[77] One of the most contentious issues has been the lack of substantive market openings in Mode 4, which deals with the temporary movement of natural persons. Developed countries have raised significant obstacles to the movement of people from developing countries, including:[78]

economic needs tests conducted in the absence of clearly defined criteria; vague definitions for the categories of persons included in schedules; the bias in favour of highly skilled persons; the lack of recognition of certain qualifications and visas; and requirements related to work permits.

Far less impressive has been progress in the multilateral negotiations on rules and disciplines, which cover issues of domestic regulation, emergency safeguards, government procurement and subsidies. The negotiations remain bogged down by political differences between countries.[79] The divide is generally categorised as a North–South issue, but some developing countries such as India have a strong services sector that demands market access and also adopts an offensive strategy in the negotiations.

Cross-issue trade-offs

The Hong Kong Ministerial Declaration of 2005 tied the level of ambition in the agricultural negotiations to those in the NAMA negotiations. Paragraph 24 of the declaration calls for a comparably high level of ambition in both negotiations: a high ambition achieved for NAMA should also be reflected in the agricultural agreement and vice versa. However, this high level of ambition is to be achieved in a balanced and proportionate manner that takes into account the principle of special and differential treatment for developing countries. This is an important milestone for developing countries, as the prevailing perception has been that developed countries in the agriculture negotiations do not reciprocate the high level of ambition demanded of developing countries in the NAMA negotiations; hence the stalemate. Theoretically, this provision means that developing countries can give in NAMA only as much as they get in agriculture, and the same goes for developed countries. As positions tend to shift between developed and developing countries, depending on whether agriculture or NAMA is being negotiated, this provision tying the ambitions is supposed to encourage high ambition in both areas of negotiation.

Developed countries have consistently sought higher tariff cuts in particular from advanced developing countries but have also failed to liberalise agricultural trade and eliminate the subsidies programmes afforded to their producers.[80] In this regard, the Hong Kong Ministerial Declaration has failed to achieve its desired objectives. However, what has been achieved is the refusal of developing countries to concede positions on the basis that (i) their developmental needs are not being met by the negotiations in this 'development' round, and (ii) regardless of the merits of liberalisation, the level of ambition in the NAMA and agriculture texts is hardly comparable.

The ambition in the services negotiations is not linked to the ambitions in the other key negotiating areas of agriculture and NAMA. However, Annex C of the Hong Kong Ministerial Declaration provides that members should 'aim to achieve progressively higher levels of liberalization with no *a priori* exclusion of any service sector or mode of supply and shall give special attention to sectors and modes of supply of export interest to developing countries'. Special mention is also made of the interest of developing countries in Mode 4. In the draft report for the elements required for the completion of the services negotiations, the chairman states that the outcome in the services negotiations is integral to the overall balance in the DDA and:[81]

> Negotiations must be driven by the same level of ambition and political will as reflected in the agriculture and NAMA modalities. While respecting the existing structure and principles of the GATS, members shall respond to bilateral and plurilateral requests by offering commitments that substantially reflect current levels of market access and national treatment and provide new market access and national treatment in cases where significant trade impediments exist.

This provision goes beyond the requirements of the Hong Kong Ministerial Declaration and (not surprisingly) appears in square brackets, indicating that not all members are in agreement. The chairman notes that some members are concerned that some of the plurilateral requests and proposals go beyond the ambition of Annexe C of the Hong Kong Ministerial Declaration.[82] Nonetheless, the above quoted paragraph is an actual reflection of the state of play on the ground. While the linkages are constantly being made between NAMA and agriculture, a tacit element, particularly among the developing countries, seems to link services trade to the outcomes in agriculture.[83]

SOUTH AFRICA AND THE EMERGING DEAL: STAKEHOLDER PERSPECTIVES AND IMPACT LINES

Key stakeholders in South African trade policy, notably organised business as represented by Business Unity South Africa (BUSA) and labour, represented by the Congress of South African Trade Unions (COSATU), have reiterated the need for concessions by South Africa to be reciprocated by developed countries, particularly in the area of agriculture. Any agreement by South Africa to tariff cuts or to opening up its services market should be complemented by market openings as well as the reduction and elimination of trade distortive measures in agriculture particularly by developed countries. Government has long echoed these sentiments in its pronouncements on Doha, above and beyond the need to preserve policy space for developmental purposes.

