The forthcoming 2013 reform of the Common Agricultural Policy: What is at stake for developing countries?

Alan Matthews

The European Union (EU) is about to embark on a new round of reform of its controversial Common Agricultural Policy (CAP) to come into effect on 1 January 2014. The European Commission recently published a consultation paper which sets out a series of options for this reform.¹ This article² discusses how the proposed reforms might impact African, Caribbean and Pacific (ACP) exporters.

The Communication builds on a series of CAP reforms going back to 1992. Administrative support prices have been lowered, intervention costs have fallen and there has been a substantial reduction in expenditure on export refunds. Farmers were compensated for the reduction in support prices through increased direct payments. These were initially payments coupled to production, albeit with production limits including quotas on milk and sugar, but since the so-called Fischler reforms in the CAP Mid Term Review implemented in 2005, most of these direct payments are now decoupled from production.

The political implications

A number of factors make further CAP reform a hot political issue. First, spending limits for the CAP will be maintained until the end of 2013. Spending limits after that date must be agreed in the context of the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget. Negotiations are taking place to defend the case for a large CAP budget in the next EU medium-term budget.

The CAP instruments after 2013

As a consultation document, the Commission Communication sets out three reform paths. The first option would continue the status quo apart from a correction to the distribution of direct payments across member states. The second option, which is widely seen as the Commission’s preferred alternative, proposes greater targeting of direct payments plus an extension of the menu of rural development instruments. The third option is a more far-reaching reform of the CAP with a strong focus on environmental and climate change objectives, while moving away gradually from income support and most market measures.

Each of the three options will be evaluated in greater depth in the Impact Assessment to accompany the Commission’s legislative proposals which are expected in July this year.

Direct payments

All options accept that the current allocation of direct payments between member states is no longer tenable and should be replaced by a more equitable distribution which might take into account both economic and environmental criteria. However, the Communication is silent on the formula that might be used to determine a more equitable distribution. The final outcome is likely to be a politically-determined compromise but payments will shift from farmers in the old member states to farmers in the new member states.

(continued on page 3)
Editorial

On the 18 November 2010, the European Commission (EC) published a Communication paper on the future of the Common Agriculture Policy (CAP), outlining three options for reform. The next CAP is expected to be politically contentious because it will affect the distribution of both direct and rural development payments among EU Member States. In the lead article of this issue of TNI, Professor Alan Mathews examines how developing countries could be affected by the Commission’s new proposals for CAP reform.

TNI offers two articles focused on specific aspects of Aid for Trade (AfT), a very timely theme in the scope of the 3rd WTO Global Review on Aid for Trade from 18-19 July 2011. Soraya Hassanali, Senior Gender Equality Specialist at the Canadian International Development Agency, explores good practices to advance gender equality in AfT and offer recommendations supporting a more inclusive AfT agenda. An evidence-based monitoring system can strengthen LDC countries’ benefits from AfT programmes, argues respectively, the President and Director of the Center for Socio-Economic Development in Geneva, Dr. Lichia Yiu and Prof Dr. Raymond Saner.

As part of its series on EPA implementation in the Caribbean, started in September 2010, TNI is giving the floor this month to the team of the newly established EPA Implementation Unit in Antigua and Barbuda. In this article, Ambassador Dr. Clarence Henry, Head of Unit, and colleagues Ms. Barbara Williams and Ms. Alana Benjamin, examine the state of implementation in the country and explains the Unit’s core responsibilities.

In light of the new strategy document on Raw Materials Initiative adopted by the EC on 2 February 2011, Isabelle Ramdoo from ECDPM examines how the fierce competition to access raw materials now includes new players like China, thereby compelling the EU to elaborate its strategy to access raw materials. The article raises concerns about the EU approach related to trade, where the latter intends to ban the use of export taxes and other trade restrictions in the context of its trade agreements, notably in the EPAs. The author also underlines how the new Communication paper increases the synergies between the EU and Africa on governance, infrastructure, geological knowledge and skills.

As always, TNI’s editorial team welcomes your feedback. Please send any comments or concerns to tni@ictsd.ch.

News and publications

In brief

European Commission adopted a new strategy document on Raw Materials

The European Commission released a Communication on 2 February 2011 that defines measures to secure and improve access to raw materials for the European Union (EU). This document, entitled “Tackling the Challenges in Competing for ‘Strategic Raw Materials’”, further pursues the approach defined in the first Communication on the Raw Materials Initiative published in November 2008. The new Communication includes a series of measures to ensure a fair and sustainable supply of raw materials from global markets, to foster sustainable supply within the EU and to boost resource efficiency and promote recycling. This new strategy also ensures enhanced transparency. The document can be found at http://ec.europa.eu/enterprise/policies/raw-materials/index_en.htm

New UK trade initiative to boost trade and tackle poverty in East Africa

On 2 February, a new trade initiative was officially launched in Nairobi to boost trade in the region by supporting private sector development, building essential transport infrastructure, and standardizing regulation across the region. “Trade is vital for international development. It is the catalyst for growth. It creates wealth, which, ultimately, is the most effective way to pull people out of poverty” said UK Development Minister Stephen O’Brien, confident about the positive effects of the initiative in the regional trade.

Trade Mark East Africa (TMEA) was officially established in 2009 with an initial founding grant from the UK’s Department for International Development (DFID) under its Regional East African Integration Programme (REAP) which is designed to be implemented over the period 2009-2014. Pilot projects under this programme seem to already have borne some fruits in the region. For more information please see: http://www.dfid.gov.uk/Media-Room/News-Stories/2011/UL0410.pdf

Reforms on the EU GSP scheme’s rules of origin

The EU has recently adopted a new Regulation amending the Rule of Origins (RoO) provisions applicable to the EU- Generalised System of Preference (GSP) scheme, both in substance and procedure. The new RoO have been applicable since the 1 January. RoO govern whether goods qualify for lower tariffs under a particular trade deal, based on where the goods were produced. The major change brought about by the reform is the amendment of the rules pertaining to regional cumulation. Relaxed RoOs should make it easier for least developed countries to tap market opportunities in respect to their export products to the EU.

The new regulation has certain limitations of minimum value addition criteria to fulfil by the exporter, which needs to be affected by the Commission’s new proposals for CAP reform.

rules, notably between countries of different regions and between GSP beneficiary countries and EU Free Trade Agreement partner countries under certain conditions. Relaxed procedures of processing of certificate of origin are contained in the new proposal, especially with the establishment of the responsibility of authorities to operate post-export controls. Statements on origin are now given directly by registered exporters. The new regulation can be accessed at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:307:0001:0081:EN:PDF

Caribbean countries assessed benefits of Aid for Trade

Member states of the Caribbean Community (CARICOM), representatives of international and regional organizations and the private sector gathered on 25-27 January 2011 in Barbados to assess how Aid for Trade (AfT) can facilitate the development of the small vulnerable economies of CARICOM. The welcome address was delivered by the Minister of Foreign Affairs and Foreign Trade of Barbados, the Hon Maxine McClean, who reiterated the importance of AfT to the small and vulnerable economies in the region and encouraged the international community to make grant funding available for the many highly indebted countries in the region.

The World Trade Organization has been the global coordinator of the AfT initiative since it was launched at the WTO Ministerial Conference in 2005. The Integration and Trade Sector of the Inter-American Development Bank (IDB) has been a key partner in this initiative at the global, regional, and national level through its programmatic and technical assistance activities.

This event prepares for the 3rd WTO Global Review on Aid for Trade, to be held from 18-19 July 2011, using case stories and questionnaires to evaluate the outcomes and impact of the initiative. The conference was sponsored by the CARICOM Secretariat, the WTO, and supported by the IDB. More information available at http://www.wto.org/english/news/news11_17_ad27jan11_e.html

Challenges for ACP-EU relation in 2011

The annual Challenges paper published by the European Center for Development and Policy Management (ECDPM) seeks to identify important debates for ACP-EU stakeholders. Written by James Mackie, Henrike Klavert and Faten Aaggad, it examines various “windows of opportunity” to revitalize cooperation between the EU and ACP, as well as between the EU and Africa in the context of the Joint Africa-EU Strategy. The analysis identifies that complex outcomes arising from institutional changes, shifting of powers in the global stage and evolution in the international development agenda. The paper is available at http://www.ecdpm.org/Web_ECDPM/WebContent/Download.res/0/085247f20e20CGC1B4627C12577FA094C6295$FILE10-PM2-challenges%202011.pdf
Continued from Front Page

Rural development

Little change is foreseen in the rural development policy although a greater focus on the environment, climate change and innovation is promised. Concerns of the value of some rural development expenditure are recognised by promising a more outcome-based monitoring with the possibility of a performance-based reserve. As for direct payments, it will be necessary to come up with an acceptable distribution key, based on objective criteria, for allocating the rural development budget among member states.

