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Harnessing trade as a development tool in the post-2015 framework

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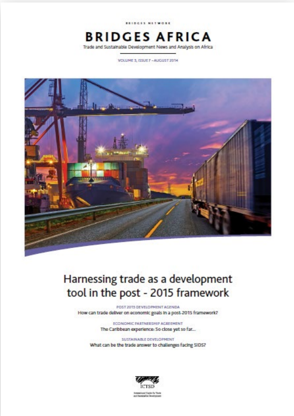
Harnessing trade as a development tool in the post-2015 framework



How can trade deliver on economic goals in a post-2015 framework? This is one of the burning questions in the international trade community, as discussions to formalise a global post-2015 development agenda intensify.

In Rio, Member States agreed to initiate the formulation of a set of Sustainable Development Goals (SDGs), which will build upon the Millennium Development Goals – due to expire next year – and ultimately converge with the post-2015 development agenda. In the Rio+20 outcome document, The "Future We Want", UN members acknowledge the importance of an environment that fosters sustainable development and international cooperation, including in the area of trade policy.

The UN working group charged with outlining a proposed set of sustainable development goals adopted an outcome document in July, which references a number of trade policy measures, including means of implementation to support progress towards specific goals. These include finance, technology, capacity building, trade, policy and institutional coherence, multi-stakeholder partnerships, and data monitoring and accountability. Some trade observers consider the July outcome document to be a positive development, as trade-related issues are emphasised more than in previous versions.

The 2013 Bali Ministerial Conference of the WTO initially provided a breakthrough in the stalled Doha negotiations, which has the potential to spur significant development in the poorest countries. At the heart of these negotiations lies a comprehensive agreement on trade facilitation, several decisions on agriculture and an "LDC package," including decisions related to duty-free, quota-free market access, preferential rules of origin, cotton and the LDC waiver. Some experts have pointed out that the Bali Package to a, certain extent, reflects the changing global trading environment.

However, WTO Members were recently unable to bridge a divide that had emerged on the trade facilitation agreement, jeopardising the Bali Package, achieved last December. In light of this, it would be worthwhile to reflect on how trade could be effectively integrated in the post-2015 development agenda and what the realistic prospects might be, given the current stalemate in certain key trade negotiations. How can countries move beyond a simple liberalisation agenda and initiate behind-the-border reforms?

In this edition, we feature an article on the specific development challenges facing Small Island Developing States ahead of this month's SIDS international conference in Apia, Samoa, which will be devoted to the topic of sustainable development. Lastly, as part of our series of articles on the Economic Partnership Agreement negotiations in Africa, this month, we invite you to read an insightful comparative analysis of Africa's EPA implementation challenges.

As always, we welcome your valuable feedback and contributions. Write to us at bridgesafrica@ictsd.ch.

WORLD TRADE ORGANIZATION

The WTO and achieving the MDGs: Lessons for the post-2015 development agenda

Raúl A. Torres

How can trade be harnessed as a development policy instrument in the post-2015 development agenda? What role can the WTO play to this end?

Continued and sustained economic growth has been one of the main forces in reducing poverty in the world's developing and least-developed countries since the launch of the MDGs. Several large emerging economies as well as many low-income countries have harnessed the economic growth they have achieved through increased trade and more foreign investment, to address the problems faced by the poorest segments of their populations. They have also used financial resources generated by economic growth to invest in other critical social concerns, such as those related to health, sanitation and drinking water, rural livelihoods, education and governance.

MDG-8 (develop a global partnership for development) is an important element in the overall gamut of the MDGs. MDG-8 recognises that the ability of developing countries to reach sustainable levels of growth often depends on the international environment in which they operate. This is equally true for the multilateral trading system and WTO's contribution in building a more predictable, inclusive and transparent multilateral trading system can be crucial in building a more favourable global environment for developing countries.

A lot of the gains of global trade, and their contribution to economic growth and consequently to the MDGs would have been nullified if trade between countries had been affected by the global economic crisis of the last decade. Since 2000 until 2008, world trade grew year-on-year at an average rate of 6 percent. While a sharp decline was evidenced in 2008 right after the crisis, by 2011 world trade values were already higher than those recorded before the crisis. Most of this increase in world trade was due to the fact that the trading system was kept open and that protectionist measures were kept in check. Nevertheless, it must be acknowledged that the stock of current trade restrictions and distortions continues to accumulate, and should be tackled.

Additionally, new forms of protectionism through a proliferation of non-tariff barriers - including subsidies - also cause great prejudice to trade from developing countries, particularly in agricultural trade. This is worrying since the small vulnerable economies, the LDCs, and even the emerging economies have a concentration of poverty in their rural areas. Addressing these latest threats to the multilateral trading system will necessitate, first and foremost, delivering on the promise made in Doha.

Completion of the Doha round for a global development partnership

The Doha Development Agenda and more generally the rule-making function of the WTO are issues that are intimately tied to achieving the global partnership for development contemplated by MDG-8. Failure to conclude the Doha Development Agenda is partly responsible for the lack of achievement of certain targets in MDG-8. The blockages in the DDA are perceived by the outside world as an example that the trading system cannot respond to the structural changes in the world economy. The system has difficulty negotiating new rules because it is not malleable enough to adapt quickly to the geopolitical shifts and systemic challenges posed by the emergence of some developing countries.

Bali timeline

November 2013

Geneva-based preparations for Bali ministerial declared at an impasse by WTO Director-General.

December 2013

The WTO Ministerial Conference (MC9) has a provided a breakthrough in the stalled Doha negotiations with at its heart a comprehensive agreement on trade Facilitation.

July 2014

The deadline for adopting the Protocol of Amendment for the WTO's Trade Facilitation Agreement has passed without a resolution, as members were unable to bridge a divide that had emerged over whether to link the protocol with progress toward a "permanent solution" on public food stockholding.

