BRIDGES NETWORK

BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

VOLUME 3, ISSUE 2 –MARCH 2014

Exclusive interviews EPA negotiations in Africa: Which way forward?

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BRIDGES AFRICA

VOLUME 3, ISSUE 2 – MARCH 2014

BRIDGES AFRICA
Trade and Sustainable Development News and Analysis on Africa

PUBLISHED BY
ICTSD
International Centre for Trade and Sustainable Development
Geneva, Switzerland
www.ictsd.org

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EPA negotiations in Africa: Which way forward?

The goal of Economic Partnership Agreements is to provide for trade reciprocity, promote sustainable development, and advance regional integration by encouraging African Caribbean and Pacific (ACP) countries to enter negotiations with the EU in regional groupings, rather than individually.

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

The slow pace of the negotiations has long been a source of tension between the EU and African countries. In an effort to speed up the talks, the European Commission announced in September 2011 that it would be imposing 1 October 2014 as a deadline for the withdrawal of the market access regulation "MAR 1528" – that currently provides duty-free, quota-free market access to ACP countries. Should the developing countries not ratify an EPA by this new deadline, they could potentially lose their free access to the EU market.

Recently the EU and West Africa have reached a compromise on an EPA, following over a decade of negotiations. The conclusion of this trade pact suggests that there is hope for the conclusion of other EPA deals in Africa.

With the October deadline fast approaching, trade and development ministers from five EU member states – Denmark, France, Ireland, the Netherlands, and the United Kingdom – recently asked the European Commission to show more flexibility in its EPA negotiations. The 5 December letter, addressed to the EU Representative of Foreign Affairs Catherine Ashton, EU Commissioner for Development Andris Piebalgs and EU Trade Commissioner Karel de Gucht, raises concerns regarding "the current situation" regarding the interim EPA ratification deadline, given that "regional EPA negotiations continue to face significant difficulties."

In the current context it is crucial to reflect on how can the negotiations be driven forward? What are the sticky issues and how can they be resolved? What are the various perspective at stake in relation for example to export taxes and/or the MFN clause?

This month, the editorial team of Bridges Africa prepared a special edition on the EPAs featuring exclusive interviews with high-level politicians from Europe and Africa. Additionally the analyses included in this edition are meant to bring various perspectives on sticky issues in the negotiations with a view to advancing the debate towards a balanced solution.

As usual, we invite readers to participate in future issues of Bridges Africa and we welcome your participation and contributions. Write to us at bridgesafrica@ictsd.ch.

INTERVIEW

Dutch minister Lilianne Ploumen talks about EPAs

Lilianne Ploumen
Minister for Foreign Trade and Development Cooperation of the Netherlands.

Europe is pursuing Free Trade deals with many of its economic partners. What are the key economic interests at stake for Europe in the context of African EPAs?
The stakes are huge for these EPAs to succeed! Africa and Europe have much to offer one another, and much to lose if we fail to come to agreement. Europe's large consumer market can be of great value to African producers. Technical solutions and innovations from Europe play a key role in developing African business sectors like agriculture and trade. Conversely, the dynamism of Africa provides new opportunities for Europe's sluggish economy. With six of the world's ten fastest growing economies being African, both Europe and Africa have much to gain from intensified trade relations.

The Netherlands have shown great interest in helping the negotiations move past the current stalemate. You have been personally involved in this effort, and you most recently reached out to the EU commission, jointly with other countries, to insist on the need for success in the EPA process. How would you define the leading role you are playing?
As Minister for both Foreign Trade and Development Cooperation, the EPA's are especially close to my heart. In fact, they are an essential component of my government's agenda for aid, trade and investment.

We have always known that coming to an agreement on the EPA's would not be easy. As of late, we have been faced with considerable challenges in the negotiations. Still concluding them, must remain a top priority.

The Netherlands is committed to bringing the EU and the African countries closer together. As a facilitator, I engage in a constructive dialogue, take stock of all concerns and policy options and search for ways forward. In this role we have organised regional dialogues with stakeholders in several African regions resulting in some creative ideas to revive the negotiations. I will shortly present these results to the stakeholders in African countries and EU Member States as well as the negotiating parties. It is my great hope that this will get the negotiations in all the African regions moving again.

What will be the impact of the EPA, and what unique advantages does it offer in the current global economic context? Also there is some perception that EPAs are more of a market access tool rather than a development one. Could you assess the development effect of the EPAs for African regional communities?
The EPAs are in many ways a response to the changed global economic context. We see trade and investment with African counties increasing and the relative importance of traditional aid diminishing rapidly. New arrangements for forging inclusive and sustainable economic growth are on the rise.

This is reflected in the EPAs which are different from any other trade arrangement. Differences in the current levels of development are taken into account, there are provisions on flexible implementation, sensitive sectors can be excluded and financial and technical assistance will help countries to adjust to new market realities. This way, the EPAs are designed to foster triple benefits: promoting economic growth, stimulating development and strengthening EU-Africa relations.

African countries and the European Union have missed many deadlines in concluding an EPA. What will be different in 2014?
Missing earlier deadlines didn't have direct consequences. But if we fail to conclude, sign and ratify the EPAs before 1 October 2014, countries like Namibia and Botswana will lose their preferential access to the European market. That would potentially harm the growth that has been lifting more and more people out of poverty.

The notion of flexibility in the negotiations, from both parties, has been widely identified as a potential key component of a successful round of negotiations. However, this concept can be seen as an easy answer that doesn't really tackle the substantial difficulties hindering the process. Will demonstration of greater flexibility by the EU be a signal of stronger political will to conclude the negotiations?
Flexibility is important in any negotiation and no less so in the case of the EPAs. The technical differences in the various EPA regions appear to be narrow, but remain significant enough to prevent an agreement with all the regions. Both sides have demonstrated their willingness to show more flexibility in their positions. So, I am optimistic about the possibilities for making progress.

Do you think the EU can trade off a deal on export taxes against a promise of supporting industrial development in Africa through, say, Aid for Trade, investment and technology transfer?
Export taxes have always been a contentious issue in the negotiations, and it also proves divisive among various regional economic communities in Africa. Broadly described, some stakeholders argue that export taxes are a tool for raw material beneficiation and industrial development whereas the EU sees them as trade distorting measures (even though they are not WTO-illegal). The EU position on export taxes is clear; we believe export taxes, including on raw materials, should in principle be eliminated or reduced. Trading off export taxes against a promise of supporting industrial development as you suggest, may indeed be a way to bridge the differences, allowing us to move the negotiation forward.

What do you think would be the impact of EPAs on regional integration?
Further regional integration will give an enormous boost to economic growth. Intra-regional trade in Africa may still be relatively low, but enormous growth is taking place with no less than 32% a year.

