

BRIDGES NETWORK

BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

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Spotlight on the EU-West Africa trade deal

EPAS

What are the next steps for the EU-ECOWAS EPA?

POST BALI

How can LDCs capitalise on the MC9 decisions?

TRADE FACILITATION

How can trade facilitation help LDCs cut SPS barriers?



International Centre for Trade
and Sustainable Development

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Spotlight on the EU-West Africa trade deal



The European Union (EU) and West Africa have reached a compromise on an economic partnership agreement (EPA) after more than a decade of negotiations. The trade pact is meant to provide 16 West African countries with long-term access to the European market without being subjected to tariffs or quotas. The two sides reached a deal at the senior official level at the end of January and West African leaders recently endorsed “in principle” their EPA with the EU despite lingering concerns on technical issues at the Summit of the Economic Community of West African States (ECOWAS).

In a recent analysis of the compromise reached, the Bridges Africa editorial team wrote that the fact that negotiators finalised the EU-ECOWAS EPA was “unexpected” given the various challenges posed by the heterogeneous nature of the region. For example, most ECOWAS members are least-developed countries (LDCs) and, therefore, had less incentive to conclude an EPA, since their LDC status made them eligible for duty-free, quota-free market access under the EU’s “Everything but Arms” scheme even if no deal was signed. However, the stakes were different for other countries in the region that are not categorised as LDCs. For example, the Ivory Coast and Ghana agreed on an EPA in 2007 in order to maintain preferential access to the EU market and both countries were important drivers behind the deal recently reached. The story is however different for Nigeria—the region’s largest economy—which has raised concerns over the potential negative impact of the EPA on its industrial sector.

To offer a pioneering perspective on the recent EU-ECOWAS EPA, the lead article this month explains that there is no real “buy-in” into the reform agenda on the West African side and therefore, there is no real reason to celebrate the deal.

Two other articles complement this series on EPAs initiated last month: a detailed analysis by G. Erasmus of the impact of the EPA on regional integration in southern Africa and an interview of T. Mathetsa, a Lesothan who has been involved in SADC trade negotiations since 2007.

In addition, this edition features three other articles on the implications of the Bali package for LDCs especially with regard to the trade facilitation agreement and what that means in practice for African countries.

As usual, we welcome your substantive feedback and contributions. Write to us at bridgesafrica@ictsd.ch.

ECONOMIC PARTNERSHIP AGREEMENT

The recent EU-West Africa trade deal is not everybody's success story

Clara Weinhardt

Despite the recent signature of the EU-ECOWAS EPA there is no real "buy-in" into the reform agenda on the West African side. The signature is no reason to celebrate, as the agreement may even come too early. Alternative approaches are needed to address the region's disadvantaged economic position.

On January 24th 2014, West African and European Commission negotiators reached agreement on all outstanding negotiating issues of the Economic Partnership Agreement (EPA), thereby breaking an impasse that had persisted since 2007. The aim of the negotiations was to create a free trade area between the EU and the African region (among others). Though the EU has celebrated the recent deal as a breakthrough for West African development, it has little value.

Attempts to use the EPA to lock in reforms that address the region's economic challenges have largely failed as the deal does not resolve the conflict between both sides' different visions of trade policy as a tool for development. As a consequence, there is no real buy-in from the West African side. Worse, even after more than 10 years of negotiations, the agreement may come too early. The regional approach to trade policymaking of the Economic Community of West African States (ECOWAS) is still not clearly mapped out. It is therefore possible that negotiated commitments will not match the region's future trade policy priorities.

Strong support of the EPA agenda still lacking

When EPA negotiations were initiated in 2002 there was much talk of the positive development effects the agreement would have. The EU had a comprehensive package in mind that would lock-in substantial reforms geared towards opening markets and strengthening the rule of law in the economic field. But the West African region soon objected to this agenda. No regional agreement was reached at the end of 2007, the originally envisaged negotiating deadline. There was fierce disagreement over whether or not the proposed EPA would contribute to development in the West African region. The EU presented itself as a believer in the credo that far-reaching trade liberalisation reforms trigger economic development. The West African side maintained that protection and aid-for-trade are still necessary to address existing supply-side constraints. Fears of losing tariff revenues – an important source of income for West African governments – increased opposition to the EPA model. For a long time these conflicting visions led to the impasse in the negotiations.

So does the January agreement mean that the West African side finally bought into the EU's vision of EPAs as a tool for development? The way in which negotiations proceeded suggests that, despite the signature, no real buy in took place. Apart from the Ivory Coast, there was no strong leadership pushing towards the market opening as envisaged by the EPA model. The fear to lose market access to the EU drove the Ivorian support of the negotiation process. Concerns over the negative internal effects of market opening, however, held back the remaining key players in the region. Strong domestic opposition against the deal slowed down Ghana's plea for a regional EPA. The Nigerian government, driven by its highly protected manufacturing sector, even opposed the agreement until recently. Senegal, one of the most ardent critics of the EPA model, only seemed to have acquiesced because it wanted to live up to its mediating role. The West African heads of state appointed the Senegalese President Macky Sall as the region's mediator in the EPA process in October 2013. The remaining countries – all of which are Least Developed Countries – were hardly involved in driving the negotiation process forward. Finally, civil society actors feel left out and have already fiercely criticised the agreement. The Economic Justice Network issued a press

declaration, lamenting that "ECOWAS ... suddenly reversed its position and made serious and incomprehensible concessions to the EU."

A late (but unstrategic) attempt to safeguard regional economic integration

To understand why the EPA was nonetheless signed, it is crucial to take regional dynamics into account. The EU insisted on conducting EPA negotiations with six sub-regional negotiating groups among the African, Caribbean and Pacific countries. In the case of the West African group, these negotiations came at a very early stage in the process of economic integration. The region only started to implement a common external tariff at the beginning of this year – more than 10 years into the negotiations. Yet, many observers regard such a joint tariff structure as a prerequisite for entering into trade negotiations as a bloc. In addition, the ECOWAS Commission had never before negotiated a free trade agreement on behalf of its member states – unlike the European Commission. This made it particularly difficult for West Africa to come up with a regional strategy in the EPA process. First cracks were apparent at the end of 2007, when it became clear that the European side would reject the region's offer. Ghana and Ivory Coast broke ranks to initial individual interim agreements with the EU.

The fact that a regional agreement was signed in January is due to a late attempt to safeguard regional unity. Doing so allowed West Africa to re-negotiate the commitments of the interim agreements as part of a regional deal with the EU. It did not imply, however, that the entire region was ready to engage in substantial trade negotiations with the European side. While the ECOWAS Commission was driving the negotiation process forward, some of its member states were not. A lack of interest by many West African governments coincided with an institutional set-up that delegated technical negotiations to the regional level. As a consequence, some important players – notably Nigeria – were hardly involved in the negotiations that resulted in the compromise deal. So far there is no final decision at the level of the heads of state on the deal concluded January 24th. Nigeria already voiced concerns. The EPA process may even go off the rails again.

The way forward?

The EU-ECOWAS-EPA has been signed, but this is no reason to celebrate. The fact that an agreement was reached barely disguises the persistent conflict between the EU and West Africa's visions of trade policy. The EU's external pressure was instrumental in bringing the EPA's reform agenda to the table. But most West African countries continue to be skeptical towards the value of the reforms they signed up to. Without a real buy-in on the West African side, it is unlikely that the EPA will be put into practice any time soon. This does not solve the problem of how to best push forward much needed economic reforms to address the disadvantaged and marginalised position that many African countries continue to hold in the global trading system.

