Shaping the Future of Multilateralism
Could South Africa, spurred by Covid-19, drive more equitable global trade norms?

BY ARINA MURESAN AND SANUSHA NAIDU
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About the Author

**Arina Muresan** is currently a Researcher in geopolitical dynamics and governance at the Institute for Global Dialogue (IGD). Arina manages the IGD’s flagship project on South Africa in the World, that engages on South Africa’s diplomacy and foreign policy in Africa and further afield. She obtained her Masters in Politics in 2017, from the University of Johannesburg and her research interests include South-South cooperation, perception studies and geopolitical dynamics.

**Sanusha Naidu** is a foreign policy analyst. Her research interests include Democratisation in Africa; Africa’s Political Economy and Development; Africa’s relations with Emerging Powers from the South (BRICS and IBSA); South African Foreign Policy Analysis; and the role of track two diplomacy in International Relations. Ms Naidu has a Masters in International Relations from the University of Staffordshire, United Kingdom. Sanusha has published extensively on emerging powers, China and India in Africa and South Africa’s domestic politics and electoral trends.
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Could South Africa, spurred by Covid-19, drive more equitable global trade norms?

Major multilateral institutions have long claimed that their market-oriented trade rules reduce poverty and advance development. Instead, they hold back the developing world from a more human-centric, social-justice approach that it needs to reach its potential. South Africa has the potential to set an example of how a global “middle power” can drive change. The Covid-19 pandemic has provided extra impetus – and a test.

Africa’s continental and global trade expansions have long struggled against the legacy of its historical past, and against poor economic planning and political inertia since independence. Despite its potential for development, the continent remains primarily an exporter of commodified natural resources. This marginalized position is exacerbated by – and contributes to – poverty, inequality, insecurity, obsolete infrastructure, an increasing flow of climate refugees, and a deepening humanitarian crisis. All of this is worsened still further by access to public-health goods and services that is also commodified, as it is primarily determined by cost (and therefore ability to pay) – bought or sold at market price with insufficient regulation. That debilitating dynamic has been amplified during the Covid-19 pandemic.

This utterly vulnerable trading architecture continually disrupts efforts to integrate Africa into the global economy. Since South Africa’s democratization in the 1990s and despite its political dysfunctions, the State has sought to take an approach based more on social justice, with the interests of humans rather than abstract markets at its core. Its experience illustrates how a global “middle power” – a category that includes similar economies elsewhere in the world such as Brazil and India – could help reorient a continent’s engagement in the global trading system and, indeed, help change the very norms of that system for more equitable outcomes everywhere.

The coronavirus pandemic has provided another propellant for South Africa’s campaign. As in the rest of the world, access to the Covid-19 vaccine has become central to fighting additional waves of infections in South Africa in 2021. And yet, African countries are caught in the headwinds of vaccine commercialization. With several vaccines on the market, South Africa signed onto buying the one developed by Oxford-AstraZeneca. However, after further testing against new variants, preliminary data released in February suggested the vaccine might be significantly less effective against mild disease from the South African variant of Covid-19. While the data was from a small, limited, early-stage trial, it nevertheless raised concern about the feasibility of widespread use of the vaccine in South Africa, and the government decided against proceeding with that vaccine.
Initially, the pricing of the Oxford-AstraZeneca vaccine created a public outcry among South Africans, as South Africa would have had to pay more than twice the price that developed economies are paying, even though South Africa was one of the key trial locations, largely because the country could not afford to invest in the research and development that produced the shot. This inequity illustrates the devastating impact of poor planning, stagnant budgets, and years of neglect on Africa’s healthcare infrastructure. With South Africa scrambling to procure coronavirus vaccine from multiple sources, it ultimately became too late for public debate over pricing. The country is buying doses from Pfizer and was set to start a rollout to the general public in May; Johnson & Johnson/Janssen has conducted clinical trials in South Africa with healthcare workers; and China has committed to supplying 5 million doses of the Sinovac vaccine but was awaiting approval from the South African Health Products Regulatory Authority.

