



UNITED NATIONS

ECONOMIC COMMISSION FOR AFRICA

Distr.: GENERAL

E/ECA/CTRCI/5/2
01 August 2007

Original: English

**Fifth Session of the Committee on Trade,
Regional Cooperation and Integration**

**8-10 October 2007
Addis Ababa, Ethiopia**

**Developments in
International Trade and
WTO/EPA Negotiations**

Table of Contents

Acronyms.....	ii
Introduction.....	1
1. Developments in international trade.....	1
2. WTO trade negotiations.....	2
3. The position and prospects in WTO negotiations by issue.....	5
4. EPA negotiations.....	9
5. Other developments in international trade negotiations.....	10

Acronyms

AUC	African Union Commission
AMS	Aggregate Measures of Support
ATPC	African Trade Policy Centre
ACP	African Caribbean and Pacific Countries
AGOA	African Growth and Opportunity Act
AERC	African Economic Research Consortium
EBA	Everything But Arms
CEMAC	Economic and Monetary Union of Central Africa
CSO	Civil Society Organization
CODESRIA	Counsel for Development of Economic and Social Research in Africa
EPA	Economic Partnership Agreement
EURO-Med	European and Mediterranean process
EU	European Union
GATI	General Agreement on Tariffs and Trade
GSP	General System of Preferences
GSTP	General System of Trade Preferences
TDCA	Trade Development and Cooperation Agreement
ITC	International Trade Centre
ILEAP	International Lawyers and Economists Against Poverty
LDC	Least Developed Country
NAMA	Non-Agricultural Market Access
REC	Regional Economic Communities
RTA	Regional Trade Agreement
SACU	Southern African Customs Union
SDT	Special and Differential Treatment
SPS	Sanitary and Phytosanitary Measures
SSA	Sub-Saharan Africa
TPA	Trade Promotion Authority
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organization

Introduction

This note provides an update to the Committee on Regional Integration on the developments in trade negotiations. This update is important as Africa is engaged in two major tracks of trade negotiations, encompassing the World Trade Organization (WTO) and the European Union-African Caribbean and Pacific Countries (EU-ACP) Economic Partnership Agreement (EPA) negotiations. Indeed, since 2001, Africa has found itself having to deal with global trade negotiation challenges at the multilateral and bilateral level. At the multilateral level, there has been limited progress towards addressing the trade priorities of Africa in a way that would enable trade to realize its potential as a key pillar of economic development on the continent. In the same vein bilateral trade negotiations, especially between African countries and developed country economies such as the EU, are raising major challenges given the centrality of the trade dimension instead of the development dimension in these negotiations.

The first section briefly gives an update on growth in global trade with observations of how Africa has fared. The second section presents the evolution of the multilateral negotiations since the Doha Development Round launched in 2001, and highlights the major WTO challenges for African countries. The third section focuses on EPA negotiations with the EU. It highlights the fact that while EPAs are representing significant potential for growth and development, they also pose great challenges in terms of adjustment costs. African countries are also involved in a number of regional and free trade agreements negotiations. At the same time, they are benefiting from several major preferential schemes such as the US African Growth Opportunity Act (AGOA). Some African countries are also engaged in bilateral trade talks with other regions of the world. The fourth and last section highlights the major recent developments related to these processes.

1. Developments in international trade

World trade expanded significantly between 2000 and 2005. Total world exports increased from \$US6,451 billion in 2000 to \$US10,393 billion in 2005, an increase of 61 per cent¹. Over the past 6 years, world merchandise exports experienced an average growth rate of 10.4 per cent. Over the same period, Africa performed better, increasing its exports by 16 per cent on average annually. However, breaking down the export performance by subregion reveals that the rapid increase in exports is particularly concentrated in oil-exporting SSA countries². These countries achieved an average export growth of 22.4 per cent over the period.

On the other hand, the average export performance of non-oil exporting SSA countries is very much in line with the world average (11.2 per cent). This seems to be further proof that the recent gains in Africa's exports is not based on diversification of the export base but is based rather on increased oil exports. Moreover, the variability of exports by oil producers is higher than for other countries, probably owing to the volatility of oil prices. The recent improvement in Africa's export performance therefore appears to be vulnerable to shifts in international commodity prices, particularly in changes in oil prices.