The newfound dynamic in the region's long-standing efforts to implement economic integration is a good starting point for changes. The turmoil over EPAs could be used to initiate a serious discussion about the trade policy priorities that the region wishes to pursue. This will be important to determine the common ground for future years – and essential to clarify before entering into the next set of trade negotiations. It may also make sense to reconsider the region's institutional set-up in such negotiations. While the ECOWAS Commission negotiated on behalf of its member states, it ultimately lacks the authority to ratify or implement the EPA. While the region could decide to broaden the Commission's political mandate, this does not seem to fit current priorities. Alternatively, it could attempt to strengthen the involvement of its member states in its external negotiations. While this would make it more difficult to reach a common negotiation stance, it is more likely to lead to trade policy commitments around which a real buy-in exists.

Finally, the EU needs to become much more modest and cautious when proclaiming to act in the name of development. It can only successfully push for reforms if they point at a path that its partner countries are ready to embark upon. Helping ECOWAS to increase its scarce financial resources could be of greater value than the attempt to enforce the European vision of trade policy on the region.



Clara Weinhardt

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ECONOMIC PARTNERSHIP AGREEMENT

How can the EPA promote deeper regional integration in Southern Africa?

Gerhard Erasmus

A SADC EPA could integrate and harmonise a long fragmented southern African trade region. It however faces many hurdles including the need to synchronise already existing agreements by its members such as the TDCA. What can the way forward be?

Regional integration is essential for Africa's trade and economic development. The fragmented nature of the African continent, its small markets, fragile and weak states, and a large number of land-locked countries, provide a strong motivation for regional integration. It would bring greater market access opportunities and encourage industrialisation and development.

The challenges with regard to intra-African trade and integration are primarily about the implementation of local Regional Economic Community (REC) agreements, good governance issues and improving border administration and customs procedures. Borders must become more efficient to reduce the costs of crossing them – an issue particularly important to smaller businesses. These problems require regional and multilateral cooperation, the adoption of suitable policies on a national, bilateral as well as regional level, financial and technical support, well-designed capacity building programmes and institutions, and appropriate agreements with third parties.

More investment is needed in infrastructure and research to improve transportation and efficiency. Better technology, data and more private sector involvement would create better policy decisions.

Assessing the impact of a SADC EPA on the region's integration agenda raises questions such as: What does the SADC EPA provide for in terms of promoting integration and trade facilitation in the region? How will the regional MFN clause in the SADC EPA impact on local regional integration schemes? What are the implications for the new Tripartite FTA?

The SADC EPA provisions on regional integration and trade facilitation

Article 1 of the SADC EPA lists the objectives behind the agreement. They include, inter alia, the promotion of regional integration, economic cooperation and good governance between the Parties and among the SADC EPA states. The agreement also promises to consolidate the implementation of the SADC Trade Protocol and the SACU agreement.

Article 2 deals with "Principles" and mentions the intention to implement the agreement "consistent with the development policies and regional integration programmes in which the SADC EPA States are or may be involved". The Parties agree to cooperate in order to facilitate the capacity of these states to implement this agreement.

These are best endeavour provisions. Article 4 is devoted to regional integration specifically but does not contain any firm obligations. The Parties recognise that regional integration is an integral element to their partnership and a powerful instrument to achieve the objectives of the agreement.

There is no firm commitment to provide financial support for promoting regional integration (Article 8).

Chapter 7 on customs and trade facilitation states that the Parties undertake to reinforce cooperation in the area of customs and trade facilitation; to promote harmonisation of customs legislation and procedures (...). The Parties further agree that their respective

SADC:

The Southern African Development Community is an inter-governmental organisation comprising 15 States in Southern Africa namely, Angola, Botswana, Democratic republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Of these 15 States, seven - Angola, Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland - are negotiating an EPA with the EU as the SADC EPA group

trade and customs legislation and procedures shall to the extent possible be based on the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures, the substantive elements of the World Customs Organisation Framework of Standards, the International Convention on the Harmonised System and other international instruments and standards applicable in the field of customs and trade. This sets a high standard but a transitional period of 8 years is granted to the SADC members. The new Bali agreement on trade facilitation adopted by the WTO in December 2013 will presumably become part of this effort.

Regional integration in SADC and SACU

SADC is an FTA consisting of 15 member states. It follows the traditional African integration approach by adhering to a top-down, linear model of integration in terms of which it wants to become, at pre-determined dates, a customs union, common market and monetary union. These dates have remained elusive targets and at present some of the members are not yet complying with their tariff liberalisation schedules. The implementation of a rules-based system remains problematic, dispute resolution is absent and overlapping membership is widely spread. Intra-regional trade is generally low. For most of these states the EU is their main trading partner.

SACU is a highly sui generis arrangement which goes back to 1910, when it was established as a customs and excise union. It predates the GATT and the RECs and has no explicit policy on moving to a higher level of regional integration, although there are plans for an agreement on trade in services. Lesotho is the only LDC member. All the SACU members belong to SADC too.

The economies of the SACU members are historically integrated and four of them also belong to a common monetary area. SACU's primary activity is centred on its unique revenue sharing mechanism.

The Trade, Development and Cooperation Agreement (TDCA) between South Africa and the EU has been a problematical feature of the relationship with the EU. A SADC EPA without South Africa could have posed a serious threat to the integrity of SACU; and in particular the functioning of the common external tariff (CET). The parallel existence of the TDCA and a separate FTA between the EU and the remaining members of SACU would have obvious negative consequences for SACU's functioning. This impediment has now been removed. A comprehensive blending of the TDCA and the SADC EPA could presumably result in a single agreement for all five SACU States. It is not clear whether this is a real prospect. Such a development will resolve anomalies with regard to how a CET in a customs union is supposed to function. There is a possibility that Angola may decide not to become a party to the SADC EPA; which will leave only SACU and Mozambique.

Going forward

Regional integration schemes in Africa tend to be based on notions of African solidarity and "political integration"; while members remain very sensitive about threats to their sovereignty and loss of policy space. Regional integration is a state-centric endeavour, with a top-down approach which contrasts markedly with that of, for example, East Asia. Here the private sector actively engages and in most cases drives the integration agenda, while regional production networks encourage the establishment of "deep" regional integration arrangements that go beyond reducing tariffs. The greater depth of such regional arrangements generates bigger increases in trade among the members.

African regional integration arrangements predominantly focus on trade in goods. Trade in services and trade related areas are envisaged but are still to be developed. Deeper integration will require additional legal arrangements and institutions to ensure uniformity in standards, coherent regulatory regimes, protection of intellectual property, legal remedies etc. Against this background the following assessment of the possible impact of the SADC EPA on local integration arrangements can be offered:

- The provisions on technical assistance, cooperation and trade facilitation will not apply automatically; they will have to be activated by submitting proposals on specific programmes or by linking them to European Development Fund (EDF) funding. Regional secretariats can play a role in this regard; provided they have the necessary capacity.
- The regional MFN clause in the SADC EPA will not undermine local regional integration efforts since African arrangements (existing as well as future ones) are explicitly exempted from the obligation to extend to the EU additional preferences provided for in new RTAs with third parties. The Tripartite FTA falls in this category of excluded future intra- African trade arrangements.
- SACU and SADC do not have clear and well-designed plans for the immediate advancement of their regional integration. This will at best be a gradual process and will depend, inter alia, on technical capacity and improved implementation records.
- The SADC EPA may promote the local integration process by providing the SADC member states with technical assistance, promoting compliance capacity, and by integrating their economies into the global economy; provided other technical challenges with regard to rules of origin, market access issues, investment, infrastructural challenges and trade capacity can be resolved.
- South Africa is the dominant regional economy and holds the key to many of the local integration plans. It has shown little appetite recently for the idea of a customs union in SADC. The reasons have to do with poor implementation records and the lack of technical capacity in several SADC member countries.
- SACU and SADC are not recognised as SADC EPA Parties. In those instances where specific provisions refer to SACU the obligation will be a joint one; the SACU member States "shall act collectively as provided for in the SACU Agreement of 2002". Exactly what this means for the purposes of implementing the SADC EPA is not entirely clear. It will refer mostly to the administration of the CET, which is, however, still administered by South Africa. The SACU Tariff Board does not exist and the Members differ on its powers and functions.