Likely impacts for developing countries

The next CAP reform will be politically very contentious because it will affect the distribution of payments (both direct payments and rural development payments) between the member states. However, for the EU’s trading partners this internal debate has very limited significance. The important issues for third countries are the proposed changes to market management instruments and the scale and design of direct payments, including rural development measures.

Yet, the focus of the post-2013 CAP reform proposals is on improving the legitimacy of direct payments and thus making the case for a large CAP share in the overall EU budget framework. The Commission Communication has very little to say on market management and market access issues. For example, it is uncertain whether the EU intends to phase out its use of export subsidies after 2013. The Commission sees this as an integral part of the Doha Round negotiations which, like improvements in market access, should wait until the Round is a successful outcome to the Doha Round. However, some improvements in market access have occurred due to unilateral changes in EU trade (rather than agricultural) policy.1

The main action will be the removal of quotas on milk production after 2015 which will lead to increased production of dairy products and a lower internal EU price. This will tend to keep global dairy product prices below the level they would otherwise reach. Recent trends in EU milk production indicate that quotas are no longer a binding constraint on milk output in an increasing number of member states. The possible removal of sugar quotas after 2015 also needs to be kept in mind, given its greater ramifications for developing countries both as exporters and importers.

Many developing countries have raised concerns that the sheer scale of direct payments to EU farmers, including decoupled income support payments, could cause more than minimal trade distorting effects as required for Green Box eligibility under WTO rules. EU figures show that the share of direct payments and total subsidies in agricultural factor income is 28% and 40% respectively for the EU-27, suggesting that much EU agricultural production would not be economically sustainable, with current farm structures, in the absence of this support.

The proposed reform should change both the composition of Green Box expenditures and their scale. The targeting and greening of direct payments described earlier could shift direct payments from decoupled income support to environmental and regional assistance programmes which would reduce concerns about their trade-distorting impacts. Although it is unclear how a redefined direct payment would be classified in WTO terms until the precise details are determined, in principle attaching additional conditions or greater targeting to the receipt of direct payments will always lower their trade-distorting impact.

These composition effects will be less important than the decisions made about the overall budget envelope to be made available for the CAP and how this is divided between direct payments and rural development payments, and in turn how the direct payments envelope is divided between the basic income payment, the green payment and the national handicaps payment. These parameters will not be decided until the very end of the negotiation processes involving both the future of the CAP and the future of the EU budget.

Conclusion

Much can change as consultations now take place on these proposals. This will be the first CAP reform in which the European Parliament will have equal powers with the Council of Ministers in determining the outcome as a result of the coming into force of the Treaty of Lisbon. It is as yet unclear how the involvement of the Parliament is likely to influence the outcome of the debate. What does seem clear is that the negotiations will be exceedingly tortuous, and it will not be surprising if agreement is still elusive in 18 months’ time.

Notes


2 This article draws on a longer paper “How Might the EU’s Common Agricultural Policy Affect Trade and Development After 2013? An Analysis of the European Commission’s November 2010 Communication” published by the International Centre for Trade and Sustainable Development in 2010. The author acknowledges support from Irish Aid and the German Marshall Fund of the United States in preparing this paper, but neither body is responsible for the views expressed. This paper is available at http://ictsd.org/downloads/201012/ue_agriculture_web_1smaller.pdf

3 Note the degree of additional market access granted to agri-food exports in the bilateral free trade agreements remains limited although significant improvements in EU market access have already occurred since the start of the Doha Round negotiations. All of sub-Saharan Africa (except South Africa) can now potentially enjoy unrestricted access to the EU agri-food market and some of these exporters benefit from new terms created by the protection against third country exporters to the EU market.

4 European Commission – DG Agriculture and Rural Development (average between 2007 and 2009)
Gender mainstreaming and Aid for Trade: The case of the EIF

Soraya Hassanali

A number of challenges appear to be limiting the successful mainstreaming of gender considerations into the WTO’s Aid for Trade initiative. Focusing on the case of the Enhanced Integrated Framework (EIF) as a mechanism through which Least Developed Countries (LDCs) access Aid for Trade technical support and financing, this article offers a number of recommendations to support a more inclusive AfT agenda.

An explicit mandate for gender equality

In 2005, the members of the World Trade Organization launched the Aid for Trade (AfT) initiative with the goal of promoting trade as an engine of growth and poverty reduction. The following year, WTO Director-General Pascal Lamy convened a Task Force of thirteen member states to provide recommendations on how to structure the AfT initiative so that it could effectively contribute to the development dimensions of the ongoing Doha Round trade talks. The final report of the AfT Task Force recommended that AfT, “take full account of the gender perspective,” among other issues. “Donors and partner countries jointly commit to the harmonization of efforts on cross-cutting issues, such as gender.” Armed with this political mandate, the task is now one of promoting its implementation in programming.

In response, in 2008 Canada and other bilateral donors provided financial and technical support to the International Trade Centre (ITC) to co-host with the WTO and the governments of Zambia and Lao PDR an expert roundtable entitled, “The Gender Dimension of the Enhanced Integrated Framework.” An understanding of women’s contribution to trade and their impediments to export success, was cultivated through discussion of an ITC study which revealed only two specific references to gender issues in the EIF Action Matrices. At this meeting, experts recommended revising the Diagnostic Trade Integration Study (DTIS) of the Enhanced Integrated Framework (EIF) template to include gender equality considerations. In November 2009, the WTO adopted the recommendation to revise the DTIS template to include gender equality considerations.

The DTIS study is an analytical report and action matrix that LDCs use to develop concrete national AfT implementation plans (Tier 1) and to identify initiatives for donor funding (Tier 2 projects). Multilateral donors can then elect to support projects or programmes identified in the action matrix. Mainstreaming a gender dimension into Aid-for-Trade interventions requires aligning national priorities to take account of gender realities and relationships. This implies that national development plans consider the interests of women and mainstream them into national and regional action plans, export strategies and trade-related poverty reduction strategies. The degree to which implementation takes place, is dependent upon whether the drafters – LDCs or donors such as the World Bank, ITC or UNDP – explicitly incorporate gender equality issues in these products.

Challenges and opportunities for mainstreaming gender into the EIF

In principle, LDCs themselves develop the DTIS reports with support from donors as needed, and identify areas where EIF funding is required. In practice, due to uneven capacity in many LDCs, multilateral donors or consultants often draft the DTIS, action matrices and prepare a report with draft recommendations for trade programmes and projects for funding. If donors have not included gender mainstreamed or gender specific initiatives in the action matrix - or if the countries themselves do not raise the issue - the result is a gender-blind Tier 2 proposal going forward for consideration by the EIF board and donors.

A recent example of this is seen in a technical brief prepared by the World Bank for Timor Leste that was reviewed by the EIF Board in 2010. Overall, the gender analysis in the DTIS was very strong, and clearly outlined the differences in the human development indicators and opportunities between women and men in the country. However, the action matrix with proposed projects for funding did not reference women or identify specific projects related to reducing inequalities, despite good opportunities to do so. For example, value chain analysis of exports in Timor Leste omitted reference to women, and no recommendations for specific projects to advance gender equality in specific sectors and supported through EIF investments were included. The failure to do so, represents a ‘missed opportunity’ to mainstream gender into Tier 2 proposals. While the EIF Board pointed to the issue of the uneven application of gender in this instance, this case is illustrative of a larger potential danger of “gender issues falling through the cracks.” As seen here, a good gender analysis does not automatically translate into recommendations for funding in the DTIS action matrix. The responsibility of member states, donors and the EIF Board to follow through on the spirit of the EIF’s mandate to better “harmonize” its gender mainstreaming efforts is clear.