¹ WTO online world trade statistics, in dollars at current prices.

² Angola, Chad, Congo, Equatorial Guinea, Gabon, Nigeria and the Sudan.

What is more, despite a recent slight recovery, Africa's share of global exports of merchandise remains low. Africa's share in 2005 was only 2.85 per cent, roughly the equivalent of its 1991 value and less than half its peak value in 1980 (5.97 per cent). For comparative purposes, Africa accounted for 14 per cent of world population in 2005³. At the current rate of growth of African exports, and according to the United Nations population growth estimates, Africa would have to wait until 2045 for its world exports to match its share of world population⁴. Non-oil-exporting SSA countries currently account for 8.5 per cent of world population. At the current rate of growth of their exports, and even without taking account of their increasing weight in total world population, these countries would have to wait until 2387 (382 years!) to see their export share match their share of world population⁵.

Much was expected of a successful Doha Development Round of WTO negotiations launched in 2001 at the Fourth WTO Ministerial Conference from 9 to 14 November 2001 in Qatar, and numerous studies suggested that there would be significant gains for developing countries. Likewise, it was often expected that EPAs with the EU would result in improved business environments in African countries.

2. WTO trade negotiations

The evolution of the negotiations from 2001

Launched in November 2001, the Doha Development Round has seen ups and downs in the negotiations up to July 2006 where it stalled. It has resumed since then but the prospects for a breakthrough appear to be dim given that there was no agreement even as the expiry of the Trade Promotion Authority (TPA) given to the US President by Congress came to an end.

(a) Doha

The Declaration of the Fourth Ministerial Conference in Doha, Qatar provided the negotiation mandate for the Round. Negotiations on services and agriculture were programmed by the "in-built agenda" clauses of the Agreement of Marrakech. Importantly, for African countries, the Doha meeting also secured a waiver for the transitional arrangements of the Cotonou provisions for the EU-ACP countries. The waiver permitted the legal application of the Cotonou preferential trade regime, until its expiry on 31 December 2007. It is this deadline that is putting the EPA negotiations under pressure, as it is unlikely for the waiver to be renewed or extended. The Doha mandate evolved and was fine-tuned with the subsequent Ministerial Conferences in Cancún, Geneva and Hong Kong.

(b) Cancún

In Cancún in September 2003, the Ministerial Conference that was intended for stock taking of positions ended in a deadlock. The main contentions crystallized around the so-called Singapore issues: investment, competition, government procurement and

³ United Nations Population Division, United Nations Development of Social and Economic Affairs (UNDESA), online statistics, November 2006.

⁴ Projections for all African countries (including oil-producing and North African countries), estimate a continuation of the average export growth rates over the past five years and of United Nations projections for population growth.

⁵ Evaluation for non-oil-exporting SSA countries, without taking account of their projected population growth.

trade facilitation. However, there was also deep disagreement over the treatment of cotton and of agriculture.

(c) The July Framework

It took member States until July 2004 to achieve substantial progress in the negotiations on the issues that had stalled the negotiations in Cancún. After several weeks of intense negotiations, the member States agreed on a text that represented significant progress in clarifying the framework or principles that would govern construction of final modalities.

The main progress under the July package was registered with respect to agriculture, Singapore issues and to some extent Non-Agriculture Market Access (NAMA). The text agreed to drop the Singapore issues with the exception of trade facilitation. With regard to agriculture, advances were achieved on the three pillars, with special and differentiated treatment featuring in all aspects. Domestic support measures were to be reduced with steeper reductions for the highest level of subsidies. On export competition, the agreement stipulated a reduction with a view to phasing out export subsidies, even though no date was proposed for concrete elimination of these subsidies. The choice of a tiered formula was also retained for market access. LDCs were exempted of all tariff cuts. It was furthermore decided that cotton, one of the contentious issue in Cancún, would be treated under the Agriculture negotiations, with a subcommittee created to address this issue “ambitiously, expeditiously and specifically”.

