

AFRICA'S TRADE AGENDA: THE NEED TO MOVE FROM PROMISES TO ACTIONS¹

Introduction

The potential for trade to help Africa become more integrated in the international economy is no longer an issue of debate, but more of action. From African capitals to western capitals, there is consensus that if Africa is to overcome its development challenges, trade is a key pillar that will make this happen. The international commitment at the highest political levels to making trade work for Africa, in its endeavour to lift its millions out of poverty, is also not in doubt. The scaling up of the political efforts where trade has featured prominently can even be traced to the Millennium Summit in 2000 of World leaders through MDG Goal 8. The world leaders committed themselves to creating a multilateral trading system that is both fair and equitable. This commitment was expressed in a more concrete manner through the Doha mandate agreed Ministerial Conference of the World Trade Organisation (WTO) conference in Qatar in November 2001.

Whereas the Doha mandate is one way to actualise the MDG Goal 8, the Group of Eight (G8) richest nations have also made political commitments to helping Africa move from the periphery to the core of the global trading system. Reiterations are being made in this section of the commitments made at Doha and commitments by the G8 in the different Summits from Kananaskis in 2002 to St. Petersburg in 2006. The key issue in this reflection being, how much delivery has been there with the mention of trade and Africa in all these commitments?

The Doha Promises

What then was the promise in Doha? The key commitment in Doha was that the current trade round would be a development round. As a development round, development issues were to be the centre of the trade negotiations. In this context, the expectations by African countries were that development dimensions would be the key planks of the negotiations. These development dimensions were to be demonstrated not just by the spirit, but by actual elements of the modalities that the WTO countries were to agree. Thus, in defining the principles for the final modalities, in agriculture negotiations for instance, the African countries expected to see significant less-than-reciprocal treatment and substantially credible transition periods in a pillar such as that of market access.

In the same vein, as a development element, the African countries expected the Doha promise within the context of export competition in agriculture negotiations to be demonstrated by accepting the principle of immediate elimination of export subsidies and within a time line that would have immediate positive impacts on African agriculture. In the area of domestic support, the African countries under the Doha spirit had hoped that

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real reductions and revisions of the disciplines of the domestic support policies would be entrenched in the agreements even before the conclusion of the final modalities, and that there would be early harvests in sectors such as cotton that are so critical some of the poor African countries.

All in all, the African countries had hoped that in every area of the negotiations, their interests as argued in Doha would be taken into account. The African countries have continued to be actively engaged in the negotiations in a manner that have not been witnessed before, and in this engagement, they have clarified and expounded clearly their interests. The interests have been clearly defined by African Ministers of Trade, under the auspices of the African Union, at every critical stage of the negotiations beginning with the July Framework of 2004, the 6th Ministerial Conference in Hong Kong and the General Council meeting of July 2006. But all these efforts appear to have come to nought with the suspension of the Doha Round.

The most intriguing element of this suspension is that while the round was meant to be a development round, with the focus being on the poor countries, it is the disagreement between the advanced countries in particular that has contributed to the stalemate. The centrality of the concerns and wishes of the poor countries such as those from Africa is no longer the issue. Besides, even before the suspension, it can be argued with clear evidence, that the principles and agreements that have been struck in the round were not concerned so much by development concerns, but more on the trade wins for the developed countries. The verdict that from development point of view that the talks were actually off-track resonates with the poor countries if one was to compare the development benchmarks and the results of the round to the point of the suspension at the end of July 2006.

More Promises by the G-8

Yet, it is not only at the multilateral level where promises of making trade work for Africa are being broken. Evaluations of all the statements from the G-8 Summits from Kananaskis in 2002 to St. Petersburg in 2006, make strong promises on Africa and in the area of trade in particular. The G-8 leaders in Kananaskis promised to match the commitment of the African leaders to encourage trade. The leaders actually cited “the new round of multilateral trade negotiations begun at Doha” as a key milestone in their commitment to the process of eradicating extreme poverty and achieving sustainable development. The Doha Round, together with the outcomes of the 2002 Monterrey conference, were promised by the G-8 countries as an expression of their commitment to using trade to unlock and more effectively utilise their domestic resources.

The interpretation of the G-8 leaders of what the Doha Round meant for Africa was not different from the interpretation of the African countries. In their interpretation, as expounded in the Kananaskis Africa Action Plan the Doha Round placed the needs and interests of developing countries at the heart of the negotiations and they saw this as way of helping to create a framework for the integration of the African economies into the world economy in order to create space for trade-based growth. Sadly, this interpretation, while in line with African countries interpretation and expectations, did not in any way

inject optimism and urgency in the trade negotiations. Besides, the three clear promises made with respect to trade: providing greater market access for African products; increasing the funding and improving the quality of support for trade-related technical assistance and capacity building in Africa; and supporting African efforts to advance regional economic integration and intra-African trade have achieved limited success in implementation.

