GOVERNANCE REGIONAL INTEGRATION ECONOMICS AGRICULTURE TRADE

GREAT insights

Volume 1
Issue 1
January/February 2012

online version available at www.ecdpm.org/great

Boosting Intra-African Trade?

The 18th African Union Summit of Heads of State was meant to provide the highest political support for "boosting intra-Africa trade" by fast-tracking the move towards greater effective integration and the setting of the Continental Free Trade Agreement (CFTA) by 2017. Instead, headlines have been captured by the failure of the African leaders to agree on a new AU Chairperson, postponing the nomination to the Malawi Summit in June. African Heads of State and Government also failed to convey the necessary sense of unity and political leadership necessary to promote a coherent and effective pan-African vision. In an effort to hide dissensions, notably by Nigeria (read President Jonathan's position in this issue) and Ethiopia, the final declaration weakly states that the CFTA "should be operationalized by the indicative date of 2017".

Is the glass half full or half empty? An optimistic view would focus on the endorsement of the new Programme for Infrastructure Development in Africa (PIDA), the commitment to further support existing regional integration initiatives and the further development of a framework programme and plan of action paving the way towards greater integration and the establishment of the CFTA. These are all laudable objectives. But the real challenge is to move from well-rehearsed rhetoric on regional integration and grand designs to concrete actions towards effective integration.

In this respect, whether or not a CFTA will be in place by 2017 is of little importance. It will not. But a sense of urgency should prevail among African leaders on the need to take concrete steps to significantly reduce barriers and various impediments to trade among African nations, within existing regional economic communities (RECs) of course, as well as among RECs. To this end, commitments at the AU level might help, provided they are realistic and meet a strong consensus. Yet, it is only in their translation and effective implementation at the national level that regional ambitions start to make sense. To become credible, African leaders should act at home on the effective implementation of the regional agenda

San Bilal
Head of the Economic Governance Programme at ECDPM

Dear reader,

ECDPM is pleased to release the first issue of GREAT insights. As a follow up to Trade Negotiations Insights, we will continue to provide you with a platform for analysis and comments on the burning policy questions in the trade and development sphere, with a particular focus on Africa. As the new name suggests, our focus is broadened to cover a wide range of relevant economic and governance issues.

This first issue is dedicated to regional integration on the African continent, following last month's African Union Summit on "boosting intra-African trade". We have gathered analysis and commentary from politicians, practitioners, scholars and experts and asked them to give us their analysis of the major bottlenecks on the road to regional integration in Africa.

We hope that you will find this first issue informative. As always, we welcome comments, suggestions and submission of articles. You can reach the GREAT Insights editorial team at great@ecdpm.org.

Quentin de Roquefeuil and San Bilal

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"The Road to the Continental Free Trade Area is Far From Easy"*

Goodluck Ebele Jonathan, President of Nigeria

One year ago, our Assembly met in Addis Ababa on the theme: "Shared Values Towards Greater Unity and Integration". This current Summit on "Boosting Intra-African Trade", underscores the imperative of shared values as the bedrock for achieving integration. Our commitment as individual Member States, as Regional Economic Communities (RECs) and as a united continental body, to realize this objective for the good of all must not waver. Africa's economic development will be more difficult to achieve without a free intra-African economic and trading system. This will, in turn, increase its underdevelopment and marginalization.

Therefore, we all appreciate the need for Africa to build a formidable mechanism for internal trade and economic resilience to protect the continent's economies from external shocks.

The Lagos Plan of Action, the Abuja Treaty, and the NEPAD Charter, among other instruments on Africa's economic integration and development, adequately address how to make Africa economically independent and self-sustaining.

It is against the backdrop of these frameworks, that I would like to share our experience in West Africa regarding economic integration. I should emphasize in this regard, that the key to enhancing intra-African trade is the free movement of people, goods and services. In the 37 years since the formation of ECOWAS, we have witnessed increased access of our diverse products to larger markets and greater access to larger labour work-force. Furthermore, it has encouraged our producers to produce more efficiently based on factors of comparative advantage, specialization and increased competitiveness. Indeed, it has created wider variety for consumers thus impacting on prices and ensuring economic stabilization.

Added to these specific economic gains, is the socio-political solidarity that has accrued amongst us in the sub-region which cannot be quantified. Our sustained trading contacts have, overtime, also helped to bridge our socio-cultural differences and lent our countries to harmonious co-existence. These and other advantages, I believe, justify the need for consensus here today on the priorities we must pursue, as well as the measures required, to achieve the goal of an African common market.

The projected modest growth of Africa's GDP to 5% of global GDP by 2020 is anything but assured, given the frequent and sometimes persistent international economic and financial crises. Consequently, the necessity for an Action Plan to launch a Continental Free Trade Area (CFTA), in line with the framework and stages outlined in the Abuja Treaty, remains unassailable.

My optimism notwithstanding, I should caution against rigidity on a Continental Free Trade Area. Our experience with setting free trade targets in West Africa, leads us to believe that the multi-faceted benefits of a Continental Free Trade Area cannot be achieved without adequate infrastructure policy, legal, socio-political and cross-border security frameworks.

Of equal importance, is the need for guaranteed and predictable sources of funding for the implementation of projects. Indeed, our best efforts can bear very little fruit unless there is partnership between the public and the private sectors at the international, continental and national levels.

I should add at this juncture, that a favorable international environment is also needed to complement our domestic efforts. In this regard, I wish to call for greater political will and commitment to conclude the Doha trade negotiations to enable Africa benefit meaningfully from trade as the engine for development. Other measures must include granting Africa greater voice, representation and participation in decision making in international financial and development institutions. Besides, there is need for consistency, coherence and transparency in dealings with Africa.

These lessons from our regional perspective are essential and germane for building a viable, fair and trouble-free Continental Free Trade Area. Above all, the total package of institutional and systemic enablers must all be in place. These include the provision of adequate infrastructure, policy and regulatory frameworks, conducive social, political and economic environment, financial services and support to businessmen and women, locally and across borders. If addressed, these measures will assist in reducing the anticipated adjustment costs, as well as put less pressure on the compensatory system and ensure a cost-effective governance architecture for the Continental Free Trade Area.

It is beyond doubt that our regional economic communities provide the best platform for accelerating and achieving economic integration. Therefore, what is required of us is to do more to implement the several initiatives that we have already adopted aimed at addressing factors such as infrastructure, productive capacity and science and technology that inhibit integration efforts. In this regard, I would like to reiterate the view I expressed last October at the Commonwealth Business Forum in Perth, Australia, where I said, "There is need to have a clearer basis for trans-boundary cooperation to manage common resources like water and energy and to enable the erection of regional infrastructure that will power intra-Africa trade which is currently at only 10% of total trade in the continent".
In the final analysis, my assessment of the progress towards the Continental Free Trade Area does not lead me to believe that 2017 is a realistic target for its take-off. Several of the key enablers that I have already enumerated, not to mention other challenges and constraints, remain lacking. For this reason, I am not convinced that by 2017 these challenges would be overcome to enable the smooth take-off of a trade regime that caters to the needs of all our countries and RECs.

For the time being, in our words and deeds, we can and must do more, to realize the objectives of the Programme for Infrastructural Development in Africa (PIDA), the Accelerated Industrial Development of Africa (AIDA) Initiative, African Productive Capacity Initiative (APCI), as well as the Action Plan for Development of Science and Technology, among others. It is by implementing these plans that we can hasten the emplacement of a Continental Free Trade Area that would stand the test of time and deliver on its promise.

I would like to recommend that the proposed CFTA Action Plan and its programmed cluster of activities be regarded by the Assembly as guidelines to address the identified challenges and constraints. The launching of the Continental Free Trade Area should follow at an appropriate and more realistic time. Now is the time for the Assembly to give consideration to a multi-speed development of the CFTA to allow States to join at a pace that best suits their needs. After all, in both the common markets of the European Community (EC) and Association of South East Asian Nations (ASEAN), members were not required to all join at the same time.

The road to Continental Free Trade Area is far from easy. Member States need to work on all convergence and fiscal issues including infrastructure, trade policy, border security, Customs, travel visas/migration, investments, and judicial governance among others. We are still grappling with these issues in the entire ECOWAS sub-region.

Taking a gradual, but incremental step toward a CFTA, would accord with the values of democracy that we espouse across the continent. It will be difficult in some of our domains, to accede to the CFTA without first involving our citizens and other stakeholders in frank and open discussions to reach consensus on strategic national public policy interests. We must be open to sharing experiences and learning useful lessons. There are no quick-fixes to integration.

Extracts from Goodluck Jonathan's Speech delivered at the African Union Summit

*shortened by ECDPM

The All-Africa Free Trade Area: Revenge of the Abuja Treaty?

Vijay Makhan

The Abuja Treaty establishing the African Economic Community almost suffered the same fate as previous development plans for Africa. No sooner had it come into force in 1994 than fresh blueprints sprouted from within and outside the continent, side-tracking the Treaty.

The decision of the African Union to address specifically the critical issue of "Boosting Intra-African Trade" at its 18th Summit of Heads of State and Government and calling, inter alia, for the establishment of a Continental Free Trade Area (CFTA) by 2017, "in line with the timeframe and stages of the Abuja Treaty" is clearly a demonstration of collective wisdom to take the continent's economic survival and progress in hand. Surely, the tergiversations of the international trading system as indeed the continent's own stuttering efforts in its economic development agenda have finally led to exasperation point and hence, the CFTA decision. For, strictly speaking, according to the Abuja Treaty, the continent has not quite reached the point for it to embark on this challenging stage of its implementation. Indeed, certain requirements of the first two stages remain unfulfilled and the Heads of State and Government, as stipulated by the Treaty, have not pronounced themselves on the completion of the previous stages for the continent to embark on the third stage. But then, the provisions of the Treaty are not cast in iron, and Africa cannot afford the luxury of time.It is simply not on its side!