Conclusion

The SADC EPA should not undermine regional integration plans in SACU and SADC; in particular since South Africa has been accepted as a party in these negotiations. The successful conclusion of this agreement may in fact promote technical capacity and trade facilitation; provided the necessary follow-up action will be taken.

Market access issues in the agricultural sector and rules of origin are two of the outstanding issues still to be resolved. The clock ticks. EPA negotiations have been going on since 2004 but should be concluded over the next few months. Failure to do so by October 2014 - a deadline set by the EU - will mean that several African countries will lose their preferential access to the European market. South Africa will be the obvious exception; it already has a bilateral FTA with the EU in place, — the TDCA.



Gerhard Erasmus
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South Africa.

INTERVIEW

Bridges Africa talks to Thuto Mathetsa, a trade negotiator from Lesotho



Thuto Mathetsa

Senior Manager responsible for Trade Management and Legislative Development at the Lesotho Revenue Authority (LRA) and independent Consultant at Mafi-A-Phuthi International Trade Consulting Ltd. He has actively participated in a number of trade negotiations including the SADC-EU EPA negotiations.

The views expressed in this interview are strictly those of the author.

African countries and the EU have missed many deadlines in concluding an EPA. What will be different in 2014?

Ultimately, it is more important to strike a meaningful deal than just a quick deal. What may make the difference in 2014 is more frequent engagements to address progress on the outstanding issues. Major decisions and compromises may need to be made by both parties, especially on the policy-related differences. However, time is important, because some countries fear losing their preferential market access to the EU if the EU withdraws the Market Access Regulation 1528 by 1 October 2014, as it has announced it intends to do.

The negotiations have progressed substantially, but there are still some sticky issues such as export taxes. Can you explain briefly the current state of play on export taxes and the SADC EPA Group's position on this matter? What are possible options to move the negotiations on this issue forward?

The two parties have different policy objectives with respect to export taxes. The EU's Raw Materials Initiative suggests that its policy objective is to manage a risk of supply shortages for raw materials identified as critical, a situation that could be exacerbated by the imposition of export taxes on EU-bound raw materials. The SADC EPA group, which consists of developing countries and LDCs, wants to maintain sufficient policy space to enable them to introduce export taxes on raw materials to address revenue or industrialisation needs if necessary. A deal can only be reached by compromise between these two positions.

The need to maintain policy space is often put forward as one of the key reasons for retaining export taxes as an instrument of industrial policy. Yet, there is very little evidence from Africa that export taxes have been effective in fostering industrial activities. Why then would the Group insist on removing or amending the clause on export taxes?

The reasons for low levels of industrialisation in Africa may differ from country to country and could include lack of capacity or political instability. If the objective is to industrialise, there is a possibility that export taxes may become necessary to support industrialisation. I have chosen to give a theoretical response here, because I believe it is not a matter of evidence but of the right to policy space, especially given the current state of poverty in most African countries. This argument should hold for most, if not all, the SADC EPA countries.

The SADC EPA Group argues that the most-favoured nation (MFN) clause could affect future trade deals with emerging partners, since they would have to automatically extend to the EU any new preferences they grant to their new partners. But, how could the Group offer better market access to a new partner by undertaking to liberalise imports of goods that it considered 'sensitive' in the case of the EPA?

Theoretically speaking, it would seem sensible to say that, if better market access can be offered to a new partner, the sensitivity of the product must be minimal or would fade away. However, the argument made by the SADC EPA group is valid because, in reality, trade is very dynamic and at any given time, before making trade policy decisions, it is important to look at various implications and the possible trade-offs that could be made in order to venture into new partnerships without automatically damaging one's own interests. As developing countries, it may not be unreasonable to exercise this caution.

Definition:

Cumulation should be considered as a feature of non-reciprocal preferential trade arrangements. The core objective of cumulation is to allow LDCs to combine originating materials without losing the originating status of the materials and to jointly share materials or production.

Source: WTO

We understand that cumulation and fisheries (especially for Namibia) are the main stumbling blocks with regard to rules of origin. What are the possible solutions in that area?

There will not be a big problem in resolving issues that require only technical solutions. However, for those issues that have policy implications, it will be necessary for both sides to consider some trade-offs to arrive at a balanced deal. The SADC EPA side may try to persuade the EU, as the more developed partner, to be more accommodative. At the same time, the EU has expressed a strong policy stance on some of these issues, so it is difficult to predict whether or not there will be a deal on these issues. The issues related to fisheries are being addressed bilaterally between Namibia and the EU, and reports indicate that a deal on those issues may be close. Namibia seems comfortable with the current status of negotiations while awaiting responses from the EU side.

The SADC EPA group faces a number of overlapping regional formations that complicate the integration agenda. How best can the EPA commitments be articulated with the Tripartite Free-Trade Area (FTA)?

In principle, it would be easy to advocate for all countries negotiating the Tripartite FTA to consider granting among themselves even better deals than they have entered into with the EU under the EPAs. This would include removing most barriers to trade (including the trade facilitation agenda) and having even simpler obligations, such as in the case of rules of origin. However, in practice, there could be more issues than just the principle of having a better deal among one another as neighbours. In various platforms of regional integration in Africa, concerns have been raised about the poor quality of products for certain sectors; weak regulatory environments (e.g. standards); and circumventions due to the poor control/enforcement capacities of various African countries.

Perhaps if the countries negotiating the Tripartite FTA could use the capacity-building opportunities provided under the EPAs to improve their situations with respect to policy and legislation and administrative and productive capacities, as well as the quality of products, it would be more possible for them to be more open to one another as African neighbours and in the process to contribute towards eliminating the complications caused by the overlapping memberships in regional blocs.

What is the best way to cope with the fiscal challenges in the region, especially for countries, such as Swaziland and Lesotho, that are very dependent on SACU revenue-sharing arrangements?

First, these countries need to invest in building the capacity of the relevant authorities to accurately collect revenues, even as the collectable revenue continues to decline. This will include programmes aimed at ensuring proper enforcement on granting of preferential market access and the ability to detect and avoid serious cases of fraud, such as in the areas of customs valuations, classification, and origin. For this purpose, these countries could leverage the development cooperation provided for under the EPAs to build this capacity and thus protect the remaining propensity to collect.

Second, the development cooperation provided for under the EPAs could also be used to finance projects aimed at boosting economic activity, especially targeting local communities in order to improve income generation and revenue from within these economies.

Finally, even though these countries are less developed, they have natural resources and a lot of unexplored sectors for development, such as tourism and other services. These countries could ensure that economic activity based on the extraction and use of natural resources is regulated much more carefully so as to avoid erosion of revenues from these countries and to create wealth within them.

POST-BALI

What does the Bali package mean for the LDCs?

Mustafizur Rahman

What kind of homework will LDCs need to do if they are to take advantage of the WTO MC9 decisions?

For the Least Developed Countries (LDCs), the Ninth Ministerial Conference of the WTO (MC9) held in Bali, Indonesia on 3-7 December, 2013 was of high importance on several counts. Firstly, MC9 was able to infuse a new life into the stalled Doha Round of negotiations of the WTO and in a way that helped salvage the WTO. For relatively weaker countries a multilateral trading system is a more preferred option since it provides them with a rule-based policy platform to negotiate flexibilities, waivers and special and differential treatment. This was rather difficult to accomplish, on a non-reciprocal basis, through bilateral or plurilateral trade negotiations. Secondly, the Bali Package, with its three pillars of trade facilitation, agriculture and cotton, development and LDC issues, concerned a number areas where LDCs had both offensive and defensive interests. Thirdly, in line with the work programme agreed in Bali, subsequent negotiations in Geneva will require a proactive engagement on the part of LDCs. The Bali decision, thus, obligates the LDCs to do the necessary homework and pursue and advance their interests through future negotiations.

