



Economic Commission for Africa

Is Africa going to Benefit in Hong Kong?*

* This paper is a synthesis of the Economic Commission for Africa empirical analysis on negotiations on modalities in the Doha Round. The paper also reinforces why it is important for Africa to deal with supply-side constraints.

Is Africa going to Benefit in Hong Kong?

I. Introduction

Developing countries among them African countries played a critical role in defining the agenda for the on-going multilateral trade negotiations. These countries were categorical that the Doha Round must have a pro-development agenda in order to redress the way in which benefits from multilateralism accrue disproportionately in favour of developed countries. While African countries recognize that trade could be an engine of growth and an important driver of development, they have been unable to reap huge benefits from globalization and trade liberalization. In deed Africa's performance in global trade compares unfavourably to other developing regions.

The Doha Round was launched within the backdrop of emerging evidence that the benefits promised to developing countries at the conclusion of the Uruguay Round had not materialized. The Doha Round therefore offers an opportunity to guarantee the Uruguay Round commitments, especially since agriculture remains the most important sector for many African countries, contributing significantly to production, employment, trade and export earnings. The mandate for Doha Round recognized the need to come up with an agreement that would reduce distortions in world agricultural markets.

A pro-development Doha Round meant that the agenda for the new trade talks would include issues of concern to developing countries, and provide an opportunity for greater integration in the multilateral trading system. In particular, developing countries saw the new trade talks as the avenue through which to address the issue of the interface between "trade" and "development", what has come to be known as the "developmental dimensions" of trade and the multilateral trading system. Accordingly, developing countries took the position that the Doha Round should address the imbalances existing in the Uruguay Round and WTO Agreements between rights and obligations among WTO Members and more also implementation related issues and concerns.

The initial progress of the Doha Round was slow and therefore did not give confidence that delivering on development would be the overriding concern of the modalities yet to be developed. Commitment to the Doha Declaration and the negotiations mandate was not being translated into action. Developing countries including African countries felt there was backsliding on the commitments originally on development. This feeling contributed to the failure of the trade talks at Cancun.

The conclusion of the Framework Agreement, otherwise known as the July Package in 2004, was an important development in the negotiations. This agreement managed to re-inject hope in the Doha Round as it moved the negotiations a step forward. The spirit of Doha was re-ignited and developing countries saw some hope that there could be a

favourable agreement after all. The Framework Agreement defined the principles that should guide the negotiations to ensure that final modalities would be faithful to the Doha spirit and would deliver on development as defined in the negotiations mandate.

The Hong Kong Ministerial was supposed to be a major step in the achievement of the Doha Round. Ambitious modalities were to be viewed as a real expression of the commitment to the Doha spirit and the development agenda of the negotiations. Yet less than a month to the Hong Kong meeting, the modalities that would give the expression of this commitment to Doha have not been published. If they were to be published, going by the proposals that were put on the table in much of the latter part of October, the positions are too far apart and levels of ambition vary. The poles apart nature of the positions indicate that there is a possibility that Hong Kong will fail to deliver ambition in the modalities that would ensure that the Doha Round is beneficial to the developing countries, especially the poor least developed countries (LDCs).

The fear that the Hong Kong meeting will not achieve a pro-development outcome has been reinforced by the results of recent informal meetings of a number of WTO Trade Ministers in London and Geneva. The Ministers failed to reach consensus on key issues that would lead to an ambitious result. Consequently, it has now been suggested that the scope and expectations for the crucial Ministerial meeting scheduled for Hong Kong at the end of this year may have to be scaled back. The overwhelming view now is that the Hong Kong Conference will not be able to come up with full modalities of negotiations in key areas, especially agriculture and non-agricultural market access (NAMA). This means it is now almost certain that it will not be possible to agree on the actual figures and formulas for reducing agricultural and industrial tariffs before Hong Kong, as there are still significant divergences in positions of Member States.

For developing countries, lowering expectations of the Hong Kong WTO Ministerial Conference, could lead to the “lowering of ambitions” for the Doha Work Programme. The implication of lowering ambitions for the Doha Round can best be understood within the context of earlier expectations. The WTO through the Director General Pascal Lamy had previously indicated that even with an agreement on numbers and formulae, Hong Kong would only take Members “two-thirds” of the way to completing the Round, because of the time that would be required for subsequent technical work. Scaling back on the level of ambition for Hong Kong therefore implies scaling back on an outcome that was not going to be as ambitious as developing countries would have liked to see in the first place.

It is a fact that African countries are not going to benefit much from Hong Kong. Why is this the case? Two assumptions underline this observation. Firstly, the level of ambition of the reforms especially in agriculture will be low. Secondly, and very importantly, supply constraints and low level of diversification of African economies mean that

African countries will not be able to optimally exploit opportunities likely to arise from the Doha Round.

The remainder of the paper is organized as follows. After this introduction, Section II recalls Africa's concerns in the Doha Round. This is to highlight what African countries considered as priorities in the current negotiations and their motivation. Section III takes a critical look at some of the proposals on the modalities that are to be developed ultimately in the Round and asks the pertinent question whether the Doha Round is actually addressing Africa's concerns. This section provides evidence on the potential benefits of some of the proposals being made in agriculture and NAMA negotiations. And in Section IV the paper presents the case why it is likely that Africa may have only little benefit even from an ambitious liberalization. Using the case of bound duty free quota free proposal for least developed countries, the paper presents results that show that other LDCs apart from the African ones may benefit more. The section therefore highlights the limited supply capacity and low diversification in Africa. By presenting evidence on diversification trends, the paper argues that it will be necessary for key levers to be established that can form as part of a tool-kit that African countries can use to ensure that they attain diversification results that are not only favourable to trade but also economic growth.

II. Recalling Africa's Concerns in the Doha Round

It helps to recall Africa's concerns in the Doha Round. Africa's concerns cut across almost all the areas of the negotiations and in this section; these concerns are highlighted to reiterate the importance for an ambitious Doha Round outcome.

Improved market access

The desire for effective market access has been one of the major issues for African countries. As a result, improved market access for both agricultural and non-agricultural exports is key to the negotiations. Even though African countries have preferential market access under different schemes such as the African Growth and Opportunity Act (AGOA), the Everything-But-Arms (EBA) initiative, and the Cotonou preferences, it is also the case that there are significantly high tariffs, tariff peaks and tariff escalation which limit African exports. African countries are therefore keen on a Doha Round outcome that would effectively eliminate tariff peaks and lead to significant reductions on all tariffs; and tackle tariff escalation. Tariff escalation has tended to create a disincentive for the African countries to carry out vertical diversification that would lead to the production of products for exports that are of higher value in the value chain.

Phasing out of export subsidies and trade distorting domestic support to agriculture

Domestic support programmes, export subsidies and other export competition issues are another area of major concern for Africa in the on-going negotiations. These subsidies, which are prominently used by major developing countries' to support their agricultural sectors, substantially distort international markets. The costs of these distortions are borne by other agricultural producers and exporters, especially in developing countries including the LDCs, who do not receive similar support. The distortionary effects on the international cotton market of the subsidies provided to cotton farmers in the US is a classic example of how domestic policies in developed countries end up hurting producers in poorer countries.

Ambitious agricultural reforms that would eliminate these distortions is therefore a major issue for Africa as it provides an avenue through which African countries can benefit from the comparative advantage they possess in agricultural. In addition, elimination of these subsidies would be fundamental in the creation of a level playing field in the African agricultural market itself, where African producers would be in a position to increase their share of intra-African trade on agricultural commodities.

Strengthening of the development dimensions in the multilateral system

The pro-development agenda that developing countries won at the launch of the Doha Round means for the Round to be considered a success, it must deliver real development benefits. Africa's concerns in this area have therefore remained on ensuring that development dimensions of the multilateral system are strengthened. In particular, African countries are keen to see a broad definition of development that integrates enhanced market access in areas of export interest to developing countries; balanced rules; and capacity building. In this respect, development should encompass, in addition to special and differential treatment (S&D), policy space and flexibility; better market access conditions for Africa's exports; and efficient capacity building initiatives.

Policy space and flexibilities should therefore be mainstreamed in all aspects of the negotiations in order for African countries to achieve their legitimate development goals. For instance, in agriculture negotiations, the modalities agreed upon should provide policy space and flexibilities that would allow African countries to pursue agricultural policies that support development, poverty reduction strategies, food security and rural livelihood concerns. Moreover, full operationalization of the principle of proportionality in the modalities while taking into account the existing tariff structure of African countries would help strengthen development dimensions of the Doha Round. Regarding industrial tariffs, the modalities aimed at reducing or eliminating tariff peaks, high tariffs, and tariff escalation, should at the same time allow autonomy

to enable African countries to pursue industrial policy in line with their development strategies and also allow them to diversify their economies.