Moreover, just the distribution of the vaccine will pose an additional cost. Numerous calls to policymakers worldwide to remove or lower tariffs and non-tariff barriers on pharmaceuticals, medical devices, medical supplies, active ingredients, and related chemical products have gone unheeded. At a time when the need for access to healthcare as a national security issue has become clearer than ever, health-related trade remains business-as-usual. As a result, developing countries have become even more vulnerable to what social justice activists in South Africa have labelled the “colonisation of global health” to describe a dependency that subordinates some countries and economies to others. (This is part of an ongoing debate that pits proponents of market- and competition-based access to healthcare against the concept of healthcare as a global public good that should be available by right to any individual.)

These issues profoundly illustrate the ongoing trade debates that impact African countries. Although, in principle, trade should drive improved socio-economic conditions and livelihoods, the impact has been patchy at best. The reasons include disparate market conditions; lack of access to financial resources to enhance community-based entrepreneurial ventures; a skills deficit; poor education; and growing inequality. Therefore, the need to orient trade towards achieving a global economic paradigm of social-justice-based development is becoming ever more apparent, including to reorient significant elements of Africa’s manufacturing base for health-related goods and services.

Nowhere is this more obvious than in the need to address the tools of economic protectionism that negatively impact Africa’s economic architecture and integration into the global economy: trade-related intellectual property rights, trade-in-services agreements, and the politicization of tariff and non-tariff barriers. But tackling these essential issues requires resolving the stalemate in the World Trade Organisation (WTO) since the breakdown of talks in the Doha Development Round in 2008 and negotiating a new global trade compact. Middle power states like India and South Africa have taken the lead on intellectual property issues related to Covid-19 technology, and could play a central role in transforming the Doha Round towards a more inclusive global economic compact.
Challenges to African trade

Since independence, African countries have been defined by an institutional architecture built on trading patterns and relationships with former colonial powers. Most African States found themselves locked into the global economy as primary exporters of extractive minerals and resources, while the continent’s non-resource-rich countries depend on a shallow manufacturing sector for their economic transactions.

This model of trade was further reinforced by the liberal economic approach underlined by structural adjustment programmes and defined by the 1980s-era Washington Consensus of standard policy prescriptions for developing countries. African countries’ trade with each other and with partners off the continent is based on models of regional economic integration driven primarily by a top-down approach intended to incorporate the continent into global value chains, as opposed to cultivating frameworks that allow more intra-African (formal) and cross-border (informal) trade.

The Lagos Plan of Action for the Economic Development of Africa (1980) and the Abuja Treaty (1991) attempted to address the post-colonial structural issues by calling for development through regional integration, intra-African trade, and self-reliance. The AU’s Agenda 2063 plan (2015) similarly urges the use of trade to establish such alternative structural frameworks. The much-anticipated Jan. 1, 2021, start of trading under the African Continental Free Trade Area (AfCFTA), signed in Kigali, Rwanda on March 21, 2018, provides an opportunity to explore how reduction of tariff and non-tariff barriers can free resources to encourage deeper value-added production in neglected manufacturing and industrial sectors. This may further contribute to continental value chains of production and regional manufacturing and distribution hubs that are aligned with a rights-based approach to development.

But the AfCFTA is in its infancy and still a long way from making a tangible impact. So it is important to consider the existing architectures and how they need to be repurposed to achieve equitable engagement that benefits human development.

Trade with Africa remains dominated by traditional partners. In 2019, 37 percent of exports from Africa went to the EU and the United States, and those two partners accounted for 34 percent of Africa’s imports. (For comparison, China accounts for 11 percent of imports and 16 percent of exports.) The continent’s dependency on commodities for exports and its need to import manufactured goods makes the continent’s trade uncompetitive and vulnerable to external shocks – the volatility of the international

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1 The Washington Consensus consisted of 10 policy recommendations: 1) low government borrowing, 2) reorienting public spending towards pro-growth and pro-poor services, 3) tax reform, 4) market driven interest rates, 5) competitive exchange rates, 6) trade liberalization, 7) liberalization towards FDI, 8) privatization of state enterprises, 9) deregulation for external competitors, 10) protection of property rights. However, when applied to African countries, trade liberalization, privatization, low government borrowing, fiscal policy changes, and reducing FDI barriers create myriad challenges that in fact threaten those countries pro-poor socio-economic priorities.
spot-check commodity pricing indices, for example, that led to the “Dutch Disease,” in which the rise of one sector seems to develop a causal link with the decline of another. Market fragmentation and the lack of economic diversification further reduces internal and external competitiveness of trade.