From the above perspective, the present article attempts to examine the Bali Package to capture the implications of MC9 decisions for the LDCs and tries to anticipate some of the needed follow-up initiatives in this regard.

Trade facilitation

Trade facilitation emerged as a key deal maker/breaker in Bali. Major objectives of the TF agreement were to accelerate customs procedure, reduce costs, bring clarity, efficiency and transparency in customs dealing, reduce bureaucracy and corruption and promote use of modern tools and technology at customs clearance points. The deal was estimated to generate about one trillion US Dollars worth of gains globally. MC-9 decision stipulated that, LDCs will be required to undertake commitments to the extent these were commensurate with their capacities. Both developed and developing country Members were asked to provide capacity-building support to the LDCs.

In view of the MC9 decision, LDCs should remain actively engaged in the work of the Preparatory Committee envisaged under the TF agreement. LDCs should put emphasis on the followings: (a) identification of needs and gaps in areas of infrastructure development, regulatory reforms areas and technical support; (b) estimation of costs involved to undertake the needed TF measures; (c) identification of sources of funds including the support promised under the ambit of the WTO; (d) monitoring of the implementation of the action plans; (e) coordination of the work of relevant agencies; (f) being engaged with future WTO negotiations to safeguard LDC interests in the context of TF.

Agriculture and cotton

Major focus of the negotiations here concerned the issue of public stockholding for food security and elimination of cotton subsidy. The challenge was to identify ways to allow developing countries some flexibility from earlier commitments. In the end, MC9 decided that, under certain conditions, developing countries would not be challenged legally even when level of trade-distorting domestic support exceeded the permissible limit. However, this solution was to be an interim one until a permanent solution was reached and members committed themselves to set up a work programme to find a permanent negotiated outcome before MC11 in 2015.

Bridges Daily Updates - WTO Ninth Ministerial Conference

The WTO's Ninth Ministerial Conference was held in Bali, Indonesia from 3-7 December. As with all previous ministerials, Bridges reporters were on-site providing daily updates on the negotiations as they developed. These five "Daily Updates" are available at <http://bit.ly/1mU1ngJ>

The MC9 decision in this regard could have significant implications for food prices and food availability in the global market. It will, thus, be important to examine how the decision could affect the interests of net-food importing LDCs, as well as food-surplus ones. On a similar vein, cotton importing LDCs will also need to examine the impact of MC9 decision as regards elimination of domestic and export subsidies on cotton. LDCs will need to identify appropriate measures if their interests are adversely affected.

Four issues were discussed in Bali as part of the LDC package: DFQF market access for the LDCs, preferential rules of origin, LDCs waiver in the services sector and monitoring mechanism on special and differential treatment.

DFQF market access for the LDCs

Commercially meaningful market access through duty-free, quota-free (DFQF) treatment for all goods originating from all LDCs was a key demand of the LDCs. The DFQF decision of the Hong Kong Ministerial (MC6 in 2005) in this regard was certainly a major progress. However, the decision allowed developed countries and other members having difficulty in providing duty-free access for all products to start with a 97 percent list. LDCs were interested to know upfront about tariff lines included in the 97 percent list and were keen to have a concrete time line for inclusion of the three per cent exclusion list. However, some of the LDCs also voiced concern that their exports could be adversely affected if the Hong Kong decision was implemented.

In the event, MC9 asked members to improve their existing DFQF coverage so as to provide increasingly greater market access to the LDCs. Members were also asked to notify their respective DFQF schemes for the LDCs. Periodic reviews were to be undertaken to examine how the DFQF decision was being implemented. MC9 also asked for the preferential rules of origin to be simple and transparent. However, no time-bound commitment came out of Bali as regards granting for DFQF treatment to all products originating from all LDCs. LDCs will need to continue their fight in this regard in the course of subsequent negotiations in Geneva.

LDCs will need to continue their fight in this regard (DFQF treatment) in the course of subsequent negotiations in Geneva.

LDCs waiver in the services sector

The WTO ministerial conference in 2011 adopted a services waiver for the LDCs which made way for preferential treatment of the services export from the LDCs. LDCs had earlier proposed that a Signalling Conference be held in July 2014 for members to indicate sectors and modes of supply with respect to which they would seek preferential treatment. LDCs interests in this context were in several areas: (a) expeditious and effective operationalisation of the LDC services waiver to allow meaningful preferential access to LDC services and service suppliers; (b) increased technical and financial assistance to strengthen domestic services capacity of LDCs to take advantage of the preferences; (c) convening of a High Level Meeting as early as possible in 2014 to address the attendant issues; (d) elimination of all economic needs test for services and suppliers from LDCs; (e) information on steps Members were taking in view of the services waiver decision.

In this context MC9 decision noted that no WTO member had yet made use of the waiver since its adoption in 2011. Ministers instructed the Council for Trade in Services (CTS) to initiate a process to promote expeditious and effective operationalisation of the LDC services waiver, with provisions for periodic review. CTS was asked to convene a high-level meeting six months after the submission of a collective request from the LDCs which would identify sectors and modes of supply of particular export interest to LDCs. Members were also asked to provide technical assistance and capacity building support to the LDCs in view of this. LDCs will need to prepare the aforesaid 'collective request' which

will require significant work. Since LDCs have special interest in Mode-4 (movement of natural persons) and Mode-3 (commercial presence), detailed request lists will have to be designed to articulate their concrete interests in this regard keeping in view the possible offer lists of members.

Monitoring mechanism on Special and Differential Treatment

Special and Differential Treatment (S&D) provisions in support of the developing countries and LDCs have faced criticism in the past for being weak in terms of implementation and enforcement. In view of this, a monitoring mechanism for review and implementation of the S&D provisions was perceived to be of high interest to the LDCs. LDCs felt that the mechanism should have the ability to make recommendations to the appropriate technical body to make particular S&D provisions more effective.

LDCs should try to make best use of this new window (monitoring mechanism) to ensure that appropriate actions are taken towards operationalisation and enforcement of S&D measures.

MC9 adopted the decision to establish such a monitoring mechanism on S&D Treatment which was to serve as a focal point to analyse and review the implementation of the S&D provisions. In tune with what LDCs had asked for, the mechanism was empowered to make recommendations to the relevant WTO body for (a) consideration of actions to improve implementation of the particular S&D provision or (b) initiate negotiations aiming at the above. The decision, however, does not mention any time-bound commitment. LDCs should try to make best use of this new window to ensure that appropriate actions are taken towards operationalisation and enforcement of S&D measures.

Conclusion

The post-Bali Work Programme adopted at MC9 will require the LDCs to focus on four areas: Firstly, they should do the needed homework – e.g. prepare the collective request list in view of the high level meeting on services waiver; Secondly, they should closely examine the implications of various MC9 decisions – e.g. impact of the decision as regards food security and that of cotton. Thirdly, they should identify their technical and financial needs in view of the decision on trade facilitation and bring this to the attention of the relevant WTO body. Fourthly, LDCs should be proactively engaged in future negotiations in Geneva to safeguard their interests in the context of the Doha Development Round.



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TRADE FACILITATION

Trade facilitation in the Bali Package: What's in it for Africa?

Patrick Kanyimbo and Calvin Manduna

With dust settling from the Ministerial meeting, this article is meant to briefly examine what the Bali Package really means for Africa in the area of trade facilitation – which lies at the heart of what was agreed.