How can you ensure that EPAs will strengthen regional integration efforts currently underway such as the Tripartite FTA?
I believe the EPA will foster, rather than impede, this process of regional integration. Still, there is a need for better coordination between the EPAs and regional projects such as the Tripartite FTA. Transparency and sharing information is key; not only between states and regions, but with all stakeholders, particularly the private sector and civil society.

The example of the CARICOM EPA shows that it is not just about signing an agreement; the real challenge is its implementation. What would you recommend in order to ensure a smooth implementation of the EPA once it is signed/ratified?
The CARICOM EPA case demonstrated that a smooth implementation needs a two step approach. First, making the necessary funding and other resources available, notably in a context of a worldwide reduction in the budget of development cooperation. The Netherlands for one, is already closely involved in several trade facilitation programs - such as the World Bank Trade Facilitation Facility and TradeMark East Africa. And secondly, educating and informing stakeholders on the opportunities of the EPA. With this approach, I am confident that the EPAs will be of great benefit to all countries involved. But first things first; we need to reach a deal in all the regions as soon as possible.

INTERVIEW

Bridges Africa talks to Xavier Carim from South Africa

Xavier Carim
South Africa's former representative to the WTO and currently the Deputy Director General of the International Trade and Economic Development Division at the Department of Trade and Industry (DTI), South Africa.

To start with I am going to ask you a very straightforward question: what do you expect from an EU-SADC EPA?

South Africa joined the SADC EPA Group (SEG) in 2004 that was negotiating an EPA with the EU for two core reasons. First, our objective was to minimise, as far as possible, the threat of fragmentation to regional integration and development processes underway in Southern Africa. We were particularly concerned that the EPA would undermine the functioning of the more than 100 year-old Southern African Customs Union between Botswana, Lesotho, Namibia, Swaziland and South Africa. Our decision to participate also followed requests from other countries in the ACP, as well as the European Commission (EC) in 2002, to do so. Second, the negotiations offer an opportunity to improve South Africa's agricultural exports to the EU for a more equitable exchange of preferences in our agricultural trade. Under the existing free trade agreement between South Africa and the European Union (EU) - the Trade, Development and Cooperation Agreement (TDCA) - South Africa liberalised its agricultural markets more than the EU.

African countries and the European Union have missed many deadlines in concluding an EPA. What will be different in 2014 and why is the EU-SADC EPA difficult to conclude?

Concluding the EPA is difficult because the issues under consideration are complex in political, economic and legal terms, and have serious implications for Africa's development and integration prospects.

Since 2007, South Africa has been working closely with partners in the SEG and in engagement with the EC to rectify the many problems and concerns that were identified in the Interim EPA. Good progress has been achieved. We have resolved the core concern on the MFN clause (that is, there is no longer an obligation on SACU to automatically extend advantages granted to other trading partners to the EU), and we have found agreement on provisions relating to the definition of parties, administrative cooperation, amongst others.

We have also agreed there will be no obligation to negotiate new generation issues (trade related issues) such as procurement, intellectual property rights, competition etc. We have however left open the option for non-binding, cooperation in these areas. We have also made progress on a mutually acceptable balance in the exchange of tariff concessions alongside appropriate rules of origin. Some of the smaller economies in our region want to have their sensitivities properly addressed. While there are still gaps in our respective positions on these matters, these are not necessarily unbridgeable.

There are other issues that need to be resolved notably export taxes, infant industry, bilateral safeguards, and agricultural safeguards. These are difficult issues and their solution is not obvious at this stage.

In the context of discernible progress, the SEG and indeed other African Governments, have been deeply concerned by the EU decision to withdraw existing preferential market access from ACP countries that have not concluded and ratified an EPA by 1 October 2014. The date - which effectively sets a deadline for negotiations - was set unilaterally and arbitrarily without a full consideration of the progress made in negotiations or the seriously negative economic impact this would have on some of the smallest most vulnerable economies in Africa, should agreement not be reached by 1 October 2014.

The negotiations have progressed substantially but there are still some sticky issues such as export taxes. The need to maintain policy space is often put forward as one of the key reasons for retaining export taxes as an instrument of industrial policy. Yet there is very little evidence from Africa that export taxes have been effective in fostering industrial activities. Why then would the Group insist on removing or amending the clause on export taxes? Is this position driven by SA, or is it the Group's common position?

This is an issue on which the SEG has taken a common position. Indeed, the concern with the EU proposal to prohibit or severely limit the possibility to utilise export taxes is one shared by Governments across Africa, and is reflected in the African Union Trade Ministers Declaration on the EPA in October 2013 and confirmed by the last AU Summit in January 2014.

Recent changes in the global economy have been accompanied by significant improvements in Africa's economic prospects. Africa's overriding economic objective is, however, to move off its current growth path based on consumption and commodity exports to one of sustainable development using the continent's natural resource base as a platform for diversification and industrialisation. African governments and leaders have committed to this transformation, which will require a range and mix of new policy measures including the possibility to utilise export taxes to support industrialisation.

The notion that there is little evidence from Africa that export taxes have been effective in the past misses the point. Governments have used export taxes as a tool of industrial policy and to raise revenue since the 11th century. In fact, it was amongst the most important tools in industrial development while England was industrialising. Developing countries continue to use export taxes today as a source of government revenue, to encourage value addition and infant industries, to attract foreign investment, for price stability, to improve terms of trade, or to deal with currency devaluations and inflation. Export tariffs continue to be used by many states to encourage value addition and industrialisation. Properly designed export taxes can and have been important instruments supporting industrialisation.

As export taxes are not prohibited under WTO rules, a more relevant question would be why should African countries give up the possibility to use export taxes? In our view, we need not give up the option to use this policy instrument as one tool that can support our industrialisation.

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

It goes without saying that a trade agreement is between the Parties to that specific agreement. They are negotiated in a particular context, and the outcome – including the balance of tariff concessions - reflects the specific dynamics in that negotiating process. It is entirely possible that the balance of concessions reached in a future agreement would be based on a different set of calculations including the possibility that products deemed as sensitive in the first are addressed differently or 'paid for' in another way, in a later agreement.

In the SEG EPA negotiations with the EU, SACU has negotiated an outcome that any trade preference advantage granted to another trading partner in future, over and above what has been granted to the EU under the EPA, will not be extended automatically to the EU. The EU may request negotiations to obtain that advantage, but it will need to be prepared to offer a concession or benefit in exchange. This is fair.

Other countries in the ACP would need to make their own assessment as to whether the outcome negotiated by SACU is of value to them. I would highlight one principle espoused by the EU at the start of the negotiations that any provision negotiated in one EPA that is seen to be beneficial by the ACP countries involved in another EPA, could be incorporated in the latter.

One could ask a related question: how would ACP countries be compensated when the balance obtained under the EPA, is disturbed by an erosion of the value of the preferences from other trade agreements the EU concludes in future?