But the real challenges that face those African economies that are vulnerable to the Dutch Disease is that the benchmarking of commodity prices is not determined by African countries but rather by markets in Europe, the United States, and now in the financial centers of China. This is where norms governing multilateral trade forums need to be revisited to consider how commodity pricing might occur closer to the source. African political economists like Thandika Mkandawira have called for a reorientation in the way that Africa is perceived in multilateral trading institutions: not as a voting bloc to be lobbied in an asymmetrical manner but rather as a voting group that demonstrates key structural power to engage on significant issues shaping trade protocols. This is reinforced by former South African Minister of Trade and Industry Rob Davies and the former Permanent Representative of South Africa to the WTO Ambassador Faizel Ismail, who argue that the crisis of reform of the multilateral trading system is overshadowed by the crisis of institutional power imbalances prevalent in the global trading regime. What is clear from these scholars is that attempts at reforming the multilateral trading architecture must begin with a cohesive agenda of transforming existing systems that limit global cooperation and solidarity on fair trade.

Intra-African trade also suffers from countries’ memberships in multiple regional economic communities, an overlap called the “spaghetti bowl” effect. This complicates tariff structures and creates economic complexities between African countries, in which the principle of subsidiarity becomes an overriding disruptor to tariff and non-tariff barriers. The result is that some regions are disproportionately more successful than others, which does not help the goal of achieving continental economic and political integration. Africa’s development agenda needs to be actively facilitated through trade, but this is further complicated by the reality that overlapping membership in regional economic communities leads, among other effects, to contradictions in tariff applications, difficulties in rules of origins, and complex trade-facilitation arrangements.

Another element of the continent’s colonial pattern of trade is the negligible levels of intra-African trade. Standing at a truncated level of just 14.4 percent, African countries trade far less with each other than with external partners. As a result, African economies have been unable to benefit from trading on a level playing field that might give them room to diversify their economies, rather than constantly starting from a low economic base compared with the majority of their trading partners.
A further feature of Africa’s trading patterns is the formal versus informal levels of trade. The latest African Trade Report from the African Export-Import Bank describes informal cross-border trade as “a prominent feature in intra-African trade not accounted for in balance of payment and national account statistics” (2020). While formal intra-African trade is invariably low, as the report notes, the commercial value that is being traded in the informal sector remains a key element of trade volume. Informal trading allows ordinary people to make a living by selling legal goods and services in a public space, where transactions fall outside the regulatory frameworks. Therefore, volumes of goods and services are not accurately captured, taxed, or priced. This environment adds complications to enforcing existing institutional solutions, and so additional resources need to be allocated to bring all transactions to the formal economy.

Another dynamic of African trade that must be considered is that frequent and widespread eruptions of inter- and intra-state conflict not only destroys human security but also intensifies poverty and disrupts trade infrastructure. Notwithstanding multilateral peacemaking and peacebuilding efforts such as those under the auspices of the U.N. and the African Union, conflict conditions are exacerbated – and sometimes caused in the first place – by environmental degradation and climate change, spinning off a new variant of displaced people: climate refugees.

Overall then, Africa’s post-colonial, neo-liberal, market-centric approach that sees trade as a key driver for alleviating poverty and advancing development does not make room for the state-society nexus needed for structural transformation. Unlike in the EU integration framework, the issue of social inclusion and upholding labor rights as well as environmental standards are considered in Africa to be the domain of national...
governments. But African governments have institutional voids that cannot integrate a competitive market, which is often seen as a dominant factor determining whether African states can use trade as a structural framework and further achieve their goal of a rights-based approach to development. Furthermore, the idea of an investor-state dispute mechanism to adjudicate trade disputes has been muted, and intra-state trade tensions remain an undercurrent to issues of political and economic stability.