The impasse in the Doha Round has led many countries to advance their own trade liberalisation programmes through plurilateral and regional agreements. These agreements, however, cannot be as inclusive or as encompassing as those which are done multilaterally and which include all countries in the system. Regional initiatives are positive and are to be welcomed but they can only be one part of the wider picture. The multilateral trading system has always co-existed with, and benefitted from, other trade opening initiatives. They are not mutually exclusive alternatives. It is important to think how the two processes – global and regional – can move forward together to reduce costs effectively and to curb protectionism.

These [plurilateral and regional] agreements (...) cannot be as inclusive as those which are done multilaterally and which include all countries in the system.

A conclusion of the Doha Round would represent a step forward for the global partnership on development, enhancing coherence among trade, financial and environmental issues and strengthening the effectiveness of an open, rules-based multilateral trading system in addressing specific development challenges.

Initiatives to achieve specific targets of MDG-8

The targets identified under MDG 8 show that the international community recognises trade as an important engine for development. For trade to deliver real economic growth effectively, it needs to be "open, rule-based, predictable and non-discriminatory", as recognised in Target A. This corresponds to the WTO's core business of regulating international trade, reducing market barriers and ensuring a level playing field for all its members. In this regards in addition to the wider efforts to complete the DDA some specific results were achieved at the WTOs Bali Ministerial Conference in December 2013.

Initially the Bali package had the effect of restoring the credibility of multilateral institutions, unfortunately the recent failure to adopt a protocol amending the WTO agreements, initiating the process of ratification and implementation of the Trade Facilitation Agreement has again cast doubt on multilateralism, eroding government's trust in their commitment to the WTO. Renewed faith and trust among countries will be very much needed to complete multilateral processes necessary in the strengthening of the global partnership for development, setting the course for a sustainable and inclusive post-2015 development agenda.

In terms of concrete outcomes, Bali provided deliverables in three key areas: trade facilitation, agriculture and development, it also set in motion a process whereby members will decide by the end of the year on a clear road map for concluding the Doha Development Agenda. One major result from Bali is the Trade Facilitation Agreement, the first multilateral agreement concluded in the WTO since its creation in 1995. This agreement which will cut trade transaction costs and if properly implemented can increase trade competitiveness in developing countries.

Decisions in the area of agriculture responded to demands by the developing countries on issues of food security, tariff rate quota administration and export competition. On development, members agreed to put in place a monitoring mechanism for special and differential treatment provisions.

With regards to Target B - addressing the special needs of the least developed countries - several initiatives saw significant advance at the Bali Ministerial Conference. Three decisions specific to LDCs Duty-Free and Quota-Free (DFQF) market access, preferential rules of origin and operationalisation of the services waiver) were taken, with a fourth decision on cotton also of particular importance to LDCs. These decisions call for: full implementation of DFQF market access for LDCs; the simplification of preferential rules of origin benefitting LDCs; the operationalisation of the services waiver for LDCs and a reaffirmation of the Doha mandate on cotton (with respect to both its trade and development components).

With regards to Target C – addressing the special needs of landlocked developing countries and small island developing states – the Bali Ministerial Conference resulted in specific achievements for these groups of countries. Concerning the LLDCs the conclusion of a Trade Facilitation Agreement has the potential to address many of the fundamental transit policy issues that affect LLDC exports. LLDCs depend on their neighbours to have efficient procedures for clearing transit goods. The Trade Facilitation Agreement will create a common platform which all WTO members are expected to implement, for respecting the principles of transparency, consistency and predictability which will help traders in LLDCs and are the necessary ingredients for making trade flow in and out these countries.

One of the decisions in Bali also reaffirmed the importance of the WTO's Work Programme on Small Economies which covers all of the countries that are included in the SIDS category of the UN. This Work Programme calls for framing responses to the trade-related issues identified in improving the Small Economies participation in the multilateral trading system.

In line with Target E – providing access to affordable medicines in developing countries - WTO members have agreed an amendment to WTO rules that gives developing countries greater access to essential drugs, thus contributing to wider national and international action to address public health problems.

Target F - making available the benefits of new technologies - is also partially addressed by WTO's work in its Working Group on Trade and Transfer of Technology. By identifying technology and innovation as critical drivers of economic growth, the work in the WTO has shown that that technology innovation and its transfer can be critical in facilitating the achievement of the MDGs. Work on transfer of technology and eCommerce were also reaffirmed in decisions taken at the Bali Ministerial Conference.

What role for Aid for Trade?

One area that is seen as a successful example of the global partnership for development at work, especially for tackling supply-side constraints, is the Aid for Trade initiative led by WTO. In order to continue to provide benefits to developing countries, this initiative and the Enhanced Integrated Framework for LDCs must be strengthened and improved. Some of the ways in which this can be achieved came to fore at the Fourth Global Review which had the theme of "Connecting to Value Chains".

The Aid for Trade initiative has been a success but is not the only element driving investment in productive capacities and infrastructure.

As part of the findings that emerged from this global review, the main factors identified as hindering suppliers from developing countries from entering or moving up value chains were: administrative hurdles related to customs paperwork or delays, bottlenecks in the area of transportation and shipping and various transport-related issues such as costs and delays, informal or corrupt practices and the lack of regulatory transparency.

These issues are prime targets for a Trade Facilitation solution, which highlights the importance of having achieved a Trade Facilitation Agreement in Bali. This is also the reason why the theme for the 2014-2015 Aid for Trade Work Programme is "reducing trade costs for inclusive sustainable growth", linking with the two main streams of work in the trade and development communities, trade facilitation and the sustainable development goals.

The Aid for Trade initiative has been a success but is not the only element driving investment in productive capacities and infrastructure. Donors and South-South partners have cited foreign direct investment as the key source of financing to meet the trade-related capacity building needs.

Aid for Trade is increasingly being used to leverage private sector funds. Foreign direct investment was higher than Aid for Trade flows for over 20 LDCs in 2011. The role of the private sector as a catalyst for Aid for Trade is likely to grow in the future and it is of key importance to ensuring future growth in developing countries.