On the other hand, there are good examples of successful mainstreaming of gender into the EIF DTIS. In particular, the ITC’s work with the Rwanda comes to mind. The new template adopted by the EIF Board in 2009 has been a point of reference for the DTIS update in Rwanda in 2010. In this country the ITC is working closely with the national implementation unit (NIU) representatives to support efforts to mainstream gender in EIF projects, both Tiers 1 and 2. As well, in neighbouring Uganda, the Uganda National Export Strategy Gender Dimension launched by President Museveni in 2009, led to donor investment in a three-year project targeting women in coffee in Uganda, through ITC’s Women and Trade Programme. This has resulted in the establishment of women’s coffee associations in several countries in East Africa and sales to women importers in North America. The critical start-point remains consulting women in diagnostic, planning and implementation processes and in agreeing indicators that track the impact of interventions on women as well as men. Gender issues, when clearly articulated in Action Matrices and national development plans, provide excellent indicators of entry points for unlocking women’s trade potential.

While not an exhaustive list, five examples of challenges to the successful
mainstreaming of gender into the DTIS and action matrices are identified below with recommendations for moving forward.

1. Challenge: Gender-based analysis? How much is enough?

Positively, the revised DTIS template instructions indicate the need for gender equality analysis in the country-specific trade diagnostics, and it provides some illustrative examples. What is concerning, however, are precise indicators of the level and depth of the gender analysis that is required in the diagnostic. This absence may in the long-run, result in an uneven application of gender considerations by countries that apply for funding through the EIF mechanism.

Recommendation: The EIF template could include more precise information on gender-specific indicators, and what information should be included in the DTIS. This information could be standardized and could be monitored by the EIF Secretariat, for instance.

2. Challenge: Moving from evidence to action

In cases where the gender equality analysis is comprehensive in the trade diagnostic study as in the case of Timor Leste, as this case shows, good analysis may not systematically translate into clear recommendations in the action matrix.

Recommendation: Donors will want to take care to honour the spirit of the 2009 WTO decision to revise the DTIS template to include gender equality and ensure the gender analysis translates into recommendations for action in the action matrix. An informal review could be undertaken by the Secretariat and could be included before proposals reach the EIF Board.

3. Challenge: Donor accountability for gender equality results

While multilateral donors such as UNDP, World Bank, and ITC all have their own gender equality policies, there is no systematic tracking of how donor country-specific projects to be included in the action matrix.

Recommendation: Donors or consultants preparing the DTIS recommendations for the action matrix, recipient countries, and the EIF Secretariat and the EIF Steering Committee allow for a ‘minimum number’ of gender specific programmes or projects in the action matrix. This could become the proverbial “sniff-test” for gender mainstreaming in the EIF. Only proposals with at least a minimum level of investment in gender equality and men’s economic empowerment go forward to the EIF Board for approval.

5. Challenge: Replicating good practice by donors and WTO member states

National level promotion by member states of gender equality issues and AfT has been uneven to date. There are cases such as Rwanda or Uganda where national governments have given a clear signal of interest in advancing gender equality issues, and where donors such as ITC are investing resources to support national implementation units (NIUs) with consultation efforts and financial support for gender-specific initiatives. However, it is not clear whether all LDCs will prioritize gender mainstreaming in EIF investments or whether all donor agencies will promote gender mainstreaming, as enthusiastically as the ITC’s Women and Trade Program.

Recommendation: All EIF donors and LDC’s can build on the positive example of the ITC and the governments of Uganda and Rwanda. This can be achieved by ensuring the DTIS action matrix includes an additional column related to gender equality as a ‘prompt’ to mainstream gender in tier 2 projects. Besides, donors can engage in policy dialogue with states and provide targeted technical or financial support on gender equality. Such moves would support member states in operationalizing gender into national trade programmes. LDC’s can also signal to donors their interest in advancing broader developmental commitments to women’s economic empowerment and gender equality through AfT initiatives, including the EIF.

Moving forward: Final reflections

Efforts to mainstream gender equality goals into the multilateral trade system are not new. All WTO member states, including LDCs, have signed international declarations, norms and covenants directly relating to gender equality and women’s economic empowerment. Moreover, they are all working to achieve the Millennium Development Goals (MDGs), including MDG 3 (gender equality) and MDG 5 (maternal health), and broader poverty reduction goals. The WTO’s Doha Round, deemed a “development” round, is intended to support poverty reduction in developing countries. Initiatives such as AfT and the EIF help in this respect, and the gender-related recommendations of the AfT Task Force provide clarity on the intersection and complementarities of these agendas.

These and others measures will be important to ensuring broader AfT success. Efforts to engage in policy dialogue on gender equality issues; capacity building among stakeholders through the development of specific resources, tools, and new partnerships will be essential. Donor investments which provide appropriate technical supports at global and national level to advance complementary gender equality and AfT objectives should be encouraged.

It will be important for both donors and recipient countries to discuss collectively the challenges outlined above, explore good practices, and avoid missed opportunities to advance gender equality in AfT. The international community recognizes the importance of integrating gender into trade initiatives, and has taken an important first step by accepting a clear mandate from the Director General of the WTO and the OECD in relation to AfT initiatives. In the context of the EIF, an important milestone has been achieved with the revision of the DTIS template to include gender equality issues. Going forward, the focus of donors, the EIF Secretariat and member states must remain on its successful implementation.

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Sonaya Hassanali is a Senior Gender Equality Specialist at the Canadian International Development Agency (CIDA), Multilateral and Global Programs Branch. The content of this article represents the opinion of the author and does not necessarily reflect the official position of the Government of Canada.
A number of technical assistance instruments have been implemented by donors and the international community to assist the Least Developed Countries (LDCs) in strengthening their trade-related capacities and in enhancing their trade performance. However, these targeted technical assistance programmes have yet to deliver the expected results of improving the standards of living of growing populations through improved trade performance in the LDCs. Many factors contribute to this disappointing outcome. In the context of Aid for Trade (AfT), it was recognised that “recent evaluations of Aid for Trade programmes highlight, in particular, the absence of a results-based design in most projects and the poor use of monitoring and evaluation tools” has led to sub-optimum utilisation for the valuable development resources (OECD, 2006). The recent draft publication “Quality Standards for Development Evaluation” by the Organisation for Economic Co-operation and Development (OECD) in 2010 is a dramatic step in the right direction yet it stops short of addressing fundamental governance challenges present in AfT programmes.

The need for management capacities

Developing capacity and strengthening management systems in partner countries are crucial to the implementation of the Paris Declaration. The Paris Declaration recognises that capacity building is essential to improve the results of development aid, as well as to achieve the objectives of ownership, aid alignment and mutual accountability.

However, the absence of strategic management tools in partner countries often causes inadequate project design and implementation, which can in turn lead to reactive donor-driven evaluation studies. The absence of management capacities means that evaluation often also fails to shed the light on what aspects of the project design missed the mark and how the process could be improved. It also discourages a culture of learning and continuous self-directed improvement and innovation. The partner country in the traditional scenario remains dependent on the goodwill as well as the steering of the donor country.

An evidence-based monitoring system can strengthen the capacities of Developing and Least Developed Countries to benefit from AfT programmes by supporting overall progress towards achieving the listed targets. It supports ownership of the implementation process by both donor and partner countries. Additionally, it could directly contribute to the attainment of the indicator focusing on “Managing for Results” which aims to reduce by one third “the proportion of countries without transparent and monitorable performance assessment processes” by 2010.

The quality assurance principles of a sound monitoring system would be:

- a) state what will be done,
- b) follow through on that statement
- c) review what has been done,
- d) document all above actions.

Once installed either within a country assistance programme or adopted by the aid management unit of the developing country, an effective monitoring system would provide transparent and continuous data for assessing and improving the performance of all parties (i.e. beneficiaries, donors, experts) throughout the AfT processes. In this context, an intelligent monitoring system could contribute to the achievement of the indicator by focusing on harmonisation, vertical alignment and on-going collection of process data (evidence) within the project domain.

In order to realize tangible results under the AfT, the partner/beneficiary country must have the means to analyse domestic performance needs, document analysis, identify priorities, identify means of implementation and carry out knowledge management and organisational learning in real time. Partner countries also require a monitoring management system guaranteeing that investments made in AfT to develop organisational, institutional and societal capacities will generate effective results for the countries. This can only be done through monitoring as an embedded process and building up a body of management information, not solely by evaluation as an activity at the end of the project.

