# The poorest 'should refuse to repay debt'

## UK calls for world rethink on trade politics

Andrew England , FT Syndication Service 7/10/2004

ADDIS ABABA: A senior United Nations economic adviser has suggested that impoverished African countries should refuse to pay foreign debt worth tens of billions of dollars.

Jeffrey Sachs, a special adviser to Kofi Annan, UN secretary-general, told African leaders and diplomats they should call on rich nations to cancel "100 per cent of the debt" owed by highly indebted countries, most of which are in Africa.

If they did not, "I would suggest obstruction -- you do it yourselves," Sachs told a recently-held conference dealing with Africa's perennial food crises.

"The time has come to end this charade, the debts are unaffordable," he added. "No civilised country should try to collect the debts of people that are dying of hunger and disease and poverty."

Statistics published recently by the UN Conference on Trade and Development show the 34 poorest African nations -- the majority of the world's least developed countries -- had a combined foreign debt of $106bn in 2002.

More than 40 per cent of sub-Saharan Africa's population survives on less than a $1.0 a day and 200m Africans are underfed, according to the African Union (AU).

A number of African presidents, as well as advocacy groups, have long called for the debt to be cancelled, arguing that Africa has little chance of combating poverty while servicing vast loans.

"Our analysis has shown that there is absolutely no way you can make debt payments on debt and achieve the development goals," Sachs said.

The UN's Millennium Development Goals call for halving extreme poverty and hunger in developing countries by 2015.

Meanwhile, the UN Secretary General Kofi Annan called for a "green revolution" for Africa to improve agricultural production and rural development. But he acknowledged that halving hunger by 2015 seemed, "more a far-off fantasy than an achievable target" for dozens of countries.

Guy de Jonquières in a report under FT Syndication Service adds from London: Britain has called for governments worldwide to abandon mercantilist thinking and accept that lowering their trade barriers benefits their own economies as much as those of trade partners.

A policy paper by the Department of Trade and Industry also calls for international trade policy to be linked more closely to development policy and for more aid to help poor countries adjust to liberalisation.

Patricia Hewitt, the trade and industry secretary, said that the White Paper aimed to influence the WTO's agenda during the next year.

If by the end of this month WTO members agreed a framework for the Doha round, the talks were likely to face a "fallow period" until after the US presidential elections and the appointment of a new European Commission in November.

The arguments set out in the document would also be a central element of Britain's European Union presidency in the second half of next year. Ms Hewitt planned to urge EU partners and other WTO members to support Britain's proposals.

Governments must reject the "exports good, imports bad" approach that had long dominated international trade negotiations.

"The benefits of trade come at least as much from imports as from exports," she said, because liberalisation raised living standards and boosted economic competitiveness.

"The whole language of mercantilism ... is offensive to people in developing countries," Ms Hewitt said. WTO members' habit of describing offers to open their national markets as "concessions" was "appallingly insensitive".

She said she was not suggesting that the EU offer unilaterally to lower its trade barriers in the Doha negotiations, but that all WTO members should move forward together. Rich countries should aim to eliminate all their tariffs and subsidies while poor ones should be allowed to phase in liberalisation over time.

Ms Hewitt accused the International Monetary Fund (IMF) of harming some developing countries by requiring them to cut import barriers too hastily. Increased aid was needed to help poor countries build the capacity to benefit from freer trade.

She remained concerned about signs of US protectionism but believed liberal-minded new members would keep the EU's market open.

In yet another development in Geneva, Trade officials have warned that global negotiations to open services markets to foreign competition, offering large potential gains for many rich and poor nations, may take two years or more, even if current bottlenecks over agriculture were overcome, a report by Frances Williams under FT Syndication Service adds.

While agriculture is the political centrepiece of the Doha round of world trade talks, services such as banking, insurance, telecommunications, transport, tourism and business services are "the big-ticket item" for countries such as the US, India, Japan, Switzerland and South Korea and the European Union (EU), an official involved said in Geneva this week.

"I would think we need a minimum of two years" from submission of initial offers, he said, noting that only 44 offers of "modest" quality had been received so far. This would push the end of World Trade Organisation (WTO) talks into 2006 or beyond.

Some WTO members, such as Brazil, have argued that the Doha talks could be completed next year, only a few months behind the original schedule of the end of 2004, provided sufficient progress can be made this year on liberalising farm trade.

Negotiators are struggling to produce an outline accord by the end of July providing guidelines for more detailed future bargaining on agriculture, industrial goods, easing customs procedures and development issues.

Ministers from the of 10 mainly developed importing countries, including Japan, Switzerland, South Korea and Norway, met in Geneva in an attempt influence the first draft of the outline accord the chairman of the WTO's governing general council hopes to issue at the end of this week.

These countries want continued protection for "sensitive" products such as rice in Japan and South Korea which they say is essential to preserve agricultural communities.

In addition, they are looking for some kind of payoff for concessions in agriculture in the industrial tariff and services talks.

They have been joined by the US and India, among others, in pressing for specific mention of services in the July package.

A number of countries also want the package to include a deadline for submission of improved services offers, probably three to four months ahead of the next ministerial meeting, due to be held in Hong Kong in the second half of next year.

Even then, there would need to be further revisions of complex offers before the services talks could be concluded, the trade official said, ruling out completion in 2005. "1 can't see how the next ministerial [meeting] could be the end of the round."

Though many countries such as Brazil are making services offers conditional on progress in the agricultural talks, others such as India, with little to gain from agricultural liberalisation, will he assessing what they can give in agriculture against potential gains in services, diplomats note.

Developing countries have traditionally sought freer movement for their nationals to move abroad to provide services, but the current boom in "offshoring" services has led to a greater focus on easing cross-border supply.