Improving Africa's participation in global trade: trade facilitation and services concerns

Trade facilitation is important as it will help African countries effectively integrate in global trading networks and be instrumental in deepening African integration. African countries know that the removal of intra-African trade barriers, and provision of favourable market access conditions in international markets will not be sufficient unless measures are in place that facilitates trade. Key among these measures include, reforming the customs administration and other regulatory issues. However, trade facilitation measures need to go beyond customs reforms to behind the border issues that hinder free flow of trade between African countries and with their trading partners. This raises the question of costs. Trade facilitation measures, even as basic ones as customs administration are costly and require adequate technical assistance and capacity building support. Consequently, Africa's concerns with trade facilitation negotiations has been and remains the need to have a balanced outcome that acknowledges the different stages of development of countries and the varying capacities and resources availability to implement trade facilitation programmes. In the area of services, African countries realize the potentials in all the modes under negotiations, especially in the capacity for services to raise incomes, employment and export earnings. However, services is one area where for Africa, the question of prioritization has been key. It is also in this area of the negotiations where trade-offs between the various modes of delivery is critical. But it is important to note that African countries have underscored the need for the services negotiations outcome to take into account the real needs of the developing countries. Mode 4 constitutes a priority for the African countries but also with particular concerns regarding tourism and construction services.

III. Is the Doha Round Addressing Africa's Concerns – A Reality Check on Modalities Development

Given the ambition and commitment ingrained in the mandate of the Doha Round and taking cognisance of the concerns that African countries have had with the negotiations as they progress, it is important to carry out a reality check to see whether the negotiations at the current stage are faithful to the Doha Spirit. This sub-section therefore looks at the modalities development at the current stage of the negotiations¹. Although the proposed text for Hong Kong is yet to be published, this section

¹ The text for the Hong Kong Ministerial is yet to be published at the time of writing and as such this analysis is based on the latest proposals that have been made by the different WTO Members on the issues under negotiations.

essentially undertakes an analysis of the different proposals (see Annex). The results are based on some analytical work using the GTAP model and database. And as will be seen in the empirical evidence presented, the main results emerging is that the level of ambition in current proposals is low when viewed as a whole. There could be some elements that are ambitious, but this ambition is eroded by lack of ambition in other elements of the proposed modalities.

Double-edged modalities proposals in agriculture negotiations that might end up giving with the right hand and taking with the left

A summary of the various proposals on modalities under a number of the areas of negotiations is provided in the annex. While all the areas of negotiations are critical to delivering pro-development results favourable to African and other developing countries, taking a critical look at the proposals on modalities for the agriculture negotiations, it is possible to give an assessment regarding whether Africa's concerns are being addressed. The US, EU, G-20 and G-10 have made proposals in the three pillars in the agriculture negotiations. The levels of ambition in each of these pillars vary. The US for instance makes an ambitious proposition in the market access pillar by proposing that the highest tariffs in agriculture be cut by as much as 90 per cent. The EU and G-20 are on the other hand proposing higher reductions in domestic support. But in all the proposals, the important issue of cotton is left out and even under the export subsidies elimination proposals, it is not evident that cotton subsidies will be dealt with ambitiously and expeditiously as agreed in the Framework Agreement of 2004.

Assessments that have been made so far on these proposals indicate that there will be little benefit for African countries for several reasons. Firstly, due to the low level of ambition, it is unlikely that Africa will realize any significant benefits. Secondly, the limited diversification of African economies means that countries will be unable to exploit even the little benefits that may result from the reforms that would follow from Doha. And thirdly, and most importantly, the trade-offs that are being negotiated especially among the major trading nations have the unwelcome effect of eroding any potential benefits likely to accrue from the Doha Round. To illustrate this point, we provide results from the analysis of the US proposal on agriculture. For simplicity, we consider the proposals made by the US in the market access pillar.

After applying the tariff reduction proposals on existing tariff structures it emerges that unless significant special and differential treatment is integrated, in the case of developing countries and more particularly African countries, the US tariff reduction formula implies stronger commitments. The formula is like a double-edged sword for African countries. Firstly, African countries are in favour of reducing tariff peaks and tariffs escalation particularly to their export of labour intensive products. However, they will need to be conscious of how best to ensure that they do not suffer from this

proposal from failing to take appropriately into account their objective to defend their emerging and import-sensitive sectors. Without significant lesser cuts and sufficiently long phase-in periods the final modalities will obligate them to widely open their borders to major agricultural exporters.

Tables 1 and 2 give the simulation results obtained on the economic impacts of the proposed modalities in the market access pillar by the US. The three simulations differ in the way they treat both sensitive and special products. The first scenario applies tariff reduction as defined the US proposal, but excludes 5% of the tariff lines for developed countries (sensitive products) and similar number of tariff lines for developing countries (special products) from tariff reduction. In the second scenario, the sensitive products are eliminated but the special products for developing countries are retained. In the third scenario neither sensitive nor special products are retained. Essentially, the third scenario tells us the implication/impact of the sensitive and special products on the market access that would arise from the tariff cuts proposed by the US.

Table 1: Change in trade balance (\$ US Millions)

| | Scenario I | Scenario II | Scenario III |
|--------------------------|------------|-------------|--------------|
| sub-Saharan Africa (SSA) | -2343.06 | -2472.89 | -2449.41 |
| North Africa | -3219.97 | -1395.64 | -3521.67 |
| Japan | 5793.65 | 4673.43 | 5357.9 |
| China | -7857.81 | -8038.78 | -7505.26 |
| EU-25 | 10336.29 | 11502.76 | 11953.69 |
| USA | 19017.68 | 19000.3 | 19439.36 |
| Cairns developing | -5935.19 | -6377.37 | -6252.54 |
| Cairns developed | 1428.68 | 998.2 | 1136.59 |
| ROW | -17220.2 | -17890.01 | -18158.6 |

Source: Economic Commission for Africa, simulation from GTAP 5.4, October 2005

Table 2: Welfare variations (US\$ million)

| | Scenario I | Scenario II | Scenario III |
|--------------------------|------------|----------------------|--------------|
| sub-Saharan Africa (SSA) | -29.52 | 564.26 | 613.92 |
| North Africa | 1240.25 | 1094.74 ^a | 3917.61 |
| Japan | 14693.94 | 16360.31 | 16230.33 |

^a A closer examination of the results for North Africa of what appears like a contradiction reveals that tariff dispersion is greatest in North Africa under scenario II, while scenario III has the effect of harmonizing the tariff rates and hence maximizing on allocative efficiency gains.

| | | | |
|-------------------|----------|----------|----------|
| China | 5818.39 | 7445.3 | 7897.24 |
| EU-25 | 11289 | 11305.05 | 13272.37 |
| USA | -2308.77 | -2638.08 | -2176.24 |
| Cairns developing | 5114.03 | 5213.01 | 5289.56 |
| Cairns developed | 183.71 | 1858.94 | 1814.55 |
| ROW | 21374 | 23574.06 | 24416.77 |

Source: Economic Commission for Africa, simulation from GTAP 5.4, October 2005

The lesson from the modalities proposed by the US is that with respect to tariff peaks, once implemented, the US proposal leads to a more pronounced reduction in tariff peaks and eliminates a large proportion of tariff peaks. As a result, the US proposal could have greater impact on high tariffs which is rather good news for African exporters due to the formula's efficiency in dealing with tariff peaks, and hence limiting the dispersion of a country's tariffs and having a harmonizing effect of member countries' tariff structures. But the positive benefits expected from the market access ambition in the US proposal are very sensitive to the treatment of sensitive and special products. The retention of sensitive products has the effect of eroding any benefits that the tariff cuts proposed by the US could have. With regards to Africa, having deep tariff cuts and retaining sensitive products for developed countries is like giving with the right hand and taking it away with the left. Africa will lose through sensitive products what it is supposed to gain from the ambitious tariffs cut. This clearly shows that while the US propose modalities with only 1% for sensitive products, if this percentage was to be the trade-off issue with a grouping like the EU for it to raise its offer on the tariff reduction commitments, it would be of little benefit for Africa. It is noteworthy on this score to appreciate the significance the proposal on sensitive products of 8% by the EU.

In conclusion therefore, it is important to be cautious and conscious about the sensitive products. It seems that there is a consensus from different groupings that a successful Doha Round may not be realized without ambitious reforms in agricultural trade. From studies done by the Economic Commission for Africa the persisting result and conclusion is that any level of ambition is going to be eroded by high levels of sensitive products. In a nutshell therefore, having deep tariff cuts and retaining the sensitive products, at least for Africa is like giving with the right hand and taking it away with the left. Africa could lose through sensitive products what it is supposed to gain from the ambitious tariffs cut.