The adoption of the Bali Package on 7 December, 2013 generated no small amount of euphoria among trade officials that gathered at the 9th Ministerial of the World Trade Organization (WTO). The WTO claims that the deal will generate between \$400 billion and \$1 trillion in global trade. What does the Bali package mean for African countries in the area of trade facilitation?

Resuscitating the DDA

Firstly, the mere fact that 159 Members achieved consensus in Bali is an impressive feat in its own right. The Doha Development Round had come to be characterised by polarisation especially between the major developed countries and the emerging economies of the South. The agreement in Bali provides a timely boost for the multilateral trading system which last witnessed such excitement during the launch of the Doha Development Agenda (DDA) in Qatar in 2001. Back then there was a great deal of optimism about how the DDA would help to address the imbalances in the global trading regime. However, the DDA became constrained by intractable differences leading most countries to resort to bilateral and regional trade pacts. Paragraph 1.9 of the Bali Declaration “reaffirms (Members’) commitment to the WTO as the pre-eminent global forum for trade.”

Trade facilitation vital for Africa's competitiveness

Essentially, the Bali Package contains a subset of issues from the broader DDA such as agriculture and issues of concern to LDCs. Of particular interest is the trade facilitation component because it holds tremendous potential for African countries and complements a lot of the infrastructure investments that are being undertaken across the continent particularly in the transport sector.

The least developed country (LDC) package contains best endeavours rather than binding commitments. Among others it reiterates Members' commitment to providing duty-free-quota-free (DFQF) market access to LDCs. Upon closer examination, the benefits of DFQF might prove superficial for various reasons, including the less than 100 per cent coverage, effects of preference erosion, rules of origin and non-tariff barriers which are of equal if not bigger concern than tariffs for LDCs. DFQF without complementary measures does not produce the expected supply response as we have seen with European Union's Everything but Arms (EBA) and United States' African Growth and Opportunity Act (AGOA) preference schemes. Overall, there has been little improvement on the LDC package since the 2011 Ministerial Conference.

The agriculture negotiations only yielded an interim mechanism following some “arm wrestling” between India and USA, necessitating further negotiations in order to nail down a lasting solution. For African countries, therefore, the agreement on trade facilitation seems to be the main take-away from Bali.

Trade facilitation is vital for Africa's own competitiveness as it will reduce costs for traders. While tariffs have progressively fallen, the key challenge to intra-African trade is non-tariff barriers that stifle the movement of goods, services and people across borders. To use a clichéd example, it has often been said that shipping a car from Japan to Abidjan costs US \$1,500, but shipping the same car from Abidjan to Addis Ababa costs US \$5,000.

The process forward on TF:

The WTO General Council was instructed by Ministers to meet no later than 31 July 2014 to a) annex Category A commitment notifications to the Agreement, b) adopt the Protocol of Amendment, and c) open the Protocol for acceptance until 31 July 2015. Entry into force of the agreement will be upon acceptance by two-thirds of the membership, in accordance with Article X of the WTO Agreement.

There are 16 landlocked countries on the continent. For these countries, the average customs transaction involves 20 to 30 steps, 40 documents, 200 data elements and re-keying of 60 percent to 70 percent of all data at least once. It therefore comes as no surprise that trade facilitation bottlenecks such as border crossing procedures, cumbersome documentation, regulations and non-tariff barriers such as police checks account for 14 percent of trade costs in Africa's landlocked countries, compared to a developing country average of 8.6 percent.

Trade facilitation (TF) measures in the coastal and transit countries also have spillover impact to the hinterland countries. Due to such positive externalities some TF reforms and investments need to be viewed as regional public goods. The Kazungula Bridge and the Chirundu One-Stop Border Post are just two examples. Although the Kazungula Bridge connects Zambia and Botswana; most traffic is in transit to the DRC thereby spreading the benefits to a broad region.

Trade facilitation is vital for boosting intra-African trade which is estimated at between 10 per cent and 16 per cent depending on your data source. Analytical studies indicate that the creation of the Continental FTA accompanied by more efficient customs procedures and reduction in delays at African ports would more than double intra-African trade within a decade.

African countries have been unanimous in their desire to improve customs and other border procedures and transit regimes. Many African countries have initiated programs to modernise their customs at the ports of entry and along transit corridors using the guidelines of the Revised Kyoto Convention (RKC) of the World Customs Organization. The benefits of such initiatives are evident. At Chirundu One-Stop Border Post, clearance times between Zambia and Zimbabwe for commercial trucks have been reduced from five days to a single day – if we discount some implementation hiccups – with those cleared under the fast-lane facility taking at most five hours at the border. The clearance time for passenger coaches has been halved from two hours to under one hour, thereby facilitating movement of people including small-scale traders in the region. Improved trade facilitation reforms have also helped raise government revenue through improved collection of import duties based on enhanced efficiency in border management.

The Bali value-added

If countries are already implementing TF measures unilaterally, the question arises as to what is the value-added of the Bali deal?

Firstly, a binding TF agreement under the WTO will push countries to undertake trade facilitation reforms in keeping with their commitments. There are a number of countries that have been lethargic in undertaking customs reforms and other trade facilitation measures even though such reforms could boost national and regional competitiveness. Such tardiness can have serious negative consequences for the successful and efficient operation of regional transport corridors. In some instances, there is little buy-in amongst the key government agencies to undertake such reforms. The binding agreement on TF, once it enters into force, will help to lock in reforms.

The agreement on TF contains obligations on publication of information on a number of issues including documents and forms on import, export and transit procedures, duties and taxes, fees imposed by governments in connection with importation or exportation; import, export or transit restriction and appeal procedures, among other items. There are also provisions related to a range of Revised Kyoto Convention issues such as advanced rulings, pre-arrival processing, risk management, post-clearance audit, authorized economic operators, and establishment of single windows, among others. It goes without saying that these provisions will benefit traders by ensuring availability of information and encouraging transparency. The agreement also contains generous flexibilities for developing countries under which they have the option to identify provisions which they can implement upon entry into force (category A), after a transition period (category B),

and after a transition period upon provision of technical assistance and capacity building (category C). Where plausible, members can switch items from category B to C.

Moreover, the Bali agreement on TF encourages development partners to provide assistance and support in this area. This was not without contention – as African countries had hoped for more concrete commitments for technical and financial support. African countries will have to specify their capacity building needs in order to undertake specific reforms. There is always a danger of course that if support is not forthcoming as expected then the pace of reforms and implementation will be slow. Nevertheless, there are opportunities here for African countries – working in partnership with development partners such as the African Development Bank and others to develop and experiment with innovative means to finance TF reforms and infrastructure – using PPPs, ICT solutions, etc. We have seen encouraging evidence of this in countries like Mozambique and Ghana.

Whose trade will be facilitated?

Critics of the trade facilitation argue that the benefits are heavily tilted in favour of exporting countries, and refer to it as an "import-facilitating agreement," which will worsen Africa's trade balance. They contend that the agreement fails to address the productive and export constraints facing developing countries and LDCs.

Arguably, countries that are export-ready will reap the immediate benefits of trade facilitation. Therefore, African countries must prioritise value adding activities by promoting investment in areas such as value chains.. In the absence of such complementary measures, the benefits of the TF deal will be marginal and African countries will miss out on the alleged \$1 trillion Bali trade boost. The multilateral trading system should support these measures by decisively addressing tariff peaks and tariff escalation – the former prevents developing countries from exporting products in which they have a comparative advantage, while the latter curtail their chances of climbing the value chain.

Secondly, issues such as non-tariff barriers, compliance with sanitary and phyto-sanitary standards, tariff escalation and tariff peaks on products of interest to African exporters will continue to stifle Africa's prospects to penetrate international markets and upgrade along the value chain. Therefore, parallel efforts are required to continue to address these issues both in regional and global trade.

What should the Bank do to make Bali work for Africa?