Botswana, Namibia, Swaziland could face the situation where they will continue to provide the EU preferential access via the TDCA but lose their market access if no EPA is concluded. What would make such awkward situation arise?
The situation would arise if the EU withdraws market access for ACP countries before the EPA is ratified or provisionally applied. Such an outcome would be more than awkward. It would have enormous negative implications for exports, employment and GDP of these small - and often - vulnerable economies. The fact that the EU may continue to obtain preferential access to their markets via the TDCA would make such an outcome unquestionably unfair and inequitable. Should such an outcome obtain, it is not inconceivable that those countries would want to move to block EU imports and, by doing so, fracture the customs union in SACU.

The SADC EPA group faces a number of overlapping regional formations that complicate the integration agenda. The group does not include all SADC countries and must manage the presence of SACU, a customs union. How do you foresee the impact of the SADC-EPA on regional integration plans in SACU and SADC? Can the two processes complement each other? How best can the EPA commitments be articulated with the tripartite FTA?
This is a critical question. Our overriding concern remains that conclusion of the separate EPAs among different groupings of countries in Africa that do not correspond to existing regional arrangements will undermine Africa's wider integration efforts. If left unaddressed, such an outcome will haunt Africa's integration project for years to come.

Different groups of countries in Africa are negotiating separate EPAs with different tariff phase down commitments, both in terms of products and time frames, different exclusions lists, different rules of origin, and all this will complicate intra-regional trade as new controls will be required at our borders. Different legal provisions (such as, for example, the MFN clause or export taxes) in the different EPAs will also complicate processes to forge common policy positions in the unfolding integration agenda in Africa.

There may be ways to mitigate the risks to some extent. For example, it should be possible to build into the rules of origin, cumulation provisions that will allow African countries to source inputs from each other for export to the EU under the various EPAs. Such provisions will encourage intra-African trade and industrialisation in Africa. We have proposed a 'joint undertaking' at the Africa and ACP levels, as well as with cooperation from the EU, to provide a legal basis for intra-EPA cumulation among ACP countries.

It may also be necessary to establish a mechanism through which African governments reserve the right to address any impediment to Africa's regional integration that arises from commitments undertaken in the EPAs. We believe this could assist in preserving the integrity of our commitment to regional integration in Africa. An effective mechanism in this respect would assist in ensuring the EPAs complements - and better articulated with - the African integration agenda including the tripartite FTA.

EXPORT TAXES

Export taxes in the EPA negotiations: Is it worth the price?

Vinaye Ancharaz

Export taxes are one of the few contentious issues holding back the EPA negotiations in both the EAC and the SADC. Whereas both configurations see export taxes as a tool of industrial policy and an integral part of their policy space, the EU contends that export taxes restrict access to raw materials and are trade-distorting – even though they are not WTO-illegal.

An export tax is a duty applied on products before they are exported. Export taxes are used for various reasons, including as a source of government revenue, a mechanism for domestic price stabilisation, a means to achieving food security and an instrument for promoting industrial development.

The effects of an export tax in a "small" economy – that is, a country that takes world prices as given – are unambiguously negative. The export tax would cause the domestic price of the product on which it is imposed to fall, thus increasing "consumer surplus". The government collects revenue from the tax but "producer surplus" is reduced. The net effect is a fall in national welfare. This "deadweight loss" arises because the export tax entails an inefficient allocation of resources: the lower after-tax price to exporters causes the output of a product in which the country has a comparative advantage to fall. If the economy were large, the export tax could lead to a net gain by improving the country's terms-of-trade. But this assumption is probably inapplicable to the African countries currently negotiating an EPA.

At the empirical level, however, there is a dearth of evidence on the welfare effects of export taxes. A notable recent study estimated the average export tax on global merchandise trade in 2007 at 0.48 percent (Laborde et al., 2013). The authors simulate the effects of the removal of all export taxes on global welfare. They find that world income would increase by 0.23 percent. If this figure looks smallish, consider that it is much bigger than the potential gains under a completed Doha Round.

Since export taxes are welfare-reducing, an alternative and more efficient instrument to promote higher value-added activities might be production subsidies. However, production subsidies require the government to spend resources and, so, may not be feasible for the cash-strapped governments of sub-Saharan Africa. Moreover, they are generally classified as "amber box" measures and are WTO-illegal. Conversely, export taxes are not prohibited by the WTO, and they raise revenue. Hence, whereas a production subsidy is *economically efficient*, export taxes are *politically attractive.*

Divergent negotiating positions

The EU is strongly against export taxes. This is evident in its *démarche* to reduce or eliminate export taxes in the Doha Round. Its Raw Materials Initiative reveals a key reason motivating the EU's position: export taxes restrict market access to critically needed raw materials and inputs, and raise their prices. Partly for this reason, the EU has insisted on a clause on export taxes in the EPA negotiations, which essentially prohibits new export taxes from being imposed, or their current levels from being increased, except under very specific circumstances.

For example, Art. 15 of the EU-EAC Framework EPA states:

1 *The Parties shall not institute any new duties or taxes in connection with the exportation of goods to the other Party that are in excess of those imposed on like products destined for internal sale.*

2 *Notwithstanding paragraph 1, the EAC Party can impose a duty or tax in connection with the exportation of goods, with the authorisation of the EPA Council, under the following circumstances:*
(a) to foster the development of domestic industry; or

(b) to maintain currency value stability, when the increase in the world price of an export commodity creates the risk of a currency value surge.

3 *Such taxes should be enforced on a limited number of products for a limited period of time, and reviewed by the EPA Council after 24 months.*

The EU-SADC Interim EPA contains a similar provision in Art. 24 – although the specific details vary. In both cases, the EPA draft text states that no new export taxes may be imposed. However, two exceptions are admitted in the case of the EAC – to foster the development of domestic industry and to maintain currency stability – and three in the case of the SADC – to raise revenue, to protect infant industries and to protect the environment. Even then, such taxes can only be imposed with authorisation of the EPA Council, on a "limited number of products" and for a "limited period of time".

The common position of the two blocs is that the language on export taxes is strewn with grey areas. Moreover, they fear that the EPA Council's decision may take long and that the outcome may not be in their favour. Both the EAC and the SADC view the EU's demand as unfairly restricting their use of export taxes as a tool of industrial development and raw material beneficiation and, thus, limiting their policy space. Some stakeholders assert that this a matter of sovereign right and have gone so far as claiming that the issue of export taxes was non-negotiable.

To their credit, export taxes are not WTO-incompatible and so there was no need for the EU to insist on them for the EPA to comply with GATT Art. XXIV. Nevertheless, export taxes are trade-restricting and constitute a "beggar-thy-neighbour" policy. Perhaps for this reason, it has become fashionable for modern free trade agreements (FTAs) to include provisions on export taxes. The SADC Protocol on Trade includes a similar clause. Art. 5 of the Protocol states: "Member States shall not apply any export duties on goods for export to other Member States." What is more, the Protocol does not admit any of the exceptional circumstances allowed in either the SADC or the EAC draft negotiating text.