A monitoring management system would enable partner country actors to assume full management responsibilities and to become accountable for the outcomes of the investments offered by donors in the context of the AfT Strategy or the Enhanced Integrated Framework (EIF) without the feeling of being overruled or misrepresented. At the same time, an effective monitoring system would provide the donor community with a richer information database for post-project evaluations thereby reducing imprecision in post-project evaluations.

Monitoring management systems

Monitoring is a systematic and continuous collection, analysis and use of management information to support decision-making throughout the life cycle of a project.

In other words, monitoring is an internal management responsibility. Partner countries should be allowed to take the lead and the responsibility in operating, maintaining and reviewing the AfT or EIF monitoring and evaluation systems at the country level. The top management of the AfT/EIF process in the recipient country, for example, a National Steering committee (NSC) or a National Implementation Unit (NIU) should be responsible for
making sure that the monitoring system is operated properly and for exercising quality control. Such a country monitoring system needs to be subjected to external audit on a regular basis by a third party in order to ensure its integrity.

Monitoring differs fundamentally from evaluation in that monitoring is an ongoing management process allowing for in-project corrections and supports institutional learning; Evaluations are normally ex-post assessments of completed aid projects. The former offers information during a project’s life span while the latter assesses results achieved against predefined objectives, thus generating information which is too late for corrective action if the project will not have a follow-on phase.

A monitoring system also differs from the traditional monitoring “inspection”. While monitoring collects dynamic information and supports its intelligent use for problem solving by all key actors; inspection reviews (wrongly labelled as “monitoring”) episodically evaluate events and/or outputs against contractual agreements at intervals. The on-going monitoring practice suggests that, AfT/EIF is more of the “inspection type” rather than on-going “monitoring”.

In-country project cycle: five-stage process

A systematic and standardised project cycle could make an important contribution towards improving AfT and EIF capacities. A project management process for an AfT/EIF programme or project can be contemplated in the form of a project cycle diagramme shown in Figure 1.

Respective management teams within the AfT governance structure and the beneficiary government should monitor the following stages:

a) Defining the strategic interests and needs of the DC partner
b) Initiating and formulating the project proposal
c) Appraising and approving the project
d) Implementing the project
e) Evaluating the outcome of an AfT project.

As illustrated, the output of one stage will provide the input for the following stage.

Conclusion

An effective and efficient Monitoring Management System is a tool for consolidating collaborative partnerships between donors and partner countries, as part of a key objective of the Aid for Trade initiative. Its use would promote the ability of partner countries to become more actively engaged in the diagnostic and strategic planning phase of the capacity building process. Its result would be to support the development of self-sustaining and continually improving capacity for development planning and implementation. Monitoring Management Systems are a well-proven means for improving performance within the private sector. Their use within the context of AfT would at once create references for fostering coherence among all stakeholders within its processes. Additionally, it would provide a new instrument for improving governance and thus effectiveness in attaining its stated objective of alleviating poverty in LDCs and developing countries through trade.

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This article is based on a more comprehensive article that served as background document for the International Dialogue meeting in Dhaka on 24-26 November full text, titled “Exploring a New Global Partnership for the Least Developed Countries (LDCs) in the Context of the UNLDC IV can be downloaded at: http://www.oecd.org/document/16/0,3343,en_2649_33993_46268496_1_1_1_1,00.html and on the CSEND website at: http://www.csend.org/programmes-a-services/aid-effectiveness-a-efficiency-and-on-ICTSD-website http://ictsd.org/i/events/dialogues/95255/.

Notes:
1 The Development Dimension: Aid for Trade. Making it Effective. OECD, 2006
3 Results-based management is “a management strategy focusing on performance and achievement of output, outcomes and impact.” DAC Network on Development Evaluation, OECD, 2002

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Moving forward with EPA implementation in the Caribbean: the example of Antigua and Barbuda

Ambassador Dr. Clarence Henry, Barbara Williams & Alana Benjamin

In October 2008, the signing of the Economic Partnership Agreement (EPA) between the European Community (EC) and CARIFORUM (Caribbean Forum of African Caribbean Pacific States) marked an important shift in trade relations for Antigua and Barbuda. In December 2009, the Agreement was ratified and within the same month, the government agreed to establish a dedicated Unit for EPA implementation and coordination, under the Office of the National Authorising Officer (NAO) for the European Development Fund (EDF), in the Ministry of Finance, Economy and Public Administration.

In keeping with this implementation mandate, Caribbean Aid for Trade Regional Integration Trust Fund (CARTFund) provided financial support, mobilised through the Caribbean Development Bank (CDB) for the establishment and execution of the duties of the Unit. Within these funding support arrangements, the Antigua and Barbuda EPA Implementation Unit officially began its operations in November 2010 with the National Authorising Officer for the EDF as the Head of the Unit.

The development of the work programme of the Antigua and Barbuda Implementation Unit

The work of the Unit is guided by a work programme that outlines the actions and specific timeframes to meet the obligations of the Agreement. The Reworked Road Map for Implementation of the EPA designed by the CARICOM Secretariat, which chronologically details the obligations of the Agreement, provided the basis of the work programme. The work programme also took into account outputs of previously conducted consultancy studies on subject-specific areas of the Agreement and articulated immediate to short-term needs of selected stakeholders, such as the Investment Authority, Customs and Excise Department and the Ministry of Agriculture, and The Bureau of Standards.

In an effort to further focus the work programme on priority areas, the Unit met the specialists of the CARICOM Regional Unit to report on the initial progress and to obtain their input on specific areas of interest for guidance on a way forward and next steps to be undertaken by the Antigua and Barbuda Unit.

The pillars of the work programme

The development and execution of the Work Programme is guided by the Unit’s mission statement - “seeking to meet obligations of the CARIFORUM-EC Economic Partnership Agreement, while accessing opportunities to increase economic growth and enhance development.” Four objectives were developed to support the mission statement to focus the implementation of the Work Programme.

One of the main responsibilities of the Unit is to assist the private sector in the implementation of various aspects of the Agreement.

• To provide assistance to fulfil the obligations of the Agreement.

One of the main responsibilities of the Unit is to assist the private sector in the implementation of various aspects of the Agreement. To achieve this, the Unit is undertaking a series of national stakeholder meetings to assess priority implementation needs, with a focus on the trade in goods, services and investment, and other trade related issues, such as intellectual property, and public procurement.

• To assist the private and public sector in strengthening their capacity.

Another critical area of importance to the implementation process is ensuring that the private and public sector have the ability to utilise the opportunities and benefits of the Agreement by building and/or strengthening the capacity of these stakeholders. The Unit hopes to achieve this goal by assisting both public and private entities in accessing support through development cooperation provisions outlined within the Agreement, as well as other external funding sources. The Unit plans to have continuous interface with public sector entities to monitor and evaluate their progress, as well as address implementation gaps, notably by providing pertinent information and timely advisory support to address these deficiencies and challenges with available financial and technical assistance.

For the private sector, the initial focus will be to assist small and medium sized enterprises (SMEs) in increasing their export potential to European countries with the improvement of business development skills. The implementation of the aforementioned activities and strategies will commence in the second half of 2011.

• Monitoring the progress of implementation at the national level.

It is imperative that the implementation efforts be monitored and assessed periodically by external parties to ensure an efficient and effective resolution of implementation challenges.

To this end, a review and monitoring mechanism is being developed to provide critique and guidance on the implementation progress of the entire Agreement. This mechanism will comprise both private and public sector consultative committees that will meet quarterly. Briefs of these meetings will be compiled and presented to Cabinet Ministers for remarks and recommendations.

As part of the internal management structure for the CARTFund, a Project Steering Committee was created to review the progress of the work of the Unit. A proposal will be tabled for the inclusion of a biannual review of the Work Programme to facilitate the input of the Steering Committee on future actions and next steps to be taken.

Financial challenges facing the region and by extension, Antigua and Barbuda, will require the timely assessment of successes and shortcomings related to the implementation process. The Antigua and Barbuda Unit will report on its achievements and progress at the upcoming CARIFORUM-EC Trade and Development Meeting through the Regional EPA Implementation Unit. It is hoped that this will provide timely action-oriented solutions to address deficits to support of the implementation process.