The July package text was less clear concerning the choice of a particular formula for NAMA reductions. Negotiations on NAMA had been delayed by the late progress on Agriculture, with many members refusing to invest too much effort in NAMA, while the degree of ambition in agriculture was unknown. The Framework also defined new deadlines for further advancing the negotiations.

However, most of the interim deadlines were missed and not much happened in 2005. The little progress up to the Hong Kong Ministerial Conference included a system to assess the ad-valorem equivalent of non-ad-valorem tariffs. The main problems remained unresolved. Despite small advances, there were no major developments until the Hong Kong Ministerial Conference in December 2005.

(d) Hong Kong Ministerial Conference

The Sixth WTO Ministerial Conference in Hong Kong in December 2005 resulted in a declaration that outlined some further progress in the negotiations. However, it also failed to bridge significant gaps. The main developments brought about by the Hong Kong Declaration include an end date of 2013 for agricultural export subsidies, and end of 2006 for the subsidies for cotton. Precision was also added to the modalities on agriculture, notably the number of bands for the tiered formulae. Progress was also made on the definitions of sensitive products, special products and special safeguard mechanisms. On NAMA, the Declaration stated the choice of a Swiss formula for tariff reduction.

On agriculture and NAMA, the Hong Kong Declaration set out a deadline for establishing modalities, in particular on the depth of tariff cuts and reduction of domestic subsidies by 30 April 2006 with a view to establishing detailed schedules of commitments

by 31 July 2006. On services, the Declaration called for improved offers and included a timeline to do so.

Another major highlight of the Declaration and of particular importance for many African countries was the decision to grant duty-free and quota-free market access to Least Developed Countries (LDCs). This included 97 per cent of products but notably excluded some textile and garment products. Such market access would be granted to LDCs by developed countries and developing countries in a position to do so. Countries such as the US and Japan have already notified WTO on how they are implementing this agreement on duty-free, quota-free market access.

The Hong Kong Conference also resulted in an agreement on transparency on rules for regional integration. Finally, the Declaration also called for the creation of a Task Force on Aid for Trade. Discussions on Aid for Trade had developed during the course of 2005 and it was felt that they could now be held under WTO auspices. It is noteworthy that this initiative has continued to make progress even as other components of the negotiations have stalled.

(e) The pause in the negotiations: July-November 2006

The Hong Kong Declaration had set several deadlines for progress in negotiations on modalities. These deadlines were all missed during the first half of 2006. By the end of June 2006, a meeting of Ministers and Heads of Delegation was called in Geneva. Despite intense discussions on Agriculture and NAMA, no agreement on modalities could be reached. The issues had been discussed at several levels including during a G-8 meeting in July 2006. Finally, after another unfruitful attempt to break the deadlock during a G-6 meeting on 27 July 2006, the Director-General of WTO called for the talks to be suspended. In his view, there was a need for reflection and quiet diplomacy.

The reason for the deadlock in the WTO negotiations appears to be primarily associated with disagreement with the levels of demand and offers on Agriculture. In particular, it seems that the EU and the USA would not agree on the levels of necessary concessions with regard to market access against reductions in domestic support.

The suspension of the talks was clearly a setback for the multilateral process, prohibiting the international community, and especially poorer countries, from significant improvements in the multilateral trading system. This freeze of the negotiations was all the more worrying in light of the expiration of the TPA⁶ or “fast-track” at the end of 2007. This constituted a de-facto deadline for the current Round⁷.

From July to November 2006, there were no official negotiations. However, on 16 November 2006, the WTO Director-General called for an informal trade committee meeting to re-launch the consultation process, as there appeared to be a consensus that WTO members were keen to revive the negotiations.

The section below explores the achievements so far in the Doha Round from an African perspective.

⁶ The TPA allows the American Administration to negotiate international trade agreements and present the outcome to the US Congress for a acceptance vote without the possibility of amendments.

⁷ Resuming negotiations after 2007 would probably mean waiting for the next US administration to receive a renewed TPA, the timing of which is, of course, unknown.