The adoption of the TF at Bali is a call to development partners like the African Development Bank (AfDB), bilateral and multilateral donors to scale up their response – in a coordinated manner – to help address the legitimate implementation challenges faced by African countries. The AfDB has a comparative advantage in infrastructure investments and there is growing awareness of the need to bridge the hard-soft infrastructure continuum by ensuring that soft aspects, such as trade facilitation reforms are mainstreamed within transport infrastructure projects, such as road, ports and railways, right from the design stage.

The Bank also has an opportunity to enhance its capacity-building support in trade facilitation especially targeting land-locked and fragile states to implement their trade facilitation commitments – but also targeting the 'gateway' coastal countries. The creation of the AfDB's Africa Trade Fund (AFTRA) is both timely and positive, but it needs to be significantly strengthened if it is to make a serious dent considering the extent of needs.



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TRADE FACILITATION

How can trade facilitation help LDCs cut SPS barriers?

Yinguo Dong and William H. Meyers

The World Trade Organization (WTO) trade facilitation agreement aims to reduce transaction costs and boost the growth of global trade. It provides a good opportunity for developing countries and least-developed countries (LDCs) to reduce the compliance costs of sanitary and phytosanitary (SPS) measures and maximise customs efficiency.

The new WTO trade facilitation Agreement (TFA) reached at the Ninth WTO Ministerial Conference in Bali, Indonesia, creates binding commitments across the 159 WTO members to expedite the movement, release, and clearance of goods; promote cooperation among WTO members on customs matters; and help developing countries fully implement the obligations. The agreement will increase customs efficiency and cut the associated costs through measures like transparency in customs practices, reduction of documentary requirements, and the processing of documents before goods arrive. According to the Organisation for Economic Co-operation and Development (OECD, 2003), reducing global trade costs by 1 percent would increase worldwide income by more than USD 40 billion, most of which would accrue in developing countries. It is estimated that the agreement, if fully implemented, will cut trade costs by almost 14.5 percent for low-income countries, 15.5 percent for lower middle-income countries, 13.2 percent for upper middle-income countries, and 10 percent for high-income countries, and increase global GDP by almost USD 1 trillion (OECD, 2013).

Our concern regarding the TFA is the impact it may have on developing countries and LDCs specifically with respect to SPS issues. How are SPS measures applied to imports, exports, and transit goods? To what extent, if any, do these measures unnecessarily increase the costs of doing business? Does the TFA make it beneficial for the developing countries and LDCs to implement the measures protecting their public health and territorial safety and to break through the SPS barriers for entering high-end markets?

SPS and challenges for developing countries and LDCs

SPS measures refer to regulations, standards, methods and requirements that governments set up to ensure the safety of consumer food, animal and plant life, and the ecological environment. The SPS agreement brought extreme difficulties and challenges for developing countries and LDCs. First, being standard-takers, they faced a double disadvantage of bearing the costs of adjustment in upgrading trade infrastructure and adopting international standards. Second, they lacked the capacity to challenge the foreign SPS measures that they felt were not scientifically based or were unjust and to demonstrate that their SPS measures reached required standards. As a result, they had to bear huge compliance costs or exit high-end markets. In addition, numerous factors prevented them from implementing the SPS agreement due to a lack of compliance capacities. According to the WTO, the notifications submitted by developing countries accounted for about 47 percent of the total, and those by LDCs represented only 0.35 percent by the end of 2009. Therefore, it is absolutely necessary to assist developing countries and LDCs to strengthen their trade facilitation abilities and enhance their SPS fulfillment.

The relation between trade facilitation and SPS measures

Trade facilitation is closely related with SPS measures, because many SPS measures are de facto facilitation measures. For example, adopting international standards made by Codex, the Office International Des Epizooties (OIE) and the International Plant Protection Convention, conducting equivalence assessments, and introducing the quality and safety management system, such as the Hazard Analysis and Critical Control Point (HACCP),

Trade Facilitation :

Category A are those provisions not requiring a transition period and will be implemented upon entry into force of the agreement.

Category B are those provisions designated for implementation after a self-selected transition period.

Category C are those provisions that will be implemented upon acquisition of capacity through assistance after a self-selected transition period.

will definitely facilitate access to global markets. Thus, the TFA represents a very good opportunity for developing countries and LDCs to implement the SPS standards.

The TFA will cut compliance costs to implement the SPS measures.

The TFA will cut compliance costs to implement the SPS measures. These costs include unnecessary measures, excessive documentary requirements, inefficient procedures, long inspection times and advance application periods; inadequate transparency, predictability and consistency in the implementation of SPS controls. These costs might be direct (e.g. preparation and submission of documents, charges and fees, inspection costs) or indirect (e.g. border delays, uncertainty about procedures and requirements, inadequate or contradictory documentation). These costs from import and export-related procedures and documentation are estimated to vary from 1-15 percent of a product's cost, depending on the nature of the product.

These costs are quite high for agricultural products and food, which constitute most exports of developing countries and LDCs, and it is even higher for perishable foods, such as fresh seafood, meat, vegetables, and fruits. Combined with poor infrastructure and bureaucracy, these challenges increase transaction costs and lengthen delays for developing countries and LDCs to clear imports, exports, and transit goods. In some African countries, revenue losses from inefficient border procedures are estimated to exceed 5 percent of GDP. Trade facilitation is a means to increase trade revenues and thus development dividends for developing countries' participation in international trade.

According to the OECD, harmonising and simplifying documents would reduce trade costs by 3 percent for low-income countries and by 2.7 percent for lower middle-income countries; streamlining procedures would bring further trade cost reductions of 2.3 percent for low-income countries and 2.2 percent for lower middle-income countries. Ensuring the availability of trade-related information, such as SPS standards, for example, would generate cost savings of 1.4 percent for lower middle-income countries and 1.6 percent for low-income countries (OECD, 2013).

The trade facilitation agreement will minimise the hidden protectionism related to SPS measures that some developing and LDCs face.

Moreover, the TFA will minimise the hidden protectionism related to SPS measures that some developing countries and LDCs face. Complying with the SPS Agreement is associated with border administration, such as import alerts and rapid alert mechanisms, transparency of procedures, fees, etc. Those elements are particularly relevant for trade facilitation, some of which may become SPS barriers. The TFA will decrease SPS barriers by simplifying the required documents, adopting e-documents, cutting down multiple inspections, improving cooperation among SPS authorizers and producers in the supply chain, increasing transparency of information, and expediting clearance of goods.

Finally, developing countries and LDCs are allowed to implement the agreement in a gradual way, and where required, receive Technical Assistance and Capacity Building (TACB). Although, contrary to what developing countries and LDCs expected, the agreement did not bundle relevant SPS provisions with guaranteed technical assistance. However, the agreement links the extent and timing of implementation by developing countries and LDCs to their abilities, providing more freedom for them to determine their catalogue A, B, and C, and notifying the committee of the difficulties and challenges in implementing B and C (WTO, 2013).

These countries will be provided help to implement the agreement until they acquire the adequate abilities. Capacity building in developing countries has substantially improved custom facilitation in recent years, but modernisation of SPS systems, including improvement based on the adoption and use of information technology and risk management, has generally lagged behind. The LDCs still need substantial support to improve their own internal SPS systems before they engage in trade facilitation issues. Therefore, the TFA provides a further opportunity for developing countries and LDCs to modernise their SPS systems.

The agreement will greatly reduce the SPS compliance costs by upgrading customs efficiency and modernising the SPS systems.

However, there are still some obscure points regarding the TACB. For example, it is not clear whether acquisition of capacity and implementation are assumed at the end of the implementation period or subject to an additional notification by the member; whether there should be language on mandatory provision of TACB by developed countries; whether the role of the future WTO trade facilitation (TF) Committee includes its possible link with aid channels/mechanisms and whether financial assistance is included.