• Building awareness about the objectives and opportunities of the Agreement.
The introduction of reciprocal trading arrangements in goods and services with specific and stringent guidelines and procedures and the inclusion of trade-related issues represent a major departure from past preferential trade regimes. Public awareness is therefore critical to achieve the buy-in of a wide cross-section of stakeholders, including the general public. Sensitisation and education on the EPA Agreement and its potential benefits to the economy and society is key to the success of the work of the Unit. This will be achieved through guidelines set out in a communication strategy.

In addition to the work programme of the Unit, the communication strategy was drafted with the objective of building public awareness and broad-based understanding of the Agreement by stakeholders, as well as providing specific information on market access opportunities for the private sector. The main component of the communication strategy utilises a wide range of communications tools to enhance visibility and provide strategic support for the work of the Unit. The development of online presence through a website incorporating social media components like the publication of quarterly newsletters, subject-specific brochures and pamphlets as well as engagement with local, regional and international media outlets will support the Unit as it conducts a series of scheduled workshops, focus group meetings and other interactive events on different aspects of the Agreement and its implementation.

Progress on implementation issues

Since November 2010, the Unit commenced many initiatives to accelerate the implementation process in Antigua and Barbuda. Priority was given to the fulfilment of the customs obligations under the Agreement for trade in goods. Currently, efforts are put in place to conclude the reclassification of Goods in the Harmonised Commodity Description and Coding System (HS) 2007 Revision and fulfilling the administrative conditions and duty reduction obligations within the first quarter of 2011. To ensure the successful completion of these activities, there will be a training session organised for customs officials and other relevant stakeholders on the new obligations under the Agreement in collaboration with the Regional EPA Unit.

As part of a renewed commitment to increased growth within the agricultural sector, the government has placed significant emphasis on several initiatives, including increasing productivity for domestic demand and export. As a result, the obligations relating to Sanitary and Phytosanitary (SPS) measures, Technical Barriers to Trade (TBT) and food security issues are priority focus areas of the Unit. In collaboration with the Ministry of Agriculture and the Bureau of Standards, the Unit is in the process of strengthening the regulatory framework and infrastructure to meet the commitments under the Agreement, particularly by revising the existing legislation to include new obligations and seeking assistance, particularly relating to the SPS and TBT commitments.

Due to the complexity of the obligations and the limited timeframes of the services component of the Agreement, five priority sectors were chosen - professional services, cultural and entertainment sectors, financial services, telecommunications and tourism. These sectors will be assessed on their ability to penetrate European markets and take advantage of existing market access opportunities and compete with European firms within the local market. Based on this assessment, assistance will be provided to strengthen the regulatory frameworks for the identified priority sectors and will include assistance to enhance their level of innovation and competitiveness to take advantage of the benefits to be gained under the Agreement.

The implementation needs and concerns of trade related issues, such as Environment, Social and Protection of Personal Data aspects of the Agreement, will be assessed based on previous studies conducted by various specialized experts and consultants. However, the Unit will also place a specific focus on intellectual property, particularly as it pertains to geographical indicators. The steps will be taken to compile an initial registry of geographical indicators for Antigua and Barbuda as well as to ensure that the enactment of necessary legislations for the various types of intellectual property is an area of priority. The Procurement and Contract Administration Act is scheduled to be reviewed this year, and as such, preliminary legislative reforms will be conducted to ensure that the obligations under the Agreement are addressed in the act.

Concurrently, the Unit is organising its first technical workshop on EPA implementation at the beginning of March 2011, while continuing to work with the public and private sector through consultations to introduce the Agreement and identify stakeholder concerns. The Unit is also working with regional organisations to host workshops and consultancies dealing with subject-specific aspects of the EPA.

EPA Agreement is seen as an important avenue to revitalise economic growth and development through improved trade facilitation and infrastructure

In light of the fiscal and economic challenges faced by Antigua & Barbuda and the Caribbean region, the EPA Agreement is seen as an important avenue to revitalise economic growth and development through improved trade facilitation and infrastructure. The proactive approach taken by the Government of Antigua and Barbuda in moving forward with the implementation of the EPA demonstrates commitment to strengthen relations with our European partners. However, capacity building assistance and accessing market opportunities are pivotal to ensuring the smooth transition into this trade regime. Therefore, the implementation efforts by Antigua and Barbuda and CARIFORUM as whole have to be matched with equitable fulfilment of commitments by our EU counterparts.

Authors
Ambassador Dr. Clarence Henry, Head of Unit, Barbara Williams, National EPA Implementation Coordinator and Alana Benjamin, Trade and Customs Officer are the core staff of the newly established Antigua & Barbuda EPA Implementation Unit.
The Saga of Raw Materials in Africa – What’s at Stake?

Isabelle Ramdoo

Most African countries have entered into Economic Partnership Agreement (EPA) negotiations with the European Union (EU) since 2002 and the latter’s request to eliminate export taxes was one of the main “contentious” issues. This has raised increasing concerns among many African countries since it could limit their policy space to respond to economic development challenges, including moving up the value chain and the development of downstream and infant industries. It was felt that EU’s particular inflexibility about this issue was linked to a large extent to ensuring undistorted access to raw materials.

Over the last two decades, Africa has evolved into a region of strategic importance as a major supplier of fuel and raw materials. Indeed, the seemingly inexhaustible rise in demand for some critical raw materials has driven countries like China and India to increase their presence and market their economic ties with African countries. This new configuration has fundamentally and permanently changed the economic, diplomatic and geopolitical relationship between Africa and its traditional and historical trading partners.

The exponential increase in the demand for raw materials was triggered by a combination of factors, including rising world population, rapid urbanisation and fast industrialisation, especially in large emerging economies. Forecasts indicate that if the trend observed in the production of raw materials in the last two decades persists in the next 40 years, then, by 2050, the world is expected to produce more raw materials than has ever been produced by mankind since the beginning of civilisation.

To understand the real stakes behind the passionate debates about access to raw materials it is important to underscore their importance. Perhaps one of the most indispensable elements to modern civilisation, raw materials are a fundamental input to all aspects of basic economic activities, ranging from agriculture, industry, construction, energy and transport to name but a few. They are likely to remain essential inputs to industrial development, in particular to high-tech and sophisticated industries. Basic economics has taught us that while demand may be unlimited, resources are however scarce. Although there is currently little evidence of imminent physical shortage of raw materials globally, the increasing quest for raw materials has caused fundamental changes in the world market, threatening jobs, competitiveness and survival of industries to a point that it has now become a political issue that threatens to affect the economic supremacy of some developed countries.

Strategies to Secure Access to Raw Materials

In response, both resource-rich and resource-dependent countries have adopted strategies either to maintain their stock or to secure access from outside. Many resource-rich countries have taken measures, often of a protectionist nature, to keep their resources for themselves to ensure their own industrial development, often causing serious distortions in the world market. China’s recent measures to restrict exports of certain key raw materials, including “rare earths”, are a case in point.

Resource-dependent countries have elaborated strategies to secure access at fair and undistorted prices. In this context, the EU, the United States and Japan have all defined strategies, reflecting common concerns, although policy responses differ. In 2008, the European Commission presented a Communication named “The Raw Materials Initiative – Meeting Our Critical Needs for Growth and Jobs in Europe”, reflecting its concerns regarding the increasing global demand from new emerging powers and the resulting possible supply shortages. The Communication outlined a three-pillar, integrated strategy around (1) access to raw materials at undistorted conditions, (2) the sustainable supply of raw materials from European sources and (3) the reduction of EU’s consumption of primary raw materials. It identified 41 minerals and metals of strategic importance to Europe 14 of which were classified as “critical”.

To meet its critical needs, the EU signalled its intention to use all trade instruments at its disposal to secure access to raw materials. These include the use of trade defence instruments to protect its market and industries from unfair competition, stronger disciplines at the World Trade Organization (WTO) and trade agreements with all its key trading partners including on investment.

In response to the recent volatility in commodity prices and the rise in distortions on global raw materials markets due to protectionist measures, the EU published a new Communication on 2 February 2011, entitled “Tackling the Challenges in Commodity Markets and on Raw Materials”. While it enlarged the scope of the 2008 Raw Materials Initiative to other commodities such as energy, agriculture and security of food supply, it also confirmed its firm commitments to strengthen actions to pursue its “raw materials diplomacy” to secure access to strategic raw materials. In particular, the EU intends to refine the EU development policy towards Africa to help translate their resource wealth into sustainable and inclusive growth. Cooperation will focus on transparency and governance as well as trade and investment climate in the raw materials sector. This is rather good news for African countries, as long as it does not condition development assistance. In addition, the EU will encourage its financial institutions to fund infrastructure as well as mining and refining projects in Africa with a view to facilitate the supply of raw materials.