There is generally a dearth of evidence on the effectiveness of export taxes as a tool of industrial development.

Do export taxes work?

It appears that the African negotiators' position on export taxes is influenced more by emotions than by economics. There is generally a dearth of evidence on the effectiveness of export taxes as a tool of industrial development. A notable exception is Piermartini (2004). Even then, the evidence is largely anecdotal and is limited to a few sectors and countries, none of which African. On the other hand, there are claims about export taxes triggering local processing activities in a few African countries, such as Uganda where an export duty on raw hides led to the development of local tanneries and leather products, and Namibia, where export taxes on beef encouraged a slaughtering and meat processing industry to emerge. While these claims need to be verified, recent evidence from Tanzania suggests that a 20 percent export levy on raw cashew nuts, which was subsequently raised to 40 percent and then to 90 percent, failed to encourage local processing of cashew nuts. This is because the profit margin on processed cashew was smaller than that on raw cashew even after paying the export levy, and the country's inability to control borders led to large amounts of cashew nuts being smuggled out, and little revenue, if any, being pocketed by the government. For similar reasons, a 90 percent export duty on raw hides and skin has failed to catalyse development of leather processing activities.

The fact remains that export taxes alone cannot catalyse industrial activity. The latter presumes the existence of local knowledge, technology and processing capacity that the export tax incentivises producers to plough back into operation. An export tax itself cannot lead to the development of productive capacity – within a reasonable period of time – where it does not exist. On the other hand, if the preconditions for industrial activity exist, export taxes may be redundant. It is well known that the low level of industrialisation in Africa is generally the result of a poor business environment, high costs of production, and low skills development (Page, 2012). It is difficult to argue how export taxes could improve any of these fundamentals.

Giving up on the use of export taxes is a small sacrifice with a great promise.

It is therefore high time that African negotiators get real on the issue of export taxes, and let their emotional attachment to something that hardly seems to have worked to give way to concrete development opportunities. All trade agreements involve a degree of national sacrifice, which countries make in the expectation of larger benefits in the future. Giving up on the use of export taxes is a small sacrifice with a great promise.

The way forward

Export taxes are by far the most contentious issue in the EPA negotiations. One way to progress on this question is for the EU to make proposals in other areas that can achieve broadly the same objectives as those claimed of export taxes. For example, if the objective is really to encourage local processing of raw materials, the EU can commit to an enhanced development chapter that provides greater amounts of Aid for Trade and technical assistance to help EAC/SADC countries build their productive capacity.

Another option – a more technical one – is to clarify the text on export taxes. For example, "limited number of products" and "limited period of time" need to defined, and the EPA Council's decision-making process explained. It is crucial to assure member-states of both blocs that this process will be fair and inclusive. It should also be possible for the EU to extend the allowable "exceptional circumstances" to include revenue-raising and the protection of the environment as additional reasons for imposing export duties, as in the SADC EPA draft text.

Vinaye Ancharaz
Senior development economist at ICTSD.

EXPORT TAXES

Why should the SADC EPA allow export taxes?

Christopher Wood

Negotiations on the SADC EPA are close to completion, but to finalise the deal limitations on export taxes should be abandoned. An acrimonious battle on the issue will impose more costs than allowing export taxes.

On 1 October 2014, the ten-year negotiations on free trade agreements between the European Union and groups from Africa, the Caribbean and the Pacific (ACP) will come to an end. It remains uncertain if all parties will have completed their Economic Partnership Agreement, or EPA. But on that day in October, regardless of the state of the deal, the EU will put an end to the difficult and at times acrimonious negotiations. The stakes remain high. The EPAs are meant to replace the long-standing Cotonou agreement, which gave ACP countries duty-free access to the wealthy European market. This access provided a competitive edge that will disappear if no agreement is reached. In SADC, Botswana, Namibia and Swaziland would lose duty free access to the profitable EU market; while South Africa and Angola, Mozambique and Lesotho would maintain access under the Trade Development and Cooperation Agreement (TDCA) and Everything But Arms agreements respectively.

Thankfully, the negotiations on a Southern African Development Community (SADC) EPA are close to completion, but a range of the most difficult issues have been left until last, and must now be overcome. Five remaining issues have consistently stood in the way of the completion of a deal. They are export taxes, the Most Favoured Nation (MFN) clause, agricultural safeguards, rules of origin, and regional integration. Each barrier remains important, but export taxes are particularly divisive. A change of mindset on the issue and a removal of requirements on export taxes would be a welcome step towards completing a workable EPA.

Fairness vs. policy space

Exports taxes are, as the name suggests, duties placed on exports. Export taxes are usually applied to commodities, in an attempt to divert supply of the good away from the export market and into the domestic market, thus driving the price up internationally and down locally. While they have sometimes been used to generate government revenue or improve food security, the primary use of export tariffs is to encourage local processing and beneficiation of basic goods.

The EU insists on a ban on all export taxes for South Africa and Angola, and a ban on export taxes for other SADC EPA countries in all but a few extreme cases.

The EU sees export taxes as fundamentally unfair. Export taxes can drive up prices, harming the importer – in this case the EU - while relatively wealthy countries like South Africa benefit at their expense. The EU sees Africa as a vital strategic source of basic commodities, and is concerned about anything that can interrupt their supply of cheap raw materials. African countries see export taxes as a means to move up the value chain, and to break the colonial relationship in which they sell unprocessed goods to the rich world, and then buy back processed goods, making a loss in the process. They see the development of domestic processing as way to industrialise, creating jobs and moving the continent up the value chain. Both positions are legitimate, but there is nevertheless a clear avenue for resolution on export taxes.

The SADC EPA should allow export taxes

Simply put, the EU should abandon its objection to export taxes, for three reasons.

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

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

First, export taxes are highly unlikely to create large harms for the EU market. Export taxes impose costs on both the exporter and the importer. Exporters (African firms) have to pay an additional tax to export their goods. Importers (the EU) face extra costs because exporters raise prices to account for the tax. Crucially, the mechanism by which the EU would suffer is thus rising prices. But prices for the commodities the EU cares about are set on the world market. Unless a country has a huge proportion of the global market for that commodity, they will not have the requisite market power to change global prices significantly. In most cases, African countries do not have the necessary market power to effect global prices. This means that overwhelmingly it is local firms who will bear the cost of export taxes, because they will have to accept both the tax and fixed world prices. Given this cost, there is a natural disincentive against the use of export taxes, and they will almost certainly be used sparingly, and only in cases in which they can do so much good that this harm is offset.