The role of trade in the post-2015 agenda process should not be reduced simply to trade liberalisation. Rather, trade should be recognised more broadly as a development policy instrument

Lessons learned and the way forward

The initiatives that have been deployed in the efforts to achieve the MDGs have provided valuable lessons that must be carried forward as attention turns to work on the Post-2015 Development Agenda and the Sustainable Development Goals. In a statement made at the General Council on 24 July 2014 the Director General of WTO highlighted the following:

"First, the role of trade in the post-2015 agenda process should not be reduced simply to trade liberalisation. Rather, trade should be recognised more broadly as a development policy instrument;

Second, the WTO and its rules governing global trade have proven their worth in the context of the MDGs, both as a building block for economic growth and as a buttress to trade protectionism, especially at the height of the crisis. In this regard, the WTO and its rules should be seen as a way of providing a similar enabling environment and necessary buffer for the post-2015 development agenda through to 2030;

Third, the Bali Package and the DDA work programme can support the delivery of the SDGs. For example in the area of financing work with donors on Trade Facilitation and in support of the Enhanced Integrated Framework for LDCs and Aid for Trade will feed into other areas of work on the post-2015 agenda – and, in turn, work on the post-2015 agenda will support these activities;

And fourth, the SDGs should promote policy coherence at the global level. Failure to place more emphasis on the role of trade as an enabler for achieving these broader goals would be a real set-back for global policy coherence."

Raúl A. Torres
Counsellor in the Development Division of the WTO

SUSTAINABLE DEVELOPMENT GOALS

Integrating trade in the post-2015 development agenda

Jodie Keane and Claire Melamed

Trade must be a prominent part of the post-2015 Sustainable Development Goals, given its importance in structural economic transformation. The SDGs could help tackle some of the trade challenges facing African LDCs by moving beyond the agenda of market access.

Negotiations for the successor to the Millennium Development Goals (MDGs) – known as the Sustainable Development Goals (SDGs) – are ramping up over the coming months as the end of 2014 draws ever closer. The post-2015 agenda must be established and an agreement on the SDGs reached before the year is out. While trade is more prominent in the current drafts of the new SDGs than it was in the MDGs, the proposed trade targets do not yet provide a framework for tackling the most pressing trade issues, in particular, how countries can insert themselves into global value chains.

We argue that the United Nations must fulfil its leadership role and send a strong message to a global economy that is groping for new ideas, but struggling to effectively translate these into an implementation agenda that will be universally accepted by all.

It is probably fair to say that the global panorama of trade and investment flow has changed dramatically since the MDGs were conceived. Other areas, such as climate change, require immediate action in anticipation and mitigation of potential adverse shifts in the future. In this article, we briefly survey the current integration of trade within the SDGs. In doing so, we highlight some of the apparent tensions and divergent positions, including the extent to which the UN will incorporate the agenda already set by the trade community or set a new pace, instead.

Implications of a changing global trading environment

The MDGs spanned eight goals and a number of trade-related, most notably under MDG8 (Table 1). In general, the MDG trade targets reflected the global trade agenda of the time, focusing on the liberalization of market access and border measures. Other trade-related targets, such as access to essential medicines and technology, were included in the remaining MDGs; however the liberalisation targets, more than anything else, were considered to be at the heart of the MDG trade component.

One major shortcoming of these targets (and of the MDGs in general) is that they were primarily concerned with static analysis and welfare redistribution, rather than dynamic analysis and structural change. There are also contradictions between the different trade targets, stemming from the fundamental tension between the desire for a universal agenda and the desire to give special treatment to particular groups of countries. In the case of MDG8, for example, it is not possible to address targets 'b' and 'c' without this conflicting with target 'a' (Stevens, 2012).

Table 1: MDG8 trade targets

MDG8	Target	Number of sub-headings
MDG8a	Open, rule-based, non-discriminatory trade and finance system	1. Proportion of duty-free imports from developing countries and LDCs 2. Focus on agricultural products, textiles and clothing 3. Agricultural support for OECD 4. Official Development Assistance for trade capacity
MDG8b	Address special needs of LDCs	
MDG8c	Address special needs of landlocked developing countries and small island developing states	

Source: See Stevens (2012)

What's next?

The UN working group charged with outlining a proposed set of sustainable development goals (SDGs) adopted an outcome document in July. The recommended goals will now be sent to the UN General Assembly for consideration as part of the discussions around the post-2015 development agenda.

The 69th session of the UN General Assembly (UNGA 69) will be held from 16 September to 1 October in New York, USA.

The notion of a "developing country" has changed over the last two decades. As middle-income countries are phased out of traditional donor relationships and enter into new partnerships, they are also expected to fulfil their share of certain global commitments, commensurate with their economic weight and clout within the global economy. In sum, the landscape of global trade and investment patterns has changed dramatically since the time of the MDGs, and the SDGs must adapt to this new reality.

Recent changes in global trade patterns reflect many influences, including the integration of China into the global trading system, as well as the emergence of newly industrialised countries. On the average, world trade has grown nearly twice as fast as world production in recent decades, which reflects the increasing prominence of international supply chains, or Global Value Chains (GVCs). Most trade is now in intermediate goods: product components move from one production centre to the next, with value being added at each stage. This global process of fragmentation and unbundling has gathered speed as globalisation has increased and trade and economic interdependence between countries have become more entrenched.

The result has been a boom in 'offshoring' both manufacturing tasks and business functions, as well as outsourcing production to host countries with existing capabilities.

The global trade landscape has been transformed since the time that the MDGs were conceived. However, while emerging economies have effectively managed their growth strategies (of which trade development has been an integral part), the same cannot be said for many other countries. For example, commodity-dependent exporters have not been able to engage with the more dynamic GVCs and have therefore remained stuck in low-end primary production, where their value added share remains short. The basic fact remains: for many LDCs, as well as some Middle Income Countries, there has been no radical change in trade flow – and hence the achievement of structural transformation – during the time that efforts have been made to reach the MDG targets.

