

Perspectives on the role of trade in alleviating poverty within the context of the developmental and policy imperatives of Southern Africa.

Paper presented at a civil society dialogue on trade policy in Livingstone, Zambia, during the Ministerial meeting of the LDC group June 25-27, 2005¹

Introduction

Trade is an important feature of the economies of Southern Africa, which manifest variations, sometimes significant, on the relative importance of key sectors. This is mainly dependent on the degree of diversification within individual economies in the region.

For most countries in Southern Africa, agriculture is the dominant sector in terms of its contribution to the national GDP and numbers employed. The clear exception is South Africa, the region's most diversified economy where agriculture trails both mining and services in terms of contribution to GDP.

Trade has the potential to reduce poverty in the region if structured in a way that meets the needs of the poor. However, poverty alleviation can only be secured where trade opens and expands opportunities for the poor to be more actively drawn into economic activity. At one level, this demands addressing structural limitations to their participation in trade within the domestic market and improving market access opportunities within regional and global markets.

Economic Partnership Agreements: challenges for the region

Most countries in Southern Africa are currently engaged in EPAs negotiations with the EU. EPAs seek an end to reciprocal trade and the EU has requested an elimination of all trade barriers on 90 per cent of its trade with ACP countries over a 10-year period. This is expected to widen the trade imbalance between the EU and ACP countries because the latter will be forced to open up their agricultural sectors at a time when the EU continues to maintain its protectionist measures under the Common Agricultural Policy (CAP).

Bilateral trade negotiations with the EU have undermined the solidarity of SADC countries. SADC has been reduced from 14 to 7 countries in negotiating with the EU since no country can negotiate in more than one bloc under the EPA negotiations.

Under the negotiating framework on EPAs, the pressure to open up regional markets to highly subsidized EU agricultural products has gained momentum and now presents a substantial threat to the livelihoods of smallholder farmers and small and medium enterprises. This may suggest an urgent need to step up policy advocacy towards aligning EPAs to take cognisance of Africa's livelihoods interests and roll back proposals that are geared towards creating new bottlenecks in making trade work for the poor.

For Southern African countries, the EU is an important market and thus, a balanced outcome from the negotiations would leverage the region's interests better compared to a skewed and imbalanced result which is the likely outcome under the current framework. In their current form, EPAs would establish strict targets on liberalisation, time bound commitments and adjustment periods which substantially narrow down the policy space for Southern African countries.

The current negotiating framework present clear threats and risks for the region. EU spending under CAP is two times more than the total value of Africa's annual agricultural exports which indicates the potential disadvantage that African farmers face in agricultural

¹ Paper written by Gichinga Ndirangu, Southern Africa Trade Advisor, Oxfam International

trade with the EU.² What is worrying is that the future trend on CAP projects an increase expected to tip 50 billion euros by 2013 – a time by when EPA negotiations with Southern African countries are due to have been completed.

Addressing the potential imbalance that EPAs could potentially generate for Southern African countries especially on livelihoods is a legitimate area for policy intervention. Under full reciprocity, Southern African countries are expected to suffer significant welfare losses and there is a strong sense of urgency to reverse this.

Reciprocal trade with the EU cannot benefit most countries in the region, which face supply side constraints, poor infrastructure for agricultural development and a weak legal and policy framework. Emphasis is needed on sequencing trade in ways that recognise these challenges and support countries put in place appropriate measures before opening up their markets to external competition. Unless this is done, the new trade regime will impact adversely on livelihoods and the poor stand to lose most.

In the absence of a paradigm shift, and where EPAs instead only serve to provide a platform for pursuing the EU's offensive trade interests, the resulting trade framework will be one that accentuates inequity.

Policy advocacy needs to target ways of making trade an engine for change on livelihoods especially for vulnerable groups such as households affected by HIV/AIDS. In this regard, the potential harm that EPAs hold for the poor should be addressed. Further, alternatives that respond to these systemic shortcomings under the current trade agreements should be reviewed in order to better respond to the needs of the poor.

It is important to ensure that the EPAs negotiations do not dilute the essence of retaining significant parameters on agricultural reform and poverty alleviation under the Doha Development Agenda whose implementation is far from complete and a valid demand for pro-poor growth. Neither should the negotiations create any new onerous obligations that go beyond WTO commitments or which undermine the capacity of Southern Africa to pursue legitimate demands on agricultural trade reform at the multilateral level.