3. The positions and prospects in WTO negotiations by issue

WTO negotiations have featured prominently in the headlines during the past couple of years. However, the main protagonists, particularly the EU and the USA, have not managed to bridge major differences on Agriculture. This led to a deadlock in the negotiations in July 2006 before their resumption. An agreement had still not been reached at the time of preparing this paper. Despite significant lingering disagreement between the parties, the negotiations have realized some clear advances. This section highlights the advances that are of special interest to Africa. It is hoped that progress made in these areas will not be lost if the negotiations stall again.

(a) Agriculture

Agriculture is a sector of key interest for African countries, especially in the context of poverty reduction and diversification policies (UNECA 2005). Agriculture is probably the most contentious of issues in the negotiations. Nevertheless, the negotiations had seen some advances that conformed to African wishes, either in the form of agreed principles or bracketed text.

The main achievements under Agriculture include first and foremost the decision to abolish all export subsidies by 2013, and by the end of 2006 for cotton exporters. The setback in the negotiations already translates in the non-realization of the suppression of cotton export subsidies at the agreed date of end 2006. Disciplines in food-aid and States Trading Enterprises should also contribute to fairer markets in Agriculture (Osakwe 2006).

In terms of market access, the negotiations had established a tiered formula with four bands resulting in steeper cuts for higher tariffs. There had also been talks of tariff capping. UNECA's research has shown that overall, African countries would benefit more from an important reduction in tariffs (UNECA November 2005). The formula would apply different sets of cuts to developed and developing countries, in line with the proportionality principle sought by African countries (African Union, November 2005). Moreover, LDCs are also not committed to reducing tariffs. This would allow most African countries to preserve substantial policy space in agriculture, also a clear objective of the African group.

The principles of sensitive products, alongside special products and special safeguard mechanisms, had also been agreed to, despite significant disagreement on actual figures. Developing countries, including African countries, had strongly argued in favour of special products and special safeguard mechanisms that would be reserved to developing countries and allow special treatment for goods that have a role in rural development and the livelihoods of rural communities. As at the time of preparing this paper, there was no consensus on the actual values of percentages of tariff lines to be included as special and/or sensitive products.

Progress had also been achieved on domestic subsidies. The choice of a tiered formula had been retained for domestic subsidies, both for the blue box and the Aggregate Measures of Support (AMS). This would translate into higher reduction of the subsidies in countries where they are significantly high. Further disciplines would have been introduced on de-minimis subsidies. A substantial reduction of domestic support measures in the North would also match the long-term interests of most African countries (UNECA 2005, Osakwe 2006).

(b) NAMA

Although somewhat delayed due to lack of progress in Agriculture, talks on NAMA had also made some significant advances. Of importance for many African countries, LDCs were exempted from tariff cuts.

The talks also permitted retention of the Swiss formula for tariff reductions, which entails larger cuts on higher tariffs and a harmonizing effect (UNECA 2004). The principle of proportionality in tariff cuts is also emphasized in the Hong Kong Declaration. Developing countries should be permitted to proceed with smaller tariff cuts than developed ones. However, the precise level of coefficients for the formula remains undecided. The level of these coefficients is crucial as it determines the depth of the tariff cuts and whether or not the cut goes beyond simply reducing “water in the tariff” and results in actual reductions in applied rates. Special and Differential Treatment (S&D) is therefore available through the differentiated formula in NAMA.

S&D treatment for developing countries is also reflected through another provision of the Hong Kong Declaration: the so-called paragraph 8, which enables developing countries to either shield a proportion of tariffs from the effect of the formula, or alternatively allow them to opt for a less-than formula reduction of tariffs for a larger number of their tariffs.

In NAMA, only those developing countries with more than 35 per cent of bound tariff lines have to apply the formula, which is only the case of eight African developing countries⁸. Other countries would have to increase their binding.

UNECA studies tend to show that while an overly ambitious liberalization scenario in NAMA could lead to gains in welfare for Africa, there would also be a risk of de-industrialization for the continent and specialization in agricultural productions (UNECA 2006). Apart from a few important products that are still protected by high tariffs in developed countries, the potential gains in terms of depth of tariff reductions appear to be greater in other developing markets.