Agriculture

The agricultural negotiations are made more complex because developing countries do not share the same interests in the negotiations; defensive or offensive interests are largely determined by whether they are net food-importing or exporting countries. South Africa has an offensive interest in the negotiations, as its agricultural sector has substantial potential that could be realised if and when developed countries eliminate the support to their agricultural producers. Agricultural trade liberalisation in the Organisation for Economic Co-operation and Development (OECD) countries would yield significant benefits for the South African economy as well as its agricultural sector.[84]

The South African government's approach to the agricultural negotiations is that developed countries need to liberalise their agricultural trade and eliminate the trade-distortive support given to their producers. Therefore, South Africa is part of the G20,[85] a developing country coalition that seeks to discipline, reduce and where possible eliminate subsidies given to developed country farmers and to liberalise agricultural imports into developed countries.[86] South Africa is also a member of the Cairns Group,[87] comprised of developed and developing countries seeking agricultural trade reform.[88] South Africa's objectives in the agricultural trade negotiations are:[89]

> to achieve a substantial improvement of market opportunities for all South African agricultural products with export potential; to improve fair trade conditions on agricultural products imported or exported; and to ensure that South Africa's rural development objectives are accommodated within the allowable range of the WTO.

In its Trade Policy and Strategy Framework, the DTI stresses the importance of the agricultural sector to the economy and notes the domestic support prevalent in developed country economies that has an impact on South Africa, as well as the barriers to South Africa's agricultural exports.[90] The DTI then proposes the use of import tariffs as a tool to promote the growth of the domestic agricultural sector, also stating that, 'other forms of support may be necessary to support exporters, including agro-processors'.[91] Overall, government's approach to the negotiations seems to be a combination of seeking greater market access and subsidy reductions abroad, while potentially limiting access to the South African market for certain products, and expanding domestic, most likely 'green box' subsidies, particularly for rural producers and beneficiaries of land reform.

However, the Minister of Trade and Industry has argued that South Africa's negotiating position is not 'maximalist', and is not advocating the total elimination of subsidies in agriculture. For instance, the limits imposed on 'blue box' subsidies by the December 2008 modalities would leave the overall ceiling for the US at $14.5 billion, an amount still far above the $11 billion that the US currently spends on 'blue box' subsidies. In essence, the US would not be affected by reduced 'blue box' subsidy ceilings. The minister also emphasised that the text contains a lot of carve-outs for developed countries.[92]

In support of government's negotiating position, the business sector has called for the reduction of trade-distorting domestic support, particularly product-specific support, in developed countries.[93] AgriSA has called for the 'blue box' disciplines to be minimised and limited; the 'amber box' subsidies to be eliminated completely and de minimis[94] maintained; and for the 'green box' measures to be tightened.[95] BUSA has also called for some developing countries such as South Africa to be allowed to provide support to some sectors in pursuance of its developmental goals, and as part of the 'green box' subsidies.[96] On market access, business has called for the reduction of bound rates in developed country markets, 'an increase in the export quotas for South Africa's exportables, new and agreed disciplines on tariff quota administration' and the renegotiation of the SSM.[97] The business sector has also expressed concern that some developed countries are trying to avoid proposed tariff cuts on agricultural products by designating as 'sensitive' those products that are of export interest to developing countries.[98] On the issue of export subsidies, AgriSA's view is that all export subsidies in all forms and all export taxes should be eliminated, and that the accumulation of unused export subsidies should be prohibited.[99]