It is necessary that Southern Africa countries, in negotiating EPAs, are enabled to benefit from trade opportunities that support poverty alleviation and which address the needs of marginalized and disadvantaged groups including those affected by HIV/AIDS.

Improving trade relations between Southern Africa is an important imperative towards supporting overall economic integration in the region. The sensitive question of South Africa's trade dominance must be tackled and strategies developed to allow for a more inclusive trade framework that benefits and enhances the participation of weaker economies in the region.

Negotiating ways of reducing trade imbalances in favour of these economies vis-à-vis South Africa is therefore an important policy imperative and one which would help reinforce the significance of regional trade. Regional trade represents an important opportunity in harnessing the benefits of trade granted that EPAs, in their current form, would result in net welfare losses for Southern Africa countries unable to compete favourably under reciprocal trade within the limited 12 year phase-in period.

Negotiations under the Economic Partnership Agreements (EPAs) should be slowed down because they present critical challenges for Southern African countries which are currently

² WTO, "Agricultural Trade Performance by Developing Countries 1990—1999, 2001

ill-prepared for reciprocal trade with the EU. It is needs to be recognized that any further shedding of national flexibility in trade policy formulation or loss of current preferences will inevitably result in net welfare losses for the region. In turn, this will undermine the capacity of the resulting trade dispensation to support poverty alleviation.

For this reason, there is need to step up policy advocacy to protect strategic trade interests and sequence any future reciprocal trade with the EU against the need to address supply side constraints, improve agricultural infrastructure and strengthen both the legal and policy framework. Parallel FTA trade negotiations should not undermine proposals at other multilateral fora like the WTO, which seek to align trade to the constituent demands of alleviating poverty and safeguarding livelihoods.

The EPAs negotiations, alongside the consolidation of existing regional trade blocs, thus open fresh challenges on the need to safeguard existing advantages and limit the potential for future loss. In the case of Malawi for instance, the EU and the United States are key export destinations due to preferential export schemes.

From the EU, Malawi benefits from duty-free and quota-free market access under the *Everything But Arms* initiative while the unilateral *African Growth and Opportunity Act* has helped increase exports to the US. The EPA negotiations under which Malawi will be obliged to open up to reciprocal trade with the EU, potentially losing its preferential leverage, highlights the unique challenge that the EPA negotiations present to Least-Developed Countries in the Southern Africa region. The same can be said of the other non-LDC countries in the region.

Regional trade: Is this the way to go?

Southern African countries have a choice of joining any of the existing three regional trade arrangements – Southern African Development Community (SADC), Southern Africa Customs Union (SACU) and the Common Market for Eastern and Southern Africa (COMESA). The vast majority of countries in the region are members of at least two of these trade arrangements indicating the significance that individual countries place on regional trade.

As is the case with almost all other regional trade arrangements, SADC, SACU and COMESA, have reiterated the need to lower trade barriers in order to facilitate and ease trade of goods and services across national borders.

The economic dominance of South Africa's economy in the region, though, has posed a significant challenge for neighbouring countries and is an important test case for regional integration.

For most economies in Southern Africa, regional trade is critical but one which exerts difficult choices on individual countries. South Africa's dominance in regional trade has raised questions on how its market can better support the offensive trade interests of its neighbours.

In the case of Malawi, Mozambique and other countries within SADC, South Africa is a leading source of imports and because the trade imbalance is heavily in its favour, there are clear undercurrents on opening up trade more to narrow the trade imbalance. Understandably, SADC and SACU countries, root for more balanced trade and improved market access into the South African market.

The moot point is that improving trade relations between Southern Africa countries is an important imperative towards supporting overall economic integration. The sensitive question of South Africa's trade dominance must be tackled and strategies developed to allow for a

more inclusive trade framework that benefits and enhances the participation of weaker economies in the region by reducing the current trade imbalance whilst opening up access to the South African market.

In recent times, the issue of sharing trade benefits has been tackled amongst SACU countries³ but not in other regional trade arrangements, in particular SADC, where South Africa's dominance is an engaging flash point in trade dialogue. The latter highlights the dilemma facing most Southern African countries and raises questions on how best regional integration can help support the developmental objectives of weaker economies. Creating a formula through which regional trade becomes an impetus for reinvigorating economic activity in the region will require greater attention as SADC solidifies its role.