African countries see export taxes as a means to move up the value chain, and to break the colonial relationship in which they sell unprocessed goods to the rich world, and then buy back processed goods, making a loss in the process.

Secondly, banning export taxes is an intrusion on the sovereign decision-making of African states. Yes, export taxes are complicated and many opposing voices need to be considered. But these voices should be heard in the context of a domestic political process that is accountable and balanced. Europe insists on similar sovereignty for the industrial support it provides under the Common Agricultural Policy, and it is hypocritical to ignore these demands in the case of Africa. Domestic policymaking processes will make better decisions and will more closely reflect the views of those exporters who are most effected by the costs of export taxes.

Finally, export taxes have become an incredibly poisonous issue. They are seen as representing Europe's attempt to maintain old colonial value chains, and of ignoring the development interests of the continent.

The idea that shoving these conditions down the throat of African states will exacerbate Europe's resource security is misguided. Even if Europe succeeds in banning export taxes, this victory will come at a further loss of ground in the battle for the hearts and minds of African states. Europe has already fallen behind the likes of China in tapping into Africa's natural wealth for precisely this reason. Ultimately, a strained relationship will cost Europe more than the use of export taxes will ever provide.

Conclusion
The SADC EPA will only make a meaningful contribution if it can succeed outside the negotiating room, when it is placed in the hands of the domestic regulators who must put it into practice. Successful implementation will only be possible if those politicians and civil servants believe the deal is beneficial. Strategic concessions on issues like export taxes hold the key to building the necessary political will to give life to the deal, and to strengthen the vital EU-Africa partnership.

Christopher Wood
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MFN CLAUSE

The MFN clause in the EAC-EU EPA negotiations: State of play and related implications

John Bosco Kanyangoga

As the negotiations are yet to be concluded, the Most Favored Nation (MFN) clause "Article 16(2)" is one of the outstanding issues. The MFN clause in the EPAs between the EU and the respective ACP configurations has generated controversy in the WTO as some WTO members have questioned its relevance and legitimacy. Parties will therefore have to consider the nature of the negotiations and take into account the needed flexibility.

The EAC Partner States (Burundi, Kenya, Rwanda, Tanzania and Uganda) are among the African, Caribbean and Pacific (ACP) group of countries that have been or are engaged in negotiating WTO-compatible trade arrangements known as Economic Partnership Agreements (EPAs) with the EU. According to the original work plan as enshrined in the Cotonou agreement, the negotiations were meant to be concluded by 31st December 2007 to replace the WTO incompatible trade regime between the EU and ACP states under the Cotonou Agreement. However, the parties (EAC and EU) had not concluded negotiations at that time.

The Parties initialed a Framework EPA (FEPA) to provide a bridge until the conclusion of the full EPA, and thus avoid any disruption to market access privileges available to EAC states. The FEPA contains a WTO-compatible market access offer as well as a commitment to negotiate outstanding issues in the EPA. The EAC FEPA which was initialled in November, 2007 included provisions relating to: Trade in goods, fisheries, development clause and the *Rendezvous Clause* (issues for future negotiations). The FEPA is not yet signed and negotiations for a comprehensive EAC-EU EPA are not yet concluded because of some outstanding issues.

As of today (February 2014), a number of issues have been resolved but there are a few issues that are still outstanding; these are commonly referred to as the "contentious issues" with the Most Favored Nation (MFN) Clause (Article 16) being among them. However, the contention is not on the entire article but rather its paragraph 2, which is about the EU proposed inclusion of an MFN clause requiring EAC to extend to the EU any more favorable treatment that it may give in the future to other major trading partners).

The MFN principle: Meaning, purpose and exceptions

By definition, the Most Favored Nation (MFN) principle is a principle of non discrimination embodied in Article 1 of the General Agreement on Tariffs and Trade (GATT), whereby any concession or privilege granted by one contracting party to GATT to a product of another contracting party will be unconditionally granted to the like product of all other contracting parties. It is about treating others equally. Under the WTO agreements, countries cannot normally discriminate between their trading partners.

The essence of MFN treatment is in ensuring a level playing field between all trading partners and is therefore the central pillar of the international trading system. Also, parties to an FTA may decide to include a most favored nation (MFN) clause in their agreement to ensure that each will be able to benefit from better terms entered into with third parties.

Exceptions to the MFN principle, however, are allowed under the WTO. For example, developed countries can give developing countries special access to their markets under the special "enabling clause" adopted by the WTO in 1979. Again, it is possible to veer from the principle of MFN in the WTO through FTAs (whether they are bilateral or regional agreements) under Article XXIV in the GATT.

EAC:

The East African Community is an intergovernmental organisation comprising five countries, namely, the republic of Burundi, Kenya, Rwanda, and Uganda, as well as Tanzania.

Four of them - Burundi, Rwanda, Uganda and Tanzania - are LDCs while Kenya is a developing country.

The EAC-EU EPA MFN clause

The MFN clause in the EC-EAC EPA (according to the EU's position) requires EAC countries to extend to the EC any favorable treatment that they may grant to developed and major developing economies other than the EC. Specifically, under Article 16(2) of the EC-EAC EPA, EAC countries are obliged to accord to EC any more favorable treatment resulting from an economic integration agreement with any "major trading economy". Conversely, under Article 16(1), the EC is obliged to accord to the EAC countries any more favorable treatment contained in an economic integration agreement between the EC and third parties, with respect to the trade regime for goods.

The term "major trading economy" covers all developed countries, and any country accounting for a share of the world merchandise exports above 1 percent, or any group of countries acting individually, collectively or through an economic integration system accounting for a share of merchandise exports above 1.5 percent. However, trade agreements between the EAC and ACP countries or other African countries and regions are excluded from this definition. With respect to these countries, there is, therefore, no obligation for the EAC countries to extend to the EC any more favorable treatment that may be agreed, even if the relevant numerical threshold has been reached. The paragraph (Article 16(2)) in contention states as follows: "With respect to the subject matter covered by this Chapter, the EAC Party shall accord to the EU Party any more favorable treatment applicable as a result of EAC Party becoming party to a free trade agreement with any major trading economy after the signature of this agreement."

The current state of play on the MFN clause

As of January 30th, 2014, the parties had not reached agreement on the MFN clause [Article 16(2)]. According to the Parties' proposals, the EU wants a typical MFN clause that will guarantee equal treatment extended to EU should the EAC ever conclude a preferential trade agreement with any major trading economy, whereas the EAC wants non-committal language in that regard or removal of the MFN provision altogether. Following lengthy debate on the issue, the EAC has proposed new language to try and reach "middle-ground" but the EU has rejected the proposal and has responded with a counter proposal. Below is EAC's current proposal and EU's current counter-proposal that the parties are faced with in the negotiations.