This raises questions as to how government policy can help companies better manage their existing participation in GVCs, as well as enter into new ones. All governments are trying to better understand the policy levers at their disposal for improving the relative position of their producers within the existing value chains. But what does this mean for the SDGs? It means that new trade targets will need to go beyond the broad market access considerations of the MDGs in order to be relevant and useful.

Where should we be heading?

There is a potential of harnessing some of the existing momentum of the global trade community. For example, WTO members agreed on a trade agenda that makes great strides in recognising the changed landscape of global trade and investment patterns. The Bali package, which the WTO accepted at the end of 2013, contains agreements on issues more far-reaching than a mere liberalisation agenda, including trade facilitation, rules of origin and the implementation of a service waiver for LDCs. In their own ways, all of these are responses to the changing trade environment and the need to develop the existing instruments if trade is to play a more effective role in assisting the achievement of structural transformation, particularly in the case of LDCs. With regard to translating this agenda into the soft law of the UN and the SDGs, claims could be made as to the importance of the multilateral trading system. However, implementation of the trade facilitation agreement should not be held up by the ongoing hiatus in negotiations at the multilateral level.

The June Zero draft of the SDGs, as reviewed by Keane and Melamed (2014), and more recently, the July outcome document, already include greater emphasis on trade compared to the outcomes of the Open Working Group of May 2014, which is a positive development. In contrast to the trade targets (barely changed since the MDGs) being centred predominantly on Means of Implementation (15), as in the May Working Document, now there are references to trade scattered throughout the June Zero draft document and across a broader range of goals (17 in total). The key messages on trade also seem to have been tightened up. For example, there is now explicit mention of the importance of reaching a conclusion in the DDA negotiations and the importance of a multilateral trading system. The need for transparency and simplicity in RoO applied to imports from poor countries is also clearly stated.[1]

It is difficult to make a direct comparison between the trade-related targets of MDG8 and those of the more recent SDG zero draft documents. The most obvious difference is between MDG8 and Proposed Goal 17: Strengthen and enhance the means of implementation and global partnership for sustainable development. The proposed goals, as a whole, give more attention to issues of economic growth and transformation than the MDGs. However, the proposed trade targets do not yet go far enough in fully supporting this aspiration.

This is due to the fact that some of the trade-related targets in the June – and subsequently, July – Zero drafts are clearly not only MDG+, but also WTO+ issues. For example, while issues related to commodities and finance are not currently on the trade agenda, they do figure in the SDG agenda. The WTO system has not been able to address trade and finance issues (just as it has been unable to address trade and climate issues). Clearly, these are areas where UN members are demanding action. How these statements translate into more tangible trade targets will be crucial.

Lastly, the trade goals currently focus only on the multilateral trading system and not at all on the large-scale regional agreements that are poised to change the future of the trading system. This is a worrisome omission.

Conclusion
A number of questions remain regarding the relationship between the SDGs and other processes, such as the extent to which the SDGs should reflect existing agreements (allowing the international community to focus on implementation) or whether the UN should establish an agenda, effectively filling a current void in the framework of international sustainable development.

Hence, ensuring that the work package accepted by the WTO is reflected in the SDGs would promote policy coherence. In this sense, the SDG agenda could be considered as MDG+. Although the SDGs have no institutional force, they do, nevertheless, present an opportunity for UN members to consider what they really want to get out of the trading system. The SDGs could broadly reflect the current trade agenda (as the MDGs did to some extent in 2000), or instead, they could aim to reflect a new agenda and set a new pace.

The main barriers to trade today are in the areas of entering, upgrading and integrating into GVCs, driven by global companies, rather than in the market-access considerations emphasised in the MDGs. If the new agenda is to help resolve these challenges, behind-the-border measures – such as the regulatory environment and rules that apply to production and consumption within countries – need to receive as much attention as market-access considerations and the tariffs that apply at the borders between countries. A new agenda cannot make specific trade rules – that remains the role of the WTO. Lastly, the ability of governments to influence private sector behaviour through negotiation processes deserves further attention.

This article is an adaptation of a longer Briefing Trade and the post-2015 agenda, June 2014, ODI.

[1] See: http://bit.ly/1w8mi54

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SUSTAINABLE DEVELOPMENT

Small and vulnerable: Increasing SIDS resilience and development through international trade

Stephan Fevrier

Small island developing states face a number of specific sustainable development challenges, some of which might usefully be addressed at the WTO.

In September, delegates will gather in Apia, Samoa for the Third International Conference on Small Island Developing States (SIDS) guided by the overarching theme of the "sustainable development of SIDS through genuine and durable partnerships." The conference offers an opportunity to reaffirm commitments already taken and to further advance issues related to the sustainable development of SIDS. At the pivotal 1992 Rio Earth Summit held in Rio de Janeiro, Brazil and in the resulting Agenda 21, SIDS were recognised as having particular characteristics that make them unique from both environment and development perspectives. Twenty years later, "The Future We Want" the outcome document of the follow-up UN conference on sustainable development held in the same South-American city, brings a new sense of momentum to addressing SIDS sustainable development needs.

Notwithstanding the significant strides forward SIDS have made as a group towards mainstreaming the principles of sustainable development into national development plans and priorities, persistently low rates of economic growth, high levels of external debt, high input costs, remoteness from external markets, and a host of other structural rigidities continue to weaken their capacity to respond to current and future development demands. Key to overcoming these challenges is a deeper and more beneficial integration into the global economy. Such efforts aimed at beneficially integrating SIDS into the multilateral trading system must be supported by strategies focused on strengthening supply-side capacities and increasing macro-economic competitiveness, which is defined as the mix of institutions, policies, and factors that determine the level of productivity in a country. Furthermore, the Marrakech Agreement establishing the WTO inter alia mandates the "optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with the respective needs and concerns [of countries] at different levels of economic development." WTO members in general, and SIDS in particular, should therefore pursue an international legal architecture that links economic development to environmental sustainability.