The extent to which Southern African countries benefit from existing trade arrangements is important in determining their success in taking advantage of new trade opportunities. For instance, SACU offers a platform through which countries with limited industrial capacity can source products for value-addition from other member countries unencumbered by a strict application of rules of origin on individual countries in exporting to the US under the African Growth Opportunity Act (AGOA).

However, the extent to which individual Southern African countries can benefit will in large part depend on the effectiveness in strengthening co-operation, building support from South Africa as the economic powerhouse and in ensuring that financial gains from SACU trade benefits the weaker economies.

Building a stronger sense of equitable sharing of benefits from trade is therefore important. In addition, influencing better-targeted allocation of such resources to uplift small and medium enterprises is equally important as a means of enabling the poor benefit from trade opportunities. This implies a need to empower them with appropriate information, support their organisation under community groups and co-operatives that are better organised to capture trade opportunities and undertake measures that stimulate enterprise amongst the poor.

The experience so far indicates that significant benefits still go the way of South Africa whose exports account for an average 77 per cent of total SACU exports to the US under AGOA. This shows the distinct policy challenge of working out means and ways of spreading out the benefits from AGOA and other emerging markets in ways that reinforce equity and broaden the capacity of individual countries to reap benefits.

While the peculiarity and adaptability of individual economies is an important factor in determining the extent to which they can benefit from trade opportunities, influencing the shape and focus of regional trade arrangements is a legitimate policy consideration and a critical one in spreading out benefits more evenly.

Regional trade and its importance in poverty alleviation

In Southern Africa, high poverty levels have elicited debate and interest on how trade can better support livelihoods and the fight against poverty. Because of a relatively high concentration of people living in rural areas and a corresponding limited opportunity for wage

³ Under a SACU agreement brokered in 2002, all revenue accrued by individual SACU states is to be divided into three categories namely, a customs pool, an excise pool and a development component. The customs component is to be divided according to each country's share of total intra-SACU trade; the excise component will be divided on the basis of Gross Domestic Product (GDP) and the development component will be fixed at 15% of the total excise pool and distributed amongst all SACU members according to the inverse of each country's GDP.

employment, especially for unskilled labour, the agricultural sector has become the most important source of income and livelihood security.

But there is still clear opportunity, and need, to enhance the role of agriculture in alleviating poverty, broaden the participation of the poor in economic activity and enhance their capacity in dealing with the HIV/AIDS pandemic. This would necessitate pursuing strategies that benefit the poor and vulnerable by tapping on the strategic importance of trade.

In the case of Malawi, for instance, export revenues from agriculture account for 88 per cent of total trade. Key export crops include tobacco (60 per cent), sugar (3 per cent), tea (2 per cent), cotton and rice. In recent years, coffee and pulses have grown in importance as alternative export crops. While the prices of tea, sugar and tobacco have been generally stable, coffee, cotton and rice have fluctuated owing to instability in world commodity prices.

But the structure of Malawi's trade is one that essentially favours large estate agriculture which means that the poor, are largely locked out of export trade. But the significant role of export revenues creates a strong case for exploring means through which smallholders can be more actively involved in participating and benefiting from export agriculture.

Diversification, where feasible, is a strategic option. Developing links between large estates and smallholders is another critical consideration. In Mozambique, for instance, large-scale private investors have been encouraged to forge partnerships with smallholders under contract farming to enable them gain from the production of high value crops.

Regional trade is expected to continue playing a critical role in the economies of most countries in the region presenting a singular challenge of defining how best the poor can benefit.

In recent times, an aggressive trade expansion strategy into the Common Market for Eastern and Southern Africa region (COMESA) by South Africa has raised fresh questions on how best regional trade can be structured to facilitate integration of weaker economies without necessarily closing out dominant players.

Initiatives at consolidating the role of SADC and the possible expansion of SACU to accommodate Mozambique presents challenges and opportunities for re-defining regional trade in ways that address existing challenges. The possible formation of a COMESA customs union to which several SADC members belong to could realign trade relations and affect progress towards the creation of a SADC customs union -- an indication of the complexities that membership to parallel trade blocs presents for countries in the region.

The future prognosis is one of trade policy coming increasingly under the purview of regional organs. In turn, this is bound to raise questions on the relative significance of national policy organs and the extent to which the relative power balance between countries will influence regional trade policy.

