

This AfricaFocus Bulletin contains excerpts from a speech at the trade ministers' meeting by Abdoulie Janneh, UN Under-Secretary General and Executive Secretary of the Economic Commission for Africa (ECA), and from a briefing paper prepared by the ECA's African Trade Policy Centre on "The Economic and Welfare Impacts of the EU-Africa Economic Partnership Agreements." These and other related documents are all available on the ECA website (<http://www.uneca.org>).

For previous AfricaFocus Bulletins on trade issues, visit <http://www.africafocus.org/tradexp.php>

Previous Bulletins on EPAs include <http://www.africafocus.org/docs05/act0503.php>, <http://www.africafocus.org/docs05/epa0506.php>, and <http://www.africafocus.org/docs06/abug0602.php>

**Remarks by Mr. Abdoulie Janneh, UN Under-Secretary General and Executive Secretary of the Economic Commission for Africa 3rd Extraordinary Session of the African Union Conference of Ministers of Trade**

16 January 2007  
Addis Ababa, Ethiopia

[Excerpts. For full text visit [http://www.uneca.org/eca\\_resources/Speeches/index.asp](http://www.uneca.org/eca_resources/Speeches/index.asp)]

The year 2007 presents opportunities and challenges for Africa in trade, especially in the arenas of WTO and EPAs negotiations. I would like to highlight from the perspective of the ECA how your active engagement and direction would be instrumental to positive outcomes. But before turning to the WTO and EPAs issues, let me make some observations regarding Africa's performance in the global trade.

**Africa remains marginalised despite double-digit trade growth**

Over the past 6 years, world merchandise exports experienced an average growth rate of 10.4%. Over the same period, Africa performed better, increasing its exports by 16% on average annually. However, a decomposition of the export performance by region reveals that the rapid increase in export is particularly concentrated in oil-exporting Sub-Saharan African countries.

These countries achieved an average export growth of 22.4% over the period. On the contrary, the average export performance of non-oil exporting Sub-Saharan countries is very much in line with the World average (11.2%). Unfortunately, despite this recent slight recovery, Africa's share of global exports in merchandises remains historically low. Africa's share in global

exports in 2005 was 2.8% only, roughly equivalent to its 1991 value and less than half its pak value in 1980 (6.0%).

This picture suggests that the recent appearance of a catch-up by Africa's exports is not based on the diversification of the export base but rather on increased oil exports. Hence recent improvement in the export performance of Africa is still vulnerable to shifts in international commodity prices, and particularly in changes in prices of oil.

Let me now turn to the trade negotiations issues, which actually present opportunities and challenges for Africa in its quest to addressing the peripheral position it occupies in the global trade.

### **The Doha Round**

The ECA and the UN in general recognizes the Doha Round as an indispensable platform through which the marginalisation of Africa in the global trade could be addressed. It is for this reason that the ECA continues to invest heavily in supporting African countries in their efforts to scale up their active engagement in the trade negotiations process in Geneva. The African Trade Policy Centre, through the generous support of the Canadian and Danish Governments continues to implement programmes and activities that support African negotiators in Geneva and Senior Officials from the Capitals. We are therefore very concerned that the trade talks have not yet regained the expected dynamism beyond the low-key consultations.

It is my hope that your meeting apart from giving guidance to the negotiators and Senior Officials will contribute greatly in the efforts to redynamise the talks. But even as we hope that the talks will become more formal and dynamic, as ECA we remain concerned that the negotiations achievements to date have not fully addressed Africa's priorities. We therefore hope that your conclusions from this meeting will contribute to assuring that once the talks gather momentum they will take a track that will lead to tangible proposals that will lead to the realisation of African priorities, namely:

1. Genuine market access opportunities for developing countries in agriculture, non-agriculture and services.
2. The elimination of trade distorting subsidies that continues to hurt Africa agriculture.
3. Concrete agreement on a significant reduction in domestic support on cotton and a credible development assistance package.
4. Precise, effective and operational special and differential treatment provisions. This continues to be an area of much debate in the negotiations on modalities in agriculture and NAMA.

5. Agreement with regards to dealing effectively with adjustment costs, including those that are likely to arise from preference erosion.
6. Operationalisation of the Aid-for-Trade with an expanded scope and in line with Africa's expectations.