Africans view existing trade agreements as weighted towards the priorities of the EU and the United States. Preferential trade agreements between Africa and the EU (like the Cotonou Agreement) and between Africa and the United States (like the African Growth and Opportunity Act (AGOA)) show that African countries want to deepen trade relations. But the African partners in those pacts are concerned that reducing barriers will make their markets vulnerable to cheaper imports and therefore undermine the efforts of African countries to diversify. Policymakers from Africa, the EU, and the United States are aware of this challenge and are searching for ways to address it.

From bridgebuilder to anchor: Seeking to repurpose South Africa’s trade policy for the Covid era

As a middle power, South Africa has been able to pursue its multilateral agenda from a progressive, internationalist perspective and at times acted as a bridgebuilder. In addition to its membership in various mini-lateral clubs like the Group of 20 (G20) and the Brazil, Russia, India, China, and South Africa (BRICS) partnership, South Africa just completed a third term as a non-permanent member of the U.N. Security Council at the end of 2020, and in February 2021 completed its chairmanship of the African Union. In 2021, South African President Cyril Ramaphosa takes up the chairmanship of the Southern African Development Community (SADC) Organ for Politics, Defence, and Security.

However, South Africa is the target of much criticism from other African leaders for its actions on the continent. Firstly, South Africa’s corporate image is considered increasingly mercantilist; large companies like South Africa Breweries (SAB) and telecommunications company MTN, to name two, have been accused of having a negative impact on domestic competition in African economies. Secondly, South Africa’s historical political involvement in other African countries’ internal conflicts – confronting Nigeria’s Sani Abacha for human rights abuses (1995) and quiet diplomacy on the Zimbabwe crisis (2001 onwards), for example – has come under intense scrutiny for foreign policy decisions that appear inscrutable or ambiguous. And thirdly, internal governance challenges such as mismanagement and corruption involving the fractured ruling African National Congress and Byzantine government bureaucracy have hurt South Africa’s credibility.
In light of those criticisms, South Africa’s foreign policy toward the continent has focused in recent years in part on rehabilitating its image as a trusted diplomatic, investment, and trade partner. South Africa’s chairing of the AU in 2020 helped, and the government has embraced the AfCFTA as a key component in unlocking the continent’s manufacturing potential. Alongside its other African economic partners in the pact, South Africa sees the AfCFTA as boosting intra-Africa trade and competition in a tariff-free environment, with the potential to increase intra-African spending to US$6.7 trillion by 2030 and setting a more coherent, rules-based system for deepening trade within the continent.

But the global trade regime still remains skewed towards the “Old West” (the EU and the U.S.) and its entrenched monopolies. Following the 2008 recession, the failure of the protracted WTO Doha Development Round negotiations showed that much of the impetus for multilateralism had evaporated. As a result, tariffs and non-tariff barriers (NTB) have become even more intractable. Even the G20, which was created in response to the recession to widen the circle of nations with a say in global trade and economic policy, mainly represented the few countries benefitting from traditional structures. South Africa’s main concerns in relation to the multilateral trade system are to create and maintain an environment that advances job security, equality, and development. Therefore, from a South African perspective, a trade system that is sensitive to development needs will establish and use its rules to make an earnest contribution towards inclusivity for developmental multilateralism.

The imperative for human security, equality, and development has never been more acute than during the Covid-19 pandemic. The crisis should be an a-political issue that unites all leaders, citizens, government structures, and economies; instead, responses have been self-serving and politicized, and pandemic nationalism has posed an immense threat to even the most basic multilateral norms established over the years. The “greed and grievance” argument has become even more pervasive: Where greed may motivate one actor to keep pursuing pragmatic goals, grievance over issues of inequality, monopolistic behaviors, and discrimination may cause the other actor to rebel. The perpetual state of tension worsens the situation.