The International disillusion

Judging by the tough situation prevailing on the international front, Africa needs to efforts to demonstrate its capacity of a close fist when it comes to fighting for its interests at the negotiating table. For too long now, it has had to play a kind of second fiddle, if not an outright passive role, at the level of the multilateral negotiations. It has had to fight hard to have its voice heard. This situation has become even more apparent since the inception of the WTO. Those who were in Seattle and Cancun, among other places around the world where these very costly negotiations took place, would remember the raw deals tendered to the African delegations. The so-called Doha Development Round was to have concluded rapidly and ensured the developmental aspect of the new trading system. Lest it be forgotten, the timeframe earmarked for the conclusion of the Round was three years since its launch in 2002! We are now in 2012, and the developing countries, principally the African countries, which hardly have the means or the capacity to partake in these complex negotiations, are practically exhausted. The fruits have not lived up to the promises of the blooms! It should also be remembered that there was a time when the belief was strongly propagated that wisdom on trade policies somehow could only originate from the WTO. Free Trade Areas were decried as being contrary to the objectives of the WTO. Africa showed a propensity to go along with that decree, especially after it was endorsed by the Sutherland Report. The latter lamented the proliferation of preferential trade agreements which were compared to the imagery of a spaghetti bowl. And yet, those developed countries which have always been very quick at pointing a finger at the developing world, concluding that those that were not benefiting from trade needed to fix their governance problems, were at the forefront of concluding FTAs!

Moreover, the attempt at dealing with the capacity problems of poor countries in a coherent and comprehensive manner at the WTO has hardly ever been commensurate with the enormity of the problem. There is no strong evidence to support that the WTO has been consistent in responding to the needs of its weakest members and the multifarious challenges they face. The procedures laid down, including the "coloured" rooms exclusive processes, became more difficult, complex and complicated for most developing countries, African ones foremost, to follow and derive consequential benefit.

Assuming Responsibility and Facing Challenges

Therefore, the call for a fast-track CFTA is very apropos! The dispersed ranks often demonstrated by our countries and, to a certain extent, encouraged, albeit in a subtle manner by outside players, have played havoc on the continent. That is why this chance should not be allowed to pass. However, the challenges faced by the continent in following through this commendable objective are multiple and need to be overcome with determination and courage. These are quite well known for they are the same challenges that have hindered the timely implementation of many a decision aimed at propelling the continent forward in its quest for integration at all levels.

> ....they must ensure that this decision does not suffer the same fate that so many other decisions, resolutions and declarations have known through non-implementation.

If the African countries can withstand the pressure that will surely come from outside and which may delay the process or sidetrack it, then half the battle would have been won.

But the issues that need addressing earnestly to make the CFTA work are endogenous. They are political as well as well economic and practical. Having due regard to the experiences they have so far endured on the international front, African leaders owe it to themselves and to the people they represent not to throw away this chance of seeing the

CFTA decision through, while recognising that they will have to agree to certain unavoidable adjustments as the process unfolds and develops. But imperatively, they must ensure that this decision does not suffer the same fate that so many other decisions, resolutions and declarations have known through non implementation. The same political will that has predicated this far-reaching decision will have to prevail for its concrete translation. Certain national interests will have to be foregone in favour of regional and continental interests. The hesitation to proceed that way is politically motivated but needs to be overcome. The way forward in this respect is to involve the people in the process. They should be informed of the decisions being taken in their name and the eventual benefits they will derive from the CFTA after consenting to some initial but unavoidable sacrifices as the technical negotiations take place.
Member States will have to understand that in this endeavour they stand to win some and lose some, but that ultimately it would be a win-win situation for the entire continent.

Steering the CFTA

A major impediment in the implementation of certain decisions of an encompassing nature in the integration process has been the absence of empowerment of our institutions. An undertaking of this dimension which has the potential of changing the whole image of the continent, therefore, requires that the process be placed in the steady hands of a high calibre, knowledgeable and competent team operating within the structure of the AU Commission but with a very distinct, precise and independent mandate.

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That team should be tasked solely with the scrupulous oversight of the implementation of the decisions taken collectively on the basis of its own recommendations. The Head of that team should act as the Facilitator and Convener of the technical negotiations which, if anything, will be very arduous and demand undivided attention. That will free the Commissioners to continue to handle the other responsibilities of their respective portfolios and handle the more general institutional and legal framework that will become necessary to take the process forward.

Faster Integration, Principle of Variable Geometry and Pragmatic Approach

The task is a mammoth one. But the good news is that the continent is not starting from scratch. Lessons should be drawn from the experiences of the Regional Economic Communities. The larger economies of Africa and those that have achieved a certain level of stability through proven macroeconomic reform should pull the rest of the countries through. The tendency to adopt protectionist postures will undoubtedly be there, especially when it comes to such issues as Rules of Origin. However, the increasing interest of emerging economies for our continent will surely drive home the imperative of faster integration of the continent that will provide a large internal market, thus making it possible for countries with such tendencies to reap the benefits of the CFTA. In the same vein, issues like market access and non tariff barriers, common in such endeavours, will need to be put on the negotiating table early enough. Learning from the experience of certain RECs, it is evident that all countries will not be able to move at the same pace. Therefore, it will be necessary, right from the start, to adopt the principle of variable geometry, thus enabling countries so capable to move faster making provision for States with genuine problems, including those mired in conflict situations, to catch up within a pre-determined timeframe.

Similarly, the leadership should bear in mind the legacy of colonialism which has left the continent with diverse operational and legal systems: to wit, anglophone, francophone and lusophone most notably. Therefore, problems of policy harmonisation and institutional rationalisation are bound to arise. Unless these are addressed courageously, the first steps may become very laborious to complete, thereby delaying the process interminably.

The road to the CFTA will be long and strenuous, strewn with obstacles, some natural but quite a few implanted. It behoves the present leadership to demonstrate the courage of conviction required to bring to fruition this stage in the integration of the continent, a vision cherished by those who had the wisdom and foresight to dream of and believe staunchly in the achievement of a United Africa. Funding this endeavour must come primarily from within the continent. The means to raise community funds have been identified. That particular ball as well is in the court of the leadership.

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Nothing ventured, nothing gained!

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Boosting Intra-African Trade: What Role for the External Trade Regime?

Dominique Njinkeu

African Heads of State and Government convened in Addis Ababa, Ethiopia January 29-30 to launch a continent-wide free trade agreement (CFTA). The Summit focused on solutions to the numerous impediments that hinder intra-African trade that come in four clusters: trade facilitation, productive capacity, trade related infrastructure and trade policy. Adequate attention would need to be given to each of these clusters. No doubt most of these impediments are attributed to the first three but this note focuses only on the last.

Trade policy itself is broad with the gist of the needed reform on the domestic agenda. The external trade regime should however not be overlooked. Differences in - and uncertainty of - access to major markets outside Africa could become a distraction and undermine the CFTA. African Governments and the international community should ensure that this does not happen, that attention is focused on fostering regional integration and boosting intra-regional trade.

African countries have small market size underscoring the emphasis to regional integration. Effective regional integration in Africa would not only enhance trade within Africa but it would also attract investment in manufacturing. Experience in many countries has demonstrated that light manufacturing can be a major source of job creation and economic growth. African countries remain highly fragmented, preventing investment by firms in the development of efficient supply chains on the continent. During the next decade China will be off-shoring some of its more labour-intensive manufacturing, creating a unique opportunity for producers in lower-income countries to break in. Market access programs in OECD and emerging market economies' towards promoting African trade need to support greater exports of manufactured goods. Of particular importance are the inclusion of all products, rules of origin that are consistent with global sourcing of inputs, and eligibility criterion that support cross-border production networks in Africa.

Africa's Regional Economic Communities (RECs) are adopting uniform policies among their members. But they are expected to trade with the rest of the world under various international trade regimes. This undermines regional integration and trade diversification. In 2005, high-income World Trade Organization (WTO) members agreed to provide least-developed countries (LDCs), most of which are in Africa, with duty-free, quota-free (DFQF) access for at least 97% of their tariff lines (product categories). Other developing countries (non-LDCs) are either granted General System of Preferences (GSP) – which are generally less generous than terms offered to LDCs– or they must negotiate reciprocal free trade agreements with higher-income trading partners to secure adequate market access for their products. In the current situation Côte d'Ivoire and Cameroon that are gateways and central to trade in UEMOA and CEMAC, will face differential access to OECD markets, and in return are expected to offer different market access to their own markets, than their poorer and landlocked neighbours. This makes it difficult for them to form a supply chain or production network. The limited human, financial and institutional capacity of these and other African countries have been allocated to the negotiations of Economic Partnership Agreements (EPAs) over the last decade and these negotiations are currently stalled. Even if the EPAs had succeeded, the terms under which Africa would trade with Europe would be different from those applicable for trade with the US under the Africa Growth and Opportunity Act (AGOA) or trade with other partners.

During the next decade China will be off-shoring some of its more labour-intensive manufacturing, creating a unique opportunity for producers in lower-income countries to break in.