Conclusion and possible implications

The SPS agreement has brought a number of problems and challenges for developing countries and LDCs, most of which are related to trade facilitation and capacity building. The TFA will assist in solving the problems, especially on Article 8 and Annex C on Control, Inspection and Approval Procedures. The agreement will greatly reduce the SPS compliance costs by upgrading customs efficiency and modernising the SPS systems, which will provide better protection for domestic public health, animal and plant life, and environmental safety, and, at the same time, cut down the SPS barriers caused by low transparency and complicated inspection requirements.

For better implementation of the TFA, developing countries and LDCs need, first, to reform their institutional systems, cut unnecessary additional units, adjust their resources, and making the customs system a transparent and highly efficient organization. Second, government agencies, importers and exporters, experts, and industry associations need to evaluate effectively their trade facilitation needs and priorities. The general principle is to eliminate the measures and regulations that increase costs to producers and consumers but have no essential relation with risk and, to list the easily implemented ones in category A, the most difficult ones in C, and the in-between in B. For example, risk analysis is a difficult point for most developing countries; thus, it is better to put it in category B or C so as to have more time to learn and prepare. Third, there is a need to implement the agreement as scheduled. For the category B and C, especially C, LDCs are entitled to get technical assistance and capacity building. Therefore, they need to inform their trade partners and the relevant WTO committee as early as possible about their difficulties and cooperate with international organisations and trade partners so that they can get stable assistance.



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ECONOMIC PARTNERSHIP AGREEMENT

West Africa endorses EU trade pact, despite lingering concerns

West African leaders endorsed "in principle" their Economic Partnership Agreement (EPA) with the EU on 29 March, two months after the negotiations were completed. However, divisions linger over some outstanding technical issues, particularly as some African countries – most vocally Nigeria – raise questions over the deal's potential economic impact.

West African leaders endorsed "in principle" their Economic Partnership Agreement (EPA) with the EU last Saturday, two months after the 12-year negotiations were completed. However, divisions linger over some outstanding technical issues, particularly as some African countries – most vocally Nigeria – raise questions over the deal's potential economic impact.

The EU and West Africa had reached a compromise on an EPA at the senior officials' level at the end of January, pending political endorsement. However, the deal must also be initialled, signed, and ratified ahead of a 1 October deadline. Otherwise, some of those West African countries may lose their existing access to the EU market.

The West African endorsement came at a summit of the Economic Community of West African States (ECOWAS), which was held in the Ivorian political capital of Yamoussoukro just days ahead of a separate EU-Africa summit in Brussels. The latter event, which is also expected to address the EPA subject, was still ongoing as Bridges went to press on Thursday.

The planned EPA, if ratified, would establish a free trade area between the EU and West Africa, replacing the previous non-reciprocal regimes that have largely guided the EU's trade relations with those 16 countries over the past several years.

The ECOWAS group consists of Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The EPA agreed with the EU also includes Mauritania.

Nigeria concerns

Since October of last year, the efforts to close an EU-West Africa pact have advanced quickly, after a two-year stall over differences involving market access offers and the level of support that Brussels would provide the region in implementing the EPA, particularly given the region's development needs.

Under the draft compromise text, ECOWAS and Mauritania have agreed that they will phase in access to 75 percent of their markets over the next two decades. The EU, for its part, has pledged to make a €6.5 billion contribution to an EPA-focused development programme over the 2015-2019 period, along with providing West Africa with full access to its market.

Despite last week's endorsement, some African countries still have concerns over whether to approve the final deal. At Saturday's summit, Nigeria reportedly questioned whether the deal could potentially harm some of its industries, should certain EU products be granted tariff-free entry into its market.

"Nigeria is the biggest country in the ECOWAS and we are already producing some of those goods that they want us to liberalise their importation," Nigerian trade minister Olusegun Aganga said this week, in comments reported by Premium Times Nigeria.

"What this means is that, not now, but from 2025 to 2026, based on the items that have been included and excluded, there will be significant loss of revenue to the government, loss of jobs, investment, and loss of even the ECOWAS market," he added.

Nigeria is the largest economy in the region, and has struggled to rally domestic support around the EU pact. Meanwhile, Ivory Coast and Ghana – the next two largest economies of the group – have been ardent backers of the deal, as both have initialled bilateral interim EPAs with the EU that are due to expire later this year.

While Ivory Coast has also signed its interim EPA, the EU deadline requires Economic Partnership Agreements to be ratified as well by the October deadline. Together, the three countries account for 80 percent of the region's exports to the EU.

"We need to negotiate an EPA that is beneficial to our sub-region and will contribute to the prosperity of our people," said Ghanaian President John Mahama, who assumed the ECOWAS bloc's rotating chairmanship at the weekend summit.

Even with the scepticism from some West African countries, some officials say that they remain assured that these differences will be resolved in time.

"The deadline for the entire sub-region is 1 October and we are working towards that deadline. Our agenda is to work towards a signature, so I am confident," Ivorian trade minister Jean-Louis Billon told the Reuters news agency.

Others were less certain, however, with one member state official from the region noting that "there are still countries with reservations" about the EU deal.

"There's not exactly unanimity at the level of the ministers," the official said.

Back in Brussels, European officials have touted the trade pact's potential for Africa, both economically and otherwise.

"Europe is open for business from and with Africa – contrary to what some critics seem to think," European Commission President José Manuel Barroso told a meeting of African and European business leaders on Monday.

"Beyond tariffs, [EPAs] contribute to wider reforms to strengthen the rule of law and to ensure a stable, predictable, and transparent business climate, which helps African countries attract much needed investment," he continued.

Next steps

West African leaders have urged their chief negotiators – the presidents of the ECOWAS Commission and the West African Economic and Monetary Union (UEMOA) – to resolve the remaining technical questions over the next two months, in order for both sides to sign the deal.

The two negotiators will establish a committee of representatives from Ghana, Ivory Coast, Nigeria, and Senegal to revisit these issues and make proposals for leaders to review.

WTO

Azevêdo: Consultations on Doha work plan off to “Excellent start”

Initial consultations on a Doha work programme are off to a productive start, WTO Director-General Roberto Azevêdo reported to members on 14 March.

However, much remains to be done if the 159-member body is to have a plan by December for renewing the multilateral trade talks, now in their 13th year. “The first quarter of 2014 is almost behind us,” the WTO chief said at a meeting of the General Council, which is the global trade body’s highest level of meeting outside the ministerial conference. “In the space of just nine months we must complete this work. It is essential that all members are fully engaged in these consultations,” he said, urging them to redouble their efforts.

Sources say that these consultations are still at a very preliminary stage, with members continuing to debate various possible ways to proceed. The Director-General has said that he will convene a meeting of the Trade Negotiations Committee (TNC) - which is tasked with the overall Doha Round talks - on 7 April with the hopes of providing “for a fuller debate among members on the way forward.”

After this initial round of meetings, sources note that several key questions remain unanswered, particularly on whether to aim for more “early harvests” - such as the one achieved at last December’s ministerial conference in Bali - or whether to pursue a solution to the rest of the Doha Round subjects in one go.

Agriculture, NAMA, services

While discussions have been ongoing in all of the Doha Round negotiating groups, these initial months have shown a growing convergence among members on the particular need to revisit the Doha Round’s toughest issues: agriculture, non-agricultural market access, (NAMA) and services.

In these three areas, “it came across strongly that our approach should be balanced across all three issues - and that all three should be tackled together, simultaneously,” Azevêdo reported in March.

With regards to agriculture, many have said that there needs to be balance within that area itself, namely regarding market access, domestic support, and export competition. Some members, such as Brazil, have reportedly said that the advances made in agriculture will determine the level of ambition of the Round.

To date, many of the discussions on non-agricultural market access have focused on what exactly prompted the earlier collapses - such as varying expectations on outcome and differing perceptions on balance - and what to do next.