In this environment, countries do not want to rely for their pandemic recovery solely on global multilateral principles that remain shrouded in uncertainty. More than ever, for Africa in the Covid era, creating a viable set of trade-based rules through a rights-based approach to trade is paramount to bolster public-health systems and improve access to healthcare so that it becomes a public good. Such a strategy is crucial for achieving the Sustainable Development Goals by 2030 and the AU’s Agenda 2063.

South Africa has animated these priorities with its rights-based initiatives to pursue more licensing agreements for domestic industries to manufacture a Covid-19 vaccine, similarly to the way India, through the Serum Institute of India, has signed a licensing agreement with AstraZeneca to supply that vaccine to middle- and low-income countries. The approach actually dates to at least the 2018 South African Presidential Health Summit hosted by Ramaphosa, who emphasized the urgency of de-commodifying access to health care. He advocated paying specific attention to how long-at-risk healthcare systems are
administered and establishing effective, competitive, and innovative value-chains. South Africa could tap into its own industrial-manufacturing development, with a concentration on the health sector. In the context of Covid-19, it has the potential to create a more cohesive production hub for related technologies, personal protective equipment (PPE), other medication and related services, and prevention strategies for individuals and communities in the public-health sector.

South Africa’s medical and pharmaceutical industry could illustrate the country’s role as an anchor in advancing a more sustainable framework for public-health systems across the continent. Recognizing the severe impact of a vulnerable health system on the socio-economic functioning of a country, South Africa has sought at least since the mid-1990s to develop its industry and improve access to healthcare specifically by lowering prices for medicines. There also is immense potential for the agricultural and pharmaceutical industries to collaborate and innovate, thereby creating an all-inclusive value chain that cuts across sectors and disciplines such as health, indigenous knowledge systems, employment, and protection of biodiversity.

South Africa’s engagement on the issue of HIV/AIDS at the WTO is particularly noteworthy. South African civil society argued that Trade-Related Aspects of Intellectual Property Rights (TRIPS) were vital to maintain incentives for innovation, but that the benefits of that innovation also should be broadly accessible, especially for lifesaving medication. More specifically, the WTO’s 2003 decision to allow poor nations to access antiretroviral (ARV) drugs and other HIV/AIDS medications as generic versions and to avoid patent restrictions has long been considered a landmark gesture of what it means to approach trade from a humanistic point of view.

Unfortunately, this monumental decision did not resolve future issues of trade in health goods and services. In fact, the HIV/AIDS pandemic became illustrative of the devastating implications of health crises for development agendas: they shatter the labor supply and productivity, destroy the reservoir of skills and human capital, gut family incomes, and threaten to reduce exports and increase imports. Similarly, the Covid-19 pandemic and the resulting pandemic nationalism caused a severe and accelerated global recession, most seriously impacting countries that are heavily reliant on commodity exports and external financing. So the Covid-19 crisis once again illustrates the urgency of creating a global health commons that is institutionally supported through a normative change in the global trade regime.

In that vein, South Africa and India approached the WTO in October 2020 to temporarily suspend intellectual property rights related to Covid-19 so that poorer countries could access vaccines that were under development at the time and related technologies at affordable rates. Without this waiver, the high-income countries where these technologies are emerging will not only benefit from the innovation first-hand, but also profit from selling it, while the disparity between the world’s rich and poor – and between the healthy and the most vulnerable – becomes ever-more pervasive. This issue should be tackled at the TRIPS Council – where there is an expectation that middle and emerging powers
have a significant role to play in trade rules, norm formation, and lobbying – because pharmaceutical industries that are driven by market-led business environments are not transparent about licensing and technology transfers of the patented vaccines or other related products.