It is notable that some of the elements of the zero draft of the outcome document proposed for the September SIDS conference either directly or indirectly addresses disciplines and market access issues currently being considered within the context of the WTO Doha Round negotiations. The rules-based nature of the WTO supports both trade liberalisation and a governance framework that can effectively enable and support the long-term development prospects of SIDS. Translating the theory to practice, however, will continue to challenge countries both small and large. This paper proposes approaches that could support the responsiveness of the multilateral trade system to some of the specific development challenges faced by SIDS. It is nevertheless recognised that a trade-focused response the challenges faced by SIDS is but one ingredient in a policy mix needed to promote and foster sustainable development. Beyond trade reforms, developing countries and in particular SIDS, have been key demanders for adjustment and supply side capacity support. In order for the welfare gains from trade reforms to be realised within the multilateral framework, complementary support aimed at enhancing productive capacity, value enhancement, and accessing markets is also important. The capacity of SIDS to respond to non-tariff measures remains an obstacle to sustainable growth. These

Whats next?

UN Conference on SIDS

1-4 September Apia, Samoa

issues, along with domestic policy reforms, must be pursued in tandem to enhance the prospect of sustainable and sustained economic development.

Oceans and seas

Oceans and seas, along with coastal areas, form an essential component of the earth's ecosystem and are intrinsically linked to sustainable development. Healthy, productive, and resilient oceans are critical to the economic viability of SIDS. Many of the marine resources harvested in oceans and seas are not targeted for local markets but exported as raw materials, intermediates, or final products. The demand for goods and services originated from the oceans is likely to increase in the near future as global population and terrestrial food production constraints grow. If done sustainably, trade in marine products can create opportunities for economic growth, export diversification, and new investments. Major trade sectors where opportunities exist or could emerge in the near future include: sustainable fishing and aquaculture; certain marine transport services and port management; marine renewable energy; marine bio-prospecting and biotech; regulated seabed mineral resource extraction; and maritime and coastal tourism. Trade in marine sectors can be supported by the introduction of sound regulatory and institutional frameworks that also assist in developing ancillary services required to undertake marine related economic activities. These services include financial, insurance, telecommunication, testing and certification, as well as research and development.

Optimising the use of natural oceanic resources that are directly traded or serve as inputs to industrial and services activities must, however, extend beyond economic considerations by incorporating environmental and social factors into the equation to ensure long-term sustainability. Over-exploitation and poor management of marine resources have resulted in lost opportunities to sustain growth, heightening risks to global food security, and threatening livelihoods. These risks are of particular importance to SIDS who stand to be more heavily impacted by the depletion of marine resources than other country groupings. For example, according new UN-backed research, most of the Caribbean's coral reefs – which generate around US$3 billion annually from tourism and fisheries – are in danger of disappearing in the next 20 years due to overfishing, destructive coastal development, and pollution.[1]

Fisheries subsidies and SIDS

Recognising the need to regulate subsides that contribute to the unsustainable harvesting of the world's fisheries, the 2001 WTO Doha Ministerial Declaration launched negotiations to clarify and improve WTO disciplines on fisheries subsidies. The mandate to advance negotiations on fisheries was further elaborated at WTO Hong Kong ministerial conference in 2005, where members agreed to strengthen disciplines including the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and overfishing. The main challenge that confronts WTO negotiators is finding the appropriate balance between, on the one hand, disciplining the use of subsidies that result in overcapacity and resource depletion and, on the other, protecting the needs of developing and least developed countries (LDCs).

Excess fishing capacity has been pointed to as one of the main contributors to overfishing and is mainly a consequence of the provision of ill-conceived subsidies to domestic fishing industries. Such realities bring into sharp focus the need to align the sometimes-competing interests of potential economic gains with environmental sustainability. These conflicting priorities also highlight the need for countries to agree on binding multilateral rules aimed at governing the sustainable harvest of marine resources within the framework of a broader strategic approach to safeguarding the ecological diversity of the world's oceans. In this context, SIDS can explore approaches within the WTO Rules negotiations specific to fisheries subsidies, as well as in the negotiating group on Market Access in relation to fish and fish products, to achieve balanced outcomes that take account of the economic, trade, and ecological imperatives of SIDS. In theory, the negotiations on fisheries subsidies at the WTO hold potential for the multilateral trading system to rise to the challenge of effectively balancing ecological governance with economic considerations, although stalled progress in the talks demonstrates some of the pitfalls of this process.

SIDS and sustainable development commitments:

1. The Rio Declaration
2. Agenda 21
3. The Plan of Implementation of the World Summit on Sustainable Development and the Johannesburg Declaration on Sustainable Development
4. The Barbados Plan of Action (BPOA)
5. The Mauritius Strategy for the Future Implementation of the Programme of Action for the Sustainable Development of SIDS (MSI)
6. Rio+20, The Future We Want

While SIDS should seek to eliminate harmful subsidies through the disciplining of unsustainable practices, it is in the interest of SIDS to preserve policy space to build domestic sustainable fishing sectors. A draft negotiating text put forward by the Chair of the WTO Rules negotiations on fisheries subsidies in 2007 provides for general exceptions and special & differential treatment (S&DT) for developing countries. These flexibilities, including those proposed for small economies, are linked to fisheries management systems aimed at regulating marine wild capture within a member's jurisdiction. While such systems imply financial costs, they can have positive effects on the sustainability of local fish stocks in the medium and longer terms. The 2007 draft text inter alia promotes: fisheries management systems; monitoring; control and surveillance and marine protection. The document also calls for enhancing and implementing the regime for monitoring, control, and surveillance of fishing vessels to tackle illegal, unreported, and unregulated (IUU) fishing, including by investing in institutional capacity at the national, regional and international levels. It also calls on the UN system and regional fisheries bodies to pay increased attention to the value of small-scale fisheries and also to improve food security. These are all key objectives of SIDS as reflected in the Apia Outcome Document and are all in line with the objectives of SIDS negotiating within the WTO.