The trade-based growth that was promised at Kananaskis remains a dream. As African countries are beset with limited market access, they continue to face unfair competition arising from domestic support schemes of some of the G-8 countries, face depressed prices due to unfair export competition, and are unable to diversify and industrialise their economies as a result of tariff peaks and escalations that face their manufactured exports. And where some efforts have been made to provide preferential market access², the utilisation of such preferences is hampered by non-tariff barriers in the G-8 countries' markets and also the behind the border barriers in the African countries themselves, which unfortunately they cannot address themselves due to the competing needs of their limited budgetary resources.

Since Kananaskis, the succeeding G-8 Summits have only served to reiterate on the political commitments of the leaders to using the multilateral framework being developed at Doha for trade-based growth for Africa. The passing of the deadline could have partly driven the expression of urgency at Gleneagles in 2005 that the G-8 leaders had set themselves the conclusion of Doha by the beginning of 2005. In a sense, the promises or scaling up of political rhetoric on trade issues at Gleneagles can be seen as a response to the failure for these countries to deliver on their promises in Doha, given that they held the potential to unlocking the stalemates that were building by the day in the Round.

Probably, the most telling on the failure of the G-8 countries to be able to move the Doha Round forward is the muted tone of the St. Petersburg Summit declaration on trade. The G-8 countries still saw the Doha Round as having a development agenda but could only call for the fulfilment of the development objective of the Round. Ideally, rather than the statement that the G-8 leaders are still committed to the development dimension of the Doha and the need to improve the participation of developing countries, a stock-taking exercise of how much development dimension had been achieved to the point of the suspension would have been more welcome. Indeed, Africa would like to call for an audit of how much development dimensions have been taken into account even as efforts to restart the talks continue. The G-8 leaders should not only have welcomed the decision to ask the Director General of WTO to consult members intensively but could have added

² It is important to appreciate the following initiatives that the G-8 countries had undertaken by the time they met at Evian, France for their 2003 G-8 Summit: the European Union's Everything But Arms; the United States' African Growth and Opportunity Act (AGOA); Canada's opening of its markets, tariffs and quota-free, to almost all imports from the Least Developed Countries (LDCs) effective 1 January 2003; Japan's improved duty and quota-free treatment for almost all imports from LDCs by expanding the coverage on agricultural and fishery products; and the granting by Russia of extensive tariff preferences to developing countries including LDCs. One must also remember the endorsement of the duty-free quota-free market access agreement (though weaker than the way African countries would have hoped for) in Hong Kong in December 2005.

that an audit be undertaken of how much their political commitment to help Africa through trade-based growth had been reflected in the principles and modalities proposed and agreed at the time of the suspension. This audit is critical within the context of mutual accountability between the OECD among which the G-8 countries are members and Africa.

Africa's Trade Agenda

While the role of the international community in helping African countries address poverty through trade-based growth is indispensable, the African countries themselves have a clear agenda on trade. Part of the agenda is linked with their objective to increase their global market share but the rest of it is concerned with domestic actions. These include building supply capacities and diversification of trade; mainstreaming of trade policies in national development; and deepening intra-African trade. African countries are indeed fully cognisant that they can play a major part in increasing their capacity to trade. African governments are therefore engaged in economic reforms that are aimed at addressing supply capacity constraints, especially by reallocating budget spending towards capital expenditures in productive sectors such as agriculture. By focusing on mainstreaming trade policies in development strategies, African countries have demonstrated that they recognise fully that even if the trade barriers in the developed countries markets were removed or some transitional support provided to Africa to take care of preferences' erosion and other adjustment costs associated with global trade liberalisation, without increased supply and trading capacity, Africa will not have a sustainable outcome in which trade plays its expected role. More specifically, the following are some actions by African countries that they are investing their policy energies and resources on:

1. **Deepening of African integration:** African governments consider as a priority the removal of intra-African trade barriers. They are currently engaged in discussions on harmonisation of the various regional economic communities that are currently driving Africa's trade integration. The African integration as part of the trade agenda will allow the continent to address the small markets that make it difficult for producers and exporters to exploit economies of scale and build competitive industries.
2. **Invest in measures to facilitate trade including customs administration reforms:** Besides the deepening of African integration through removal of intra-Africa trade barriers, African governments accept that more efforts need to be continued to put in place on measures that facilitate trade. These include, reforming the customs administration and other regulatory issues. This is an area where African countries are investing either individually or in a regional context.
3. **Private sector participation in developing trade-enabling infrastructure:** The improvement of investment climate is an important subject in most African capitals. Most African governments are aware that there is need to improve the economic environment under which the private sector operates. In majority of countries as recent global surveys indicate are engaged in measures that create an investment

climate that are characterized by low costs of doing business. Budgetary reallocations towards focused funding for infrastructure, such as transport and communications, are being undertaken including regulatory reforms. But probably the most important things being done are that countries are giving priority to infrastructure that facilitates intra-regional trade.