The finalization of a new SACU agreement will commit member countries to cede trade policy formulation on areas such as tariffs to new supra-national structures. SACU would by extension be more closely involved in determining trade negotiations as trade policy formulation increasingly shifts away from national capitals. The same is to be expected once SADC agrees on a common customs union.

Expanding the role of regional trade will require addressing constraints facing the poor in improving production which would in turn open scope for trade expansion. A more enabling policy framework would help respond effectively to factors increasing impoverishment

among rural households such as the HIV/AIDS epidemic and draw a clear link between agriculture and trade on the one hand and livelihoods on the other.

It must be noted that the general improvement in political stability in Southern Africa creates an enabling environment which potentially opens up opportunity for economic empowerment especially in post-conflict countries like Angola and Mozambique and for previously disadvantaged groups in South Africa. In all these countries, trade could open an important window of opportunity particularly where it enhances the participation of poor and vulnerable groups.

The growth in cross-border trade between Mozambique and neighbouring countries is thought to have substantially increased since the cessation of hostilities indicating the potential that political stability creates for the poor who are the most vulnerable in conflict situations. Innovative ways must be found to ensure that the policy framework pays closer attention to strengthening the role of cross border which can tremendously increase poor peoples' visibility in trade at both meso and micro levels.

Mozambique's case further illustrates the importance of regional trade especially in pursuit of offensive trade interests in neighbouring markets. Regional trade presents the dilemma that it may not always advance developmental interests of weaker economies. For instance, while South Africa is Mozambique's major trading partner, the push to substantially lower tariffs within SADC by 2008, could impact negatively on Mozambique. The move could increase competition from South Africa, the dominant trade partner in SADC, hence narrowing the significance of trade in fighting poverty in Mozambique.

The HIV/AIDS challenge in Southern Africa

HIV/AIDS is a major health and development challenge in Africa, which accounts for an estimated 70 per cent of global HIV infections.⁴ Southern Africa carries a disproportionate burden of the epidemic with South Africa, Botswana, Lesotho, Swaziland and Zimbabwe being worst hit. In terms of prevalence rates and HIV-related deaths, Southern Africa is at the epicentre of the epidemic.

These high prevalence rates have serious implications on poverty levels amongst affected poor households, which account for most of the infected. The prevalence rates provide a prognosis of future mortality rates amongst the infected most of whom are adults in their economically productive years.

Sectors which are heavily-dependent on labour, principally agriculture, are bound to be severely affected and this has obvious consequences on productivity and poverty levels. The scale of the problem and the projected increase in severity over local economies over the next decade and beyond, underlines the need for a clear policy response to mitigate the impact.

It is to be expected that high rates of HIV-related mortality and morbidity will further impact negatively on both per capita income and savings as productivity in the affected countries drops further. The agricultural sector will be most affected.

Table 1: The impact of HIV/AIDS on agricultural labour in Southern Africa

Country	Estimated % lost 2000	Projected % loss 2020
Namibia	3.0	26.0
Botswana	6.6	23.2
Zimbabwe	9.6	22.7

⁴ UNAIDS, 2002

Mozambique	2.3	20.0
South Africa	3.9	19.9
Malawi	5.8	13.8

Source: FAO

There is a close link between HIV/AIDS and the declining performance of the agricultural sector, rising poverty amongst the infected and affected households and growing food and livelihood insecurity. For most part, HIV/AIDS runs alongside poverty and food insecurity. All these factors create a significant impetus for policy intervention to break the vicious cycle of poverty and an ever-expanding burden on vulnerable households.

Because HIV/AIDS enhances rural poverty and exacerbates social and economic inequality, it is critical to address its developmental impact on agriculture, which is the main source of livelihood for smallholders in Southern Africa.

It is obvious that any approach that fails to tackle these two phenomena interdependently cannot succeed in coming to terms with the development challenge posed by HIV/AIDS on poor rural economies.

A 1997 survey found that agricultural output from smallholder farms in Zimbabwe declined by 50 per cent principally as a consequence of HIV/AIDS prevalence while maize harvests, the country's staple, fell by 54 per cent. This indicates the direct correlation between infection rates resulting in mortality and declining productivity, which accentuates household vulnerability.

The disproportionate burden cast by HIV/AIDS on agriculture, therefore, raises significant questions on agricultural productivity, nutritional and food security for households affected by the epidemic. In turn, these accentuate poverty and livelihood insecurity.