There is a need to consolidate existing market access schemes into one that is consistent with a CFTA in order to foster regional integration and trade diversification. Failure to do so will keep the unhealthy divide between LDCs and non-LDCs in RECs that are aspiring to implement effective customs unions. The emerging trade regime also needs to be WTO compatible; to that effect, it is necessary that any preference scheme granting duty-free and quota-free access apply eligibility criteria that do not discriminate on the basis of geography. One such criterion that would support investment in manufacturing in Africa would be to use a cut-off threshold of manufactured exports per head of population. As noted by the African Union Commission background paper for the Summit, such a threshold could be determined so as to include all members

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of African customs unions. There is no doubt that trade preferences should be viewed only as a temporary arrangement. What is needed is to extend the period of the current trade regimes (say until 2020) and consolidate their conditions in a manner that supports manufacturing and consolidate regional markets. For example this could be done in such a manner that no country is worse off. One approach is to grant DFQF access to all countries that fall below a manufactured exports threshold would obviate the need for least industrialised countries that are not LDCs to negotiate reciprocal FTAs such as the EPA with the EU. International partners and African countries should adopt a policy that revolves around access to high-income and emerging market countries linked to progress in integration with neighbouring countries. This would be superior to the current approach embodied in EPAs, income-based GSP programmes or geographically-based, temporary DFQF programs. Such a trade scheme will also help foster the realization of the CFTA.

Again the main point is that the CFTA is an all-encompassing process that requires the full attention of all African trade stakeholders during its negotiations. External trade policy is a small but part of the agenda that should concentrate primarily on domestic reform within REC and across RECs such as to foster a vibrant African Economic Community. However the external trade regime is not an insignificant component; external trade regimes under which African trade takes place need to be consolidated to support regional integration.

> The emerging trade regime also needs to be WTO compatible; to that effect, it is necessary that any preference scheme granting duty-free and quota-free access apply eligibility criteria that do not discriminate on the basis of geography.

Making this happen

Five specific actions are required. First, on the European side the ongoing process of revamping the European GSP regime should provide an alternative to the stalled EPA negotiations. Second, on the US side the best elements of the AGOA should be made less uncertain. Third, the African governments and the African Union Commission should push for the EU GSP and AGOA, and other external trade regimes to which African countries are parties, to be consolidated into one single scheme to be considered in the G20 framework. Fourth, African governments should adopt a mechanism for building credibility and ensuring implementation; this could be done through a time-bound, monitored progress towards intra-regional trade liberalization through sub-regional organizations. Fifth, this mechanism for building credibility and ensuring implementation needs to adequately engage and empower the relevant stakeholders: RECs and dominant economies such as Nigeria and South Africa, the private sector and the civil society should play lead roles. The empowerment of stakeholders should include enhancing the human and institutional capacity of governments, REC Secretariats, private sector and other non-state actors. A framework for consensus building between and among these stakeholders is also very important.

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Table: Comparative table of industrialised countries GSP schemes

GSP scheme		Country coverage	Percentage of non-zero MFN Tariff Lines in 2010		
			Covered by the Schemes	Duty Free	Preferential Duties
The EU	St. GSP	116	84%	42%	42%
	GSP+	14	85%	82%	3%
	EBA	49	99.7%	99.7%	-
The US	GSP	85	51%	51%	-
	LDC	44	82%	82%	-
	AGOA	37	90%	90%	-
Canada	GSP	124	63%	20%	43%
	LDC	49	96%	96%	-
Japan	GSP	105	56%	33%	23%
	LDC	50	61%	61%	-
Switzerland	GSP	104	84%	62%	22%
	LDC	51	100%	100%	-
Australia	GSP 1	109	25%	5%	20%
	GSP 2	59	97%	89%	8%
	LDC	50[1]	100%	100%	-
Norway	GSP	14	84%	36%	48%
	LDC	50	100%	100%	-

[1] There is a considerable overlap between the GSP 2 and the LDCs; all but 11 countries in the GSP 2 are LDCs.

Source: Stevens and Kennan (2011), *Reform of the Generalised System of Preferences.* Overseas Development Institute.

African Regional Cooperation: Lessons from Deep Integration?

World Trade Organization

This year's World Trade Report takes a close look at Preferential Trade Agreements (PTAs), and analyses their relation to the multilateral trading system. This article highlights the parts of the report focusing on the trends towards regional integration and cooperation in Africa. The main finding of the report is that the recent trend of PTAs addressing deep, 'behind the border' issues might provide a helpful blueprint to address the shortcomings of the 'linear' model of integration followed on the African continent

PTAs and 'deep' liberalization

Most recent PTAs go beyond traditional tariff-cutting exercises and may include such policy areas as services trade, investment, intellectual property, technical barriers to trade and dispute settlement. For instance, about one- third of PTAs in force today contain services commitments compared to less than a tenth in 1990.

Trade agreements that mostly deal with border measures are often defined as "shallow" agreements. In contrast, preferential agreements that include rules on other domestic policies are referred to as "deep" agreements. Two distinct dimensions of deep integration are the "extensive" and the "intensive" margin. The extensive margin refers to an increase in the policy areas covered by an agreement, while the intensive margin refers to the institutional depth of the agreement. The extensive and intensive dimensions of deep agreements may be related, as an extension of the coverage of an agreement may require the creation of common institutions for its proper functioning.

Deep arrangements may be necessary to promote trade in certain sectors and economic integration more broadly. For instance, harmonization or mutual recognition of certain regulations may be a pre- requisite for trade in services, or competition policy rules may be required to allow comparative advantage to materialize. Deep integration lowers trade costs and provides shared benefits, such as common rules and a stable monetary system that the market or national governments fail to offer. However, no unifying analysis is possible of the economic effects of deep integration, as these effects depend on the specific form that arrangements take. Deep integration with advanced economies may create advantages for developing countries from importing best-practice institutions. However, costs may be involved if the common rules are distant from national preferences and the needs of developing countries.

The continuous expansion of production sharing between developed and developing countries requires deeper agreements to fill the governance gap between countries. An agreement such as the North American Free Trade Agreement, for example, includes disciplines going beyond preferential tariffs that are required to facilitate production sharing between the United States and Mexico. In Europe the Euro- Mediterranean agreements fulfil the same objective.

African regionalism: the linear model?

Not all PTAs are prompted by international production networks and the trend towards deep integration. African regional cooperation is a case in point. Understanding the political and historical context in which African PTAs emerged is key in this regard.

The geopolitical configuration of Africa has been largely determined by the political forces of colonialism. The borders of African countries demarcated the colonies of the European powers, not the emergence of nation states in Africa. A fragmented continent is the result, with small markets, small economies, and a large number of landlocked countries significantly limiting development options. Fragmentation is associated with the lack of economies of scale in the production and distribution of goods and services and the impact of scale on the cost of public goods. In the early years of independence, attention focused strongly on the need to overcome the problems of scale and fragmentation. Continental economic and political unification was accepted as a rational response in order to create a larger economic space for industrialization and economic development.

This was an era of economic planning, and Africa's leadership believed that economic planning would be more practicable at a regional, and ultimately continental, level. Underpinning this policy approach was the conviction that the path to development would be industrialization, and diversification away from reliance on primary commodity production. The industrialization-regional integration links were clear.

The South African Development Community's (SADC) market integration agenda and is a good example of a linear model of progressive integration in Africa. Although the SADC Treaty (and subsequently the SADC Trade Protocol) does not articulate a detailed plan for integration, the detail was provided in the Regional Indicative Strategic Development Plan of 2003. This strategic plan provides for the establishment of a free trade area by 2008, a customs union in 2010, a common market in 2015, monetary union in 2016 and the introduction of a single currency in 2018[1] This approach was also adopted by the East African Community (EAC), established in 1999 and also by ECOWAS in West Africa. Progress in ECOWAS to establish a free trade area has been very slow and the customs union is still work in progress.

The SADC roadmap and the EAC integration plan reflect the general trend in Africa to adopt a linear model of progressive regional integration, characterized by ambitious targets. Of 14 regional economic communities that existed in 2001, nine have a full economic union as the specified objective, one aims to become a common market (COMESA), one is an established customs union (the South African Customs Union) with no plans to move beyond this, while the remaining three aim for intra-regional free trade or regional cooperation. These agendas share the aim of transforming the African economic landscape and establishing "a strong united bloc of nations" over a period of just more than three decades.

Deep integration as an alternative to the linear model?[2]

African regional integration focuses primarily on reducing barriers to trade in goods, but deep integration may nevertheless hold some useful lessons that can increase the returns from the process of African integration.

Trade in services, for example, becomes a feature of the regional integration model when the common market stage is reached, but to date services have received very little attention in formal African integration arrangements. This is also true of forays by African countries into preferential trade agreements with external partners. The inclusion of services (and also other behind-the-border issues, such as investment, competition policy and government procurement) has proven contentious. Africa's regional integration initiatives have achieved limited results, raising doubts about the approach adopted to addressing factors that inhibit regional trade. Barriers to trade that raise the costs of doing business can be classified as border or behind-the-border measures. African regional free trade arrangements have focused on border measures, and primarily on tariffs. Tariffs are undeniably an important barrier but they may not be the most important one.