Another conclusion that emerges from the analysis of this element of the agriculture modalities negotiations is the need to re-emphasize the need to strengthen the special and differential treatment. There are two reasons why this is

important for Africa. First, special and differential treatment both in terms of depth of the tariff cut and the phasing-in period will help African countries to provide appropriate protection to local production. This will create some policy space for African countries to deepen the development of their agricultural sector. A second but obviously a more mundane reason but which can easily be downplayed, is that special and differential treatment will give to African countries a better market access to developed countries markets.

In NAMA, proposed modalities to accelerate the opening of developing countries markets with little attention to their concerns on de-industrialization risks

Developments in the negotiations in the last few months were characterized by three main issues, which raise concerns for developing countries, at least for Africa. The first characteristic is that there is a clear move towards reduction of flexibilities. The move from a Girard-type formula to a Swiss formula will clearly result in reduced flexibilities. This move is not only a technical change; it is a major political shift because it reduces the level of flexibilities needed by developing countries to build their industrial development. In a Girard-type formula, it is possible to introduce flexibilities through two different coefficients.

The second concern of the developments so far is the absence of differentiation in the coefficient in the proposals being made with regards to the Swiss formula. The EU for instance proposes that developed countries will apply a simple Swiss formula with a coefficient of 10, with no flexibilities/ exclusions for any product. The highest duty will be 10%. The EU proposes also the “controversial idea” of differentiation between developing countries. Indeed, the EU has proposed that “advanced developing countries” would have to apply the same Swiss formula with a coefficient 10. The EU has explicitly conditioned the outcome of all areas in the Doha Round negotiations, including agriculture, on a satisfactory outcome in NAMA. The US on the other hand, while proposing differentiation, the variation is quite small to give a semblance of differential treatment. As such, this second concern is also not just a technical issue but also a political one as it reduces the possibility of integrating special and differential treatment. Clearly, the Swiss formula gives less flexibility than the Girard formula² or other kinds of non-linear formulas. The Norway proposal which considers a non-linear formula with two coefficients that includes a simple and transparent of credit will provide Members a certain degree of flexibility

² The tariffs would be cut so that $t_1 = \frac{B \times t_a \times t_0}{B \times t_a + t_0}$, where t_1 is the final tariff, t_0 the initial one, t_a the initial national average and B the coefficient of the formula.

The third characteristic of the proposals is that the resulting level of reduction of the tariffs is going to be very high. This will then reduce the policy space for African countries. Besides, it is noteworthy that there is a continued lack of convergence in the modalities of the tariff reduction formula and the flexibilities to be accorded to some “sensitive” products.

Analytical work by the Economic Commission for Africa show that modalities resulting in a non-linear formula and which include two coefficients are in a better position to provide the necessary degree of flexibility in favour of developing countries. It is important to have modalities that combine flexibility for developing country Members. The Economic Commission for Africa analysed four tariff reduction scenarios, which are coherent and consistent with the July Package commitments. The first scenario (S1) tested the S&D negotiated in the July Package³ and employed a Girard coefficient of 1 for both developed and developing countries. The other three scenarios differ in the way the S&D is taken into account. The second scenario (S2), which could be considered as a conservative scenario, differs with the first scenario only through application of a higher Girard coefficient of 3 but applied equally to both developed and developing countries. The S&D defined in the July Package was unchanged in this case. Scenarios 3 and 4 may be considered as ambitious. Scenario 3 (S3) applies the S&D as defined in the July Package but it also includes what has been referred to above as an *implicit* S&D, i.e. a high Girard coefficient for the developing countries ($B = 3$) and low coefficient ($B = 1$) for developed countries. Clearly, a low coefficient has a stronger impact on tariff reduction. This scenario therefore gives the developing countries greater flexibility. Finally, Scenario 4 (S4) includes the S&D stated in the July Package except that it multiplied that S&D by two. Concretely, this excludes any tariff reduction in more than double the lines from the normal July Package S&D definition of tariffs lines exclusions.

Policy space: A real concern for African economies

The results indicated that unless different values for the *implicit* S&D coefficient were applied, on average, the Girard formula would not significantly change the market access for African economies to the QUAD economies, meaning Japan, USA, Canada and the EU, and will not procure enough policy space for African countries. Two reasons can explain this phenomenon. African countries usually enjoy preferential access to the QUAD markets, and the preferential tariffs are not correlated to the MFN ones. Furthermore, the tariffs on industrial imports to the QUAD are low on average. On the contrary, the impact of the Girard formula could be significant on the tariff structure of the developed countries, and tackles a

³ The SDT defined in the July Package proposes exclusion of 5% of tariff lines (or 5% of trade) from tariff reduction and 10% of tariff lines (or 10% of trade) to have tariff reductions of half the reduction given by the formula.

large proportion of the tariffs peaks that still hamper African exports with a differentiated *implicit* SDT coefficient. The tariffs on food products should thus decrease significantly⁴.

To show the importance of these flexibilities, results are reproduced on the implications for African economies of the varying degrees of flexibilities (see Table 3). The consequences of the NAMA agreement on African economies appear to be mitigated and to a large extent depend on the nature of the implicit and explicit S&D. It appears that giving flexibility to developing countries could be done by a strong discrimination in the reduction rate but also by adding another coefficient directly related to the level of development. It appears that a pure Swiss formula could have irremediable consequences for many developing countries because they will suffer from a real adjustment cost (mainly strong revenue shortfall and also difficulties to defend some industries). The simulations using a general equilibrium model⁵ showed that the welfare and the GDP of sub-Saharan Africa would slightly improve, while the welfare and GDP of North Africa would significantly increase depending on the depth of special and differential treatment. Otherwise, the NAMA commitments as currently defined in the July Package would induce a systematic deterioration of the trade balance all over Africa, largely due to worse terms of trade.

Table 3: The implications of the NAMA negotiations on African economies (minimum, maximum all scenarios⁶)

| | Sub-Saharan Africa | North Africa |
|--|--------------------|----------------|
| Welfare (US\$ million) | [337, 543] | [2860, 3545] |
| GDP (% deviation from baseline) | [+0.21, +0.37] | [+1.28, +1.7] |
| Trade balance (US\$ million) | [-748, -2796] | [-525, -1729] |
| Terms of trade (% deviation from baseline) | [-0.13, +0.22] | [-0.69, -0.25] |

Source: Economic Commission for Africa, simulations from GTAP 6.0 simulations

The consequences of possible NAMA modalities on African economies to a large extent depend on the nature of the implicit and explicit special and differential treatment.

⁴ The tariffs on textile and clothing should also be reduced by the Doha round according to our calculations. Yet, the phasing out of the Multi Fibre Agreement will cancel all these improvements by cutting quotas on textile and clothing to zero.

⁵ The figures were obtained thanks to the GTAP model and the version 6.0 of the GTAP database. They are all extracted from the study undergone by the ECA, “Le cycle de Doha peut-il bénéficier à l’industrie africaine ?” ECA, (2005).

⁶ The figures inside the brackets indicate the range of results obtained with the different scenarios tested.

In conclusion, a pro-development outcome from the NAMA negotiations needs to address the following:

- **Greater level of flexibilities in the final formula. This could be achieved in the same formula or the modalities should be able to give an outcome that is a kin to two different formulas.**
- **Stronger special and differential treatment must be possible in the final modalities agreed. The final formula should be able to discriminate between developed and developing countries without any ambiguity.**
- **Should ensure the provision of policy space for developing countries to pursue the industrial development and diversification of their economies.**

And in services Africa's priorities could be overshadowed by shift of negotiations energies to the question of parallelism and benchmarking

As indicated in the annex on current proposals on services, the EU has suggested forceful modalities. Whereas these modalities recognize differences between developed, developing and LDCs countries, they raise the stakes in that they are urging for mandatory commitments for services liberalization. The complementary approaches as well as the qualitative and quantitative benchmarks proposed by the EU have the potential of focusing negotiations energies on these areas and fail to recognize that there is need for countries such as those in Africa to have flexibilities that would allow them open few sectors and then progressively extend the market access.

IV. Africa is going to Benefit Less even from an Ambitious Liberalization

It is one thing to argue strongly for an ambitious liberalization that would deliver significant gains for developing countries. But as has been pointed out in many studies and implied in the introductory part of this paper, Africa might benefit in an inequitable way compared to other developing countries. Many studies have shown that even as the gains from global trade reforms are invariably skewed, Africa has a tendency to receive least of these gains. To illustrate this point, the results from recent work on unrestricted market access for LDCs is presented below.