COSATU is concerned about developing countries being asked to make bigger concessions in return for developed countries reducing their domestic support and eliminating export subsidies. These subsidies have stunted the development of the agricultural sector and rendered some agricultural exports uncompetitive in developed countries' markets. However, developed countries still expect major concessions from developing countries in the NAMA negotiations before they are willing to discipline these trade-distortive measures.[100] Echoing the concerns of business, the worry is that developed countries will use the 'sensitive products' provision to shield from market liberalisation and maintain high tariffs on products that are of export interest to developing countries.[101] Labour has proposed that mechanisms and provisions such as the 'special products' designation and SSM should be reserved exclusively for developing countries to enable them to promote food security, improve rural farmers' livelihoods and develop rural areas.[102]

Non-agricultural market access

Within government and its alliance partners, the pervading view is that, despite some export diversification and increased export levels, trade liberalisation in the 1990s has not improved, but worsened unemployment and poverty. For this reason, and clearly in line with the 'developmental state', the DTI's Trade Policy and Strategy Framework recommends a 'development approach' to trade policy, where increased tariffs are used to support industrial development, increased exports and employment growth. Hence the DTI intends to subordinate trade policy to industrial policy. Other policy documents such as the Industrial Policy Action Plan,[103] and the New Growth Path (NGP)[104] place an active industrial policy at the core of South Africa's development plans.

These documents are also broadly reflective of the South African government's negotiating stance in the NAMA negotiations. South Africa was not in agreement with the July 2008 NAMA modalities text, from which the December 2008 modalities were drawn, and was not involved in crafting the final modalities text. South Africa's dissent was on the basis that with a co-efficient of 25, South Africa would have 21% of its applied tariff lines cut by 30%;[105] if South Africa chooses the co-efficient of 22, along with the accompanying flexibilities, it would result in 23% of tariff lines taking cuts of 30% or more at applied rates when flexibilities are applied.[106] Therefore South Africa had negotiated flexibilities comprised of a 'half the formula' cut on 14% of its tariff lines and the option to have 7% of its tariff lines unbound or not cut using the formula. South Africa also negotiated for the exclusion of three HS chapters from the anti-concentration clause. These positions were opposed by other WTO member states.[107]

South Africa has actively negotiated to preserve its policy space and to have the right to greater flexibilities, as a developing country and also as a member of the Southern African Customs Union which contains one LDC and three SVEs. South Africa is also negotiating for its Uruguay Round commitments to be recognised, particularly its designation as a 'developed country', and to be included in the DDA. All this coincides with the pervading policy perception that trade liberalisation has failed, and any further liberalisation would lead to further job losses and deindustrialisation.

The business sector has generally been supportive of government's stance in the NAMA negotiations. The core of BUSA's concerns lie with the potential impact of the latest proposed NAMA modalities on South Africa's manufacturing sector, particularly job losses and business closures in the textile, clothing, footwear and automotive products sectors.[108] The anti-concentration clause is criticised as being an impediment to the government's ability to shield these sensitive sectors from further tariff cuts. Referring to the agriculture text in relation to the NAMA negotiations and the latest modalities, BUSA has expressed concern and disappointment that the high level of ambition expected of developing countries in the NAMA negotiations is not matched in the agriculture negotiations where developed countries continue to be protectionist.[109]

COSATU echoes the above two stakeholders in its views on the NAMA negotiations. COSATU blames trade liberalisation in the 1990s for high unemployment levels and job losses (particularly in the textiles and clothing sector), and any market-access concessions by South Africa must be matched by serious agricultural reform by developed countries.[110] The NAMA modalities are balanced in favour of developed countries and not conducive for the industrial development aspirations of South Africa, especially as the formula would limit the government's ability to implement an active industrial policy. Therefore, the latest draft modalities are seen as anti-development and against the spirit of the DDA.[111] The focus should be on strengthening the productive capacity of developing countries rather than maximising profits of businesses from developed countries through enhanced market access without giving anything in return.[112] Enhanced market access in developed countries should also be accompanied by enhanced industrial capacity so that developing countries can produce the value-added products. This enhanced industrial capacity can be achieved by giving developing countries space to protect and grow their infant industries.[113] COSATU is of the view that developed countries should be sensitive to South Africa's circumstances as a member of the Southern African Customs Union (SACU) and that the negotiations should take into account the 'drastic' tariff reductions undertaken by South Africa during the Uruguay Round.[114] Like business, COSATU is not keen on the anti-concentration clause, which would harm sensitive sectors such as textiles and clothing. In summary, COSATU has rejected a low co-efficient and flexibilities for South Africa, demanded a rewriting of the NAMA text to reflect developing country concerns, also demanded provisions for policy space for developing countries, as well as more flexibilities for South Africa.[115]

