

Trade Talks Grind to a Halt

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US intellectual property rules a sticky point

FREE trade talks between the five members of the Southern African Customs Union (SACU) and the largest economy in the world have reached a dead end.

SACU and US negotiators are unlikely to meet again before the end of the year, the original date set for completion of the process.

South Africa's chief negotiator, Xavier Carim, tried to put on a brave face this week, saying that due to the complex nature of trade negotiations, periods of difficulty in which the process slowed down could be expected.

But he confirmed that fundamental differences on key issues had led to the negotiators cancelling a meeting that had been scheduled for this month, with both sides agreeing to take time out "to clarify issues internally".

It was more important to ensure that the parties had "good reasons to meet . . . and [could] move the process forward".

Hopes were raised earlier this month after discussions between President Thabo Mbeki and US President George W Bush - in which they expressed commitment to making sure the talks, which would extend local exporters' preferential access to the \$11-trillion US economy - succeeded.

SACU member states - South Africa, Lesotho, Swaziland, Botswana and Namibia - already have substantial duty-free access to the US for their exports, due to low US tariffs, the generalised system of preferences and the Africa Growth and Opportunity Act (Agoa).

They are the largest beneficiaries of Agoa, which has liberalised access to US markets for 37 designated countries and is credited with boosting trade between the US and sub-Saharan Africa to just under \$30-billion last year.

A free trade deal would extend and make permanent the benefits of Agoa, which expires in 2015 and is subject to annual reviews, while it would guarantee preferential access for US companies in the region and remove disadvantages resulting from SA's free trade deal with the European Union.

But the US-SACU negotiators have so far failed to resolve fundamental differences on a number of key issues in which SACU negotiators believe US demands run counter to the region's development agenda.

These include intellectual property and investment rules - US demands are said to conflict with key SA development concerns, such as the provision of health services and black economic empowerment.

Carim said US standards on intellectual property were high and "may not be appropriate for a developing country".

The issue also came up in the US's recent agreement with Australia, where the US pushed for higher prices on generic medicines to protect the intellectual property of US drug makers. This is likely to be even more important for those SACU economies that are struggling to contain an HIV/Aids epidemic and need to source cheap drugs to extend treatment.

Other sources of disagreement are believed to include government procurement, where equitable access for foreign firms could have serious consequences for the government's black economic empowerment initiatives and other policies.

There are general concerns among developing countries participating in the World Trade Organisation talks that rules on investment and government procurement could curtail the right of sovereign states to set their own domestic policies.

Peter Draper, the trade specialist at the SA Institute of International Affairs, said it was not a surprise that the talks had stalled as the two parties had large gaps in many areas.

The US political process, in which the negotiators were given a specific mandate by Congress, was also not conducive to a flexible approach and it would be difficult to get the US to shift positions. "SACU was expecting more of a negotiation," he said.

Speaking earlier in the week, the US ambassador to SA, Jendayi Frazer, reaffirmed her country's commitment to a free trade deal with SACU, which she said would be a sign of a mature relationship with a key strategic partner.

She said concerns, mainly from business and labour leaders, about the potential dislocation of local companies by US corporates were misplaced as SA could compete. "An FTA will lock in Agoa's benefits, boost confidence and attract investment."

There were no signs of movement this week. Carim said it was not clear when the sides would meet again, but hoped it would be before the end of the year to "at least keep the process moving".

Carim said SACU was "willing to compromise on the deadline in favour of [reaching] a balanced conclusion".