Less benefit for Africa

It is important to recall that the Millennium Declaration on the MDGs has called on using trade to uplift the lives of the millions of poor people in the least developed countries. This call has been translated into a call for action through submissions to the ongoing trade

negotiations where LDCs are arguing for bound duty free quota free market access in developed countries. In a recent study, the Economic Commission for Africa looked at this point. Essentially, a scenario was built that includes a complete elimination of the QUAD tariffs on the LDCs exports with no reciprocation. These results are actually an update of previous work by the Economic Commission for Africa (ECA) on Unrestricted Market for Africa (UMA)⁷. The key difference is that in the results presented below (see Table 4), there is a disaggregation of other LDCs outside Africa, and the question is whether their gains are equal to those of Africa. What is clear is that the LDCs would all benefit from UMA, but African LDCs would benefit less than the others. The LDCs would enjoy significant growths of their exports to the QUAD. The South Eastern Asian LDCs would be the main beneficiaries of this growth of exports to the quad (USD 1.1 billion), while Bangladesh (+USD 0.9 billion) performances slightly exceed the performances of all the African LDCs (+USD 0.5 billion).

Table 4: Bilateral trade impact of UMA for all LDCs (in million USD)

| | Canada | EU | USA | Japan | S.A. LDCs | Bangladesh | African LDCs | ROW | Total |
|-------------------|-----------|-------------|------------|------------|--------------|--------------|--------------|-------------|--------------|
| South Asian LDCs | 61 | -42 | 1,092 | 38 | 0 | -3 | -4 | -479 | 663 |
| Bangladesh | 168 | -685 | 1,450 | -35 | 0 | 0 | -7 | -259 | 631 |
| African LDCs | 1 | 174 | 347 | 3 | 1 | 8 | -27 | -247 | 261 |
| Canada | 0 | 18 | -13 | 4 | 3 | 20 | 15 | 30 | 76 |
| EU | -37 | -26 | -257 | -10 | 99 | 152 | 362 | 60 | 343 |
| USA | 33 | 327 | 0 | 48 | 55 | 80 | 105 | 579 | 1,226 |
| Japan | -5 | 30 | -36 | 0 | 64 | 69 | 30 | 75 | 227 |
| Rest of the world | -158 | 19 | -2,201 | -72 | 894 | 1,095 | 368 | -14 | -69 |
| Total | 62 | -184 | 382 | -24 | 1,115 | 1,420 | 842 | -255 | 3,357 |

Source: Economic Commission for Africa, simulations with GTAP 6.0 and author's computations

In terms of output and welfare (see Table 5), the UMA appeared to be beneficial to all the LDCs. Bangladesh captures 41% of the total welfare gains created by UMA, versus 37% for the other Southern Asian LDCs, and 21% for the African LDCs. The output implications of the measure seem also uneven, with significant output creation in Bangladesh (+4.1%) and other Southern Asian LDCs (+2.2%), and a minor output increase in Africa (+0.53%). The

⁷ "Unrestricted Market Access for Sub-Saharan Africa: Important Benefits with Little Cost to the QUAD", ECA, 2005.

gaps are even stronger when the price effect is taken into consideration, as the growth in the value of output of Bangladesh reaches 9.1%, versus 1.1% in Africa.

Table 5: Welfare and output implications of UMA for all LDCs

| | Welfare (USD million) | GDP Volume (%) | GDP Value (%) |
|------------------|-----------------------|----------------|---------------|
| Quad | -1,014 | 0 | 0 |
| South East Asia | 2,069 | 2.37 | 8.04 |
| Bangladesh | 2,627 | 4.99 | 11.7 |
| SSA | 1,237 | 0.58 | 1.32 |
| Other developed | 41 | 0 | 0 |
| Other developing | -63 | 0 | 0 |
| Total | 4,897 | 0 | 0 |

Source: Economic Commission for Africa, simulations with GTAP 6.0 and author's computations

In terms of output structure, the UMA proposal should reinforce the specialization of LDCs in agriculture, textile and clothing. It should slightly affect the industrial potential⁸ of Asian LDCs, but more notably leave unchanged the sub-Saharan African industrial output as can be seen in Table 6. To reiterate the point, the results showed that unrestricted access to the QUAD markets for least developed countries would benefit all of these countries. However, African countries would gain significantly less⁹ than Bangladesh and other South Asian countries.

Table 6: Economic specialization changes (per cent change from base)

| | South East Asia LDCs | Bangladesh | SSA LDCs |
|------------------|----------------------|------------|----------|
| Agriculture | 0.1% | 2.4% | 0.5% |
| Textile clothing | 15.6% | 15.7% | 6.6% |
| Industries | -0.2% | -1.1% | 0.1% |
| Services | 2.4% | 5.1% | 0.5% |

Source: Economic Commission for Africa, simulations with GTAP 6.0 and author's computations

Why would Africa benefit less from global trade reforms?

As intimated in the introduction of this paper, supply constraints and the low level of diversification hinder the continent's capacity to take advantage of opportunities

⁸ Without taking into account the output of textile and clothing.

⁹ Of particular significance though is the overall result that the extension of unrestricted market access from African countries only to all LDCs does not seem to alter the benefits Africa could draw from it.

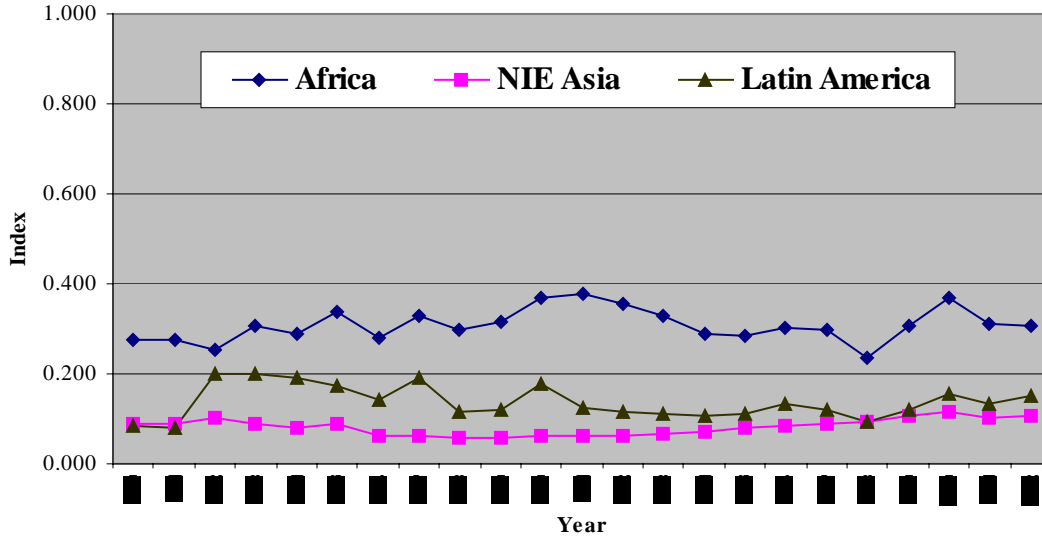
provided by the trade reforms. Compared to other regions, Africa has remained the least diversified meaning that the exports mix from the continent as it stands today cannot allow for rapid high exports earnings even if the opportunities presented themselves. By all accounts, there has been limited diversification of exports by the African economies the little diversification that has occurred has been both fragile and volatile. To put the diversification concerns in context, Figure 1 shows the trends of the diversification indices for three regions: NIE Asia, Latin America and Africa. There are many measures of diversification. For the purposes of comparing between different countries and regions, the normalised-Hirschmann¹⁰ index is a good basis for such a comparison.

¹⁰ The Normalised-Hirschman index is a relative measure of diversification whose value lies between 0 and 1 according to the following formula:

$$N-H_1 = \frac{\sqrt{\sum_i^N P_i^2} - \sqrt{\frac{1}{N}}}{1 - \sqrt{\frac{1}{N}}}$$

where $P_i = \frac{x_i}{X}$, x_i is the value of exports of commodity i , $X = \sum_1^N x_i$, and N is the number of products. The value closer to 1 represents the most extreme concentration. Likewise, a low value of this index indicates lower exports concentration or a relatively diversified economy.