The Southern African Customs Union carve-out

For all the reasons cited above, South Africa lobbied other WTO countries to recognise its unique circumstances and therefore grant it a special dispensation in the NAMA negotiations. The December 2008 modalities points out that the proposed tariff reductions for South Africa would lead to Lesotho, Botswana, Namibia and Swaziland potentially losing tariff revenue. The modalities also provide for SACU member states to include a common list of flexibilities in their schedules. How this common list would be arrived at is an interesting question, given the divergences within SACU over industrial policies. Nonetheless, it is an important political achievement for those favouring the implicitly anti-trade liberalisation sentiment that dominates the current trade policy outlook in South Africa.

This exception for SACU countries is still subject to further negotiations and is merely recognition by the other WTO members of SACU's unique circumstances. No further negotiations or consultations have been conducted on this issue since December 2008,[116] and, according to the chairman of the NAMA negotiating group in 2010, such discussions should wait until the modalities are nearing completion.[117] The key question is on what basis would these flexibilities be determined and would they go beyond those currently given to other developing countries. However, in the event of agreeing such modalities, South Africa has committed itself to negotiating two sectoral initiatives of its own choosing.[118]

Services

By African standards, the South African services sector is well developed, with services exports showing substantial growth in the last three decades. The sector accounts for a significant percentage of gross domestic product and is the only sector where employment opportunities keep expanding.[119] Government plays a key role in the services sector through its direct control of 'backbone infrastructure' services (energy, telecommunications, transport) and has a big stake in the direction of both the policy and the WTO services negotiations.[120]

Although responsible for formulating negotiating positions at the WTO, the DTI is not responsible for domestic policy, as services fall across a range of departments.[121] Nonetheless, the DTI's Trade Policy and Strategy Framework document recognises the contribution of the services sector to economic development and that the expansion of the sector is critical to economic growth and job creation. While South Africa's services sector is relatively open, with commitments that are comparable to those of developed countries, the DTI document also calls for further research and analysis on the economic impact of South Africa's WTO services commitments.[122] This call tallies with observations that inadequate information on the composition and performance of South Africa's different services sectors leads to ill-advised negotiating positions.[123]

South Africa's broader stance in the WTO negotiations has been largely defensive, focused on preserving South Africa's and developing countries' policy space. Interestingly, South Africa's exports to developed countries are mainly travel, transport, and financial services, whereas exports to African countries (all of them developing countries and LDCs) mirror those of developed countries to South Africa, consisting of professional, technical and social services. Hence, the bulk of South Africa's initial requests to other WTO members were mostly to African countries, concentrated on SADC countries.[124]

COSATU supports government's defensive negotiating position in services, being against the liberalisation of services sectors, particularly public services, which is viewed as tantamount to privatisation and will hamper the government's ability to provide basic services.[125] COSATU believes that a country's development needs should drive GATS commitments,[126] echoing developing country rhetoric on policy space and development needs in the DDA. The global financial crisis has also provided ammunition for criticising liberalisation in the financial services sector, with COSATU advocating the withdrawal of South Africa's existing commitments in financial services.[127]

COSATU has criticised some of the offers made by South Africa (although they are conditional upon the outcome of the rule-making negotiations), fearing that they will be binding regardless of the outcome.[128] In the rule-making negotiations, COSATU views national treatment commitments[129] as a threat to development policies such as local training and technology transfer, health care subsidies and black economic empowerment.[130] COSATU also fears that opening up the services sector will not create 'decent jobs', especially because jobs such as 'call centre agents' are promoted, which are not sustainable in the long run.[131]