Abundant anecdotal evidence suggests that time- consuming and inefficient border procedures may be more important than tariffs in inhibiting intra-regional trade. Multiple border crossings for goods to reach land- locked countries add significantly to the transaction costs of intra-regional trade. Many other constraints besides border barriers increase the transaction costs of trade. Geography is an important consideration. Given the limited availability of navigable inland waterways and the cheap transport this allows, the logistical costs of trade in goods are high. This is exacerbated by poorly developed transport systems, characterized by low per capita densities of rail and road transport infrastructure, which in colonial times was designed to transport primary products to port. Poorly developed cross-country road, air and rail connections are the outcome.[3]

Transport costs in Africa are still among the world's highest. For example, shipping a car from Japan to Abidjan costs US$ 1,500 whereas the comparable cost for transporting the same car from Addis Ababa to Abidjan would be US$ 5,000.[4] Both infrastructural and regulatory forces are at work. Overall, the high cost and unreliability of transport services contribute to a business environment in which firms are forced to keep higher levels of inventories, ruling out the possibility of adopting cost-saving management systems for "just in time" production.[5]

The lack of skills and capital to establish and operate modern communication systems, combined with small business communities that do not allow financially viable business publications, mean that business news and information required for informed decision-making is another important constraint.[6]

Fixed-line telephone services are limited and unreliable, with high call charges, especially for international calls. In most African economies the provision of fixed-line phone services is still the exclusive preserve of public monopolies. Business contracts require information on comparative prices and depend on reliable, fast and low-cost access to market information. Information is essential to efficient market outcomes, and a lack of readily available information at reasonable cost will raise trade transaction costs. Although these barriers also constrain trade with the rest of the world, their impact on intra-regional trade is particularly important.

The barriers discussed so far feature strongly on the demand side of intra-regional trade. These demand- side factors, however, may arguably be much less important than the weak supply-side capacity of African economies. Indeed, it may be argued that the real problem facing African economies is not market access (border constraints) but rather the capacity to produce tradable products competitively.

> Tariffs are undeniably an important barrier but they may not be the most important one.

Expanding market access by lowering the transaction costs of trade is necessary, but will not guarantee economic growth and development. Enhanced market access without the capacity to produce goods and services to benefit from those opportunities will fail to produce higher economic growth. Effective supply- side capacity depends on sound macroeconomic and microeconomic policies, good governance, well- developed institutional capacities, adequate infrastructure and a sound business environment capable of attracting investment.

Addressing supply side constraints through deep integration

Supply-side constraints to efficient production could be partly addressed by a deep regional integration agenda. No single, ready-made recipe exists for effective deep regional integration. Among the factors relevant to Africa are integration of services markets, trade facilitation, improved market intelligence, dispute settlement mechanisms, revenue systems less dependent on trade taxes, funding for cross-border infrastructure, and financing for regional institutions.[7] Development partners and international institutions could assist this process by recognizing that the emergence of regional groupings is relevant to the planning and implementation of development assistance. The WTO, for its part, is progressively regionalizing its Trade Policy Reviews and is now encouraging the regionalization of Aid for Trade, which aims to help developing countries develop the trade- related skills and infrastructure needed to implement and benefit from trade agreements and to expand their trade.

This year's World Trade Report is available on the WTO website, at www.wto.org

Notes

1. The free trade agreement adopted in 2008 has not yet been fully implemented and at a ministerial task force meeting in March 2010 it was decided to postpone the establishment of the customs union, without committing to a specific deadline.
2. This discussion is based on Hartzenberg (2011).
3. McCord, G., Sachs, J. D. and Wing, T. W. (2005), "Understanding African poverty: beyond the Washington Consensus to the Millennium Development Goals approach", Africa in the World Economy – The National, Regional and International Challenges, The Hague: FONDAD.
4. Economic Commission for Africa (2004) Assessing Regional Integration in Africa, Addis Ababa: Economic Commission for Africa.
5. Collier, P. (2000), "Africa's comparative advantage", in Jalilian, H., Tribe, M., and Weiss, J. (eds), Industrial Development and Policy in Africa – Issues of De-Industrialisation and Development Strategy, Cheltenham, UK: Edward Elgar: 11-21.
6. Collier and Venables (2008) make the point that large societies can be better informed than small societies because of the existence of scale economies in the commercial media. They mention that in Africa only "South Africa comes anywhere close to providing a market in which specialist journals are viable".
7. Lamy, P. (2010), "Regional integration in Africa: ambitions and vicissitudes", Address to the conference organized by Institut Aspen France at Annecy on 28 August 2010.

Services Negotiations under the Tripartite FTA

Paul Kruger

The Heads of State and Government of the 26 member states of the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) agreed in October 2008 to establish a grand Free Trade Area which is referred to the Tripartite FTA. Negotiations to pursue the FTA were formally launched in June 2011. It is envisaged that the proposed Tripartite Free Trade Area (FTA) will not only cover trade in goods, but also trade in services.

One of the general objectives stated in Article 3 of the draft Tripartite Agreement is the creation of a large single market which would include the free movement of services. Services negotiations at the tripartite level will however only be addressed in the second phase of the negotiations, together with the other trade related issues of intellectual property rights, competition policy, and trade development and competitiveness.
It is also likely that the tripartite services negotiations will be sequenced to take into consideration the outcome and progress of services liberalisation at the regional levels. Due to the varying pace of progress made by member states of the SADC, COMESA and the EAC a more complete and accurate assessment can only be made closer to the start of the tripartite services negotiations.

Services liberalisation under the Tripartite FTA

The main tripartite document is the draft Agreement establishing the COMESA, EAC and SADC Tripartite Free Trade Area, together with its 14 annexes covering a number of areas that are deemed important for the effective operation of the regional market. Annex 12 of the draft Tripartite Agreement (November 2009 version) exclusively deals with trade in services and contain guidelines countries can use during the first round of services negotiations. However, this Annex 12 was not revised together with the draft agreement and the other annexes in December 2010. It is likely that the drafters are waiting to evaluate the processes happening at the three regional levels before deciding on the most suitable way forward. Despite the fact that the services annex was omitted, it is still necessary to consider the original Annex 12 (November 2009 version) as this is the only available document providing some insight on the liberalisation process the tripartite member states are likely follow. Furthermore, the guidelines contained in the annex are quite similar to what is expected from the member states at the regional levels of COMESA, EAC and SADC; so in that sense the analysis can contribute to the regional debate.

Converging the negotiations

This new situation of supra-regional services negotiations will demand continuity and coherence; the converged tripartite market will have to build on what has already been achieved in the regional markets of COMESA, EAC and SADC. However, developments in the area of trade in services are still novel experiences for the regions and it is difficult to predict how these regional negotiations are going to turn out. Apart from the progress made by the EAC, the outcomes and effect of regional services liberalisation is still somewhat unclear. When services negotiations at the tripartite level eventually commence, most countries will hopefully have acquired substantial experience in dealing with services liberalisation. Valuable lessons can be taken from those countries with experience, on how they have sequenced, harmonised and dealt with these layers of services negotiations.
It can be argued that, when the time comes to negotiate services at the tripartite level, countries would already have acquired the necessary expertise and capacity to effectively negotiate a services chapter. Do the guidelines currently instruct countries to extend liberalisation commitments made in the regional services negotiations of COMESA, EAC and SADC to other configurations? It seems as if the guidelines contained in the original Annex 12 hint at the possibility: "Member States shall exchange offers and requests on the basis of which schedules of specific commitments shall be agreed. The commitments shall include sectors and sub-sectors that Member States have liberalised under the programs of the regional economic communities".
A measure such as this can simplify the regulatory framework dealing with trade in services and is something that deserves consideration. This will keep the regulatory framework simple and will ease the transition towards the convergence of the services markets. Otherwise the possibility exists that a country will have one or more sets of rules for COMESA, EAC and SADC countries, another set of rules for tripartite members, in addition to the sets of rules for other WTO members. Furthermore, all of these rules will have

(...) the possibility exists that a country will have one or more sets of rules for COMESA, EAC and SADC countries, another set of rules for tripartite members, in addition to the sets of rules for other WTO members.

to be incorporated into domestic laws; something which can complicate the process. So, depending on the approach of the tripartite member states, the process can either be simple (by automatically extending liberalisation commitments/preferences) or more complicated (by renegotiating the liberalisation commitments). It will require careful consideration on the part of the tripartite member states on how they want to merge the regional services negotiations.

Creating an integrated services market

Meaningful services liberalisation can only be achieved by focusing on the regulatory environment that would determine the access for foreign suppliers (market access) and conditions for their local operations (national treatment). The suppliers would accordingly know what is allowed and how to conduct their operations in a given services market. But in the steps towards a more integrated services market, other

> It may take a long time before the tripartite services negotiations actually start; meanwhile countries must use the opportunities at the regional level to prepare the ground for effective liberalisation and essential domestic reform.

issues besides liberalisation become crucial. It is expected that services liberalisation will be less of an issue when the tripartite negotiations start since this will already have been comprehensively addressed at the regional levels of COMESA, EAC and SADC. At that time, hopefully the domestic regulatory frameworks will be strong enough to allow for substantial liberalisation and to welcome any foreign competition. Or on the other hand, perhaps countries would have realised that services liberalisation alone did not bring the desired benefits they were hoping for. Tripartite member states will have to find ways to build on the substantial liberalisation already achieved in the regional negotiations.

It can be argued that one way to build on the substantial liberalisation already achieved in the regional negotiations will be serious efforts aimed towards deeper integration by addressing issues such as transparency, competition regulation, specific sectoral disciplines, mutual recognition agreements and the harmonisation of certain areas by going through a process of domestic reform. With deeper integration agreements, the focus should be shifted from liberalising the barriers that exist at the borders, towards addressing the 'behind-the-border' issues, which exist within the jurisdiction of the member states. All three configurations deal to varying degrees with these 'deeper integration' issues, with some also scattered in related protocols and regulations. There are specific obligations dealing with cooperation and harmonisation in areas such as communications, financial, education, health, transport, tourism and energy services. If countries want to address issues apart from services liberalisation, it is here where they should start. Their intentions for deeper integration have clearly been stated by focusing on cooperation, harmonisation and standardisation in some of the priority sectors. These kinds of measures have the potential to make a great impact on the regional development of the services industries, but only if they are effectively implemented.