Figure 1: Normalized-Hirschman Index: Africa, Latin America and NIE Asia

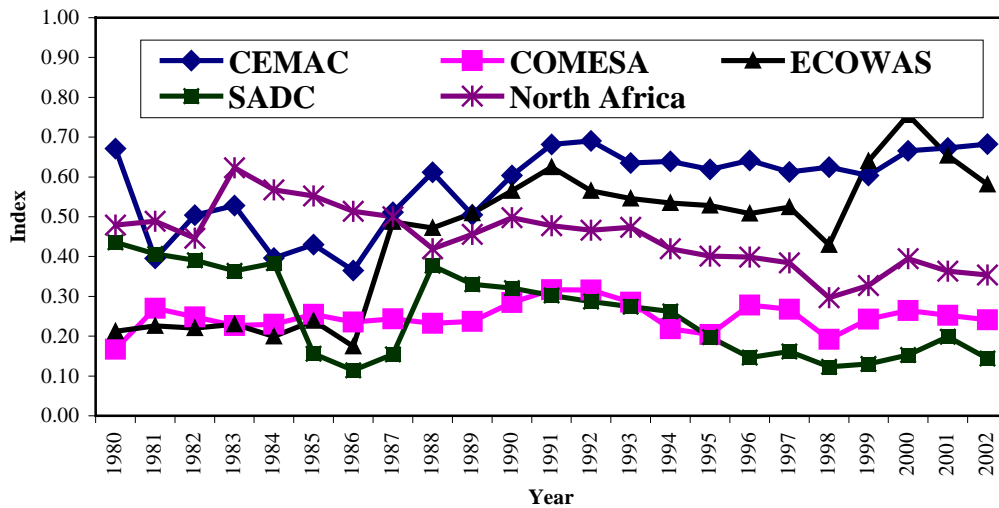


The diversification indices of the three regions indicate firstly that at the beginning of the 1980s, both Latin America and the NIE Asia had the same level of diversification. Secondly, Africa was at a less diversified position in comparison to the other two regions and has remained so to date. The NIE Asia economies have managed to maintain their highly diversified nature. The Latin American region, like Africa was significantly affected by the economic crises of the 1980s. The diversification index for Latin America indicates loss of diversification gains up to 1987. But unlike Africa, the Latin America economies managed to reverse the trend towards exports concentration. For the period 1987 to 1999, the diversification index for the Latin American economies show a move towards becoming more diversified. It is worth noting that by 1998, the Latin America and NIE Asia economies had the same level of diversification again. Although for the remaining period to 2002 the Latin American economies were left behind again by NIE Asia. But the important result from this comparative analysis of the indices is that the NIE Asia and Latin America economies have managed to achieve positive results from their diversification efforts while Africa's effort have not been sustainable. Whether this could be attributed to higher variability in policy timelines is an important issue worth exploring. It is also reasonable to postulate that the main determining factor of the impact the economic crises had on the different regions appears to be the nature of response. The NIE Asia from the early years of the crises resorted to a dynamic response. But in Africa, it appears that the region became defensive and its response was one of more concentration on a few commodities. This is

especially the case with the oil factor that has dominated the exports of the Central and Western African region. Rather than exploiting the oil exports towards more dynamism in exports, African countries became more concentrated. This defensive reaction that perpetuated the status quo in some instances was worsened by the oil factor, which eroded earlier gains in such countries as Sudan, Nigeria and Gabon. Overall, African economies appear to have responded differently to the challenges posed by the economic crises of the early 1980s as opposed to the kind of response that Asian economies adopted. African economies, rather than adopting a dynamic response similar to that by the Asian countries, in most instances appear to have become defensive.

Even while Africa's diversification experience lags that of other regions, it is significant that within the continent itself there are major differences. Figure 2 gives the situation at the sub-regional level and it compares five sub-regions defined around some of the regional economic communities. In 1980, the most diversified sub-regions were COMESA and ECOWAS. The least diversified was CEMAC with SADC and North Africa in-between. By 2002, the diversification gains at the sub-regional level had changed. The most significant gains have been made by SADC, which is now the most diversified region in the continent. It is followed by COMESA and North Africa. CEMAC has remained as the least diversified sub-region.

Figure 2: Normalised Hirschmann Index: Africa's Sub-Regions



In summary, Africa's exports diversification efforts can be characterised by the following conclusions:

- **The results at regional and sub-regional levels indicate that the efforts towards diversification in the 1970 and early 1980s had positive results in that for most countries, the indices for diversification were in general trending downwards, showing movements towards some diversification.**
- **The diversification gains were however not sustainable as they could not withstand the pressures of the economic crisis and the attendant adjustment policies that needed to be instituted to deal with the crises. The gains made when this happened remained low and the diversification results were more reminiscent of volatility and fragility. Africa has been unable to sustain a strong foundation of diversified economies. Yet, other regions such as Latin America and Asia came under similar pressures but managed to protect and even deepen their diversification gains.**
- **Overall, African economies appear to have responded differently to the challenges posed by the economic crises of the early 1980s as opposed to the kind of response that the Asian economies adopted. But it is important to point out that there have been clear differences between sub-regions and between countries in the same sub-regions. In spite of between and within sub-regions differences, it is clear that the African economies were on the whole less dynamic compared to the Asian countries kind of response to diversification challenges. The policy mix in the various African countries ranging from macroeconomic factors to institutional issues could have played a major part in determining the trend that depicts each of the African country.**

V. Conclusion

This paper aimed at answering the question whether Africa will have any benefits from Hong Kong. The paper recalled the original Doha Spirit of aiming to have a development outcome from the Doha Round. It also recalled the concerns of African countries in the current Round of trade negotiations. The paper noted that while there was some loss of momentum along the way, the July Package of 2004 re-ignited the hopes that the Doha Round might after all be concluded with the possibility that development concerns being addressed in accordance to the original commitment. An ambitious outcome from the Hong Kong meeting this paper notes was expected to be a major step and indication that the Doha Round would achieve its objectives. The paper,

after taking assessment of the modalities being proposed towards the Hong Kong meeting, and relying on empirical work that has been undertaken in the Economic Commission for Africa in the last 2 years comes to a critical conclusion that Africa may not benefit from Hong Kong meeting. The paper notes the following conclusions as reasons for arriving at this broad conclusion.

Firstly, current modalities proposals in agriculture and NAMA do not adequately address Africa's concerns. Secondly, the low levels of ambition in important elements of the negotiations erode any potential benefits that could accrue from any ambitious elements. The paper gave the example of how ambition in tariff reduction could be eroded by lack of ambition in the designation of the sensitive products in agriculture. Thirdly, the paper noted that special and differential treatment and flexibilities are currently weak especially in NAMA and agriculture. In the case of NAMA, the paper has highlighted that there is a clear political shift on the issue of flexibilities and differentiation since the modalities proposals are leaning on a formula that inhibits abilities to introduce flexibilities. Indeed, the paper suggests that current modalities proposals in agriculture and NAMA may in fact end up eroding the remaining policy space that African countries could be enjoying. Lastly, the paper using the example of the sharing of gains likely to accrue from unrestricted market access to all LDCs, that Africa will benefit less. Leading to the paper to suggest that it is a high time that the supply constraints and the low diversification bedevilling African economies were addressed in a meaningful way. Having a broad definition of development in the ongoing negotiations as suggested in the paper, might be a good start in tackling these difficulties since such broadly defined development dimensions could integrate capacity building in the final modalities that will come out of Doha Round.

Annex I: A synthesis of different proposals for the negotiations on modalities for Hong Kong

| <i>AGRICULTURE</i> | | United States | European Union | G10 | G20 | ACP |
|---------------------------|--------------------|--|---|--|---|---|
| <i>Exports Subsidies</i> | | Complete elimination to all types of exports subsidies by 2010. | Complete elimination under the reserve of full parallelism | | | |
| Market Access | Type of formula | Tiered linear formula. Larger threshold, lower tariff reductions for developing countries. | Tiered linear formula. 1/3 increased threshold, 2/3 lower tariff reductions for developing countries. | Tiered linear formula. 2 options: Linear cuts, sensitive products on less than 15% of tariff lines. Linear cut with constrained flexibilities, less than 10% of tariff lines as sensitive products. | Tiered linear formula, with flexibilities for specific tariff lines. Larger threshold, lower tariff reductions for developing countries. Capping of tariff cuts average of developing countries to 24%. Exemption of LDCs. | Tiered linear formula. Larger threshold, 2/3 lower tariff reductions for developing countries. Exemption of LDCs. |
| | Capping | 75% for developed countries, 100% for developing ones. | Tariff capping at 100% | No tariff capping. | No tariff capping. | 100% for developed, 150% for developing ones |
| | Bands | Four bands, with cuts ranging from 55% to 90%. | Four bands with tariffs cuts ranging from 20% to 50%. | Four bands with linear tariffs cuts from 27% to 45% (option 1), or flexible cuts from 25% to 60% (opt. 2). | Four bands with tariff cuts from 15% to 30% for developing countries, and from 23% to 42% for developed ones. | Five bands for developed countries, four for developing ones. Steeper tariff cuts for the higher threshold. |
| | Sensitive products | 1% of tariff lines, fully compensated via Tariff Rate Quotas (TRQ) expansion. | Lower cuts for sensitive products (roughly 8% of the tariff lines). | Less than 15% of tariff lines (opt.1), less than 10% of tariff lines (opt. 2). | No tariff cut on sensitive products, which shall include products relating to long-standing preferences. | |

| | | | | | |
|-------------------------|-----------------------|---|--|-----|--|
| Domestic support | VI. | United States | European Union | G10 | G20 |
| | II. De minimis | 50% cuts | at least 65% reduction | | Adjusted to AMS cuts. |
| | Amber box | Tiered formula: - 37% for developed countries - 60% for the USA - 83% for the EU Complete elimination in a second phase. | 70% of reduction for the EU, 60% for the USA, to be determined for other developed countries | | Tiered formula. Cuts from 60% to 80% for developed countries. (for concerned developing countries, cuts 2/3 less important). Capping of the AMS at their respective average. |
| | Blue box | 2.5% ceiling | 5% ceiling | | |
| | Green Box | No cap, no reform. | No cap, no reform. | | |
| | | | | | |

note, ACP has recommended the inclusion of a vulnerability index in the calculation of tariff cuts.