In response to the NGP, BUSA predicted that in coming years Africa's manufacturing base would contract and new economic growth hubs would emerge in tourism and other services. In view of this potential and its rapid growth, the business constituency has called for the services sector to consolidate.[132] BUSA acknowledges that South Africa's WTO offer simply reflects the current regulatory regime that already operates in the various sectors. In addition, BUSA would like South Africa to make offers that are conditional upon reciprocal offers from developed country members to liberalise their services sectors, particularly in the sectors of export interest to developing countries.[133]

Potential lines of impact on South Africa

Summarising stakeholder perspectives

Two broad concerns stand out concerning the agriculture talks.

- **Domestic support**

The consensus is that the use of various subsidy boxes must be tightened and trade-distorting payments under those boxes reduced. However, South African stakeholders are interested in potentially increasing domestic 'green box' payments in order to support rural development and land reform. South African stakeholders also support the African Cotton Four in their requests for a speedy solution to their complaint concerning US cotton subsidies.

- **Market access**

The consensus appears to be that developed country recourse to 'sensitive products' should be disciplined. However, what is not clear is whether developing country recourse to 'special products' protection needs to be curtailed. Agri-business has export interests in certain developing country markets, whereas government is concerned about maintaining good relations with the ACP, and COSATU supports broad developing-country solidarity. This ambivalence also manifests itself in the SSM negotiations, where some consensus is apparent over the need to increase domestic agricultural tariffs, whereas the agriculture talks push in the opposite direction.

Much more consensus is found among the stakeholder groups regarding the NAMA talks. The groups are unified in pushing for higher co-efficient and greater flexibilities in the tariffs and, therefore, the proposed SACU 'carve-out'. Should the carve-out materialise, it is not clear whether the SACU member states will be able to agree on which sectors and products will be treated as sensitive. Furthermore, domestic stakeholders agree that the level of ambition in the NAMA talks is too high relative to what the developed countries will commit to in the agriculture negotiations.

Services have a different dynamic to agriculture and NAMA, given the GATS positive-list approach. Little real pressure exists to liberalise this sector, with government and COSATU agreeing on the need to protect policy space, particularly (for COSATU) in the arena of social services. Beyond recognising that services could be a key growth engine for South Africa and the continent, business has not given a clear sense of what it is looking for in the services talks.

Impact lines and issues in the move towards the end game

The 'big push' is felt most strongly in the NAMA talks and in services. The quid pro quo is in agriculture, where South Africa has offensive interests in both developed and developing country markets. However, delivering a quid pro quo that has real meaning for South African agriculture exporters will be very difficult owing to the 'axis of protection' between developed countries and developing countries that favour the SSM and 'special products' protection. Therefore, the most likely outcome is that South Africa will need to offer further concessions in the services talks, not least to preserve a meaningful carve-out in the NAMA talks.

The issues pertaining to further services liberalisation include greater competition in domestic services markets, coupled with greater access for exporters of services in foreign markets, which is very much in the national interest.[134] At the core are network infrastructure services, encompassing energy, finance, telecommunications, and transport.

Despite government intransigence, the telecommunications sector is finally on the right path, but further liberalisation could be the catalyst for competition, reduced prices, expanded access, and hence, availability of world-class telecommunications services to business and consumers, rich and poor alike. Protecting the state-owned monopoly will not prevent it from being consumed by technological developments; at best such protection will only slow the rate of advanced telecommunications uptake. So why not offer greater market access in the DDA?

Financial services are provided privately, albeit at relatively high cost in the case of retail banking. From a regulatory point of view, the market seems reasonably open, although government has been concerned for some time about market structure and the associated costs of and consumer access to retail financial services, as evidenced by the Jali Commission report[135] and on-going Competition Commission investigations. However, the global financial crisis has highlighted the importance of sound regulation, and the South African Reserve Bank and National Treasury are understandably concerned with maintaining stability in the sector using the 'big four' banks as the pillars of the system.[136] Consequently, it seems unlikely the trade talks will have much effect here.