China has undertaken a “two ways strategy” to ensure that it can secure access to cost effective raw materials. On the domestic front, China intends to expand local investment in its own exploitation and production and to limit exports of certain key raw materials. In some case, it has taken measures to restrict foreign investment. On the international front, in sharp contrast with its restrictive domestic policies, China has been very active to secure access of raw materials around the globe. It has mobilised its state-owned enterprises and have encouraged its private companies to acquire raw materials abroad and to finance related infrastructure and services sectors, in particular in Africa.

The rise of new emerging powers, and in particular China, and their growing appetite for raw materials has sounded a wake call both for
developed countries and for Africa. In Europe, the fear of an eventual supply shortfall, but more importantly, the fear of losing grip on a longstanding and relatively privileged access to raw materials led to a series of analysis to define those raw materials that were critical to economic growth and employment and therefore to take policy measures to secure access to raw materials.

What does this imply for Africa?

Africa’s rich endowment in raw materials is well known: it hosts 30% of the world’s reserves and produces over 60 metals and minerals. Much of its soil is still unexplored and therefore potential reserves are undoubtedly enormous. Paradoxically, although individual countries are heavily reliant on exports of raw materials, in general, when compared to other large producers, such as China, Russia or Brazil, Africa’s current share in worldwide production is relatively small. As it currently stands, the average share of Africa in global production and exports of critical raw materials to the EU total imports is rather limited. Few African countries, with the exception of South Africa and DR Congo, are important producers and exporters of those raw materials that the EU considers as critical. However this situation is likely to evolve: the overdependence of Europe on China for most of its critical raw materials has proved particularly painful recently and the EU will surely diversify its sources away from China to prevent other bad surprises.

As the only region to have clearly outlined its strategy to secure access to raw materials, the EU has triggered passionate debates around the motives and the likely implications of its Initiative for resource-rich countries, in particular in Africa. Critics have rightly outlined possible challenges, linked to the somewhat mercantile EU approach related to trade, where the latter intends to ban the use of export taxes and other trade restrictions in the context of its trade agreements, notably in the EPAs.

Equally worrying is the request from the EU to African countries to take market access commitments in non-services investment sectors and to grant pre and post establishment rights in the context of EPAs. While no one denies the fact that Foreign Direct Investment (FDI) is a key element for economic development, without a proper legal and institutional set up around the mining sector, granting open market access may do more harm than good to some countries with weak governance.

Furthermore, given the particularity of the mining sector, where contracts often determine the terms of commercial operations, granting market access to mine operators when the terms and conditions of these contacts are unknown and obscure, could well leave gigantic empty holes in the ground and few pennies in the pocket when returns on the investment diminish over time.

Chinese way of doing business has seduced a number of African countries, in particular since mining projects have often been accompanied by related investment to fill in infrastructure deficits, so far a major handicap for trade facilitation in Africa. While in the short-term, Chinese involvement in Africa is perceived as providing the long-awaited manna from heaven, over time, it might well become a Trojan horse. African countries need to be extremely vigilant that it does not engage in an irreversible “infrastructure for resources” barter game, where the counterpart of the much-needed investments in infrastructure is simply traded against long-term supply contracts in mining resources, which could be devastating and ruinous.

Surely one can understand that the EU’s Initiative is legitimate and is meant to ensure market access for its own investors and to protect jobs for its own people. Similarly, China’s ultimate objective to engage in Africa is certainly not of a philanthropic nature. It is purely commercial: access as much raw materials as possible at the lowest cost to feed its gregarious needs. African countries should be equally strategic and ensure the best for its current and future population.

Avenues for Opportunities

Despite these daunting challenges however, there is scope to find opportunities to enhance cooperation with the EU and other partners. The aim of all resource-dependent countries is to secure market access and therefore it is in their interest that resources are well-managed. For this, African countries need capacity building, institutional support, technical and financial assistance in the setting up of the necessary regulatory framework.

For instance, the new Communication on Raw Materials emphasises the need for the EU to improve coherence between its development policies and access to raw materials. This is an open door for African countries to be forthcoming and propose ways to make the link and ensure there is no contradiction between the two objectives, which one could argue, is currently the case.

The Communication further stresses on the need to strengthen states and governance. This is a key element since raw materials are often under the control of the State, therefore often causing markets to fail. Transparency and governance are certainly important to improve the benefits derived from resources. However this should not be a matter only for the State. It is an equally important matter for firms. The new Communication highlights the need to improve transparency throughout the supply chain and will develop a code of conduct for companies operating in third countries. African countries should therefore engage the EU and all its other partners in ensuring that their companies disclose information related to contracts, payments of royalties, declare their revenues and publish regularly audits and accounting reports. Transparent contracts would ensure that these would not “jump” policy measures that Governments could take to promote economic development.

Additionally, the new Communication recommends higher engagement in the field of geological surveys so as to improve knowledge of mineral reserves. In fact, one of the biggest weaknesses of many resource-rich is the asymmetry of information between Governments, who have little information about their national endowments and investors, who often know more about the market and geological characteristics of the country. This has placed investors at an advantage, causing many African countries to strike poor deals.

Finally, while FDI is very valued and important for future growth, African countries need to insist that foreign companies use, wherever available, local content, through the use of locally available goods, services and local staff, and that they engage in transferring technical know-how and technology. This would be a way to foster entrepreneurship, create poles of growth around mining industries and create jobs.

Author

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Notes:


2. “Rare Earths” are a collection of fifteen chemical elements in the periodic table. Despite their name, rare earths are relatively plentiful in the earth’s crust. However, because of their geochemical properties, rare earths are typically dispersed and not often found in concentrated and economically exploitable forms. They are used in sophisticated technologies. See “The Race for Green Jobs: China’s Incentives under Attack”, December 2010, http://ictsd.org/news/bridges/988177/ and “US Mulls DSU as Chinese Rare Earth Exports Clawed Back Further”, January 2011, http://ictsd.org/news/biores/99456/


ACP Countries Call For ‘Immediate Action’ on Cotton Subsidies

The group of African, Caribbean and Pacific (ACP) countries has called for an “immediate” resumption of negotiations on cotton subsidies at the WTO, castigating the US for maintaining support measures that the global trade body’s dispute settlement mechanism has ruled illegal. A solution to the problem “cannot wait,” the ACP members said in a 27 January statement.

The 79-member bloc, which has long argued that high US cotton subsidies lower world prices, harming the already-fragile livelihoods of cotton farmers in developing countries, notably in West Africa. In the Doha Round trade negotiations, developing countries have pushed for extra-deep cuts to cotton subsidies, an effort spearheaded by the ‘cotton four’ (C-4) of Benin, Burkina Faso, Chad, and Mali. While the US has agreed to slash its cotton subsidies more deeply than support for other farm products, it has insisted that it would make such cuts only as part of a Doha Round accord, not earlier.

Separate from the Doha Round, the US existing cotton subsidies have already ran afoul of WTO law. In a long-running dispute dating back to 2002, Brazil has successfully argued that a variety of US support programmes for the cotton sector violate Washington’s obligations under WTO rules governing agriculture and subsidies. Washington, however, failed to fully bring its policies into compliance with the ruling. Last year, Brazil and Washington settled for a temporary ‘framework’ agreement whereby the US agreed to set up a $147.3 million per year “technical assistance fund” to help Brazilian farmers; it also pledged to work with Brazil to reform current and future cotton subsidy programmes.

“The ACP group deplores the present impasse consisting in an unprecedented and exceptional situation where a WTO member avoids bringing its trade policy into compliance with its obligations towards the Organisation in return for a payment made towards the producers of one other member only,” the bloc said.

The ACP statement was timed to coincide with a meeting of trade ministers from several leading WTO members in Davos, on the sidelines of the World Economic Forum summit. Stressing that the US remained in violation of its WTO obligations, the bloc called for an “immediate resumption” of negotiations, based on a draft agreement text from December 2008. Priority should be given to an “early solution,” the ACP group said, cotton should at a minimum “be treated in parallel, and not subsequently, to the outstanding issues in the Doha Round negotiations.”