(c) Other issues

In services, negotiations had been programmed by the so-called “in-built agenda” as stipulated by paragraph 1 of Article XIX of General Agreement on Trade in Services (GATS). Negotiations on services therefore resumed on January 2000, before the Doha Ministerial Conference. Noteworthy for developing countries including those in Africa, Article XIX-2 of GATS, makes S & D an explicit element of the GATS negotiations. Therefore, developing countries are only expected to undertake trade commitments in services liberalization that is compatible with the development level⁹. Negotiations are following a “request and offer” approach.

⁸ These eight countries are Botswana, Egypt, Morocco, Namibia, South Africa, Swaziland and Tunisia (UNECA 2006).

⁹ GATS Art XIX-2: “*The process of liberalization shall take place with due respect for national policy objectives and the level of development of individual Members, both overall and in individual sectors. There shall be appropriate flexibility for individual developing country Members for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation [...]*”.

However deadlines for submissions have been missed. Since March 2003, 69 offers have been made and 30 of them have been subsequently revisited¹⁰. These offers cover both sectoral and horizontal/multisectoral proposals. Similar to negotiations on Agriculture and NAMA – and of importance to many African countries - LDCs are not expected to undertake new commitments in services in the current Round. For other African countries, negotiations in services represent both opportunities and challenges.¹¹ Trade in services has increased significantly worldwide and African countries have potential comparative advantages in some services sectors (tourism, but also other labour-intensive sectors covered by Mode 4). Moreover, the international provision of business support and infrastructure services in sectors such as insurance, banking and consulting can greatly reduce the cost of doing business and increase competitiveness in developing countries (UNCTAD 2002).

Furthermore, liberalization often has to be planned and sequenced carefully and requires the development of an appropriate regulatory framework (UNCTAD 2005). There is no “one size fits all” approach in international trade in services and the negotiations in services liberalization cover a very large number and variety of industries. For developing countries, in particular African countries, progress in the negotiations – as highlighted by the small number of offer - is hindered by the lack of capacity to analyse negotiating interests in services. Capacity in managing liberalization in services and developing-the supply capacity also need support in African countries. It is suggested by several observers (for example Sauvé, 2006) that Aid for Trade programmes should be targeted at enhancing the capacity of African countries to respond to such challenges.

Talks on trade facilitation have also progressed significantly in the recent past. A consensus was reached that linked the application of some obligations in developing countries to systematic provision of technical assistance to do so.

On rules for regional integration, a decision of the Negotiating Group on Rules established a transparency mechanism for regional trade agreements (RTAs). This decision applies to all RTAs provisionally and will be replaced by a permanent mechanism upon the completion of the Doha Round. The discussions on establishing criteria for actual WTO compatibility with RTAs have not progressed significantly.

One of the most noteworthy achievements of the Round for Africa so far, has probably been the proposition to grant LDCs duty-free, quota-free market access to developed countries and developing countries in a position to do so¹². EU has championed this proposition. Unfortunately, other developed countries, in particular the US, insisted on watering it down to apply to only 97 per cent of all products, which allowed for exclusion of key products from the textile and apparel sector. This decision could still carry interesting consequences for African LDCs as one of the criticisms often levelled at preferential schemes such as “Everything-But-Arms (EBA)” is that they lack the legal security conferred by a commitment in the WTO.

Finally, the inclusion of Aid for Trade talks on the agenda of the Round is another significant advance. Aid for Trade is not part of the single undertaking so progress on this issue could be independent from the rest of the Round, as actually has been the case. Its

¹⁰ 7 African countries have made proposals: Egypt, Gabon, Kenya, Mauritius, Morocco, South Africa and Tunisia

¹¹ See UNCTAD 2005.

¹² Brazil recently announced its intention of granting duty-free, quota-free market access to LDCs.

introduction under WTO auspices might allow for more transparency and coherence on this issue. It is also hoped that this would facilitate increasing the resources available for aid for Trade. As mentioned above, there seems to be a great scope for such trade facilitation action negotiations, through the reinforcing of African negotiating capacities. Aid for Trade could also contribute to developing African capacity to outline concrete modalities for meaningful S & D in a range of areas of negotiations.

(d) African negotiating capacities

African negotiating capacities, which had been a major issue in the past negotiations, have evolved in the recent past.