Of

| NAMA | EU | USA | Argentina, Brazil and India | Norway | Pakistan | Caribbean countries |
|-----------------------------|--|--|--|--|---|---|
| Type of formula | Swiss formula, coefficient 10. | ! Informal proposal ! Swiss formula, coefficient 8 for the developed countries, 12 for the developing ones. | Girard formula by tariff line on bound tariffs, on tariff average for unbound tariffs. | $T1=(a*T0)/(T0+C)$ With T1 new bound tariff T0, the initial bound rate A, coefficient to be determined C, credit a country gets for binding its tariffs, eliminates tariffs of exports of interest to developing countries and forgoing paragraph 8 flexibilities. | Swiss formula, coefficient 6 for developed countries, 30 for developing ones. | $T1=[(b+c)*Ta*T0]/[(b+c)*ta+t0]$ With T1 final ad-valorem rate T0 is the initial bound rate Ta is the average of the current bound rates B is a coefficient to be determined C is the credit in favor of developing countries |
| Sensitive products | Paragraph 8 ¹¹ exemptions for developing countries only. Capping of all tariffs from developing countries at 15%. | Paragraph 8 exemptions. | Paragraph 8 exemptions for developing only. | Paragraph 8 exemptions, but they increase the tariff cuts via the credits coefficient C. | | Flexibilities of the Paragraph 8. |
| Developing countries status | Paragraph 6 ¹² and LDCs exemptions. | Paragraph 6 and LDCs exemptions. | Lesser tariff cuts through the initial average inclusion in the formula. Paragraph 6 and LDCs exemptions. | Differentiate A coefficient in the formula. Paragraph 6 and LDCs exemptions. | Differentiate coefficient in the formula. | Through the C value, which reflects the level of binding coverage, autonomous liberalization, revenue dependence, adjustment cost and economic vulnerability of each developing country. |
| Other | | | | Elimination of the low tariffs (<5%) | | |

¹¹ The paragraph 8 grant flexibilities to WTO members, allowing them to apply “less than formula cuts to up to [10] percent of the tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [10] percent of the total value of a

3. Services

- * In the Draft Ministerial Text on Services (JOB (05) 262/Rev.1, the Chair states that there is determination to intensify the negotiations given the lack of progress. The main method of negotiation shall be request-offer approach and this shall be intensified and expedited. In addition according to the chair, request-offer approach, negotiations should also be pursued on a plurilateral basis in accordance with the principles of GATS and the Negotiating Guidelines.
- * A number of proposals have been put forward on the intensification of the request and offer process and complementary approach, i.e. quantitative and qualitative targets. A number of other members have reiterated the flexibility in GATS architecture accorded to developing countries in undertaking commitments and have expressed opposition to any change to request and offer approach on a bilateral basis.
- * The US recommends that numerical target approach may be met by using a combination of collective and individual targets. The US recommends rough approximations and cautions that these are for illustrative purposes only. For example, new or improved commitments from group of developed country Members sufficient to achieve a minimum coverage of {70% } or {110?} subsectors, on average and new or improved commitments from the group pf developing country Members sufficient to achieve a minimum coverage of {50% } or {80?} subsectors on average. Each Member may contribute the same or different number of improvements/new subsectors. The average would be calculated as the sum of all subsectors in which new or improved commitments are made for each group of Members, divided by the number of Members in each group.
 - **The European Union** recommends that WTO members shall improve their commitments on 139 out of 163 services sub-sectors (93 for developing countries). It also emphasized that WTO developed members should participate to negotiation on at least 12 of the 16 sectors identified by the Chairman (8 for developing countries). LDCs can be full exempted from commitments on services. Services offers should have been revised in 2006, reflecting “the qualitative and quantitative parameters and the outcome of the negotiations”.

Member's imports; or keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] percent of tariff lines provided they do not exceed [5] percent of the total value of a Member's imports.

¹² The paragraph 6 of the July framework exempts countries with low binding coverage (<35%) of tariff cuts, under the reserve they commit to binding all their tariffs.

- **Argentina, Brazil, Egypt, Malaysia and Philippines** strongly reacted to the European proposal, rejecting the principle of **mandatory commitments** promoted by the EU. For most developing countries, this principle would be asymmetrical as developed countries have already significantly liberalized their services and most developing countries do not have.

- * The African Group and LDC Group have supported the above mentioned countries statement rejecting the mandatory commitments principles. To quote the African Group on this:

“Furthermore, the African Group has, on previous occasions expressed our concerns regarding the mandatory benchmarks on multilateral or plurilateral approaches. **We therefore have very strong reservations on the inclusion of these approaches, and numerical targets and indicators as part of the approaches for this round.**”

- **The ACP group** underscores that negotiations have so far not take into account the real needs of the developing countries in terms of service liberalization. The mode 4 constitutes in this perspective a priority for the ACP groups, with particular concerns regarding the tourism and construction services.

4. Development issues

- * The main objective of the New Round is to put development at the heart of the world trade system in a way that will help them combat poverty. This was in response to increasing criticism that trade negotiations are not sensitive enough to the concerns of developing countries.
- * Three development issues are noteworthy, one pertains to TRIPS and public health, the second is on special and differential treatment and the third is implementation issues.
- * The African Group has strong misgivings over how ‘development issues’ are finding expression in on-going negotiations. According to them development must be the linchpin of Doha Round talks, especially if the smallest and most vulnerable of WTO Members are to benefit.

- **The European Union** pleads in favor of an unrestricted access of all LDCs to developed economies, and recommends that more advanced developing countries open up their markets to the imports from LDCs.

It called for an agreement on the 28 Special and Differentiate Treatment proposals prepared for Cancun, as well the 5 LDC proposals, and a commitment by all members to address all implementation issues in the remainder of the Doha declaration.

Eventually, it emphasized the need to substantially increase the aid-trade package in favor of developing countries, to:

- Offset the preferences erosion (supply side reinforcement, other...)
- Improve the Integrated Framework support

The EU also supports the cotton initiative, calling for precise implementation deadlines on that issue.

- **The G20** promotes unrestricted access for LDCs exporters on the agricultural markets of the developed countries. It also emphasizes the need to increase the funds in favor of the supply side capacity reinforcement in the developing countries.
- **The ACP** group emphasizes that the agreement on agricultural market access shall not be too ambitious, take into account the issue of preferences erosion, food security and food aid.

It insists that strong decisions have to be taken on cotton, with a complete elimination of exports subsidies, tariffs and quotas on cotton trade. They plead in favor of an emergency support fund for cotton producers.