HIV/AIDS also raises fundamental questions on gender equity and social exclusion because its consequences are often broad and widespread. The epidemic thus poses serious socio-economic consequences on poor peoples' livelihoods and effectively undermines their capacity in mitigating its impact on their livelihoods by destroying the very foundations of their economic stability.

In addition to the interdependence between HIV/AIDS and food security, an intricate link also exists between HIV/AIDS and poverty. HIV/AIDS exacerbates poverty, which in turn makes households more vulnerable to the spread of the epidemic.⁵

It is therefore important to address poverty by developing policies and programmes which contribute towards increasing incomes and alleviating poverty.⁶ Pro-poor development policies are important in bolstering the resilience of communities against the impact of HIV/AIDS.

SACU negotiations: Questions and issues

The United States is currently involved in negotiating a free trade agreement (FTA) with Botswana, Lesotho, Namibia, South Africa and Swaziland who jointly constitute the Southern Africa Customs Union (SACU).

These negotiations are bound to raise a raft of issues relevant to the developmental needs of the countries involved. Among these, is the question of access to health care especially

⁵ Barnett et al, 1995

⁶ Cullington, 1993

for those affected by HIV/AIDS. US proposals under the FTA could, if adopted, further limit the flexibility of countries in accessing affordable medicines.

The US-SACU negotiations on Intellectual Property Rights (IPRs), “seek to establish standards that reflect a standard of protection similar to that found in US law and that builds on the foundations established in the WTO Agreement on Trade-related Aspects of Intellectual Property Rights and other International Intellectual Property agreements”.⁷

This provision raises many pertinent questions. On the one hand, compliance with “standards of protection similar to that found in U.S. law” would necessitate limiting compulsory licences to national emergencies or to governmental, non-commercial use. A direct consequence of this will be reduced access to generic versions of medicines especially for those affected by HIV/AIDS. National governments will be inevitably forced to bear a disproportionate burden for treatment where their options in using flexibilities on compulsory licensing and parallel importation are unduly restricted.

The scope to use these flexibilities in-built under the TRIPS agreement to facilitate access to affordable medicines is necessary in safeguarding the right to treatment. Countries with limited manufacturing capacity in the region would gain significantly from the use of flexibilities on Intellectual Property Protection (IPP) by South Africa in supplying affordable generics. The SACU negotiations threaten this possibility and could potentially undermine the production and sale of low-cost medicines to countries affected by the epidemic.

It is important to advocate against adopting rules on Intellectual Property Protection that limit the policy flexibility of SACU countries. It must be emphasised that the need for such flexibility is already recognized under both the TRIPS agreement and the Doha Declaration on TRIPS and Public Health whose implementation has nevertheless been stymied by political indecision principally on the part of the US government.

The Doha declaration on public health is still in limbo due to the failure to implement strategies that facilitate local manufacturing of affordable ARVs. This is commonly referred to as the paragraph 6 problem and a speedy resolution is considered critical for countries facing the HIV/AIDS problem and lacking capacity for local manufacturing. Most Southern African countries fall within this category and in view of the scale of the problem⁸ would benefit tremendously from a speedy resolution of the issue.

SACU negotiations could potentially undermine the Doha Declaration on the TRIPS agreement and Public Health under which WTO members “affirmed that the TRIPS Agreement can and should be interpreted and implemented in a manner supportive of WTO

⁷ Brook Baker, “US trade negotiations with the South African Customs Union undermine access to medicines and violates US law”, 2003

⁸ Botswana has the most extensive treatment programme in Southern Africa. By October 2004, an estimated 17,000 people were on ARV treatment through the public health care system with an additional 7,000 being treated privately.

In Namibia, an estimated 2,000 people were on ARV treatment from seven public health hospitals against a target of 25,000 by the end of 2005.

By September 2004, South Africa had only enrolled 11,200 people on ART through the public health sector against a target of placing 53,000 on treatment by March 2005.

In Lesotho, WHO estimates that only 1,000 people are on ART out of a total of 53,000 who qualify for such treatment.

members' right to protect public health and, in particular, to promote access to medicines for all".⁹

The public health declaration affirmed the right of countries to make use of flexibilities in-built in the TRIPS agreement to protect public health. The SACU negotiations potentially threaten the extent to which countries can make use of these flexibilities, which could in turn limit access to affordable and cheaper generics.