Conclusion

At the moment it is difficult to predict the outcome of the regional negotiations, something which will have an impact on the tripartite process. It is only the EAC member states that have negotiated binding liberalisation commitments, while SADC and COMESA are still in different stages

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of the negotiating process. This creates a certain degree of uncertainty which will only be resolved once all configurations have completed their liberalisation schedules and processes. It is after the finalisation of the schedules that the Tripartite Committee on Trade in Services can evaluate the regional outcomes and decide on the most suitable way forward. It is likely that the services negotiating guidelines will only be revised and published once this had been determined.

The published guidelines will have go beyond the basic issues and also clarify some of the more challenging areas.
Some of the more pertinent issues relate to the WTO compatibility of the eventual tripartite services chapter. What will be the responsibility of the more developed countries in the configuration? Although the more developed countries will have a greater interest in protecting their services industries, clear thresholds will have to be set. The original guidelines call for the 'possibility of no restrictions' in priority sectors; member states, however, need to be more realistic and precise when stating such objectives. The degree of flexibility for the lesser developed states must also be stated clearly. It is understandable that tripartite member states long for the absolute free movement of services, but countries must be able to retain some kind of policy space when negotiating services. In this regard the operation and effect of a possible standstill clause must be carefully weighed as it has the potential to liberalise all services sectors with almost immediate effect.
It may take a long time before the tripartite services negotiations actually start; meanwhile countries must use the opportunities at the regional level to prepare the ground for effective liberalisation and essential domestic reform. Governments must ensure that all relevant obligations under the WTO and regional agreements are fully implemented and that all necessary institutions are established and functioning properly.

All measures affecting trade in services must be identified, indexed and stored to facilitate the administration and dissemination of the regulatory information. Meaningful communication channels must also be established between government and stakeholders to appreciate the differentiation and developments in the various services sectors. This constructive engagement is also crucial to monitor the progress and effect services liberalisation have on the wider economy. This is the time to use the opportunities presented by the regional negotiations in order to acquire the necessary experience and capacity to effectively negotiate a more complicated services chapter at the tripartite level.

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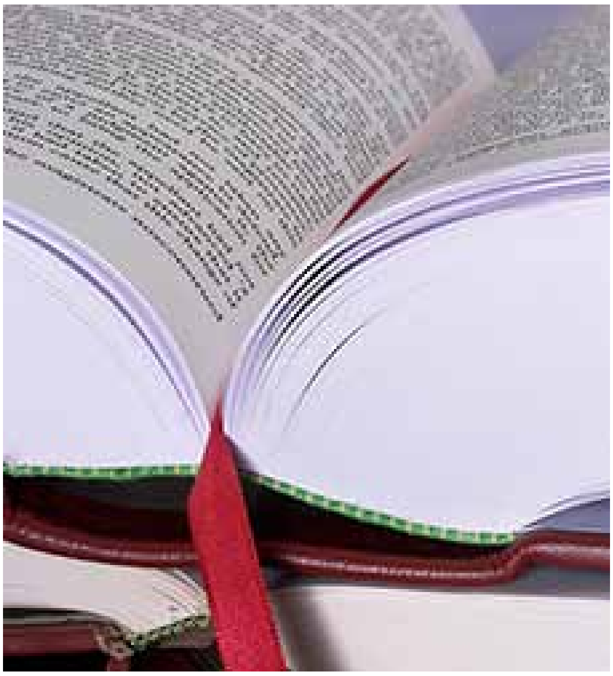
African Economic Integration and Legal Challenges

Iwa Salami

The main project covering an African-wide integration arrangement was originally known as the Organisation of African Unity (OAU) which was established in 1964. Its aim was to promote economic development of the continent through economic cooperation among the economies of the states in Africa. It sought to achieve this through coordination and harmonisation in the field of economic and political cooperation. Other sub-regional efforts were established in Africa and existed concurrently with the OAU. In some cases these sub-regional groupings were formed among countries sharing the same colonial history and in other cases, among countries within the same geographical region.



The challenges of the OAU in meeting its objectives led to the signing of the Treaty establishing the African Economic Community (AEC) by OAU Heads of State and Government in 1991. The AEC Treaty provided that an African Economic Community would be set up through a gradual process, which would be achieved by coordination, harmonisation and progressive integration of the activities of existing and future Regional Economic Communities (RECs) in Africa. The RECs recognised as pillars and building blocks of the AEC include: AMU, EAC, COMESA, ECOWAS, IGAD and SADC. Thus, at the time, the AEC operated on the basis of the OAU Charter and the AEC Treaty. In 2001 however, the OAU was transformed to the African Union (AU) in 2001, under a new Constitutive Treaty. This was done in order to speed up the process of economic and political integration in the continent and in order to achieve the economic development goals of the OAU. The AU was thus established in conformity with the ultimate objectives of the OAU Charter and the Treaty establishing the African Economic Community. The Union was thus to evolve from the OAU and the AEC into one unified institution. In general, the African Union objectives are more comprehensive than those of the OAU. The aims and objectives of the AEC Treaty still obtain under the AU but are subject to the provisions of the Constitutive Act of the African Union.

Progress at the REC level: legal stumbling blocks

Most of the sub-regional economic integration arrangements mentioned above have the aim to establish a customs union and a common market through the abolition of obstacles to the free movement of goods, persons, services and capital. The achievement of these goals has, in most cases, been very slow for political reasons; however, legal factors have also contributed significantly to the near collapse of these goals.

In comparison to the European Union (EU) which most African Economic Integration agreements emulate, all RECs lack a clear and detailed treaty framework and an effective regional enforcement regime synonymous to the European Court of Justice (ECJ). Whilst most of the prominent RECs have been inspired by the EU legal framework and have adopted different variations of it, these RECs have not achieved the same degree of success as the EU in achieving basic economic integration goals such as a customs union and a common market. This is largely due to the lack of clarity of the status of regional laws/Treaties in Member States and the absence of effective regional enforcement mechanism within the Treaties.

Status of regional law in Member States

Whilst the EU Treaties effectively articulates the status of Treaties and legal instruments in Member States, only the COMESA and WAEMU treaties do this. The EAC attempts to articulate the status of EAC legal instruments but fails to define the legal instruments to which it accords a status. In the case of COMESA, despite the detailed provisions on the status of Treaty and secondary laws in Member States, there are still significant obstacles to the common market objectives. For instance, obstacles to the free movement of goods due to non-tariff barriers still hinder trade among Member States. In the case of WAEMU, although the treaty provision on the status of WAEMU legal instruments is an exact mirror of the relevant EC treaty provision, there are still major gaps in the achievement of the objectives of WAEMU. This is largely due to the non-implementation of WAEMU provisions in Member States. As such, apart from the free movement of capital which has seen significant progress, the achievement of the other common market goals is still a challenge.

The vagueness of most of the REC Treaty provisions indicates that no sound preparation for Member States' compliance with the Treaties was made by the Treaty drafters or indeed the ratifying Member

States. It is no wonder that hardly any of these RECs have fully achieved any of their goals.

The RECs that provide for legal instruments to have binding effect but fail to clarify the method of their implementation in Member States (such as ECOWAS, EAC and AMU) leave the implementation of these instruments to the whim of national parliaments to decide. The failure of most Member States to give a supreme status to REC provisions over national law means that these REC legal instruments would not be recognised in most Member States. What could have made matters better would have been for the REC treaties to stipulate the precise status of REC legal instruments - as was done in the case of the EC Treaty.

However, it has to be mentioned that even in cases where the REC Treaty appears to provide for this, such as the cases of COMESA and WAEMU, the failure of Member States to accord a supreme status to REC provisions makes the articulation of the status of such legal instruments in the REC Treaty redundant. The reason for this is that African states generally do not have a reputation of complying with REC Treaties and legal instruments.

> The failure of most Member States to give a supreme status to REC provisions over national law means that these REC legal instruments would not be recognised in most Member States.

Absence of regional enforcement mechanisms

The second legal challenge is weak regional enforcement mechanisms. The European Court of Justice (ECJ) plays a significant role in the functioning of the EC. This is so as the EC Treaty gives the ECJ responsibility for ensuring that in the interpretation and application of the Treaty the law is observed. Its role is therefore significant to the extent that it is the institution that interprets and enforces primary and secondary legislation of the EC.

> (...) in most cases, REC enforcement bodies have failed to establish bodies of jurisprudence since their creation.

The ECJ, as part of this function, has the power to interpret Treaty provisions where national courts or tribunals refer cases to it. The various referrals of landmark cases to the Court and the subsequent implementation of these ECJ's interpretation in national jurisdictions, confirms the supremacy of EU law. It was through this that the ECJ was instrumental in the development of the common market and in the integration process.

This is however, not the case with the African RECs. Although most of the REC Treaties provided for the existence of an enforcement body in the form of a Court or Tribunal, which would ensure the interpretation of the Treaty and the resolution of disputes among Member States arising from the Treaty, it was only the COMESA, EAC and WAEMU Treaties which provided for Member State courts to refer cases to regional courts or Tribunals. Thus, in most cases, REC enforcement bodies have failed to establish bodies of jurisprudence since their creation.