To complement your efforts, let me reiterate that as part of the UN community, and as I have promised in the past we will continue through our analytical and consensus-building capacities to stress that trade and trade liberalisation is not an end in itself. But a means to helping African countries face the development challenges that they face. In particular, we will continue to strongly but objectively advocate that given the reality that our countries are at different development levels, the world needs to uphold a universal, rules-based, transparent, predictable, non-discriminatory and equitable multilateral trading system. We will also continue to emphasise that there is incontestable justification for support at the international level for development-oriented adjustments to trade reforms, even for the countries not expected to make any commitments at the multilateral level.

### **Ensuring Gains for Africa from Economic Partnership Agreements**

This is going to be an important year for Africa-EU relationship. According to the Cotonou Agreement between the ACP and the EU countries, negotiations on Economic Partnership Agreements (EPAs) are supposed to be concluded by 31 December 2007. In working towards this deadline and in order to ensure that EPAs benefit Africa, you mandated the ACP Secretariat and the African Union Commission during your last meeting in Nairobi to oversee the undertaking of a Comprehensive Review of the EPAs Negotiations.

I am pleased to report to you that the ACP Secretariat approached the ECA through the ATPC to undertake the Comprehensive Review for Africa ACP. The outcome of the ECA work on the review was presented to the Senior Officials yesterday. We will also be hosting a meeting with the African Union Commission and the ACP Secretariat, and UNDP in Nairobi on 12-13 February 2007, where we are inviting members of the National Development and Trade Policy Forums (NDTPF) from your countries.

The ECA has also carried out a lot of technical studies on the implications of the EPAs on African economies. These studies have been shared with your Senior Officials in the Ministerial meetings in Cairo and Nairobi in 2005 and 2006 respectively.

The key question that ECA work has been tackling is, given the challenges of reciprocity, how could Africa benefit from EPAs to assure development in the 21st Century? The answer to this question has been that if reciprocity in bilateral agreements is to benefit Africa, and thus help improve the development prospects of the continent the first thing that must happen terms of the value of trade covered but also the implementation period.

Moreover, for reciprocity in EPAs to work for Africa, a "gradualist" approach

rather "big-bang" would be needed because it takes time to implement the complementary measures that are required to ease the inter-sectoral adjustment process and the reduction or elimination of direct and indirect barriers to trade.

### **Beyond the WTO and EPAs: The Critical Role of Intra-African Trade**

You will agree with me that the prospects for Africa given the current state of play in the WTO and EPAs negotiations are not as clear as we would wish. One cannot say confidently that the expected benefits are secure. And that is why your current meeting is aimed at ensuring they are secure.

It is for this reason; we continue to urge that regional integration is an important condition for improving Africa's prospects. The ECA promotes it as an accepted framework through which obstacles to intra-African and international trade could be addressed. And that is why in our repositioning of the ECA, we treat regional integration as a key pillar for Africa's development.

We strongly believe that the opportunity that intra-Africa trade holds for helping Africa trade its way out of poverty is as promising as the opportunities that Doha promises through better market access and fair trading ground. It is the same reason that we continue to argue that the EPAs should also live to their spirit of deepening regional integration if they are to be deemed as developmental tools. I have noted previously that at the ECA we hold the view that there is an important lesson from the lack of progress in the Doha Round for the African countries to now live the wise saying that charity does indeed begin at home.

The impediments to trade facilitation and the barriers that make it difficult for our countries to trade more among each other need to be addressed now rather than later. The expected gains from Doha could be multiplied many times over if as African countries we could implement our trade agreements and invest more in our infrastructure with the aim to enhance trade amongst us.

### **Securing trade through the Aid-for-Trade**

To conclude, the reforms that are anticipated to arise from the multilateral and bilateral agreements will pose some challenges for Africa. But this is expected whenever reforms are undertaken as you may attest from your experiences as key decision makers.

Besides, if Africa is to maximize its potential and ensure it fully benefits from the international and intra-African trade, it has to raise its productive capacities and deal w hat is why at the ECA, we fully endorse and welcome the efforts to operationalise the Aid-for-Trade. We are ready to be fully involved in the implementation of this initiative.

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Economic Commission for Africa African Trade Policy Centre

The Economic and Welfare Impacts of the EU-Africa Economic Partnership Agreements

ATPC Briefing

No. 6

[Excerpts: For the full text of this 4-page briefing, including methodological notes and charts, as well as other background documents on trade policy, visit <http://www.uneca.org/atpc> A larger version of the study is available at <http://www.uneca.org/trid>]

## **Introduction**

The Cotonou Partnership Agreement (CPA) between the European Union (EU) and African, Caribbean and Pacific (ACP) countries is expected to succeed the expired Lomé Agreement. It envisages the signing of Economic Partnership Agreements (EPAs) by December 2007 between the EU and the ACP countries. The EPAs, which will be the new cooperative framework under the CPA, are expected to adopt an integrated approach based on partnership and promoting cooperation, trade and political dialogue between the EU and ACP countries. ...