EAC's proposed new insertion after Article 16(2): "where the EU Party can demonstrate that it has been given less favorable treatment than that offered by the EAC Party to any other major trading economy, the Parties may consult and jointly decide on how best to implement the provisions of paragraph 2 on a case by case basis."

EU's counter-proposal: "In exceptional circumstances and for duly justified cases, a Party may request consultations concerning the application of paragraphs 1 and 2. These paragraphs will apply unless the Parties decide otherwise within 6 months or at the first EPA Council or Senior Officials Committee meeting whichever is earliest and/or more appropriate following the request for consultations."

Assessment of the implications of the MFN clause

From the legal point of view, the Parties are not obliged to include the MFN clause in order to make the EPA a WTO compatible Agreement.

Factually too, trade agreements between the EAC with ACP countries or other African countries and regions are excluded.

Some sentimental claims assert that the EAC would be setting a bad precedent for other ACP states still negotiating EPAs with the EU, yet there are other ACP EPA configurations that have concluded EPAs with MFN provisions (e.g, the CARIFORUM EPA that include an MFN clause and is already signed). Others insist on *"what-if-scenarios"* claiming that including an MFN clause would prohibit the region from concluding preferential trade agreements with emerging economies like India and Brazil in the future.

From a policy perspective, some argue that the MFN clause would restrict the EAC to conclude meaningful trade agreements with other major trading economies. However, others believe an MFN clause would provide a policy shield and benchmark to use in limiting what EAC has to offer to other developed countries. For example, in case of future trade negotiations with major trading economies, the EAC could insist on not offering more than what has been offered to the EU under EPA on the basis that it would automatically be extended to the EU.

The parties, including the EAC party are coming to a realisation that there is a need to avoid "what-if scenarios" that could detract the parties from real considerations. There is a general sense of hope that the MFN issue could be easily resolved soon.

All in all, it appears that the gap on MFN has narrowed recently and the parties are likely to reach a mutually agreed position. For example, the EAC's concern is about the MFN clause hampering juicy trade deals with major economies in the future. However, it is also being questioned on whether the EAC could extend preferences to a major trading partner beyond those already accorded to the EU.

In other words, if under the proposed market access deal, the EAC has agreed to liberalize 82.6 percent of its tariff lines, and has opted to keep the remaining 17.4 percent as sensitive products, how can it then liberalise some of these tariff lines, which is tantamount to claiming that these products were sensitive with respect to the EU but are not sensitive in relation to its trade with a major trading economy with which it might be contemplating an FTA. The parties, including the EAC party are coming to a realization that there is a need to avoid "what-if scenarios" that could detract the parties from real considerations. There is a general sense of hope that the MFN issue could be easily resolved soon.

Conclusion

The parties are yet to reach agreement and in the mean time the following should be reflected on with a view of reaching a compromised position;

There is a need to look at the *"make or break"* scenarios as parties consider removing the MFN clause or modifying it to mitigate its future effects.

Again, the EAC should consider avoiding the *"what-if-scenarios"*.

The EAC should consider having the MFN play in its favor as a policy shield "threshold" in future negotiations to other major economies and then retain the clause and use it as a *"bargaining chip"* on other outstanding issues. For example, the EAC party could let go the MFN Clause in favor of the EU's proposal in exchange for better terms on the remaining issues, like Rules of Origin in favor of EAC.

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AGRICULTURE

Addressing agricultural and export subsidies in the EAC-EU EPA negotiations

Edgar Odari

An analysis of the remaining outstanding divergence between the Eu and the EAC with regard to agriculture.

Negotiations for the Economic Partnership Agreement (EPA) between the East African Community (EAC) and the European Union (EU) started in 2007 with the initialling of the Framework EPA (FEPA) on 27 November 2007. These negotiations have gained greater momentum with the looming deadline for withdrawal of Market Access Regulation 1528/2007. Among the outstanding issues, there is the question of agricultural and export subsidies.

The EAC member states have insisted that clauses addressing domestic support measures and export subsidies be included in the final text, as the EU's policy would have a negative effect on trade and agricultural production. The EU, however, has argued against this position, stating that these are matters to be addressed in the World Trade Organization (WTO). Given the level to which negotiations have progressed, it would be important to address this issue to allay underlying fears of damage to the EAC's agricultural sector.

Negotiating agriculture under the EAC-EU EPA

Agriculture is the main source of livelihood for over 70 percent of the region's population and an important factor in ensuring food security and promoting rural development. It is also by far the sector with the most potential for high growth and value addition and an important source of export earnings. Under the EPA, the EAC has committed to liberalise 80 percent of the EAC market for EU imports over a 15-year period. This category of products includes raw materials and capital goods (65.4 percent) that already enjoy duty-free status and large intermediate products (14.6 percent), which attract a 10 percent import duty. Products in this category are considered important in promoting competitiveness in agricultural and industrial sectors. A further 2.6 percent is scheduled to be liberalised by the EAC in a tariff phase-down slated to begin in 2015 and end in 2033. An exclusion of sensitive products, which account for about 17.4 percent of total trade with the EU or 25 percent (1390 tariff lines), where third-country tariffs apply is provided.

It has been argued that the opening up of agricultural tariffs by the EAC would inevitably expose the region's agricultural sector to stiff competition from cheap products and more efficient producers from the EU and further hamper intra-regional trade by displacing local farmers from regional markets, owing to competition from the EU. For this reason, the EAC proposal on Article 2(6) of the agriculture text was proposed to read:

> "The Parties recall the aim of the DDA negotiations that WTO members commit themselves to comprehensive negotiations aimed at reductions of, with a view to phasing out, of all forms of export subsidies, [EAC: and substantial reductions in trade-distorting domestic support], as per the November 2001 Doha Declaration, affirmed by the July 2004 Framework Agreement and the December 2005 Hong Kong Ministerial Declaration. [EAC: Both Parties reaffirm this commitment]."

The EU argued against inclusion of this clause with its "trade-distorting" language, contending that these issues would best be addressed under the WTO framework. In the case of domestic support measures, the EAC pushed for a clause committing the EU to substantially reduce trade-distorting domestic support, especially on products of export interest to the EAC. Article 13A of the agriculture text was proposed to read:

> "Article 13A [EU: Transparency in Domestic Support] [EAC: Domestic Support]
>
> [EAC: .Parties recognize that domestic support leads to unfair competition and therefore the need for transparency.]
>
> 1. Each Party shall ensure transparency in the area of subsidies related to trade in agricultural goods. To this end, EU Party shall report every two years to the other Party on the legal basis, form, amount or budget and where possible the recipient of the subsidy granted by its government or any public body
> 2. Such information is deemed to have been provided if it is made available by the Parties or on their behalf on a publicly accessible website.
> 3. Parties may exchange information upon request of a Party on any subsidy scheme.
> 4. [EAC: The EU agrees to substantially reduce trade distorting domestic support provided to farmers, especially on products of export interest to EAC Partner States taking into account the commitments at the WTO in regard to domestic support]."