The absence of a provision on preliminary referrals of disputes to regional enforcement did not provide the REC enforcement bodies the opportunity to develop regional law and possibly, the supremacy of such laws. Even in the cases of COMESA, EAC and WAEMU where such provisions were transplanted from the EC Treaty, this is not known to have in any way boosted the power of the courts in enhancing the fulfilment of the common market goals as was done in the case of the ECJ. Thus, there are still high levels of non-compliance by Member States with the free movement of goods and customs union provisions for which Member States have not been able to secure compliance by other Member States through judicial intervention by the COMESA, EAC and WAEMU Courts. So although their treaty provisions carved a supreme status for their regional courts within national judicial systems, the results have not been similar to that of the ECJ.

An agenda for legal reform

The effect of these legal challenges on REC regional economic integration goals calls for legal reform at both regional and domestic levels. These reform should include: Clarifying REC treaty provisions on the status of regional laws in Member States; strengthening the regional enforcement mechanisms; strengthening domestic legal and judicial systems in order to enable them effectively enforce regional treaties; Member States granting supreme status to REC laws; recognising the superior status of REC law by all the organs of Member State governments; recognising the superior status of REC law at all levels of government and introducing African integration law within the legal education curriculum. It also has to be mentioned that the adoption of the EU framework for deeper forms of economic integration such as a monetary union should be done only to the extent that it is adaptable to the African context especially taking into account the causes of the current debt crisis affecting the eurozone area.

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This article is an edited version of Salami, I., 'Legal and Institutional Challenges of Economic Integration in Africa' (2011) 17(5) European Law Journal 667-682.

Trade and Agriculture Development for Food Security:
Tapping the Potential of Regional Agricultural Trade

Francesco Rampa

In Africa, the large majority of the population depends on agriculture for their livelihoods. Trade enables farmers to capitalize on the economic potential of their produce, helping to turn agriculture into one of the most important contributors to income generation and pro-poor growth. Moreover, sustainable agricultural development is crucial to achieve food security. Intra-African trade, and regional integration in general, can surely help African agriculture live up to its pro-poor growth and food security potentials, but the right synergies have to be found.

Africa is a net importer of agricultural products, while patterns of agricultural export are characterized by a small number of traditional commodities and dependency on preferential access to a few markets in developed countries. Only about 20-25 percent of local agricultural production is marketed[1] and intra-African agricultural exports account for only 19 percent of total intra-African exports.[2] The poor performance of the sector is attributable to a combination of factors: declining investment in agriculture; inadequate physical infrastructures; high cost and shortage of fertilizers and high quality seeds; restricted access to credit; limited access to regional and international markets; and lack of conducive policy and business environments.

Regional integration and regional agricultural markets are seen as particularly important for African agriculture, since national markets and institutions are too small to bring about all the needed transformation of African agriculture. The markets within national boundaries are often too small to justify investments, since both adequate supply of inputs and sufficient client bases (demand) remain too expensive or out of reach. Policies and markets need to be developed at the regional and continental levels for Africa to be able to respond to the growth opportunities related to international markets and to its own food demand (projected to increase exponentially over the next twenty years due to demographics and urbanization).

On the aggregate, opportunities are there, with Africa having 60% of the world's total amount of uncultivated arable land and an immense potential for agricultural productivity growth. However more attention should be dedicated to increase the productivity of small-scale farmers, who contribute around 90% of Africa's agricultural production but remain largely locked out of trade dynamics.[3] Regional integration and agriculture development, and in particular intra-African agricultural trade, offer a great potential for food security and pro-poor growth in Africa, if they can work in synergy, especially at the regional level. However, great challenges remain for both the coherence and coordination of trade and agriculture programmes, as well as with regional integration initiatives in the different African regional economic communities.

On the aggregate, opportunities are there, with Africa having 60% of the world's total amount of uncultivated arable land and an immense potential for agricultural productivity growth.

Various independent processes are under way to promote agricultural development and encourage regional trade, with particular traction respectively for the Comprehensive Africa Agriculture Development Programme (CAADP) and the development of trade corridors. However, the weak communication across the agriculture and trade sectors/ communities (both within African governments and within the donors' agencies), and the parallel - and at times competing - policy frameworks and arenas hamper the creation of much needed synergies. Better coherence, coordination and complementarity between regional integration, trade and agriculture (including in terms of the external support for their development) are needed to ensure policy frameworks stimulate public and private investment and the development of agricultural markets. By doing so, the processes would also be more effective.

The existing bottlenecks to regional integration in Africa, in particular the lack of 'domestication' and transposition of regional decisions at national level, point to the need to learn from past experience if intra-African agricultural trade is to expand and contribute to food security and economic growth. The focus should not (only) be on formal and institution-intensive integration arrangements. More limited approaches may be preferable (at least in a first stage), prioritising trade facilitation and regulatory cooperation in areas related primarily to the conduct of business. Pragmatic efforts towards effective regional integration should therefore not be reduced to the adoption of broad regional policy frameworks (as in free trade agreements), but should also target the development of business-oriented transport and regulatory systems for specific sectors.

(...)limited approaches may be preferable (at least in a first stage), prioritising trade facilitation and regulatory cooperation in areas related primarily to the conduct of business. Pragmatic efforts towards effective regional integration should therefore not be reduced to the adoption of broad regional policy frameworks (as in free trade agreements)(...)

The core mandates of the African Regional Economic Communities include the implementation of CAADP and numerous regional integration programmes. These should be coordinated, coherent and complementary. To do so requires designing and implementing regional CAADP plans as policies and actions to complement national investment plans, while ensuring that such national interventions positively contribute to effective regional integration. The development of viable investment programmes around regional trade opportunities and the adherence to existing regional agricultural policy frameworks are crucial steps in this regard.[4]

Such improved 'bridging' between agriculture and trade, together with stronger steps to develop regional agricultural markets in Africa, could contribute to two additional results. Firstly, it would enhance aid effectiveness through better coordination and task division across aid sectors, in the context of CAADP support programmes and Aid for Trade, which also includes the development of trade corridors. Secondly, it could also improve much needed public-private cooperation, without which policies will fail to have their expected impact. Indeed, reducing administrative barriers to regional investment and better linking the production and distribution aspects of agriculture development could attract the attention of the private sector and agricultural stakeholders.

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In the next issue of GREAT, the first of a five part series will be launched to share the findings from regional CAADP mapping exercises undertaken by ECDPM. Each article will highlight lessons learned from one of four African regions (COMESA, EAC, ECOWAS and SADC). A fifth final article will summarise and present cross-cutting lessons for successful implementation of the CAADP process at the regional level.

Notes
1 UNECA. 2010. Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade.
2 UNCTAD. 2009. Economic Development in Africa Report 2009: Strengthening Regional Economic Integration for Africa's Development. However, it is important to note that most of intra-African agricultural trade is informal and therefore remains largely unrecorded.
3 Mo Ibrahim Foundation 2011. African Agriculture: from meeting needs to creating wealth.
4 Since 2010 ECDPM works on 'bridging' trade and agriculture and on regional dimensions of CAADP. Building on this, and as requested by several stakeholders both in Africa and Europe, ECDPM has set up a new programme on regional markets for agricultural development and food security, as part of the ECDPM Workplan 2012-2013 (www.ecdpm.org/workplan2012-13). Such programme willfocus on : i) brokering knowledge and dialogue on regional agricultural markets; ii) institutional strengthening for African regional organisations, in the context of the CAADP and RI processes; iii) building partnerships among key actors such as NPCA, RECs secretariats, regional farmers organisations, and donors.

EPA Update

Melissa Dalleau, Policy Officer Trade & Economic Governance at ECDPM

All ACP

94th session of the ACP Council of Ministers adopt strong resolution on EPAs.
Following two days of discussions by ACP Senior Officials and trade experts[1], the 94th session of the ACP Council of Ministers, combined with the ACP Trade Ministerial meeting, was convened in Brussels from 7-9 of December 2011. EPAs featured high on the agenda given the recent proposal by the European Commission to amend the EPA Market Access Regulation (MAR) 1528/2007 to exclude from its remit countries that have not taken the necessary steps to ratify and implement their agreement as from 1st January 2014.

Insisting on their willingness to conclude agreements and their commitments to finalise the negotiations, ACP Ministers however strongly opposed the EC proposal to fix such unilateral deadline, declaring in a strong resolution that "the delay in concluding the negotiations is due to the non-resolution of contentious issues owing to entrenched positions of the EC side as well as additional issues being added to the negotiating agenda in which the EC cannot be absolved from blame[2]". Calling for the "immediate withdrawal of the proposed measures in view of their detrimental overall effect[3]", ACP Ministers stressed the risks and negative effects such a proposal could have on the concerned ACP States and for regional integration[4]. They also asked for the application of the MAR 1528 to non-LDCs ACP countries currently negotiating an EPA, such as Nigeria, Congo Brazzaville and Gabon[5].

This Council of Ministers was followed by the annual ACP-EU Joint Ministerial Trade Committee, which was held on 12 December 2011. Both parties reiterating the need for political commitment to further the negotiations.

West Africa

EPA negotiating meetings
To our knowledge, no EPA meeting has been held in the region since the Ministerial Monitoring Committee (MMC) that considered in November of last year the state of play in the negotiations and urged to fast-track EPA negotiations in order to reach a regional agreement rapidly.

The last round of negotiations between the parties was held in Accra from 15-18 November 2011, prior to the MMC. As reported in the columns of Trade Negotiations Insights last month, the parties exchanged views on the revised market access offer submitted by West Africa (70% liberalisation schedule over a transitory period of 25 years). Discussions focused on the revision by West Africa of the joint statistical basis behind the offer, the new categorization of specific tariff lines (and the analysis that underpinned the categorization), as well as the level of tariff classification that should be considered for this offer (HS6 vs HS10).