Probably one of the most significant developments has been evolution of the participation of African countries in the actual negotiations. In the past negotiations, including the Uruguay Round, African countries played a peripheral role in the negotiations. However, in the current Doha Round, African countries are not only engaged actively in the definition of the mandate for the negotiators, but have been active at every stage, as the negotiations have progressed. As indicated elsewhere in this note, this active participation has still not yet translated to concrete results whereby African priorities are holistically addressed. However, the engagement does serve to highlight the concerns of Africa and its desire to ensure that multilateralism benefits all, especially through operationalization of S & D in every aspect.

The visible engagement of African countries in these negotiations has been driven mainly by a more effective organization of their participation. The African Union Commission (AUC) has led the political efforts and the coordination of the negotiations. This coordination has been able to maintain a strong solidarity among African countries despite the diversity of their development levels. The Africa Group in Geneva is able to participate in the negotiations from a common framework on all the key issues of interest to Africa. Thus, the current common negotiating framework that the African countries are using to inform their positions has been developed under AU coordination and has been endorsed by the AU Summit in Banjul, the Gambia in July 2006. The AU Summit Decision was based on the African Conference of Trade Ministers outcomes in Nairobi in April 2006¹³.

(e) Technical support provided to African countries

Another important development in the realm of trade negotiations has been the welcome coordinated support provided to African negotiators. Significant technical support by many institutions has been provided to the political process, spearheaded by the AU. ECA has for instance, been playing a major role through its African Trade Policy Centre (ATPC) with the support of the Canada Fund for Africa. Other institutions are also playing key roles on the technical support to the political process. These include UNDP, UNCTAD, International Trade Centre (ITC) and research networks such as the AERC, CODESRIA and International Lawyers and Economists against Poverty (ILEAP). The civil society organizations Civil Society Organizations (CSOs) have also been active in advocating for African priorities in the trade negotiations. These include non-

¹³ The Nairobi Declaration on Doha Round by the African Union Ministers of Trade was an update of previous Declarations from the Kigali Consensus in April 2004 and the Cairo Roadmap for Doha Round in June 2005. The Kigali Consensus was instrumental to African Group engagement towards the August 1, 2004 Framework. The Cairo Roadmap, on the other hand, was a major input to Africa's engagement towards and during the 6th Hong Kong Ministerial Conference in December 2005.

governmental organizations operating regionally and internationally. The Third World Network, South Centre and OXFAM, among others, have played a major role in advocating issues of concern to African countries.

4. The EPA negotiations

The long-standing Lomé preference system between the African, Caribbean and Pacific countries and EU was reformed in 2000 with the signature of the Cotonou Treaty. Cotonou rolled over the existing unilateral trade preferences up to the end of 2007 when they should be replaced by a WTO-compatible trade arrangement. The Cotonou trade arrangements are currently not compatible with the WTO rules on preferential trade arrangements (Lang, 2006). Indeed, they fit neither the criteria of Article XXIV which call for reciprocity and liberalization of substantially all the trade, nor that of the Enabling Clause which would entail that preferences are extended to all developing countries or all LDCs. ACP countries and the EU therefore had to seek a waiver from other WTO members for the Cotonou Agreement, that had been granted in Doha in November 2001. The waiver expires at the end of 2007. By then, it is expected that the negotiations on the regime that will succeed Cotonou will have been concluded.

ACP countries and the EU have opted to negotiate EPAs, which will be free trade agreements between Regional Economic Communities (RECs) and the EU. In Africa, EPAs are being negotiated with Economic and Monetary Union of Central Africa (CEMAC), ECOWAS, Eastern and Southern Africa (ESA)¹⁴ and Southern African Development Community (SADC).

The negotiations on EPAs were launched in 2002. They revolve around market access, but also fisheries, sanitary and phytosanitary measures (SPS), agriculture, services, investment and competition. Negotiations have evolved differently across the subregions. Each subregion has so far established with the EU a roadmap outlining the way forward for the negotiations. Generally, however, there has been growing concern in Africa that EPAs, while representing significant potential for growth and development, also pose great challenges in terms of adjustment costs.