4. **Mainstreaming of trade in national development strategies:** African countries currently realize that trade policy does not operate in isolation if it is to achieve the desired objectives. In particular, dynamic and optimal trade policies that focus on strategic development issues must be within a broader development strategy. In this respect, African countries have undertaken as a measure to increase capacity to trade the need to mainstream trade in the economic development process. Such mainstreamed trade policies are aimed to improve the competitiveness of national economies, and in this way the capacity to produce and export. In revising their economic strategies, African countries are now formulating more comprehensive and inclusive growth strategies with trade policies embedded as instruments towards the long-term development goals.

Way Forward and Recommendations

The presentation, so far, indicates the actions that African countries are undertaking in order to achieve trade-based growth. Points are now being presented in this section for the way forward, which also constitute recommendations that are to a large extent directed at the international community. These recommendations are not new, but are more of a reiteration of the calls that African countries have been making themselves. Essentially, the recommendations are only relevant if the political commitments, be it on trade policy issues or international negotiations, are matched with real actions. Why do we say this, because to a large extent, the G-8 leaders and also the political leaderships of other developed countries in the WTO have all made strong political pronouncements that they would like to see trade work for Africa. However, when it comes to realisation of means that would achieve the objectives of these political commitments, there is little that can be shown. Therefore, it is hoped that these recommendations could be seen in the light of another call for African partners to match their actions with their commitments. So, what needs to be done?

1. **Doha Round talks must be restarted:** While this is an opportune time to take stock of the gains that had been made by Africa in the negotiations before they were suspended, it is also crucial that the talks be restarted immediately. Given that some of the promises that developed countries have made cannot be realised outside of an agreed multilateral framework, it is important that efforts be made to restart the talks.
2. **A development package for developing countries must be fast-tracked:** As African countries have said in the past, an early realisation of a development package within the context of Doha negotiations is now more important than before. Africa agrees at this point with the call by the EU Commissioner for Trade that he made after the suspension of Doha, that the agreements that had been

made, especially with respect for the least developed countries, be provided immediately. The development package should be guided by the principles that the world leaders have agreed to making trade contribute to development. Therefore, the following necessary development measures should be included: market access expanding measures for agriculture and non-agriculture products from developing countries into the markets of developed countries. The same can be said for services especially mode 4 that has development elements in developing countries context. The development package should also front-load elimination of trade-distorting domestic support measures. In addition, the agreed elements of modalities in relation to cotton should be implemented immediately, especially domestic support to cotton. This should be accompanied with development assistance in order to make revival of African cotton sector sustainable. Another necessary component of the development package should be the special and differential treatment in all aspects of the modalities being agreed. And finally, the development package should be clear on how developing countries will be assisted to deal with the adjustment costs of the trade reforms including the shift from preference depending economies to competitive ones.

3. **Help increase Africa capacity to trade:** There is need to help Africa address supply capacity constraints, which have been found to be a major hindrance to Africa's capacity to increase trade internally and also with the rest of the world. Even if the trade barriers in the developed countries markets were removed or some transitional support provided to Africa when the global liberalisation is taking place with its attendant effect of preferences erosion, without increased supply and trading capacity, Africa will not have a sustainable outcome where trade plays its expected role. Dealing with Africa's capacity to trade would be a clear indication of the realisation of the commitments by the developed countries to Africa's long term and sustainable development. As the G-8 leaders agreed in Gleneagles, implementation of measures aimed at increasing Africa's trading capacity requires substantial investments, ranging from intra-Africa physical infrastructure development to ICT transformations that maximize on customs reforms for trade facilitation purposes. Increasing Africa's capacity to trade and its attendant huge investments is an MDG-enabling issue, without which other MDGs will be unachievable. The more reason why promises on improving Africa's trade capacity will need to be implemented in total.
4. **Operationalisation of the aid for trade initiative:** The African countries' position with respect to the aid-for-trade initiative is that it should complement development aid and should also be substantial and certain. Moreover, it is important that the aid for trade not be limited to the Doha Round, but should be available to deal with adjustment costs associated with all types of trade reforms. It should also be used to help in deepening integration of developing countries' economies. In particular, it could help deepen African countries' integration, an objective shared both by African leaders and G-8 leaders that there is need to deepen regional integration in Africa. Even within the context of the EU-ACP Economic Partnership Agreements' negotiations, deepening African integration is one of the negotiating principles. The aid-for-trade initiative could be a useful

additional measure that could help achieve this objective. Essentially, the aid-for-trade initiative could be seen as a transition measure as African countries undertake trade reforms. It would help African countries address the adjustments costs that Africa will face as global trade liberalisation progresses and implementation of foreseen outcomes of the Doha Round such as in the areas of trade facilitation and services, including preference erosion. In addition, due to further liberalisation, African countries will lose revenues from customs. In similar vein, income taxes and consumption taxes might also decline if there is employment-displacement due to de-industrialisation. The Commission recommended an Aid-for-Trade facility.

5. **Harmonisation of rules of origin as an immediate measure by developed countries:** In order to help African countries currently benefiting from preferences transit through the adjustment costs associated with their loss, these benefits should first be maximized by harmonisation of rules of origins and removal of constraints that hinder cumulation of value added for products under different preference schemes.