In moving forward, one of the questions that has reportedly come up is whether to use the latest version of the NAMA draft modalities, which dates back to 2011. While many have said that these could provide a good starting point, as they represent years of work, others have reportedly raised concerns over whether it is worthwhile to follow these too closely, given their inability in the past to lead to a successful outcome.

Some members have also reportedly suggested that there is a need for new data, given the years that have passed since some of these areas have seen meaningful advances.

Regarding services, some have warned against "sequencing" the Doha Round talks, while others have said that progress in this area will have to depend on advances elsewhere.

Negotiations on services have long been stalled at the WTO, due partly to difficulties in getting members to submit market access offers, and also a result of the limited progress in the two other areas of the so-called market access trinity.

In recent years efforts have begun outside the 159-member body to liberalise trade in this area. Negotiations for a Trade in Services Agreement (TISA) began in early 2012, and are said to be advancing smoothly, with initial market access being discussed last month.

Initiatives such as the TISA have, however, engendered scepticism from some WTO members, who have warned against the "plurilateral temptation" as a possible distraction from multilateral efforts. Sources familiar with the 14 March General Council noted that Cuba, South Africa, and Uganda on behalf of the Least Developed Country (LDC) Group were among those to raise concerns over these types of trade deals.

TFA implementation

In parallel, WTO members are also moving to implement the results of December's ministerial conference, particularly the trade facilitation agreement (TFA), which was broadly seen as the centrepiece of the so-called Bali Package. Some estimates have placed the gains of the deal - which aims to ease customs procedures in order to eliminate unnecessary red tape at the border - at US\$1 trillion in global GDP.

Over the coming months, the new Preparatory Committee on Trade Facilitation is set to implement a three-pronged work plan to implement the TFA. The first part will involve a legal scrubbing of the deal, which is a formal process that is not meant to change the substance of the Bali text.

Once that is done, the committee will need to prepare a protocol of amendment to insert the TFA into Annex1A of the WTO agreement, and begin to receive "Category A" notifications - in trade jargon, notifications of which measures countries would implement immediately upon the TFA's entry into force.

The preparatory committee is aiming to complete this work by 31 July of this year, with the protocol of acceptance then open until the same date next year. The deal will then enter into force upon acceptance by two-thirds of the members.

New chairpersons

The General Council also saw members sign off on new chairpersons for various WTO bodies for the year. Canadian Ambassador Jonathan Fried will chair the General Council, with Ambassador Fernando De Mateo of Mexico and Ambassador Mariam MD Salleh of Malaysia heading the Dispute Settlement Body and Trade Policy Review Body, respectively.

The full list of chairpersons for both WTO bodies and TNC bodies for 2014 is available <http://bit.ly/1fVKsX0>.

The newsroom

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African negotiators discuss a post-Bali road map

At a retreat of African WTO negotiators late March 2014, the Executive Secretary of the Economic Commission for Africa, Carlos Lopes said that the benefits of Africa's trade negotiations will be judged against the capacity of international trade to spur a far-reaching transformation of the Continent's economies. During the two day retreat, participants discussed key multilateral trade issues, including how Africa's integration into the global market can best serve the objective of transforming the Continent's economies.

Lopes noted that not all patterns of specialisation are the same: some leave you entrenched in the production of raw materials in an extractive mode of production reminiscent of the colonial times, while others allow you to gradually exploit the learning by doing, and climb up the product ladder towards increasingly sophisticated goods. "We should not focus on trade as an end in itself, but rather as a spring board to support structural transformation," he said.

A point was made that as tariffs are already relatively low between the EU and the US (less than 5 percent on average), further preferential reduction would not handicap third parties. It was said that developing countries and LDCs should reflect further on the regulatory impact of such agreements as the novelty of these mega-regionals compared to other FTAs lies in the fact that they include a cluster of regulatory issues which fall outside the scope of the WTO and are subject to domestic regulations.

"Once the mega-regionals are completed and new regulatory issues agreed upon by the participant countries the newly agreed standards will not be easy to modify" said Miguel Rodríguez Mendoza, a Senior Associate at ICTSD.

The retreat was held in the context of agreed collaboration between the UN Economic Commission for Africa and the African Group through the AU mission in Geneva in response to issues pertaining to the 9th WTO Ministerial Conference of Bali.

The EU confirms support for ECOWAS-EPA

On 17 March, the EU confirmed new support of at least 6.5 billion euros for the Economic Partnership Agreement Development Program (PAPED) for West Africa during the period 2015-2020.

The fund is expected to enhance trade and investment flows to West African countries, thus contributing to their development, sustainable growth and poverty reduction.

The PAPED/EPADP is an essential element of the Economic Partnership Agreement (EPA) negotiated with West Africa, and constitutes a framework to identify development support needs in order for the region to reap the benefits of the EPA and to mitigate the negative spill overs of the agreement.

Earlier this year the European Union and West Africa found a compromise on the Economic Partnership Agreement, ironing out thorny issues that had proven divisive till then.

The Foreign Affairs Council conclusions underline that support to the PAPED from the EU and the European Investment Bank (EIB) has already exceeded the Council's commitment of 6.5 billion euros and reached more than 8.2 billion euros in funding during the period 2010-2014.

EPA negotiations began over a decade ago; however, only the Caribbean and four African countries - Mauritius, Madagascar, Seychelles, and Zimbabwe - have finalised their EPAs so far.

The slow pace of the negotiations has long been a source of tension between the EU and African countries. In an effort to speed up the talks, the European Commission announced in September 2011 that it would be imposing 1 October 2014 as a deadline for the withdrawal of the market access regulation "MAR 1528" – that currently provides duty-free, quota-free market access to ACP countries.

Publications and resources



The Shale Gas Revolution – ICTSD – March 2014

This paper, authored by Thomas L. Brewer, a senior fellow of ICTSD, sheds light on these complex issues and calls on governments, industry and international agencies to evaluate the full effects of shale gas on the environment and climate change to determine how it can best fit into a sustainable development agenda.

<http://bit.ly/1lEdvLC>



Agriculture and Food Security Group: A Post-Bali Food Security Agenda – ICTSD – February 2014

This policy analysis paper was prepared for the E15 Agriculture and Food Security Group by Theme Leader, Stefan Tangermann. The paper builds on group discussions of the proposals and analysis submitted to the group and subsequently discussed. Initiated by ICTSD in 2011, the E15 Initiative is a partnership of the ICTSD and the World Economic Forum to create a non-partisan, expert-led multistakeholder dialogue aimed at exploring options for strengthening the governance and functioning of the multilateral trade system.

<http://bit.ly/1ePluTp>



Evaluating Aid for Trade on the Ground: Lessons from Bangladesh – ICTSD – December 2013

This study assesses the effectiveness and impact of AfT in Bangladesh. By doing so, it also tries to identify the reasons of the decline in disbursements which is quite uncommon among other least developed countries. The study argues that the results of AfT are somewhat mixed for Bangladesh. More important, the study shows that the lack of efficient administrative mechanisms, limited human capacity, political instability, and stringent donor requirements are major reasons for low absorption capacity.

<http://bit.ly/1euCkvo>



International Trade and Access to Sustainable Energy Issues and Lessons from Country Experiences – ICTSD – December 2013

This paper explores, among other things, how some trade-related barriers could be addressed within the context of a sustainable energy trade agreement for a positive impact on expanding access to sustainable energy. <http://bit.ly/1dXYJwy>



List of Environmental Goods An Overview –ICTSD –December 2013

This paper briefly examines the early history behind the development of formal lists of environmental goods including the OECD's illustrative list and APEC's Early Voluntary Sector Liberalization (EVSL) lists and the purposes for which they were developed. <http://bit.ly/1dXYTEn>

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