Davos: Ministers Target Doha Accord by End-2011

Twenty trade ministers from influential WTO member countries agreed to push for a breakthrough agreement in the Doha Round negotiations by July, so that the long-struggling trade talks can be wrapped up by the end of the year.

Meeting on the sidelines of the World Economic Forum’s annual summit in Davos, they recognised that “divergences [in WTO members’ negotiating positions] need to be drastically reduced” for any agreement to become possible, and pledged to empower negotiators to “engage in give and take” in order to arrive at compromises. For this year’s call for an agreement to succeed, WTO members will need to overcome deep differences between the US and large developing countries such as China, Brazil, and India over the depth of tariff and subsidy cuts. China, India, and Brazil have consistently rejected US demands for greater access to their markets as unrealistic and out of proportion to what rich nations are being asked to do to in terms of cutting tariffs and farm subsidies.

The ministers from Brazil, China, India, and South Africa said that the formulae and figures for subsidy and tariff cuts and exceptions, which are captured in December 2008 draft agreement texts for agriculture and non-agricultural market access, would require developing countries “to offer a level of contribution without precedent by any member in any of the previous negotiating rounds.”

In contrast, Michael Punke, the US ambassador to the WTO, said last month that it was Washington’s “fundamental belief” that those same terms were “imbalanced against” the US.

Meanwhile, a high-level panel headed by trade economist Jagdish Bhagwati and former WTO head Peter Sutherland has called for making the end of 2011 an inflexible “absolute deadline” for a Doha accord, with the talks to be abandoned if governments fail to reach an agreement by then. The panel pointed to many reasons underpinning the slow progress in the Doha Round, from changing economic beliefs and the rapid growth of countries like China, India and Brazil, to the fact that the negotiations reach far into countries’ sensitive agriculture sectors.

Members Moving Forward on S&DT Monitoring Mechanism

WTO members are moving forward with, fleshing out a proposed “monitoring mechanism” that would review the functioning of provisions in multilateral trade rules for ‘special and differential treatment’ (S&DT) in favour of developing countries.

Negotiations on the mechanism date back to a July 2002 decision by the WTO’s top permanent decision-making body, the General Council, endorsing the African Group’s proposal for such a mechanism and directing the Committee on Trade and Development in special (negotiating) session (CTD-SS) to establish terms for how it would work. However, the talks languished for years as the monitoring mechanism was linked to calls by some developed countries for ‘differentiation’ among non-LDC developing countries.

The most recent revision of the chair’s non-paper, dated 16 December, specifies that while the monitoring mechanism “is not a negotiating body” it may make “recommendations or proposals for opening negotiations as applicable in other WTO bodies.” It adds that monitoring, which would take place under dedicated sessions of the CTD, “shall complement, not replace, other relevant review mechanisms” in other WTO bodies. The CTD-DS will be able to “propose actions, including to the General Council, that strengthen and improve the implementation of the reviewed S&D provisions.”

This information has been summarized from ICTSD’s Bridges Weekly Trade News Digest
Central African negotiations re-launched

European and Central African Economic Partnership Agreement (EPA) negotiators held an informal meeting in Douala on 8-9 December 2010 to take stock of negotiations and clarify respective positions on several controversial issues. Preceded by a Central African regional consultation meeting, it was the first meeting between the two parties held since February 2009.

In the meeting with the European Commission (EC), Central Africa reiterated its commitment to conclude an EPA that includes development cooperation provisions to ensure that the region has the necessary regional capacity to benefit from the agreement. The EC indicated that it expects to boost aid for trade to the region soon, to complement the already agreed Regional Indicative Programme. Several studies will also be conducted on EPA accompanying measures.

With regard to market access, the EC and Central Africa discussed adopting a tariff line by tariff line approach rather than focusing on an overall percentage of tariff liberalisation. Central Africa stated that they want the current EU EPA Market Access Regulation to be applied to all Central African countries until full EPA negotiations are completed. The EC reminded Central African stakeholders that the regulation is a temporary regime for countries having initialised an EPA at the end of 2007. Permanent duty free quota free access to the EU market can only be provided to non-Least Developed Countries (LDCs) once they have signed and applied an EPA.

Regarding services, Central Africa and the EU confirmed the outcome of previous negotiations. Taking into account the legal and institutional disparities between countries and the absence of adequate regional structures, Central Africa suggested to postpone the liberalisation of some sectors so as to allow enough time for improving Central African legal frameworks.

A new calendar for the EPA negotiations with a clear roadmap was discussed. It aims at re-launching and concluding negotiations for a full, comprehensive regional EPA by the end of 2011.

West African negotiations resume

As TNI goes to press, a meeting of the West Africa regional EPA Ministerial Monitoring Committee negotiations was scheduled to be held on the week of 18 January. However, the meeting has not yet been confirmed.

“Given the lack of progress in West Africa’s regional EPA negotiations, Ghana is in the process of making sure that it can sign its interim EPA with the EU this year in order to ensure its market access is maintained” said Ghana’s Minister of Trade and Industry, Hanna Tetteh, on 14 January. The interim EPA will provide Ghana with duty and quota free access into the EU market for all imports (with transition periods for rice and sugar) and in return Ghana will liberalise 80% of its EU imports. With regard to Côte d’Ivoire, regional EPA negotiations are made more difficult as ECOWAS (Economic Community of West African States) Heads of State and Government suspended Côte d’Ivoire from all ECOWAS decision-making bodies following the country’s disputed election.

The West African Economic and Monetary Union (WAEMU) Council of Ministers meeting in Bamako on 7 January adopted a decision to create a regional consultation committee on trade negotiations. The committee’s objective will be to assist the WAEMU Commission and member states in the preparation, conduct and follow-up of trade negotiations. WAEMU also agreed to establish a WTO office in Geneva.

On 4 December, the EU extended the transitional period for withdrawing Cape Verde from the list of EBA beneficiary countries. The regulation provides for the withdrawal of a country from the EBA arrangement when that country is excluded by the United Nations from the LDC list. Cape Verde was excluded by the United Nations from the LDC list and the country should have been removed from the list of EBA beneficiaries with effect from 1 January 2011. The EU, however, agreed that the transitional period granted under the regulation, coming in a time of economic crisis, was marked by declining trade volumes that hampered Cape Verde’s economic diversification efforts. Hence, this transitional period has not allowed the time necessary for Cape Verde to overcome its over-reliance on one key export sector and thus alleviate potential adverse effects of the removal from the EBA scheme. The period will therefore be extended until 1 January 2012.

WAEMU Trade Ministers meeting in Cotonou on 26 November adopted a declaration reaffirming their commitment to conclude a comprehensive regional EPA with the EU in order to safeguard the regional integration process. They also vowed to work towards the reduction of the EPA’s negative effects and to capitalise on the opportunities that it offers.

Ministers called for contentious issues to be considered at the highest political level, in order to provide new guidelines to EPA negotiators. They also called for an appropriate treatment of the development dimension in the EPA. With regard to the EPA Development Programme they insisted on the need to include adequate resources to fund adjustments, upgrade companies and enhance competitiveness.

Eastern and Southern Africa negotiations also resume

Eastern and Southern Africa (ESA) Group and EU EPA representatives at the technical level met in Harare on 14-15 December to take stock of EPA negotiations, clarify positions and agree on the way forward. It was the first joint technical meeting held since August 2009.

The stock-taking was undertaken on the basis of a consolidated joint EPA draft text containing the provisions negotiated so far, the provisions of the interim EPA and some additional texts considered relevant by either Party for the comprehensive regional EPA.

It was agreed that the next round of technical negotiations would focus on areas where there is scope for advancing the negotiations. Discussions could include the following: trade defence instruments, non-tariff measures, customs and trade facilitation, the most-favoured nation clause, trade-related issues, services, agriculture and development cooperation. Issues still under discussion such as trade liberalisation coverage and timing, export taxes and development benchmarks will be dealt with at senior official and ministerial levels.
The parties agreed to hold the next technical round of negotiations on the basis of the consolidated EPA text in early 2011.