The key CPA principles are reciprocity, differentiation, deeper regional integration, and coordination of trade and aid. Any benefits that EPAs are expected to generate for ACP countries are unlikely to materialize spontaneously and instantaneously. Moreover, the implementation of EPAs will impose a number of severe challenges for ACP countries

[The ATPC undertook a study of the projected potential impacts of EPAs on African economies, using the WITS/SMART econometric model.]

## **The main findings**

The main conclusions that can be drawn from the results<sup>2</sup> and the discussion are that full reciprocity will be very costly for Africa irrespective of how the issue is looked at, in terms of revenue losses, adjustment costs associated with de-industrialization and its undermining effect of regional integration. Of major concern was this finding that even though the full reciprocity principle appears to be trade expanding globally (singularly in favour of EU), it will pose serious implications for deepening of regional integration in Africa.

The benefits from regional integration efforts in Africa achieved so far are likely to be stymied by the EPAs since a significant portion of the trade gained by the EU will be due to trade diversion not only from the rest of the world but also from within the EPA groupings themselves that are configured around

existing RECs. Indeed, unless there are clear mitigating measures, the EPAs could seriously undermine the gains that have been achieved so far in the integration process of the continent.

A focus on deepening integration with a view to enhancing intra-African trade would provide positive results. But it is the scenario for unrestricted market access for Africa, which deals effectively with barriers associated to sensitive European products, that portends the largest gain for the continent. Even with reciprocity, a free trade area that does not exclude sectors of export interest to Africa and one that deals with non-tariff barriers promises positive results for African countries.

Based on the magnitudes and direction of impacts under the three scenarios, the overarching conclusion from the findings is that sequencing of policy reforms that Africa will need to undertake is critical to the success of the EPAs.

To begin with, the EPAs should focus on deepening intra-African trade. This should be given sufficient lead-time to allow the African countries build the requisite competitiveness (see figure

2). This would have to be accompanied with significant developmental programmes to complement the larger markets with increased supply and diversified capacities. Eventually, any tariff dismantlement by African countries will need to be implemented in phases hand in hand with unrestricted market access for African exports into the EU market.

Clearly, the 10-12 years period interpreted from Article XXIV of GATT is only sufficient for the deepening of the intra-African trade. The EPAs should look beyond the 12 years as the possible dates for introducing reciprocity. Before then, unrestricted market access and deeper African integration will have provided sufficient room for supply capacities and exports diversity to be built in the continent.

The adjustment costs at the country level and the dangers to the regional integration processes in the continent emerged also as potential challenges for the EPAs. Two consistent stories underpin these concerns. The first consistent outcome in each of the proposed EPA at the regional economic community (REC) level is that EU stands to gain significantly in terms of expanded trade into RECs markets.

While part of this trade expansion will result from trade creation, which is welfare improving, significant proportions of the trade gain will also be due to trade diversion from the rest of the world and from within the REC EPA grouping itself. As a result, while the reciprocity principle appears to be trade expanding, it will pose serious implications for deepened regional integration in Africa.

Indeed, unless there are clear mitigating measures, the EPAs could seriously undermine the gains that have been achieved so far in the integration process

of the continent. Africa must therefore hasten regional integration processes to build and consolidate supply capacity before opening up to EU.

Another consistent result at the country and regional level, are the potential adjustment costs that the African countries will have to bear as a result of revenue shortfalls (see Table 1). Given the prominence of the EU imports into these countries, the reliance by the majority of the African countries on tariff revenues, the tariff dismantlement result in all cases in significant revenue shortfalls.

It is only in the SACU countries where tariff losses appear limited and even then the revenues sharing formula within SACU is likely to ameliorate any shocks from the EPAs in those countries. The major challenge that these revenue shortfalls will pose is the adjustment costs associated with tax policy and administration reforms. The EPAs, if no appropriate measures are put in place to forestall the macroeconomic imbalances that are likely to result from the falling revenues, will have the possibility of undermining developmental objectives of the African countries.

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AfricaFocus Bulletin is an independent electronic publication providing reposted commentary and analysis on African issues, with a particular focus on U.S. and international policies. AfricaFocus Bulletin is edited by William Minter.

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