Evidence tends to show that the challenges posed by EPAs include tariff revenue losses, de-industrialization and reductions in intra-African trade (UNECA 2004, 2005). African countries have therefore called for enhanced support capacities and financing. The EU argues that such tools already exist and that the discussions concerning their improvement are independent of EPA negotiations. The focus of the negotiations has therefore shifted to the development dimension of EPAs.

The negotiation process is further complicated by the overlapping of memberships of African countries in various RECs (UNECA, 2006). African countries and the EU appear to be in accordance that EPAs should be an opportunity to enhance regional

¹⁴ On 7 February 2004, 16 Eastern and Southern African (ESA) countries from the Africa, Caribbean, and Pacific (ACP) group of States officially launched bilateral trade negotiations with the EU towards WTO-compliant 'Economic Partnership Agreements' or EPAs. The launching of these negotiations makes **the ESA configuration** the third group to launch such EPA negotiations, following ECOWAS and CEMAC in early October 2003. The ESA configuration includes members of the Common Market For East And Southern Africa (COMESA): Burundi, the Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Seychelles, the Sudan, and Uganda; as well as members of COMESA which are also members of the Southern Africa Development Community (SADC): the Democratic Republic of Congo, Malawi, Mauritius, Zambia, and Zimbabwe.

integration in Africa. Impact studies on EPAs (UNECA, 2004) tend to show that the sequencing of liberalization is key for the development of the continent. This would probably translate in a back-loaded tariff reduction on imports from EU while liberalization within RECs would be a priority. The EU has also given signs of readiness to allocate additional resources to the improvement of interregional trade infrastructures, which would clearly be of benefit to regional integration on the African continent.

The Cotonou Treaty, Article 37.4 states that in 2006 the parties will conduct a formal and comprehensive review of the process, structure and substance of the negotiations. This review was completed in early 2007 with a significant contribution from a continental review study undertaken by ECA in collaboration with AU and the ACP Secretariat. Results indicate that, in several regions, the process of negotiations is evolving more slowly than expected, partly due to disagreements with the EU on the Development dimension of the EPAs, but also because of the difficulties some countries and regions face in forming internal consensus and informed positions on technical and sectoral issues.

5. Other developments in international trade negotiations

In light of the failure to strike a conclusive deal in the WTO negotiations and the ongoing EPA process, African countries have an evergrowing interest in diversifying their export markets. They are involved in a number of regional and free trade agreement negotiations. They are also benefiting from several major preferential schemes such as the AGOA. Some African countries are also engaged in bilateral trade talks with other regions of the world. This section highlights the major recent developments related to these processes.

1. Preferential trading schemes

Thirty-seven African countries are eligible for AGOA, which grants African countries quasi duty-free, quota free access to the US market. In 2005, US imports from sub-Saharan Africa under AGOA totalled \$US38.1 billion, up 44 per cent from the previous year, primarily due to an increase in imports of oil. US non-oil imports from Africa actually declined by 16 per cent to \$US2.9 billion, mainly due to increased competition in the textile-apparel sector in the wake of the termination of the Multifibre Agreement. There was also some minor progress in traditional and non-traditional sectors such as chemical products, fruits, nuts and cut flowers and footwear.

Thirty-four African countries are LDCs and therefore are eligible for the EU's EBA scheme. Other non-LDC African countries are either beneficiaries of EU's General System of Preferences (GSP) or are party to a bilateral free trade agreement with the EU (TDCA and Euro-med process).

Other recent developments with regard to preferential schemes include the participation for the first time of a customs union –Mercosur - in the General System of Trade Preferences (GSTP). GSTP is a South-South initiative under which developing countries grant one each other preferential market access.

2. Bilateral talks

Several African countries or groupings are also involved in bilateral or trade negotiations in order to diversify their export markets and enhance their integration in the global economic system. For example, Economic and Monetary Union of West Africa

(UEMOA) countries are currently negotiating free trade agreements with several North-African countries. The USA and Southern African Customs Union (SACU) are also engaged in free trade talks. South Africa is also discussing with India and Mercosur countries on a potential free trade agreement. With the recent explosion of trade flows between Africa and China and India, several countries also envisage talks with the two Asian nations.