Sustainable energy, environmental goods and services

Worldwide demand for renewable energy is expected to increase two and half times by 2035, according to the International Energy Agency, (IEA). Renewable energy generation can contribute to energy security, diversify a given country's energy mix, and contribute to efforts to mitigate the effects of climate change. SIDS typically have low levels of renewable energy infrastructure and high-energy costs. They could thus potentially explore investment incentives and consumption subsidies such as feed-in-tariffs as a means of attracting investment, although past disputes at the WTO suggest such policies would need to be carefully formulated in order to comply with multilateral trade rules. Partnerships and technical assistance with key agencies can also play an important role in undertaking the necessary analytical work to support the adaptation of local regulations and attract financing for pilot projects. It must, however, be acknowledged that the economic, technical, and public policy capacity of SIDS is not at the same level as their developed counterparts. Therefore, while SIDS should pursue renewable energy options, expectations should be calibrated in accordance with their capacities in this area.[2]

Environmental goods and services are included in a subset of the goods and services negotiations in the Doha Round and members could use these negotiations to pursue liberalisation of products that support sustainable energy. It should be noted that a group of WTO members are now engaged in negotiations on environmental goods trade liberalisation, and separately, on negotiations aimed at the establishment of regional trade agreements that might include environmental services. While SIDS are not party to these negotiations or agreements, progress should be monitored with a view to assessing the possible systemic impacts and the specific trade related opportunities they may give rise to. Additionally, SIDS could encourage enhanced multilateral dialogue on products and services that support sustainable development, including clean energy. Such an approach would not only support energy independence but also reduce national dependence on fossil fuels. SIDS may also want to encourage renewed dialogue on the liberalisation of trade in environmental services.

Small islands face numerous challenges with respect to fresh water resources, including wastewater. SIDS also recognise the need for the management of chemical effluent and waste as critical to the protection of human health and the environment. Negotiations on trade in environmental services provides an opportunity for SIDS to respond to emerging demands for water, chemical, and waste disposal. During the last 13 years, as part of the Doha Round, several WTO members have called for the identification of core environmental services. To this end, WTO members have submitted various communications aimed at improving environmental services classification by including the following environmental services; (1) liquid waste services, (2) refuse disposal services, (3) sanitation, water and wastewater and, (4) other environmental services (S/C/W/320). One difficulty with drawing up lists is that some green services, like green goods, can have both environmental and non-environmental end-uses. Broadly speaking, however, most environmental services can be divided into two general categories: infrastructure and non-infrastructural environmental services. Under the ambit of both regional and multilateral trade agreements, SIDS could consider pursuing liberalisation of sectors specific to wastewater and sewage services, remediation services, and renewable energy. SIDS can assess the opportunities presented through multilateral negotiations on environmental services and consider the role that private participation, regulations, and institution building can play in creating economic opportunities while simultaneously mitigating the impacts of human activities.

Food security

As identified in the proposed Apia Outcome Document, SIDS are in the main net food importing countries, and are exceptionally vulnerable to the availability and price volatility of food imports. This situation is complicated by the fact that, in most cases, imported food is cheaper than the like-product locally produced. The existing WTO draft agriculture modalities negotiating text (TN/AG/W/4/Rev.4), allows Small Vulnerable Economies (SVEs) – the majority of them SIDS – the flexibility to strengthen the domestic supply of sensitive agricultural products. With this in mind SIDS should seek to ensure that any new or amended agricultural modalities reflect the needs of small states to maintain policy space in support of food security.

Conclusion

The multilateral trading system as embodied in the WTO is at a watershed moment in the context of finding an appropriate road ahead following decisions made at the ninth WTO ministerial conference held last December in Bali, Indonesia. It should be noted that while progress has been made on trade facilitation, food security for developing countries, and within the generalised rubric of LDC issues, there has been no significant movement or early harvest on issues relevant to SIDS. The WTO now has a mandate to establish a work programme that would guide the negotiating process beyond 2014. The areas outlined above demonstrate possible synergies between multilateral trade negotiations and sustainable development opportunities for SIDS. The time is also ripe for focusing on these opportunities as the international community gears up to agree on a set of sustainable development goals within the post-2015 development agenda. The SIDS Apia conference in September will provide a platform for island voices, and needs, to be heard in this area. Trade-related issues are on the agenda for both the Apia and the New York processes; ensuring coherence with future WTO work will be important for securing the sustainable development of SIDS.

The views expressed in this article are those of the author and do not necessarily represent the views, and should not be attributed to, the Commonwealth.

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ECONOMIC PARTNERSHIP AGREEMENT

The ECOWAS-EU EPA implementation test: What can be learnt from the Caribbean experience?

Françoise Guei

What lessons can the Caribbean experience provide for the implementation of the West African EPA that was approved by the region's Heads of State in July?

Business relations between West Africa and the European Union reached a turning point on 10 July 2014 in Accra when the Heads of State of ECOWAS gave their final approval to the Economic Partnership Agreement. They instructed the Chief Negotiators to "take all necessary steps to quickly start the process of signing and implementing the Agreement". This political decision is the logical result of the conclusion of an agreement that has led to much opposition in the West African region and that, after more than a decade of difficult negotiations, is now considered to be "a fair, balanced and mutually beneficial Agreement for both parties." In light of this, the current challenge is to move from words to actions.

Indeed, once the EPA has been signed and ratified, West Africa and the European Union will be immediately faced with the concrete implementation challenges of their commitments. More than a challenge, this is a true test for West African nations as they set forward on the path of much-needed, extensive economic and institutional reform so they can benefit fully from trade opportunities within the European market. In this respect, the experience of the Caribbean region, which took this path six years earlier in October 2008, when it was the first of seven regional organisations to enter into a full EPA (CARIFORUM-EU EPA), shows how negotiations are simply a step in the larger process of implementation, which is the biggest hurdle to overcome. It is therefore appropriate for West African Chief Negotiators to learn from the state of the implementation of the CARIFORUM-EU EPA (CF-EPA) as it is currently being re-examined, as per the terms of the Agreement, five years after it was signed.