The state-owned rail and ports company, Transnet, dominates the transport sector. For years these backbone services have been in a state of advanced decay, while Transnet has been the subject of ongoing political intrigue. As a result, private sector trucking services have grown exponentially, placing major strain on the country's roads system and obliging the state to resort to introducing tolls on major routes in order to fund maintenance and upgrading work. Recognising the need to rejuvenate the rail sector and upgrade the ports, government is injecting substantial funds into these sectors. However, the extent to which this policy approach allows for private sector participation is not clear. Liberalisation has a role to play, if necessary only at the margins, and such liberalisation could be locked in through the DDA.

Similarly, independent power producers need to be incorporated into the national electricity grid in order to relieve fiscal pressure on government and extend long-term security of supply. Unfortunately the state-owned power utility is renowned for shutting out private sector operators, while raising electricity tariffs in order to fund its own expansion. The same logic applies to the expansion of South Africa's renewable energies sector, since it is not clear who will fund the subsidy under the Renewable Energies Feed-in Tariff programme. Given the general recognition that private sector power provision has to expand dramatically in the future, there must be space to liberalise the power sector or parts of it, which in turn could be locked in via the DDA.

Even when it comes to social services, COSATU's blanket rejection of liberalisation is unconvincing, as privately provided education and health, for example, are generally acknowledged to be of higher quality and more efficiently provided than state-driven solutions.

Therein lies the rub. The South African government seems committed to increasing the state's role in the economy, not least through the state-owned enterprises (SOEs) if the language in the NGP is any guide. Consequently the course of action advocated in this paper confronts a serious obstacle in the form of ideology and ideological contestation within the governing tripartite alliance. The lack of unity within the alliance on these issues provides significant space for business, particularly organised business, to throw its weight behind further liberalisation of the services sector.

This view needs to be actively communicated to the Presidential Commission investigating the future management of South Africa's SOEs. At the same time, a broader debate on the merits of trade liberalisation is needed, but unfortunately business has largely been silent on this issue. Sufficient evidence exists to support the view that trade liberalisation works within the limits of its ambit.[137] Furthermore, a comprehensive DDA outcome would be in the national interest,[138] notwithstanding the liberalisation concerns of the National Economic Development and Labour Council stakeholders as outlined above.

The NAMA-agriculture 'exchange rate' is unfairly weighted against developing countries. However, if a DDA outcome is to be achieved, South Africa's best negotiating stance is to preserve the NAMA carve-out, insist on more agricultural liberalisation in developed countries and less policy space in developing countries, while offering greater market access to telecommunications, transport, and energy services providers.

CONCLUDING OBSERVATIONS

The obstacles holding up the Doha Round are still in place and are unlikely to disappear soon. In this context, two possibilities are clear: a group of countries with serious political clout could initiate an end-game, or the membership could agree to abandon the round, either in its current form or in its entirety.

At the time of writing, the second option seemed the more likely, with the focus moving to a possible 'plan B' – whatever that looks like. However, the problem is agreeing on a limited package, as it is not clear whose interests that package would serve. It could become like choosing which demons to reinsert into Pandora's box; in other words a politically fraught exercise.

Therefore, 'killing' the Doha Round would be politically easier but would represent a huge failure of multilateralism in general, and a major defeat for the multilateral trading system at a time when strong leadership is required to keep it from steering onto the rocks. Not surprisingly member states are extremely reluctant to go this route.

The likely outcome is a combination of keeping the round on life support, until sufficient political will can be mustered, and a 'late harvest' plan B package. In both cases leadership will be required. Overall, the missing ingredient in the Doha equation is political will and leadership. Such leadership is not going to come from established developed countries, at least not in the form that will bring significant developing country players on board, which leaves the major emerging economies to provide the necessary impulse.[139]

It is beyond the scope of this paper to speculate on the shape of an initiative by major emerging economies to bring the Doha Round to a conclusion. However, if such an initiative were to emerge, South Africa would clearly have a role to play.