Some progress has been made in the text on articles related to the EPA Development Programme (EPA-DP). The parties decided to insert a reference to the EU Council Conclusions of 10 May 2010 (which presents the EU response to the programme). However, the question of the "additional" nature of development funding continues to oppose the two parties, as the region insists on additional commitments to be made by the EU for the EPA-DP, beyond those already granted in the context of the EDF (NIP / RIP). This question has now been deferred to the political level.

Unresolved issues in the negotiations also include, inter alia, the definition of 'third countries' concerned by the MFN clause, the non execution clause, the community levy, subsidies and domestic support, as well as Art. 106 addressing Customs Unions between the EU and third countries.
The next round of negotiations is foreseen at

technical and Senior Officials level in Brussels from 13-17 February. These meetings should be preceded by a meeting on rules of origins that should take place from 6-10 February, as well as by a meeting of the Regional Preparatory Task Force (for development cooperation issues)

However, no information is available as to whether a special Summit of Heads of States on EPA will soon be organized to give political orientations and help the negotiations move forward, as suggested by the MMC in November 2011 and the subsequent Council of Ministers[6].

West Africa continues to work on defining its programme to support fiscal reforms in the context of the EPA
A regional workshop was organized by the Commissions of the two sub-regional organisations – ECOWAS and UEMOA -- in Ouagadougou from 1-3 December 2011. This meeting was an opportunity to present and discuss the outcome of a study that was conducted on the modalities of a specific programme aimed at supporting custom and fiscal reforms that would be made necessary in the context of the EPA.

It gathered representatives of West African Member states, UEMOA and ECOWAS officials, consultants and experts on the topic, to discuss both the general conclusions of the study itself, as well as the indicative matrixes of fiscal reforms by country suggested in the report. Beyond informing West African member states about the possible fiscal impact that an EPA might have on their economies, the objective of the meeting was to make sure member states also subscribed to the various priority axes for reform suggested in the report, and agree on a roadmap. Participants to this meeting also suggested creating within the UEMOA and ECOWAS Commissions a specific institutional unit to deal with domestic taxation issues.

Progress on the ECOWAS CET
The adoption of a regional ECOWAS Common External Tariff (CET) is critical for the region to progress further in the negotiations of the EPA. In this respect, it is worth reporting here that, meeting in Cotonou, Benin, from 5 to 9 December 2011, the 11th session of the Joint ECOWAS-UEMOA Committee for the Management of the ECOWAS CET has agreed on a roadmap that should see the final draft CET being submitted to the ECOWAS Council of Ministers for adoption by the end of June 2012[7].

Central Africa

As reported in the pages of Trade Negotiations Insights last month, the technical level negotiations scheduled on 14-18 November in Brussels were postponed to 20-27 February 2012. To our knowledge, no date has so far been set for the Central Africa-EC EPA Regional Preparatory Task Force.

SADC

SADC-EU technical and senior officials meetings to be held in the coming weeks
SADC EPA Technical experts and Senior Officials met their EU counterparts in Johannesburg from 10-16 November 2011 to discuss unresolved issues in the negotiations, notably the questions of market access, services and investment, geographical indications and Rules of Origin (RoO).

According to sources close to the negotiations, some substantive progress has been achieved at the meeting. It was notably an opportunity for the EU to explain their expectations with regards to trade related issues such as Competition, IPR, Procurement, as well as its conception of what the possible provisions related to GIs may comprise. As far as services and investment are concerned, Botswana, Lesotho, Mozambique and Swaziland have all expressed their readiness to take the discussions forward (although the mandate of those countries with regards to investment only extends to cooperation).

Some major stumbling blocks continue to hamper the pace of the negotiations. Among those, the critical issues of export taxes and the MFN clause remain to be substantially discussed. More work is also required on the draft legal text, such as for instance the definition of parties and the standstill clause. Critically, parties still have to reach an agreement on the questions of market access and rules of origins. With regards to the former, the new proposal tabled by SACU countries on both NAMA and agriculture seems to be judged insufficient by the EU which has therefore suggested to focus efforts and attention on market access in agriculture for the time being. On RoO, although areas of common understanding seem to emerge on a few issues (such as the importance of agreeing on provisions related to administrative cooperation), the question of the exclusion from cumulation of South African products still facing duties on EU markets continues to oppose the two parties, with the SADC side arguing in favour of full reciprocity. The EU and Namibia also need to agree on the sensitive question of the RoO for fisheries, which has not yet been solved.

Building on those discussions, SADC and EU technical experts should meet in the region from 30 January to 3 February 2012, aiming to focus on the questions of market access, and rules of origins. This meeting should be followed by a senior officials' meeting, from 27 February to 2 March 2012, in the Southern African Region.

EAC

Following the 4th negotiating session of the Permanent Secretaries/Senior Officials that was held in Zanzibar in September 2011 and the round of inter-session meetings that was held between East African Community (EAC) and EU experts from 15-17 November in Kampala, the EU and the EAC EPA group met in Brussels at technical and senior officials level from 12-15 December. The objective of the meeting was to discuss the remaining brackets in the draft consolidated legal text, as well as outstanding and contentious issues in the negotiations.

Progress was achieved on the Economic and development cooperation chapter, where the overlaps with the provisions contained in the agriculture chapters were solved. An agreement was also found on the provisions related to Technical Barriers to Trade, Sanitary and Phyto-Sanitary Measures as well as Customs and Trade Facilitation. The place that the EAC Development Matrix should have in the text of the agreement (and whether it should be an Annex to the Agreement or not) remains however to be agreed upon among the parties.

Some progress has also been achieved on the agriculture chapter, although a few definitional issues and the questions of export subsidies and domestic support continue to oppose the parties. Moreover, the EAC has also been asked to consider a possible cooperation text on Geographical Indications. These issues should be dealt with at the next negotiating meeting.

Finally, some issues remain unsettled. Among those, the MFN clause and export taxes stand out. Similarly, rules of origin and the Dispute Settlement and institutional provisions will need to be discussed[8]. The latter two should be the focus of Inter-session meetings, currently planned for the 3rd /4th week of February in Mombasa.

Finally, the EU has insisted during this meeting on the introduction of two new issues (Trade, Environment and Sustainable Development provisions, and good governance in the tax area) that will need to be considered by the region.

The next EAC-EU technical officials negotiations will be held during the 2nd or 3rd week of March. These dates have been set in accordance with a new roadmap adopted by the parties in the Brussels meeting – roadmap which foresees a successful conclusion of the EPA by the summer of 2012[9].

ESA

ESA and EU stakeholders hold joint technical working group meeting ahead of joint senior officials and ministerial meetings

ESA and EU stakeholders met for a joint technical working group meeting from 28-30 November 2011 in Mauritius. According to sources close to the negotiations, progress has been made on the chapters linked to SPS and TBT issues, as well as on various aspects related to trade in goods, including on provisions related to agriculture (although the question of the special agricultural safeguard will need to be considered at the next technical meeting).

The market access offer in goods is still under discussion, as a few ESA countries are still expected to submit specific offers, arguing for more flexibility in this area.

Regarding services, the details of the text concerning market access, capital movement, and specific sectoral sections such as tourism or maritime services were settled, among others. Development support provisions, and the question of the MFN clause, for their part, remain to be agreed upon.

Unsettled issues such as export subsidies and refunds, special agricultural safeguards should be considered at the next technical level meeting. Others outstanding issues, such as export taxes, the question of additionality of funds for EPA development support, and a few unsettled trade-related issues, have been deferred to senior official level.

As far as Rules of Origins are concerned, new proposals have been made by the ESA region with regards to the Protocol. According to a source close to the negotiations, the region is also arguing in favour of asymmetry (and suggests that more flexible rules of origin than the rules currently defined in the IEPA could apply to ESA)

The next EU - ESA technical and senior officials meetings are to be held in March 2012. (The specific date and venue are still to be confirmed). A joint ESA-EU ministerial meeting should also be held in the coming months to consider outstanding issues in the negotiations[10].

Pacific

EPA representatives from the EU and the Pacific discuss way forward in Brussels[11]

On the basis of the draft EPA text and the recently submitted revised market access offers submitted by the region last summer, EU and Pacific representatives met from 22 to 24 November 2011 in Brussels, Belgium to discuss the way forward in the negotiations of a full regional EPA in the region[12]. This meeting addressed unresolved areas in the negotiations, notably trade in goods, development cooperation and the sensitive question of rules of origins in the fisheries sector (one shall here recall that the Pacific region is still asking for an extension of global sourcing on some fish products, allowing them to import fresh fish and re-export it to the EU in processed form under preferential EPA rates).

Trade in services is also an outstanding issue, with the EU arguing in favour of a differentiated approach where it would engage with those PACP countries that are ready to take commitments in this area[13].

From the Pacific side, the message that was communicated during the 94th ACP Council of Ministers held in Brussels in December 2011, was that the region continued its efforts to conclude an EPA in 2012, as mandated by Pacific ACP Leaders in September 2011[14].

Yet, according to a retired Pacific trade negotiator interviewed and quoted by the Islands Business, the chances for the region to manage to conclude a final regional EPA by the end of the year remain low: "To stick my neck out, it will probably end up with more PACPS opting for the iEPA (with some changes here and there). Fiji may feel obliged to ratify the iEPA. LDCs in the PACPS will opt for EBA and/or some form of enhanced GSP[15]."

The next round of negotiations is planned in the spring of 2012 at technical level. Among the possible items on the agenda are the remaining key contentious issues in the negotiations, including the MFN clause, the non-execution, infant industry and standstill clauses, the question of export taxes, as well as the Market Access offers that were submitted by the region.