The EU made a presentation on the new cumulation provisions for rules of origin in the full EPA. This proposal extends cumulation possibilities by providing for sourcing from the most competitive countries in the world. ESA will analyze the proposal as well as the EU GSP rules of origin that were substantially improved at the end of 2010. A joint workshop dedicated to rules of origin will be held soon.

With regard to development cooperation, the main issues for negotiation are some additional resources for EPA implementation; the development matrix that ESA will submit to the EU for consideration, and the development benchmarks elaborated by ESA. ESA reaffirmed its proposal to link the benchmarks to the pace of liberalisation. The EU maintains its preference for indicators to monitor EPA implementation, but rejects the link between liberalisation commitments and development benchmarks.

Representatives from Mauritius, Seychelles, Zimbabwe and Madagascar also informed the EU about progress with the ratification of the interim agreement. The EU stressed that the countries should proceed with ratification without further delays so as to bring the current situation into conformity with WTO and EU law. Comoros and Zambia have yet to sign the interim EPAs they initialled in November and December 2007.

**SADC EPA group aims to conclude negotiations in mid-2011**

The Southern African Development Community (SADC) EPA group and the EU failed to meet their self-imposed deadline to conclude EPA negotiations by the end of 2010. Both sides say much progress was made, but that outstanding issues remain in the negotiations they now aim to conclude an agreement by mid-2011.

European Commission officials informed members of the European Parliament’s International Trade Committee meeting on 1 December 2010 that current sticking points include new EU proposals on rules of origin and cumulation; fisheries rules of origin for Namibia and Mozambique; differentiated treatment for some South African exports; and services, investment and trade related issues. The South African Embassy Trade Counsellor concurred with the EC’s analysis and called for the Parliament’s political intervention to help end the EU’s discriminatory treatment in relation to his country’s agricultural market access to the EU. He explained that the EU is the biggest market for South African goods, but that South Africa accounts for only 1.2% of goods in the EU market. South Africa is also the only ACP country that has granted the EU 85% duty-free access to its market. For these reasons, he argued in favour of a phased ending of differential treatment. The EC argued that only a few sensitive products are excluded from liberalisation and stressed that the EPA negotiations were being conducted with the whole SADC region, not with South Africa alone, meaning that the issue of other member states’ preference erosion is a question that must also be considered in decisions on granting market access. South African Trade and Industry Minister Rob Davies confirmed that South Africa is seeking to increase its market access in EPA negotiations, particularly in relations to fisheries and agricultural products. Minister Davies further noted that while EPA negotiations are progressing, the most difficult issues, such as export taxes and the Most-Favoured Nation Clause, still needed to be negotiated. These are considered “make or break” issues he said and require political level discussion to provide guidance to negotiators to be able to reach agreement.

**Caribbean urgently needs to prepare for EPA implementation, but is the region capable of such a task?**

The CARIFORUM (Caribbean Forum of ACP States)-EC Economic Partnership Agreement signed in 2008- contains a built-in agenda for future undertakings in a number of areas such as investment, trade in services, rules of origin, competition policy and intellectual property. The CARICOM (Caribbean Community and Common Market) Office of the Trade Negotiator (OTN) published a paper on 9 December outlining the status of implementation on the EPA built-in agenda. Most of the work scheduled relates to timeframes that are contingent upon the entry into force of the EPA. To date, not all the CARIFORUM states have completed the necessary procedures to enable entry into force of the EPA. Therefore, corresponding timelines related to the built-in agenda will be delayed until such processes are completed. Limited capacity for extensive and sustained consensus building and coordination of positions amongst governments, and between governments and the private sector, is a perennial problem. The OTN argues that the early planning and mapping of activities under the built-in agenda would help to identify specific challenges as well as possible related solutions. These could be supported through the use of development assistance earmarked under the Agreement.

A new CARICOM Secretary General is to be appointed at the Inter-Sessional Meeting of the Conference of Caribbean Heads of Government scheduled to be held in Grenada in late February/early March. Prominent regional commentator David Jessop, Director of the Caribbean Council, explains that the appointment comes against a background of increasing concern from academics, business leaders and statesmen alarmed by the failure of the regional project to move forward, and worried by the inability or unwillingness of Governments to implement what is agreed to complete the Caribbean Single Market and Economy (CSME) or implement regional and external trade agreements. Jessop argues that it may now be too late for regional integration as the economic and political cost of achieving it in parallel to a recession and market opening may now be considered too high, even though external events, like food and energy crises, require an urgent regional response.

**Pacific trade ministers to discuss EPAs**

The European Parliament gave its consent to the Pacific interim EPA on 19 January. The interim EPA was signed in 2009 by Papua New Guinea (PNG) and Fiji. It grants duty-free and quota-free access to the EU market, while committing PNG and Fiji to an asymmetric opening of their markets (88% and 87% respectively over 15 years). Consent was given despite the Parliament’s Fisheries Committee concern regarding the EPA’s derogation from the rules of origin for processed fishery products. These concessions were made in order to develop onshore fish processing capacity in the Pacific so as to sustain local employment. This may have a destabilizing effect on the EU’s fish processing and canning industry. The
EC argued strongly that the derogation was necessary for PNG's development and that PNG, with 3% share of the EU market, is highly unlikely to disrupt the EU markets. No such disruption has occurred since the provisional application of the derogation in 2008. Should there be a serious disturbance in the EU market monitoring systems and safeguards are available that would allow for suspension of the arrangement. The EC also made clear that it has no intention of offering a similar derogation to any other ACP region. The Parliament also calls for the early determination and provision of the Pacific region's share of Aid for Trade resources stressing that these should be additional and that disbursement should be timely and predictable. The Parliament also hopes the interim EPA, aimed at keeping the market open for exports from Papua New Guinea and Fiji, will pave the way for a comprehensive regional EPA.

**Author**
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**Notes**
2 ECOWAS suspends Ivory Coast membership following elections. 7 December 2010. news.ecowas.int/presseshow.php?nb=1888&lang=en&annee=2010
9 See in this respect, the fourth article in our series of articles on EPA implementation in this issue of TNI, focusing this month on the recent set-up of the EPA Implementation Unit in Antigua and Barbuda.

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Calendar and resources

ACP-EU Events

| February 2011 | 30/01 | - 4 Central Africa-EU technical negotiations meeting (potentially followed by RPTF), Brussels, Belgium |
| 30/01 | - 4 SADC Technical meetings to discuss Rules of Origin in the Fisheries sector, Namibia and Mozambique |
| 31/01 | - 2 Pacific Trade Officials meeting, Apia, Samoa |
| 1 | CARIFORUM-EC Parliamentary Committee on EPA, Brussels, Belgium |
| 3-4 | Pacific Trade Ministers Meeting, Apia, Samoa |
| 3-4 | Meeting of EU and Namibian fisheries experts, Namibia |
| 21-22 | ProElInvest EPA seminar for the Indian Ocean sub-region, Mauritius |
| 21-25 | EU-SADC senior officials meeting preceded by technical level negotiations, Lesotho |
| 24-4 | East African Legislative Assembly sitting, Nairobi, Kenya |
| 24-4 | - EAC technical meeting on EPA March 31/03 - 01/04 First Trade and Development Committee Meeting (Senior Officials), Barbados |
| 3-4 | - EAC-EU technical negotiations session on EPA, Brussels, Belgium April |
| 11-15 | Technical negotiation round in Central Africa (venue TBC) - West Africa EPA seminar, Ghana |
| 21-25 | - Caribbean-EU EPA Trade and Development Committee - EU-West Africa technical negotiations session on EPA |

WTO Events

| 26-30 | World Economic Forum Annual Meeting |
| February | Dispute Settlement Body |
| 6-11 | World Social Forum, Sénégal, Dakar |
| 15-17 | Trade Policy Review Body - Japan |
| 22-23 | WTO General Council |

Resources - All references are available at: www.acp-eu-trade.org/library


- WTO draft agreement establishing the COMESA, EAC, and SADC tripartite Free Trade Area, Released by Tralac, 19 January 2010, www.tralac.org
- Binding Tariff Preferences for Developing Countries Under Article II GATT (United Nations Conference on Trade and Development, 1947) – WTO’s Enquiries, Tolara Dzamara
- The Planet Earth. Agriculture and Food security, Raymond Sauer, Issue 4-5, October Madrid 2010 http://www.csend.org/programmes-a-services/trade-policy-governance

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