This has serious ramifications on the capacity of Southern African countries in fighting HIV/AIDS because higher priced medicines and limited access to generics could mean that millions forego treatment with obvious consequences on their ability to remain engaged in productive economic activities.

The SACU negotiations point out the potential risk that trade agreements portend for poor people where they price-out essential products such as life-saving medicines from their reach whilst undermining the use of strategic options in accessing affordable medicines. The negotiations highlight the extent to which trade negotiations can often diminish policy flexibility at the national level.

It is important to bring the development perspective to bear on the negotiations as one way of reigning in the over emphasis on creating new trade opportunities without paying sufficient attention to the implications of this on poor people. The over-arching policy imperative must be one of ensuring that trade negotiations do not limit or undermine developmental options necessary in fighting poverty and inequity and in safeguarding the rights of vulnerable groups.

It is therefore necessary to step up advocacy towards unlocking the gridlock on local manufacturing, seeking enhanced flexibility for countries in need of accessing affordable medicines and ensuring that trade rules at regional, bilateral and multilateral levels do not undermine the capacity of Southern Africa countries to access and provide affordable medicines.

The SACU negotiations are significant for other Southern African countries facing the HIV/AIDS problem because they could limit South Africa (the only country in the region with the potential for undertaking local manufacturing), from initiating the production of ARVs.

The restrictions in-built under the SACU negotiations regarding intellectual property rights potentially undermine the implementation of the Doha declaration on TRIPS and public health. It is important to ensure that SACU negotiations are not concluded in a way that would unduly restrict the capacity of Southern African countries in accessing affordable medicines for HIV/AIDS.

There is also need to advocate against the inclusion of intellectual property rights rules pertaining to public health in the SACU negotiations. In the alternative, it is necessary to ensure that rules in-built into the negotiations are in consonance, and do not therefore conflict, with existing provisions under the TRIPS agreement and the Doha declaration on public health.

The SACU FTA provides pointers on the extent to which the negotiating options for Southern Africa countries at the multilateral level can be watered down. This should inform the negotiating strategy of the region under the EPAs negotiations with the EU. The region

⁹ Paragraph 6 of the Doha Declaration on TRIPS and public health

needs to consider how it can effectively preserve its capacity to benefit from EPAs especially in key sectors like agriculture which are critical to poverty alleviation.

It should be noted that SACU countries have already initiated a parallel FTA negotiation with the European Free Trade Area (EFTA), which is comprised of Switzerland, Norway, Iceland and Liechtenstein. As is the case with the US-SACU FTA negotiations, there is a risk that IP rules relevant to public health may be further undermined under these negotiations posing serious problems on accelerating access to treatment for People living with HIV/AIDS (PLWHAs).

In view of the fact that the trend towards negotiating FTAs is only likely to grow in the future, policy advocacy work needs to be stepped up with an aim of safeguarding the rights of the poor and in ensuring that developmental considerations form the core of FTAs. The Southern Africa context presents significant opportunity in this regard.

The case of SACU exemplifies the fact that onerous obligations on Southern African countries could water down the essence of the Doha Declaration on public health, which indicates the dilemma presented by parallel negotiations on FTAs alongside multilateral ones. The caution is one of balancing obligations cast by regional agreements vis-à-vis rights secured at the multilateral level as the impetus towards regional and bilateral agreements picks pace.

Maintaining watch over FTA negotiations with the aim of ventilating the rights of those affected by HIV/AIDS is a decidedly compelling imperative for policy advocacy work in Southern Africa. But this must not merely be focused on access to ARVs. It should touch on creating a dispensation that broadens trade opportunity for the poor, which would translate the opportunity presented by FTAs into tangible gains for the vast majority of Southern Africa's population. Conscious policy making at national level is required to make this happen and strong advocacy from civil society, community groups and other stakeholders could greatly assist in its realization.

Policy proposals

The link that needs to be made is one of ensuring that agricultural productivity builds a lateral link to trade to support the twin goals of boosting food security at the household level and marketing of surplus production by taking advantage of opportunities for trade.

In the context of Southern Africa, the HIV/AIDS epidemic should be recognised as a development challenge and attention must be focused on addressing issues of economic welfare for those affected. Opening up opportunities that enable the poor to trade and enhance incomes is, therefore, one possible consideration that begs policy consideration.