With the lack of conclusion in the WTO negotiations, several countries and regions have stated an increased interest in enhancing their trade arrangements networks. The EU in particular has recently issued a declaration that it intends to negotiate agreements with countries in South and South East Asia, and to revive its negotiations with Mercosur. The USA is also currently negotiating several agreements within the Western hemisphere and with Asia. In this context, there is a risk that Africa could remain isolated from the wave of bilateral trade agreements, due to its low negotiating capacity. Africa could in effect remain in a “spoke” situation while richer countries with more negotiating capacity would be able to place themselves at the centre – or hub – of a network of trade agreements, thereby attracting more investments. In order to avoid such a situation, African countries must - with the support of the international community - continue to reinforce their trade capacities, both in terms of policy formulation and in terms of negotiations. They must also reinforce these capacities at the regional level in order to reap economies of scale.

References

- African Union, 22-24 November 2005: "The Arusha Development Benchmarks for the Sixth WTO Ministerial Conference in Hong Kong, China". AU Conference of Ministers of Trade, Ext/exp/WTO/draft Decl.
- African Union, 1991: "Treaty Establishing the African Economic Community", Abuja, Nigeria.
- Ben Hammouda Hakim, Stephen Karingi, Nassim Oulmane, Rémi Lang, Mustapha Sadni-Jallab, November 2005: "L'accès au marché peut-il aider l'agriculture africaine?", ATPC paper No. 26, UNECA.
- Ben Hammouda Hakim, Stephen Karingi, Nassim Oulmane, Mustapha Sadni-Jallab, to be published: "Market access for non-agricultural products – The impact of the Doha Round on African economies: a simulation exercise" ATPC paper to be published, UNECA.
- Ben Hammouda Hakim, Stephen Karingi, Nassim Oulmane, Romain Perez, Mustapha Sadni-Jallab, Mai 2005, "Le cycle de Doha peut-il profiter à l'industrie africaine ? », ATPC paper No 18, UNECA.
- Ben Hammouda Hakim, Nassim Oulmane, Rémi Lang, Mustapha Sadni-Jallab, Romain Perez, November 2004 : "Exclure l'Afrique des marchés ? ", ATPC paper No. 8, UNECA.
- Bilal San and Francesco Rampa, (2006), "Reviewing EPAs negotiations and alternative scenarios", *Trade Negotiations Insights*, Vol. 5, Maastricht.
- Lang Rémi: February 2006: "*Renegotiating GATT Article XXIV – a priority for African countries engaged in North-South trade agreements*", ATPC work in progress, Addis Ababa.
- McGuire Greg: "Trade in Services – Market access opportunities and the benefits of liberalization for developing economies" UNCTAD, Policy Issues in International Trade and Commodities, Study series No. 19, UNCTAD/ITCD/TAB/20, New York and Geneva, 2002.
- Office of the US Trade Representative, May 2006 "2006 Comprehensive report on US trade and investment policy toward sub-Saharan Africa and implementation of the African Growth and Opportunity Act."
- Osakwe Patrick N., 2006: "Emerging issues and concerns of African countries in the WTO negotiations on Agriculture and the Doha Round", ATPC work in progress No. 32, UNECA.
- Perez Romain and Stephen Njuguna Karingi, forthcoming: "How to balance the outcomes of the Economic Partnership Agreements for Sub-Saharan African economies?", Addis Ababa.
- Sauvé Pierre, November 2006. : "Towards an Aid for Trade Regime in Services", Bridges, Year 10, No.7.

UNCTAD 2005: “Trade in Services and Development Implications”, Note by the UNCTAD secretariat, TD/B/COM.1/71, Geneva.

UNECA, 2004: Economic and welfare impact of EU African Economic Partnership Agreements, ATPC paper No. 10, Addis Ababa. See also similar studies by UNECA/ATPC for individual countries and the RECs.

UNECA, 2005: “L’Afrique et les négociations agricoles” Préface de K.Y. Amoako, Editions Maisonneuve et Larose.

UNECA, 2006: “Rationalizing Regional Economic Communities - Assessing Regional Integration in Africa, Vol. II”; ARIA II, UNECA, Addis Ababa.