GREAT has been informed that the second meeting of the EPA Trade Committee should be held on 21 February in Papua New Guinea. Since Fiji (the only other country to have initial an interim agreement in the region) has not yet applied its agreement, it will not participate to the meeting.

Caribbean

Inaugural meeting of EPA customs committee occurred in Santo Domingo.

The first meeting of the CARIFORUM-EU Special Committee on Customs Cooperation and Trade Facilitation was held in Santo Domingo, Dominican Republic, on 8 December 2011. This inaugural meeting was an opportunity for officials from both sides not only to discuss legal and institutional issues (such as the rules of procedure for this Special Committee and the identification of Permanent and ad hoc observers) related to the functioning of the Committee, but also to consider issues related to (i) custom cooperation and trade facilitation, (ii) rules of origins, (iii) mutual administrative assistance and (iv) tariff classification issues[16]. Quoted in an ACP Press Release, Branford Isaacs, Head of the EPA implementation Unit of the Caribbean Community secretariat, argued that this meeting marked "yet another milestone on the path of EPA implementation, coming as it does on the heels of the convening this past June of the first meeting of the Trade and Development Committee under the CARIFORUM-EU EPA"[17].

Notes

1. www.acp.int/content/acp-senior-officials-debate-free-trade-deals-pre-wto-sessions
2. www.acp.int/es/node/744
3. ibid.
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7. http://news.ecowas.int/presseshow.php?nb=257&lang=en&annee=2011
8. EPA Flash News: EU and East African Community (EAC) hold EPA talks in Brussels.17/01/2012
9. Ibid.
10. http://ictsd.org/i/news/tni/121337/
11. www.islandsbusiness.com/islands_business/index_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=19993/overideSkinName=issueArticle-full.tpl
12. European Commission. EPA Flash News - The EU and the Pacific region hold EPA talks in Brussels, 19 January 2012
13. ibid.
14. http://www.acp.int/content/news-pacific-acp-committed-concluding-comprehensive-epas-eu-2012
15. http://tinyurl.com/7x3zcdn
16. www.acp.int/content/news-cariforum-holds-inaugural-epa customs committee
17. Ibid.

Monthly highlights from ECDPM's Talking Points

www.ecdpm.org/talkingpoints

How could taxation help to achieve the MDGs? – A reaction to OECD research

Financing the Millennium Development Goals (MDGs) remains a major challenge. It is becoming clear that Official Development Assistance from donor countries will not be sufficient to fill the existing finance gap. A new OECD Working Paper zooms into domestic resource mobilisation – savings generated from domestic resources – as potential source of finance, and gives an updated estimate of the cost of meeting the MDGs. This article takes a closer looks at some details of the report. OECD's research plays a valuable role in re-focusing minds towards the costs involved in meeting six of the MDGs ...

Africa is in desperate need for greater unity and stronger leadership to realise its pan-African ambitions

As noted by the Economist last December, and confirmed by a recent report by Invest AD and the Economist Intelligence Unit, Africa is on the rise to become one of the most attractive regions for investment and a pole for growth. The challenge is to transform these opportunities into concrete deliverables for equitable, inclusive and sustainable development throughout the continent. Committed political drive and vision will be key in this process.

Measuring the development impact of loans used for public investment projects

This was the theme of a roundtable discussion held by the EIB earlier this month. With the ever-increasing interest in leveraging aid with loans, the issue of how to measure impact seems a pertinent question to ask. The discussion centred on how the EIB intends to measure and monitor the impact of their investment projects, as required under the renewed mandate for external EU financing given by the European Parliament and Council. But as the discussion progressed and they presented the broad categories of indicators they plan to use, one began to wonder what they have been using up to ...

Monthly highlights from ECDPM's Weekly Compass Newsletter

www.ecdpm.org/weeklycompass

Accelerating growth through improved intra-Africa trade
At the request of the African Union, African scholars from the Africa Growth Initiative at the Brookings Institution put forward policy recommendations for increasing intra-African trade. The report comprises a series of policy briefs that address the major barriers to increasing intraregional trade, namely, economic diversification, conflict, regional integration, infrastructure, and border issues.

Building a sustainable future for Africa's extractive industry: From vision to action
ECDPM's Isabelle Ramdoo attended the African Union (AU) Conference of Ministers Responsible for Mineral Resources Development in Addis Ababa this week. The conference brought together African Ministers and experts in mining and natural resources and development partners to agree an action plan for the implementation of the African Mining Vision. This vision aims to ensure transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socioeconomic development...

Policy coherence must move beyond "do no harm"
More pro-active integration of development objectives into EU policies, beyond simply attempting to lower negative impacts of different policies on Southern countries, is needed according to the recently published European Union 2011 Report on Policy Coherence for Development (PCD). The report self-critically assesses progress in implementing EU commitments to PCD in areas such as trade and security...

Global economic crisis with new countries affected looms
Two new flagship reports released by the World Bank and the United Nations predict that global economic growth and international trade will continue to slow sharply in 2012. Both organizations have downgraded their forecasts and warn that the risk for another severe global economic downturn remains...

African Union to focus on trade, peace and governance in 2012
Inter-African trade, which is high on the agenda at the upcoming African Union summit, will not remain the AU's only priority in 2012. According to a report in Africa Review the ambitious list of priorities comprises efforts to boost the continent's global role, and plans to review the AU's international partnerships in order "to ensure they bring greater benefits to Africa"...

EC releases overdue plans for trade and development
While not putting forward new legislative proposals, the European Commission's Trade and Development Communication, published today, sets out how the EU's trade, investment and development policies could support developing countries' domestic reforms. The Communication calls for increased "differentiation" of EU policies and focused support for Least Developed Countries and "other countries most in need". It puts emphasis on how domestic reform and good governance are necessary to make trade work for development...

Networks key to successful agriculture innovation in Africa
The Forum for Agricultural Research in Africa undertook 21 case studies in sub-Saharan Africa to identify how different stakeholders can work together to foster research and innovation to improve the livelihoods of Africa's smallholder farmers. Several challenges to effective collaboration exist, including a lack of capacity or willingness to work together and weak institutional structures...

Developing countries can become middle-income countries within two generations
World Bank chief Economist Justin Yifu Lin sets out the "third wave" of development thinking in his book "New Structural Economics: A Framework for Rethinking Development and Policy". His neoclassical framework emphasizes that the market is the basic mechanism for resource allocation, but that governments must play an active role in facilitating structural changes...

GREAT insights

Calendar and resources

ACP-EU Trade Calendar

February

3	Council of the EU - ACP Working Party meeting (notably discussing the EC's Trade, growth and development Communication), Brussels, Belgium
6-10	West Africa-EU joint meeting on Rules of Origin, Brussels, Belgium
13-17	West Africa-EU joint EPA technical and senior officials' meeting, Brussels, Belgium
20-24	Regional Meeting of the ACP-EU Joint Parliamentary Assembly, Lusaka, Zambia
20-27	Central Africa-EU joint technical EPA meeting, Brussels, Belgium
27-29	EPA Updates in the Pacific region, Nadi, Fiji
27/02-02/03	SADC-EU joint technical and senior officials' meeting on EPA, SADC region (venue TBC)
TBC	EAC-EU experts intersession meetings on Rules of Origin; as well as Dispute Settlement, Institutional Arrangements and Final Provisions in the context of EPA, Mombasa, Kenya
TBC	Meeting of the Regional Preparatory Task Force in the context of the West Africa-EU EPA (RPTF) – (venue TBC)

March

19-22	27th Session of the ACP Parliamentary Assembly and Inter-sessional meetings of the ACP-EU Joint Parliamentary Assembly, Brussels, Belgium
TBC	EAC-EU EPA joint technical officials negotiations (venue TBC)
TBC	ESA-EU joint technical and Senior Officials' meeting on EPA (venue TBC)
TBC	Pacific-EU technical negotiations on EPA (venue TBC)

Resources

EU development cooperation after the Lisbon Treaty: People, institutions and global trends, Jeske van Seters and Henrike Klavert, ECDPM Discussion Paper 123, Dec. 2011, www.ecdpm.org/dp123

Synthesis paper on boosting intra-african trade and fast tracking the continental free trade area, African Union, Jan.2012, www.au.int

Communication from the commission to the European Parliament, The Council and the European Economic and Social Committee.: **Trade, growth and development Tailoring trade and investment policy for those countries most in need**, EC , Jan. 2012, www.trade.ec.europa.eu

Industrial Development Report 2011: Industrial energy efficiency for sustainable wealth creation: Capturing environmental, economic and social dividends, UNIDO, Dec. 2011, www.unido.org

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Growth and Productivity in Agriculture and Agribusiness, World Bank, Feb. 2011 www.worldbank.org

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Agricultural Innovation in Sub-Saharan Africa: Experiences from Multiple-Stakeholder Approaches, AA Adekunle et al., Forum for Agricultural Research in Africa, 2012, Jan.2012, www.fara-africa.org

Landlocked or policy locked? How services trade protection deepens economic isolation, Ingo Borchert et al. World Bank Policy Research Working Paper 5942, February 2012, www-wds.worldbank.org

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Asymmetric Trade Negotiations, Sanoussi Bilal, Philippe De Lombaerde and Diana Tussie, Ashgate

A guide to public financial management literature for practitioners in developing countries, Rebecca Simson et al., ODI Toolkits, Dec. 2011 www.odi.org.uk

What do we know about the private sector's contribution to development?, Margaret Callan, ANU development Policy Centre Discussion Paper 11, Jan. 2012, http://devpolicy.anu.edu.au

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GREAT Insights is published by ECDPM

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