ANNEXURE 1: AGRICULTURE MODALITIES SIMPLIFIED

Domestic support

Overall trade distorting domestic support (Amber + de minimis + Blue). EU to cut by 80%; US/Japan to cut by 70%; the rest to cut by 55%. 'Downpayment' (immediate cut) of 33% for US, EU, Japan, 25% for the rest. Bigger cuts from some other developed countries, such as Japan, whose overall support is a larger % of production value. Cuts made over 5 years (developed countries) or 8 years (developing).

Amber Box (AMS). Overall, EU to cut by 70%; US/Japan to cut by 60%; the rest to cut by 45%. Bigger cuts from some other developed countries whose AMS is larger % of production value. Also has downpayment.

Per product Amber Box support: capped at average for notified support in 1995–2000 with some variation for the US and others. Countries' caps to be annexed to these 'modalities'.

De minimis. Developed countries cut to 2.5% of production. Developing countries to make two-thirds of the cut over three years to 6–7% (no cuts if mainly for subsistence/resource-poor farmers, etc). (Applies to product-specific and non-product specific de minimis payments).

Blue Box (including 'new' type). Limited to 2.5% of production (developed), 5% (developing) with caps per product.

Green Box. Revisions – particularly on income support, to ensure it really is 'decoupled' (i.e., separated) from production levels, and on developing countries' food stockpiling – and tighter monitoring and surveillance.

Market access

Tariffs would mainly be cut according to a formula, which prescribes steeper cuts on higher tariffs. For developed countries the cuts would rise from 50% for tariffs below 20%, to 70% for tariffs above 75%, subject to a 54 % minimum average, with constraints on tariffs above 100%. (For developing countries the cuts in each tier would be two thirds of the equivalent tier for developed countries, subject to a maximum average of 36%.)

Some products would have smaller cuts via a number of flexibilities designed to take into account various concerns. These include: sensitive products (available to all countries), the smaller cuts offset by tariff quotas allowing more access at lower tariffs; Special Products (for developing countries, for specific vulnerabilities).

Contingencies. Developed countries will scrap the old 'special safeguard' (available for 'tariffied' products). The option for them to keep some has been removed. More proposed details of the new 'special safeguard mechanism' for developing countries are in an additional paper.

Export competition

Export subsidies to be eliminated by end of 2013 (longer for developing countries). Half of this by end of 2010.

Revised provisions on export credit, guarantees and insurance, international food aid (with a 'safe box' for emergencies), and exporting state trading enterprises.

Source: WTO, 'Agriculture Negotiating Modalities: Highlights for December 2008 Draft', 2008, http://www.wto.org/english/tratop_e/dda_e/status_e/agric_e.htm

ENDNOTES

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2 ICTSD (International Centre for Trade and Sustainable Development), 'WTO General Council: Lamy calls for "major acceleration" in WTO talks', *Bridges Weekly Trade News Digest*, 15, 6, 24 February 2011; and 'WTO Doha Round: despite calls for acceleration, differences persist', *Bridges Weekly Trade News Digest*, 15, 6, 9 March 2011.

3 For recent analysis of US trade policy dynamics in relation to the DDA, see the blogs by Jeffrey Schott and Claude Barfield, http://symposium.ecipe.org/.

4 Draper P, 'Maybe', European Centre for International Political Economy Online Symposium, http://symposium.ecipe.org/2011/02/maybe/.

5 Bound tariffs are ceilings above which actual tariff rates cannot be applied. All WTO negotiations on goods tariffs relate to bound tariffs. Many countries apply tariff rates at levels substantially below bound rates, yielding 'water in the tariff'.

6 ICTSD, 'G-11 talks: Ag-NAMA "exchange rate" still the problem for WTO's Doha Round', *Bridges Weekly Trade News Digest*, 15, 8, 18 February 2011.

7 The NAMA 11 is a developing country alliance advocating less stringent tariff reductions for developing countries, and more balance between the NAMA and agriculture areas. Its members are: Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia.