**Annex II: ECA's simulations and results for the US
market access proposals in the modalities negotiations**

The Harmonising Nature of the US Proposal and the Impacts on High Tariffs and Tariff Peaks

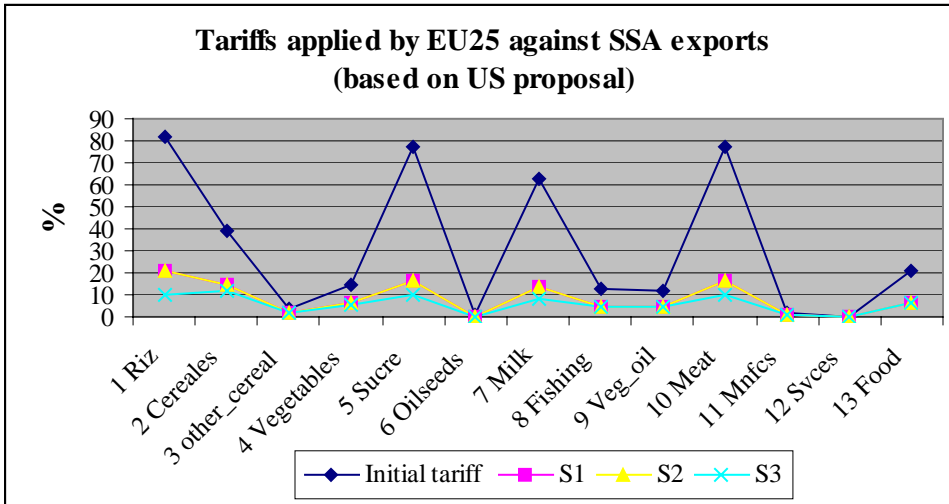
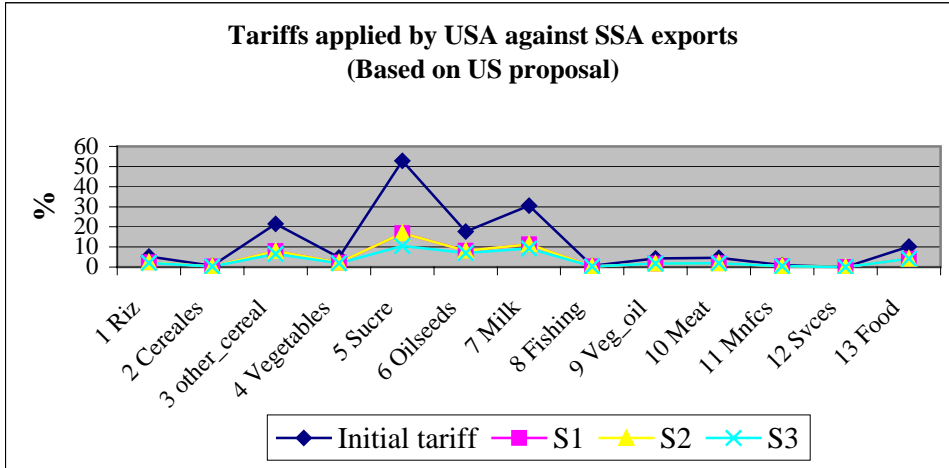


Table II-1: Change in the terms of trade (% deviation from initial situation)

| | Scenario I (S1) | Scenario II (S2) | Scenario III (S3) |
|-------------------------|-----------------|------------------|-------------------|
| Sub-Sahara Africa (SSA) | -1.13 | -0.68 | -0.66 |
| North Africa | -2.09 | -1.33 | -2.33 |
| Japan | 0.66 | 0.63 | 0.6 |
| China | 0.12 | 0.58 | 0.73 |
| EU-25 | 0.11 | -0.02 | 0.05 |
| USA | -0.35 | -0.4 | -0.37 |
| Cairns developing | 0.27 | 0.22 | 0.22 |
| Cairns developed | -0.14 | 0.32 | 0.31 |
| ROW | -0.12 | -0.08 | -0.19 |

Source: Economic Commission for Africa, simulation from GTAP 5.4, October 2005

Table II-2: GDP impacts (% deviation from the initial solution)

| | Scenario I (S1) | Scenario II (S2) | Scenario III (S3) |
|-------------------------|-----------------|------------------|-------------------|
| Sub-Sahara Africa (SSA) | 0.35 | 0.39 | 0.39 |
| North Africa | 1.3 | 0.95 | 2.7 |
| Japan | 0.27 | 0.31 | 0.31 |
| China | 0.63 | 0.69 | 0.7 |
| EU-25 | 0.1 | 0.14 | 0.14 |
| USA | 0.02 | 0.02 | 0.02 |
| Cairns developing | 0.22 | 0.24 | 0.24 |
| Cairns developed | 0.05 | 0.07 | 0.07 |
| ROW | 0.55 | 0.58 | 0.64 |

Source: Economic Commission for Africa, simulation from GTAP 5.4, October 2005

Table II-3: Sectoral value added changes (% deviation from initial position)

| | Scenario I (S1) | | Scenario II (S2) | | Scenario III (S3) | |
|---------------|-----------------|-----------|------------------|-----------|-------------------|-----------|
| | SSA | N. Africa | SSA | N. Africa | SSA | N. Africa |
| Rice | -0.33 | 25.15 | -0.04 | 28.48 | -0.06 | 29.22 |
| Cereals | -1.15 | -1.73 | -1.18 | -1.55 | -1.21 | -2.4 |
| Other cereals | 2.81 | -10.38 | 1.91 | -11.53 | 1.73 | -12.17 |
| Vegetables | 2.05 | 0.62 | 2.01 | 0.79 | 1.95 | 0.89 |
| Sugar | 1.09 | -4.11 | 26.63 | -3.58 | 26.19 | -4.62 |
| Oilseeds | 8.22 | -5.68 | 9.82 | -6.54 | 13.1 | -7.6 |
| Milk | 3.81 | -0.68 | 1.52 | -1.27 | 0.98 | -2.56 |
| Fishing | 0.79 | 1.66 | 0.94 | 1.66 | 1.01 | 1.96 |
| Vegetable_oil | -5.72 | -0.68 | -6.64 | -7.7 | -6.89 | -6.27 |
| Meat | -0.87 | 145.5 | 12.38 | 231.69 | 15.69 | 571.66 |
| Manufactures | -1.31 | -0.44 | -2.41 | 0.87 | -2.48 | 0.37 |
| Services | 0.3 | 1.68 | 0.42 | 0.94 | 0.42 | 2.58 |
| Food | -0.35 | -7.41 | 0.05 | -7.84 | 0.19 | -15.82 |

Source: Economic Commission for Africa, simulation from GTAP 5.4, October 2005 (A positive number indicates an improvement in the value-added and vice-versa)

Annex III: ECA's simulations and results regarding issues under NAMA modalities negotiations