There is a growing consciousness, especially in the ongoing review of the agreement on agriculture, that trade liberalisation must reflect more closely on concerns over livelihoods. The need to ensure that smallholders are not unduly undermined by new demands resulting from trade liberalisation is at the heart of a proposal by many developing countries seeking the right to self-select products protected from liberalisation. Under this proposal, designated products deemed strategically important to food and livelihood security would be subject either to partial or no liberalization thus reinforcing flexibility in national policy making over multilateral trade prescriptions.

Oxfam supports the urgent need for this policy flexibility and has observed that "to make agriculture work for development we must end rich country dumping, secure greater market access for poor countries' products in the North and ensure poor countries have the power

to decide on the pace and scale of opening up their own agricultural markets to ensure poverty reduction".¹⁰

The WTO Ministerial meeting in Hong Kong this year represents an important opportunity for identifying ways through which concerns around livelihoods for the poor can be better secured through trade reform. Any progress in this regard would be an important primer in influencing strategies at other fora such as under RTAs.

This proposal would re-establish the significance of national policy decision-making and help balance liberalisation with a convergence of national policy objectives which are not subordinated to commitments under either bilateral or multilateral trade liberalisation.

The fact that many agricultural dependent countries in Africa, including Southern Africa, have identified closely with this proposal has enhanced its significance. Having featured prominently at the August 2004 General Council meeting on establishing negotiating modalities on agriculture, it is expected to feature prominently at the Hong Kong WTO Ministerial. Advocacy must therefore focus on underlining its importance to livelihoods and strengthening the voice of countries in the region to demand its adoption as a fundamental principle on further agricultural trade liberalisation.

Southern African countries stand to benefit from this proposal given its emphasis on protecting the livelihoods of those most vulnerable to agricultural trade liberalisation. Given the impact that liberalisation has had on countries in the region under Structural Adjustment Programmes (SAPs) and WTO trade rules, further aggravated by the impact of HIV/AIDS, protection of strategic agricultural products is an important and urgent policy objective.

While the link between trade policy and HIV/AIDS is clear, it must be reiterated in policy making on trade and agriculture and should inform the development of specific strategies that target rural households. Influencing national policy with an aim of tempering the impact of HIV/AIDS in terms of aggravated vulnerability is important but emphasis must also shift towards expanding opportunities for the poor to benefit more from global trade and the domestic economy.

A stronger commitment to redistributive policy measures on the part of industrialised countries, especially the G8 economies, is necessary if commitments towards combating HIV/AIDS are to be realized. In this regard, holding brief over the implementation of recommendations of the Commission on Africa will be important in rallying G8 action towards pro-poor policy change. Equally important will be the need to use the Commission's recommendations as a trigger in influencing the policies of International Financial Institutions and other multilateral agencies around key thresholds on trade, aid, poverty amongst others.

Since fighting poverty is recognised as an important pillar in reversing the spread of the HIV/AIDS epidemic, developing trade paradigms that stimulate the participation of the poor by opening up new trade opportunities is an important policy objective.

Conclusion

The strategic importance of trade to livelihoods in the region, especially in the wake of the HIV/AIDS epidemic, raises questions on how best to secure a win-win situation. Trade must help advance developmental objectives, support poverty alleviation and enhance social equity. The question is one of developing a policy framework that answers to these issues.

¹⁰ Oxfam, "Power to decide", November 2004

Capturing the benefits presented by trade in Southern Africa will largely depend on success at initiating policy and institutional measures which improve participation by the poor and enhance their capacity to improve their livelihoods.

In the case of Mozambique for instance, the relative importance of the agricultural sector, which contributes 50 per cent of GDP, 90 per cent of total exports and 80 per cent of employment, belies an untapped potential. This is because, smallholder agriculture is characterized by low productivity, low mechanization and a low utilization of agricultural inputs which means that the sector's full potential has not been fully realized to maximize benefits to the poor.

Due to the importance attached to agricultural trade reform under the Doha Development Agenda at the World Trade Organisation (WTO), South Africa's agitation for far-reaching trade liberalization, places it at odds with most other economies in Southern Africa. Many of these countries have limited export potential and are not keen on broad WTO agricultural negotiations.

Instead, they are keen on protecting the livelihoods of smallholders from the effects of liberalized trade and support proposals aimed at controlling dumping and reinforcing national flexibility in protecting strategic crops. This somewhat undermines the potential for broad-based unanimity in multilateral trade negotiations on agriculture between South Africa and her regional counterparts.