8 WTO (World trade Organization), *Negotiating Group on Market Access*, report by the chairman, Ambassador Luzius Wasescha, to the Trade Negotiations Committee (TNC) for the purpose of the TNC stocktaking exercise, TN/MA/22, 22 March 2010.

9 The G33 is comprised of: Antigua and Barbuda, Barbados, Belize, Benin, Plurinational State of Bolivia, Botswana, Côte d'Ivoire, China, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Republic of, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Bolivarian Republic of, Zambia, Zimbabwe. The G10 members are: Chinese Taipei, Iceland, Israel, Japan, Republic of Korea, Liechtenstein, Mauritius, Norway and Switzerland. See http://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm.

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16 'Modalities' are ways or methods of doing something. Here, the ultimate objective is for member governments to cut tariffs and subsidies and to make these binding commitments in the WTO. The 'modalities' will tell them how to do it, but first the 'modalities' have to be agreed on. See http://www.wto.org/english/tratop_e/dda_e/modalities_e.htm.

17 WTO, *Negotiating Group on Agriculture*, report by the chairman, David Walker, to the TNC for the purpose of the TNC stocktaking exercise, TN/AG/25, 22 March 2010, p. 2.

18 WTO, *Committee on Agriculture*, report by the chairman, David Walker, to the TNC for the purpose of the TNC stocktaking exercise, TN/AG/26, 21 April 2011a.

19 The colour coded boxes are used to denote the category of domestic support. The 'green box' supports are considered not to distort trade and are therefore permitted with no limits. The 'blue box' is for permitted supports linked to production, but subject to production limits, and therefore minimally trade-distorting. The 'amber box' contains supports considered to distort trade and therefore subject to reduction commitments. See http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm.

20 Scott J & R Wilkinson, 2010, *op. cit.*

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31 WTO, *Negotiating Group on Agriculture*, TN/AG/25, 2010, *op. cit.;* WTO, 'Revised draft modalities for agriculture', Committee of Agriculture, TN/AG/W/4/Rev.4, 6 December 2008, p. 1.
32 WTO, *Committee on Agriculture*, TN/AG/26, 2011, *op. cit.*
33 WTO *Negotiating Group on Agriculture*, TN/AG/25, 2010, *op. cit.*
34 Scott J & R Wilkinson, 2010, *op. cit.*
35 WTO, 'Revised draft modalities for agriculture', TN/AG/W/4/Rev.4, 6 December 2008, *op. cit.*
36 WTO, 'Unofficial guide to the 6 December 2008 "revised draft modalities"', 2008, *op. cit.*
37 WTO *Committee on Agriculture*, TN/AG/26, 2011, *op. cit.*
38 WTO, 'A simple guide: NAMA negotiations', http://www.wto.org/english/tratop_e/markacc_e/nama_negotiations_e.htm.
39 High tariff levels would be present where a country maintains high tariffs on many products such that average rates are high; tariff peaks are present within particular sectors; and tariff escalation refers to the phenomenon of increasing tariff levels being applied as value is added to primary products to produce final finished products where tariff levels are generally highest.
40 WTO, Paragraph 16 of 'Doha Ministerial Declaration', WT/MIN (01)/DEC/1, November 2001.
41 WTO, *Negotiating Group on Market Access*, textual report by the chairman, Ambassador Luzius Wasescha, on the state of play of the NAMA negotiations, TN/MA/W/103/Rev.3/Add.1, 21 April 2011.
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Mode 2: Consumption abroad refers to situations where a service consumer (eg tourist or patient) moves into another member's territory to obtain a service;

Mode 3: Commercial presence implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service (eg domestic subsidiaries of foreign insurance companies or hotel chains); and

Mode 4: Presence of natural persons consists of persons of one member entering the territory of another Member to supply a service (eg accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.

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South African Institute of International Affairs
Jan Smuts House, East Campus, University of the Witwatersrand
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa
Tel +27 (0)11 339-2021 • Fax +27 (0)11 339-2154
www.saiia.org.za • info@saiia.org.za

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