Table III-1: Evolution of the tariff applied against SSA exports

| | Cairns Developed | | | | | Cairns Developing | | | | | China | | | | | Japan | | | | | EU | | | | | EU25 | | | | |
|------------------|-------------------|-----|-----|-----|-----|-------------------|------|------|------|------|-------------------|------|------|------|------|-------------------|-----|-----|-----|-----|-------------------|-----|-----|-----|-----|-------------------|------|-----|------|------|
| | Initial Tariff | S1 | S2 | S3 | S4 | Initial Tariff | S1 | S2 | S3 | S4 | Initial Tariff | S1 | S2 | S3 | S4 | Initial Tariff | S1 | S2 | S3 | S4 | Initial Tariff | S1 | S2 | S3 | S4 | Initial Tariff | S1 | S2 | S3 | S4 |
| Rice processing | 0 | 0 | 0 | 0 | 0 | 1,3 | 1 | 1,2 | 1,2 | 1 | 0,9 | 0,8 | 0,9 | 0,9 | 0,8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,5 | 1,5 | 3,6 | 1,5 | 1,5 |
| Sugar processing | 0,2 | 0,1 | 0,2 | 0,1 | 0,1 | 0,8 | 0,5 | 0,6 | 0,6 | 0,5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,1 | 2,1 | 5,3 | 2,1 | 2,1 | 113,6 | 16,8 | 39 | 16,8 | 16,8 |
| Food prod | 0,6 | 0,3 | 0,5 | 0,3 | 0,3 | 16 | 10,9 | 13 | 13 | 10,9 | 21 | 14,7 | 17,5 | 17,5 | 11,5 | 3,6 | 2,8 | 3,3 | 2,8 | 2,8 | 2,1 | 1,1 | 1,6 | 1,1 | 1,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 |
| Bev.Tobacco | 2,4 | 0,9 | 1,5 | 0,9 | 0,9 | 3,3 | 1,8 | 2,1 | 2,1 | 1,9 | 0 | 0 | 0 | 0 | 0 | 16,2 | 9,3 | 13 | 9,3 | 9,3 | 0,4 | 0,2 | 0,3 | 0,2 | 0,2 | 1 | 0,6 | 0,8 | 0,6 | 0,6 |
| Textiles | 13,8 | 4,9 | 8,6 | 4,9 | 4,9 | 6,4 | 4,7 | 4,7 | 4,7 | 4,7 | 10,5 | 7,6 | 9 | 9 | 7,6 | 3,1 | 2,6 | 2,9 | 2,6 | 2,6 | 12,6 | 4,8 | 8,2 | 4,8 | 4,8 | 0,2 | 0,1 | 0,1 | 0,1 | 0,1 |
| Clothing | 17,3 | 4,3 | 8,7 | 4,3 | 4,3 | 13 | 8,9 | 10,6 | 10,6 | 8,9 | 21,5 | 14,3 | 17,4 | 17,4 | 14,9 | 6,1 | 4,7 | 5,6 | 4,7 | 4,7 | 11,2 | 3,7 | 6,7 | 3,7 | 3,7 | 0,1 | 0 | 0 | 0 | 0 |
| Leather | 5,9 | 2,4 | 3,9 | 2,4 | 2,4 | 7,5 | 4,1 | 5,9 | 5,9 | 5,8 | 10,5 | 6,1 | 8,5 | 8,5 | 6,1 | 1,9 | 1,4 | 1,7 | 1,4 | 1,4 | 1,3 | 0,6 | 0,9 | 0,6 | 0,6 | 0 | 0 | 0 | 0 | 0 |
| Wood prod | 1 | 0,6 | 0,9 | 0,6 | 0,6 | 2,8 | 1,5 | 2,5 | 2,5 | 2,1 | 0,6 | 0,3 | 0,5 | 0,5 | 0,3 | 0,7 | 0,7 | 0,7 | 0,7 | 0,7 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0 | 0 | 0 | 0 | 0 |
| Paper prod | 0,7 | 0,6 | 0,7 | 0,6 | 0,6 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 2,4 | 1,5 | 2 | 2 | 1,5 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 |
| Oil | 0 | 0 | 0 | 0 | 0 | 1,3 | 1,1 | 1,2 | 1,2 | 1,1 | 7 | 4,4 | 5,9 | 5,9 | 4,4 | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 | 1 | 0,7 | 0,9 | 0,7 | 0,7 | 0 | 0 | 0 | 0 | 0 |
| Chemistry | 1 | 0,7 | 0,9 | 0,7 | 0,7 | 1,7 | 1 | 1,4 | 1,4 | 1 | 31,3 | 14,6 | 22,7 | 22,7 | 23 | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 | 0,3 | 0,2 | 0,2 | 0,2 | 0,2 | 0 | 0 | 0 | 0 | 0 |
| Mineral prods. | 1,7 | 1,1 | 1,4 | 1,1 | 1,1 | 3,4 | 1,8 | 2,6 | 2,6 | 3,4 | 19,4 | 14,1 | 13,8 | 13,8 | 14,1 | 0 | 0 | 0 | 0 | 0 | 0,5 | 0,3 | 0,5 | 0,3 | 0,3 | 0,3 | 0,2 | 0,2 | 0,2 | 0,2 |
| Iron | 0 | 0 | 0 | 0 | 0 | 1,7 | 1 | 1,3 | 1,3 | 1,3 | 4,7 | 3,2 | 4,1 | 4,1 | 3,2 | 3,2 | 3,1 | 3,1 | 3,1 | 3,1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Metal | 0 | 0 | 0 | 0 | 0 | 1,2 | 0,8 | 1 | 1 | 0,8 | 3,6 | 2,6 | 3,2 | 3,2 | 2,6 | 1,7 | 1,6 | 1,6 | 1,6 | 1,6 | 0,3 | 0,2 | 0,3 | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 |
| Metal prod. | 2,3 | 1,4 | 1,9 | 1,4 | 1,4 | 3,4 | 2,5 | 2,9 | 2,9 | 2,5 | 9,3 | 5,2 | 7,3 | 7,3 | 7,2 | 0 | 0 | 0 | 0 | 0 | 0,4 | 0,3 | 0,4 | 0,3 | 0,3 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 |
| Engine | 5,3 | 2,5 | 3,9 | 2,5 | 2,5 | 1,8 | 1,2 | 1,5 | 1,5 | 1,2 | 0,4 | 0,2 | 0,3 | 0,3 | 0,2 | 0 | 0 | 0 | 0 | 0 | 0,2 | 0,1 | 0,1 | 0,1 | 0,1 | 0,3 | 0,2 | 0,3 | 0,2 | 0,2 |
| Trans.Equ | 0,2 | 0,1 | 0,2 | 0,1 | 0,1 | 0 | 0 | 0 | 0 | 0 | 34,9 | 21,3 | 28,8 | 34,9 | 28,1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0,8 | 0,9 | 0,8 | 0,8 |
| Mach Equ | 0,1 | 1 | 1,2 | 1 | 1 | 1,5 | 1,5 | 2 | 2 | 1,9 | 11,3 | 6,3 | 9,4 | 9,4 | 9,2 | 0 | 0 | 0 | 0 | 0 | 0,5 | 0,5 | 0,5 | 0,5 | 0,5 | 0,2 | 0,1 | 0,1 | 0,1 | 0,1 |
| Electronic | 1,4 | 0,1 | 0,1 | 0,1 | 0,1 | 2,4 | 1,1 | 1,3 | 1,3 | 1,1 | 12,4 | 6,4 | 9 | 9 | 6,4 | 0 | 0 | 0 | 0 | 0 | 0,6 | 0,4 | 0,5 | 0,4 | 0,4 | 0,1 | 0,2 | 0,2 | 0,2 | 0,2 |
| Manuf_nec | 1,2 | 0,9 | 1,1 | 0,9 | 0,9 | 1,1 | 0,8 | 1 | 1 | 0,8 | 20,3 | 14,5 | 17,2 | 17,2 | 14,5 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,3 | 0,3 | 0,3 | 0,3 | 0,3 | 0 | 0 | 0 | 0 | 0 |

Source: Economic Commission for Africa, GTAP 6.0

Table III-2: Welfare variation, US million dollars

| Welfare | S1 | S2 | S3 | S4 |
|--------------|----------|----------|----------|----------|
| SSA | 489,02 | 337,24 | 543,41 | 514,98 |
| NAFR | 3545,99 | 2789,59 | 2860,91 | 3274,92 |
| EU25 | 7978,18 | 5756,61 | 6531,25 | 7455,25 |
| EU | 968,01 | 640,32 | -288,49 | 394,76 |
| Japan | 16028,35 | 11188,01 | 15383,12 | 15773,95 |
| China | 5206,81 | 2797,09 | 3971,77 | 5273,14 |
| Cairns Dvg | 5202,17 | 2636,81 | 4177,07 | 4726,42 |
| Cairns Dvped | 1329,69 | 923,13 | 1374,53 | 1349,92 |
| ROW | 7399,4 | 3610,24 | 4798,55 | 6601,9 |

Table III-3: GDP variation, % change

| GDP | S1 | S2 | S3 | S4 |
|--------------|------|------|------|------|
| SSA | 0,37 | 0,21 | 0,22 | 0,33 |
| NAFR | 1,7 | 1,28 | 1,28 | 1,51 |
| EU25 | 0,11 | 0,07 | 0,1 | 0,11 |
| EU | 0,01 | 0,01 | 0,01 | 0,01 |
| Japan | 0,37 | 0,26 | 0,37 | 0,37 |
| China | 0,53 | 0,29 | 0,32 | 0,48 |
| Cairns Dvg | 0,15 | 0,08 | 0,1 | 0,13 |
| Cairns Dvped | 0,14 | 0,1 | 0,14 | 0,14 |
| ROW | 0,19 | 0,09 | 0,09 | 0,16 |

Table IV-4: Trade Balance variation, US million dollars

| DTBAL | S1 | S2 | S3 | S4 |
|--------------|-----------|----------|----------|----------|
| SSA | -2796,5 | -748,35 | -870,52 | -1455,7 |
| NAFR | -1729,12 | -524,69 | -611,83 | -1194,07 |
| EU25 | 9225,91 | 2824,78 | 2982,08 | 4860,17 |
| EU | -27254,95 | 3102,69 | 3401,77 | 5935 |
| Japan | 11107,16 | 2052,38 | 2029,07 | 3299,34 |
| China | 6980,48 | -1817,72 | -1084,01 | -2251,9 |
| Cairns Dvg | 5516,09 | -1942,44 | -1871,86 | -2648,73 |
| Cairns Dvped | 2851,44 | -133,33 | -648,35 | -415,96 |
| ROW | -3900,51 | -2813,32 | -3326,34 | -6128,16 |

Table III-5: Terms of Trade variation, %

| ToT | S1 | S2 | S3 | S4 |
|--------------|-------|-------|-------|-------|
| SSA | -0,13 | -0,03 | 0,22 | -0,03 |
| NAFR | -0,69 | -0,36 | -0,25 | -0,43 |
| EU25 | -0,03 | -0,01 | -0,09 | -0,05 |
| EU | -0,02 | -0,02 | -0,12 | -0,07 |
| Japan | 0,13 | 0,07 | -0,03 | 0,07 |
| China | -0,32 | -0,19 | 0,05 | -0,08 |
| Cairns Dvg | 0,63 | 0,3 | 0,59 | 0,61 |
| Cairns Dvped | -0,08 | -0,07 | -0,08 | -0,09 |
| ROW | -0,06 | -0,01 | 0,07 | -0,02 |

Source: Simulations GTAP-6