The CARIFORUM-EU EPA – five years later

The CARIFORUM-EU EPA was intended as a trade liberalisation agreement with ambitious goals (1,953 pages in the English version), covering both trade in goods and services and also dealing with "WTO-Plus" issues such as investment, intellectual property, competition policy and public procurement. Furthermore, the development dimension of the EPA is another key part of the Agreement and is effected through a specific number of provisions in various chapters.

The conclusion of the CARIFORUM-EPA was intended to mark the beginning of a new era, that of fruitful economic and trade cooperation between the Caribbean and the European Union. However, during the signing process, the Barbados Foreign Minister, Christopher Sinckler, mentioned the technical complexity of the Agreement as well as – and above all – the importance of "the effort needed to implement it [that] will at times be more onerous than that spent negotiating it".

This acute observation was clearly reflected by the conclusions of the first review of the EPA, which was planned five years after it was signed, as per the provisions of the EPA, in order to assess both the level of its implementation and its socio-economic impact for the 2008–2013 period.

In general, the analysis shows that the implementation process is far from having reached the goals and objectives set by the EPA and that there are still much work to be done in key areas of the Agreement, even though these areas are its *raison d'être*.

An agreement that is partially applied but still has not entered into force

The very first legal act that marks the entry into force of an international agreement and, from there, its implementation, is without a doubt the ratification process. However, in the case of the present Agreement, only half of the Member States in both regions have ratified the EPA (in May 2014, 7 of the 15 Member States of CARIFORUM and 16 of the 27 Member States of the EU). In this respect, the Agreement does not set a deadline for ratification or a minimum threshold for the number of ratifications needed for it to enter into force. Five years after being signed, the CARIFORUM-EPA still has not entered into force as it has not been ratified by all 43 Member States of both regions. Nevertheless, Article 243-3 of the EPA allowed for the Agreement to be provisionally applied no later than 31 October 2008. It is on this basis that the EU has fully implemented its commitments to lower and abolish tariffs. However, the application of the Agreement, even on a provisional basis, remains a problem for some CARIFORUM States when it comes to the tariff liberalisation scheme: only 9 of the 15 CARIFORUM Member States have implemented the provisions relating to tariff liberalisation.

The development dimension of the CARIFORUM-EPA is proving difficult to achieve

Many of the areas identified as priorities by CARIFORUM under the theme of development cooperation have only recently been translated into running programmes and projects, that is to say five years after the EPA was signed. The implementation of certain programmes was mainly delayed by the lengthy programming procedures of the European Development Fund (EDF), the EU's main funding instrument. At the same time, some bilateral donors have not yet honoured their commitments to facilitate trade under the CARIFORUM-EPA, nor have they actively taken part in its implementation.

What are the main elements that hinder the implementation?

One of the main reasons for the weak implementation of the CF-EPA is perhaps due to the consequences of the 2008 global crisis, which started around the time the EPA was signed. Almost all the CARIFORUM countries – particularly those that depend on income from tourism – have experienced a dramatic drop in revenue. These highly unfavourable economic conditions have not encouraged CARIFORUM States to deploy additional human, institutional and financial resources, which are already very limited, to implement the EPA. All this is compounded by the image of the European market as difficult to access, with or without an EPA.

In this context, the impact of the CF-EPA on the aggregate trade in goods, services and investment can barely be seen at the moment. More importantly, it has had little effect on the indicators – such as poverty or GDP per capita – that are at the heart of the Agreement's "development dimension".

Nevertheless, the situation is not as gloomy for all the CARIFORUM States. The Dominican Republic has felt the impact of the CF-EPA on its exports. This was confirmed by the Dominican banana, sugar and industrial goods exporters who have all noticed that the CF-EPA has either opened new markets (e.g. sugar) or sent a strong message to national exporters about new opportunities in Europe.

What lessons can be drawn for future signatory States?

In many ways, the dynamics of the implementation process reflect those of the negotiations – for better or worse. As for the Caribbean region, the EPA negotiations in West Africa have not been spared by the opposition movement or by tensions between the Member States, the degree of involvement of which depends on their interest in exporting to the European market. The heterogeneity of the West African countries brings with it the risk of an asymmetrical implementation process, in a region that is particularly dominated by LDCs. This could test the rhetoric of regional integration and solidarity. The implementation of the WA-EPA is a difficult path that calls for coordinated action between the Member States and ECOWAS at the national and regional levels to maintain regional cohesion.

The difficulties CARIFORUM is facing regarding the implementation of the system of protection of geographical indications (GI) by 2014, as negotiated in the CF-EPA, also show that the implementation can highlight – or aggravate – weaknesses connected with the regional integration process. Indeed, the areas covered by the EPA may not yet have become the real state of affairs for regional policies. This divergence between the EPA's implementation programme and the legal gap on the regional level calls for internal discussions to reach a common position.

Another crucial issue that should be highlighted regarding the EPA's implementation is its ownership, not just by the Chief Negotiators, but also by the public sector, the private sector and civil society thanks to an inclusive process to raise awareness of the EPA. This requires a larger vision of the Agreement that goes beyond the completion of a tedious technical exercise comprising of a list of legal obligations and that is seen more as a strong message for investors and companies in the European party. Another key challenge for the region consists in turning the implementation of the EPA into a real opportunity to stimulate trade and investment. The CARIFORUM region , has not yet heard enough of the "EPA signal", with the notable exception of the Dominican Republic.

Finally, when it comes to development cooperation – the main pillar of the EPA which is, to some degree, the *raison d'être* of its implementation process – the CF-EPA has shown that the region and the West African Member States must engage with their many development partners as soon as possible, once it has been signed, to ensure sustainable financial support. This support has been highly delayed within the framework of CARIFORUM, which has fuelled much criticism of the Agreement and overshadowed the potential economic advantages of heightened access to the EU market.