SADC may be a helpful forum for some of these issues. Through the SADC Treaty of 1992,² South Africa and the other 13 member states vowed to find common paths for development and growth by addressing challenges systematically. The Protocol on Health (1999) aspired to “a full range of cost effective and quality integrated health services through regional cooperation, and included pharmaceuticals among its priorities. In 2017, SADC launched its pharmaceutical business plan, which seeks to incorporate the private sector and develop the supply chain for APIs and public health in pharmaceutical sciences. SADC attempted to conduct a situational analysis and feasibility study for the development of the SADC Strategy for Pooled Procurement of Essential Medicines and Health Commodities, but it was not possible to gain a tangible picture of what regional cooperation could look like, because researchers could not extract information from the public and private sectors. In many ways, SADC serves as a litmus test for the barriers facing other African countries trying to map out an accurate picture of supply chains for pharmaceutical production for trade. Although there is a SADC vision for pharmaceuticals, there is no supporting institution to maintain information for inventory, existing taxes and duties instruments, studies on consumer behaviors, and what kind of work is needed to harmonize medicine-registration requirements.

Global South countries are rhetorically pushing for TRIPS agreements as far as possible to achieve what South Africa and its likeminded colleagues consider an optimum result. But this depends heavily on a regional strategy for development, procurement, and distribution that also could be applied across the continent. Moreover, such a regional alignment of procedures also could carve a clear rules-based path for other industries. Those rules should be complemented by SADC countries’ domestic legal provisions for establishing or bolstering regulatory authorities and market authorization, acquiring WHO certification for market authorization and product licensing, and publishing registered medicines with appropriate manufacturers.

After adopting its Protocol on Health, SADC outlined strategies “to improve sustainable availability and access to affordable, quality, safe, efficacious essential medicines.” One of those strategies involved “[e]stablishing a databank of traditional medicine, medicinal plants, and procedures in order to ensure their protection, in accordance with regimes and related intellectual property rights governing genetic resources, plant varieties and biotechnology.” But South Africa’s submissions at the WTO meeting in 2018 explained that, in spite of extensive legal routes applied, bio-piracy and misappropriation still

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² Formally known as the Southern African Development Coordinating Conference (SADCC), was transformed into SADC in 1992. It consists of 16 member states: Angola, Botswana, Comoros, Democratic Republic of Congo (DRC), Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia, Zimbabwe
occurs, and that South Africa’s traditional knowledge and indigenous biological resources are insufficiently protected. The World Intellectual Property Organization’s (WIPO’s) Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) is intended to play that role, but it cannot replace the dispute-settlement mechanism.

Based on the above set of considerations, it seems clear that South Africa can play a bridging role between SADC and the continent with the proposals it makes at the global level to advance a renewed and transformed international health agenda for universal access. The key to nurturing a new socioeconomic global compact for healthcare has to start with disaggregating the politics and the political economy that underpins the power of patents. Keeping patents in their current format will maintain economic power disproportionately in favor of oligarchic interests. Such predatory capital interests need to be dismantled for there to be new pathways towards global economic resilience.

**Conclusion: Pathways to building resilience**

The Covid-19 pandemic has highlighted the fact that the current global trade model creates a winner-versus-loser effect that greatly exacerbates the already existential threat that the virus poses to human life. Purely market-driven approaches that assume a trickledown effect that may one day accrue to society’s benefit do not fit human needs, and the current rules-based trade system is inherently contradictory. Global demand and supply chains are out of sync with the very real and urgent issues of access to Covid-19 vaccines, and that disconnect in turn will further marginalize the Global South and perpetuate inequality of a most profound level, because herd immunity cannot be achieved with the current vaccine-distribution schedule. As monopolies tightly control access to the vaccine and other Covid-19 technologies, parallel institutions may develop that can adequately address supply and demand.

Countries like South Africa have the potential to propose normative solutions to trade in the healthcare field. A global human rights approach to trade would need to interlink with existing trade structures to create well-rounded value chains that can fill significant gaps in vulnerable African health sectors, and build resilience to another Black Swan health emergency like Covid-19 or Ebola. However, this kind of resilience can only be achieved if temporary measures like lifting IP barriers are instituted and enforced in a timely manner. By the same measure – and as Ramaphosa noted in his address to the 2021 World Economic Forum – vaccine hoarding would inadvertently prolong the crisis and block progress towards a resilient global economic order.
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