In a counter proposal, the EU proposed the elimination of export subsidies on agricultural tariff lines liberalised by the EAC. This offer was contingent upon EAC members removing the text on "distortions" under Articles 2(6) and 13A and agreeing on export taxes and the most-favoured nation (MFN) clause as one package. Article 13B on export subsidies was proposed to read:

> 1. With regard to any agricultural product or group of products as defined in paragraph 2 for which the EAC Partner States have, pursuant to Annex II, committed to the elimination of customs duties either immediately after the entry into force of this agreement or in accordance with the schedule, the EU Party shall [EAC eliminate existing subsidies] immediately after the entry into force of this agreement [EU discontinue existing subsidies] granted upon the exportation of that agricultural product or a group of agricultural products to the territory of the EAC Partner States [EAC and shall not introduce new ones].
> 2. This article applies to agricultural products as covered by Annex I of the WTO Agreement on Agriculture. Group of products is understood to mean all products, including processed products, which benefit from export subsidies on the basis of the same basic agricultural product."

The challenge of addressing agricultural and export subsidies under the EAC-EU EPA

The main challenge preventing conclusion of the text on agriculture relates to the EU's Common Agricultural Policy (CAP) and its perceived implications for production and trade competitiveness. Under the CAP, production and trade-distorting subsidy support is estimated to account for about 23 percent of total payments made by the EU. The retention of export subsidies, despite a commitment to eliminate them by 2013, and the use of Market Price Support (MPS) and direct payments to farmers based on output and variable input use without input constrains form the basis of the problem. For the 2014-2020 period, the EU has allocated about EUR 363 billion. This amount covers almost EUR 278 billion for direct payments to farmers and market-related expenditure under Pillar I and around EUR 85 billion for rural development under Pillar II.

Since Article 18(4) of the EAC EPA text precludes disciplining domestic support measures, the EAC has pushed for disciplines beyond transparency to include reductions in trade-distorting domestic support. Furthermore, the limit on the use of the bilateral safeguard, which requires prior approval of the EPA Council, as well as Article 5 of the Agreement on Agriculture (AoA) known as the Special Safeguard Clause (SSG) not being available to EAC countries risks making the EAC unable to respond to disturbances in the markets of agricultural-like or directly competitive products from the EU.

Proposals on addressing challenges in the EPA text on agriculture

In seeking to address the question of agricultural and export subsidies under the EPA, the following proposals are made:

- Transparency in Domestic Support and Review of Tariff Lines Liberalisation: The negotiation process could consider obligations of transparency in domestic support measures. The EAC could then reserve its right to review its liberalisation schedule after the five-year period and exclude tariff lines that enjoy trade-distorting support.

- Reducing the Extent of Liberalization in the EPA: Alternatively, the parties could reduce the extent of liberalisation from 82.6 percent while scaling down on commitments in liberalising agriculture. The West African EPA reduction of commitments from 80 percent to 75 percent may provide an example for the region.

- Flexibility for Longer Liberalisation Periods for the EAC: The parties could consider extending the liberalisation period beyond the timeline set in the EPA. This could be through extending liberalisation beyond the 25-year period or making the 25-year liberalisation period run from the date the comprehensive agreement is signed. This will mean that tariff dismantling set to begin in 2015 until 2033 would run a 25-year course as opposed to the FEPA timelines.

- Designing a Flexible Agricultural Safeguard for EAC: The EAC EPA could also introduce a stand-alone agricultural safeguard without undue restraint on remedies and procedures. Article 16 of the Trade Development and Cooperation Agreement (TDCA) between South Africa and the EU could be useful in designing such a safeguard to address the sensitivity of the agricultural sector.

- Suspending Agricultural and Export Subsidies Issues to the Doha Round: In the event that there is no progress, parties can choose to defer this issue to the WTO level. However, the EAC could consider removing the SSG from the EPA or at least making it tied to the successful conclusion of the Special Safeguard Mechanism (SSM) for developing countries.

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WILDLIFE TRADE

World leaders pledge to combat illegal wildlife trade

Last month, leaders from 46 countries pledged to act together to combat a growing illegal wildlife industry, following a high-level meeting convened by the UK government and the British royal family.

Leaders from 46 countries on 12 February pledged to act together to combat a growing illegal wildlife industry at the conclusion of a high-level meeting convened by the UK government and the British royal family.

UK Foreign Secretary William Hague hailed the event as a "turning point" for addressing a £12 billion (US$20 billion) a year illegal trade - ranked as the fourth most valuable crime behind human trafficking, the arms trade, and drugs.

Participating states - including key consumer economies such as Vietnam and China - inked a 13-page London Declaration calling for "decisive and urgent action" to eradicate wildlife product markets, ensure effective legal deterrents, strengthen enforcement, and enhance community engagement as a means of securing alternative sustainable livelihoods.

International commercial trade is prohibited on all species listed under Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which includes, among others, populations of elephants, tigers, and turtles.

In recent years, however, demand for contraband wildlife products has rocketed - a trend analysts largely attribute to a rising affluent Asian middle class. A 2013 inter-agency report, for example, suggests that illegal ivory trade activity worldwide has more than doubled since 2007.

The latest data indicates the extent to which threatened species have been hit by the trade increase. A report by the International Union for the Conservation of Nature suggests that since 2004, the Central African region has lost two-thirds of its elephant population. Although a number of other endangered animals have also been severely affected in recent years, the plight of elephants and rhinos has gained particular international political traction.

High-profile ivory crushing events have become an increasingly common site in cities around the world as authorities symbolically divest themselves of seized goods - most recently in Beijing and Paris. Last week also saw the US announce a commercial ban on trade in elephant ivory.

The London conference ushered in an additional pledge geared specifically towards the booming ivory trade, as the governments of Botswana, Chad, Ethiopia, Gabon, and Tanzania launched an "Elephant Protection Initiative." Stating that illegal elephant killing was "out of control," the five countries agreed to place their stockpiles of ivory beyond economic use and observe a moratorium on ivory trade for a minimum of 10 years. Partner states, NGOs, international organisations, and the private sector in turn committed to scale up protection funding, as well as to fully implement the African Elephant Action Plan (AEAP).

This is an abridged version of a longer article published in Biores, World leaders pledge to combat illegal wildlife trade.

ICTSD reporting.

WTO

WTO members begin eyeing options for Doha work programme

With the Bali ministerial now in the rear view mirror, the process to develop a Doha "work programme" by year's end is up in Geneva."

With the Bali ministerial now behind them, the process to develop a Doha "work programme" by year's end is beginning to gear up in Geneva, with WTO Director-General Roberto Azevêdo urging members early February week to use 2014 to get the struggling negotiations "back on track."

Two months ago, WTO trade ministers were able to announce their first multilateral deal in nearly 20 years. However, the deal in Bali - despite facing its own series of hurdles - covered only a few elements of the Doha Round, such as trade facilitation, leaving the more difficult subjects to be dealt with at a later time.Ministers therefore directed WTO members in December to create a work programme that would outline the next steps for the Doha negotiations, with an eye to concluding the entire Round. The work programme would be developed in line with the guidance provided at the previous 2011 ministerial, where members were told to be flexible in their negotiating approaches in order to break the impasse.

Speaking to WTO members on 6 February at a meeting of the Trade Negotiations Committee, which is tasked with the overall Doha talks, Azevêdo said that he has directed negotiating group chairs to being consultations with members to try to pinpoint which issues could move forward.

The Director-General has asked the chairs to report back on these findings at the upcoming meeting of the WTO General Council - the organisation's highest decision-making body outside the ministerial - on 14 March.

The negotiating group chairs will determine the format of the meetings, Azevêdo said, and he is imposing no set timeframe on this initial process. Both he and the chairs, he added, aim to approach these discussions "with a completely open mind" in order to hear the range of members' views.

However, as members begin their consultations, Azevêdo urged them to keep a series of six parameters in mind: preserving development as a central pillar; setting goals that are doable and realistic; recognising which issues are interconnected; being creative and open-minded; ensuring inclusivity and transparency; and maintaining a sense of urgency.

The latter, some trade analysts and officials have warned, could be particularly difficult in the year ahead, given that there is no looming deadline - such as the Bali ministerial - to spur discussions forward.

While recognising the successes of the December ministerial, the Director-General warned that Bali's approach - advancing a deal focusing on the easier areas of the Round - would probably not work for future agreements. Instead, members should be open to at least discussing the round's most challenging topics, even if they later decide that these are not yet ready for renewed negotiations.

This is an abridged version of the full article that first appear in Bridges Weekly, WTO Members Begin Eyeing Options for Doha Work Programme, 13 February 2014.

ICTSD reporting.

The newsroom

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World Bank to help stockpile African minerals

Africa's vast natural resources are believed to be worth trillions of dollars however, knowledge about them remains limited. This informs the World Bank's decision to create a 1 billion fund intended to be launched in July 2014 for the mapping of the continent's resources considered useful for private investors in the extractive sector, governments and the general public.

The process includes gathering and integrating information that already exists in government ministries, conducting gap analyses, and then implementing surveys and mapping projects across the continent to fill in those gaps. The data created will be integrated into a comprehensive platform and made accessible to all stakeholders of the continent's extractive sector.

The effort aims not only to make investment in Africa more attractive to mining companies, but also to create a level playing field for governments to negotiate with those very companies, says Paolo de Sa, manager of the oil, gas, and mining unit at the bank. Outside expertise for capacity building in government-run geological surveys in a regional integration effort spearheaded by the African Union will be important.

Underdevelopment has long been experienced in resource-rich countries contrary to development conventions and expectations that these resources can be a boost to economic growth. Popularly termed the 'resource-curse', African countries are among those where resource wealth does not turn into growth and development and in most cases become the bane of development.

Though a good number of African countries are now EITI Compliant—a standards-based assessment of level of transparency in resource governance of countries, transparency in the sector remains a concern in the continent. In the Revenue Watch Institute's Resource Governance 2013 report, only few African countries made it to Partial category in their management and governance of natural resources with none performing satisfactorily well according to the indicators used, among which transparency in terms of reporting practices is important.

UN group chairs outline priorities for sustainable development goals

The co-chairs of a UN group tasked with drafting a blueprint for sustainable development goals (SDGs) released a list of 19 focus areas late February 2014, following a year of discussions. The effort is part of a broader process to develop a post-2015 development agenda that would replace the current Millennium Development Goals, which are soon set to expire.

Discussions in this area have since been held under the Open Working Group (OWG) on Sustainable Development Goals, which was established in January 2013 by the UN General Assembly.

An accompanying letter penned by OWG Co-chairs Macharia Kamau, Permanent Representative of Kenya, and Csaba Kőrösi, Permanent Representative of Hungary, indicates that these 19 focus areas represent a summary of input provided by member states and stakeholders during the group's eight thematic discussion sessions. They suggest that poverty eradication, inequitable international development, and environmental protection "were among the most pressing sustainable development challenges facing humankind this century."

The release also included a progress report outlining in detail the substance of the thematic discussions. the focus areas document mentions specifically the need to address damaging subsidies and the need for policy space to support industrial development. The section also suggests eliminating all harmful fisheries subsidies, as well as combatting unreported and unregulated (IUU) fishing. The energy area includes the phasing out of "inefficient fossil fuel subsidies that encourage wasteful consumption," while the food security and nutrition headline puts forward addressing "harmful agricultural subsidies."

The progress report notes, however that such agricultural and fisheries subsidies - are also being addressed within the framework of the WTO.

The body will now continue with the second phase of its work in five negotiation sessions scheduled from early March to mid-July at the end of which a report containing SDG proposals, will be presented for debate at the 68th session of the UN General Assembly in September 2014.

Publications and resources

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

This policy analysis paper was prepared for the E15 Agriculture and Food Security Group by Theme Leader, Stefan Tangermann. The paper builds on group discussions of the proposals and analysis submitted to the group and subsequently discussed. Initiated by ICTSD in 2011, the E15 Initiative is a partnership of the ICTSD and the World Economic Forum to create a non-partisan, expert-led multistakeholder dialogue aimed at exploring options for strengthening the governance and functioning of the multilateral trade system. http://bit.ly/1ePIuTp

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

This study assesses the effectiveness and impact of AfT in Bangladesh. By doing so, it also tries to identify the reasons of the decline in disbursements which is quite uncommon among other least developed countries. The study argues that the results of AfT are somewhat mixed for Bangladesh. More important, the study shows that the lack of efficient administrative mechanisms, limited human capacity, political instability, and stringent donor requirements are major reasons for low absorption capacity. http://bit.ly/1euCkvo

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

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

List of Environmental Goods An Overview –ICTSD –December 2013

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

Transforming the APEC Outcome on Environmental Goods into a Broader Sustainable Energy Trade Initiative: What are the Options? –ICTSD –December 2013

This paper provides options for transforming the APEC initiative, stemming from the Honolulu mandate, into a more comprehensive "Sustainable Energy trade Initiatives", SETIs and proposes options for this transformation in three phases. It provides a policy guide toward establishing SETI into enforceable legal footings. http://bit.ly/1aVOFd6

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BRIDGES AFRICA is made possible through generous contributions of donors and partners including

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BRIDGES AFRICA also benefits from in-kind contributions from its contributing partners and Editorial Advisory Board members.

Price: €10.00
ISSN 1996-919