Conclusion

When the CF-EPA was signed, Chris Sinckler, the Barbados Foreign Minister, stated that "no negotiated agreement is perfect, none can produce perfect results." The West African Chief Negotiators should keep this quote in mind when the EPA is signed by both parties, but above all when it is implemented. Indeed, the region is taking a new step in the EPA implementation process, which will need to be supported by a common, united commitment from all the Member States as well as the EU. The CF-EPA experience has shown that the main challenge is to make sure that the Agreement becomes an economic reality and not just legal fiction.

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TRADE FACILITATION

WTO trade facilitation deal in limbo as deadline passes without resolution

The 31 July midnight deadline for adopting the Protocol of Amendment for the WTO's Trade Facilitation Agreement (TFA) has passed without a resolution, as members were unable to bridge a divide that had emerged lately over whether to link the protocol with progress toward a "permanent solution" on public food stockholding.

"We have not been able to find a solution that would allow us to bridge that gap," WTO Director-General Roberto Azevêdo told members late on 31 July, with just a couple of hours to go before the midnight deadline.

Speaking at an informal meeting of Heads of Delegation (HoDs), which then became an informal gathering of the WTO's Trade Negotiations Committee (TNC), he told members that they "tried everything we could. But it has not proved possible."

Though the WTO chief noted that there was still a little time left in case any member was able to come forward with a proposal, "at present there is no workable solution on the table, and I have no indication that one will be forthcoming." The report caps a suspenseful week for the international trade community, as questions grew over whether the hard-won "Bali deal" – a series of decisions agreed by WTO members at their latest ministerial conference in December – could be lost, or at least be put at serious risk, and what this might mean for other negotiations currently underway.

Public food stockholding

Earlier in July, India had made clear that it would not approve the TFA protocol – which would annex the newly-minted agreement to the global trade body's overall legal document – unless it saw visible signs that its concerns, namely regarding public food stockholding, were being addressed. The demand had received a cold welcome from many of India's trading partners, coming so close to the 31 July deadline for adopting the TFA Protocol. Without the protocol, the TF pact would not be part of the WTO's legal framework, and is a necessary pre-condition for countries to ratify the deal in their domestic legislatures.

In Bali, members had agreed to refrain from challenging subsidised purchases of farm goods under public food stockholding schemes, in exchange for additional information about the scale and nature of support provided to farmers.

India has said that it is dissatisfied with the pace of progress towards a "permanent solution" to replace this interim mechanism, which WTO members had previously agreed would be concluded by the global trade body's eleventh ministerial conference in 2017. New Delhi had therefore said earlier that it wanted to link the two issue areas – TFA implementation and public stockholding – along with proposing a series of changes to the agreed timelines for the Bali decisions.

"In order to fully understand and address the concerns of Members on the TF Agreement, my delegation is of the view that the adoption of the TF Protocol be postponed till a permanent solution on public stockholding for food security is found," India's representative to the WTO told fellow members on 25 July at a meeting of the General Council.

"Timelines are important but we cannot afford to act in haste in the WTO ignoring the concerns expressed by members," India continued.

A permanent solution should be reached by 31 December of this year, India said, with a meeting of the General Council in October to review progress of these "accelerated discussions." The talks should be held under an institutional mechanism "establish[ed] immediately," with New Delhi suggesting a special session of the WTO's Committee on Agriculture as being an example of such a system.

Such an approach, India added, should also be adopted for the other decisions reached in Bali, particularly those relating to least developed countries (LDCs).

Sources say that India was backed at last week's meeting by Bolivia, Cuba, South Africa, Venezuela, and Zimbabwe. However, many developed and developing country members, for their part, lambasted the move, warning in a joint statement that members' commitment toward implementing the Bali deal "would not survive a decision to step away from any element of the package approved by ministers."

"The package of decisions reached in Bali was finely balanced... It would not be possible to reopen one of those decisions without unravelling the entire package," said the 26-member group, which included countries such as Australia, Chile, Pakistan, and Nigeria. The Bali deal, they added, is "central" for the conclusion of the Doha Round talks and the global trade body's negotiating function overall.

The EU similarly noted at the end of July that it was "not ready to renegotiate basic elements or timelines that were agreed as integral part of the Bali package," warning that missing the 31 July TFA deadline would translate into a lost opportunity for growth and development.

Waiting game

India's request during the General Council kicked off a flurry of meetings at various levels as WTO members, and Director-General Azevêdo, tried to resolve the stand-off before the 31 July deadline. Sources say that the WTO chief met twice during that week with the coordinators of the major groups in Geneva to update them on the latest developments in the situation and outline efforts being made to resolve them.

One of those efforts, sources confirmed, included a suggested way forward that the Director-General conveyed to India. A developing country source explained that Azevêdo had suggested that a dedicated session be established within the Committee on Agriculture's special session to deal specifically with the process of finding a permanent solution.

That proposal, the official said, did not appear to satisfy India, given that it did not feature a change to the timeline for the permanent solution.

Many had eyed a meeting in New Delhi between US Commerce Secretary Penny Pritzker and Secretary of State John Kerry and their Indian counterparts – including Finance Minister Arun Jaitley, Minister of State for Commerce and Industry Nirmala Sitharaman, and External Affairs Minister Sushma Swaraj – as an opportunity for a resolution.

While Pritzker and Kerry had told reporters earlier that they were still hopeful of a positive outcome, after the issue was reportedly raised in the US Secretary of State's meeting with Jaitley, Indian officials for their part confirmed that they would be holding firm in their stance.

Time for reflection

With no sign of a solution before midnight, the Director-General said, members must now take the August break to reflect and consider what to do next.

"You will be the ones that determine the consequences of today's events," he said, asking Geneva-based officials to discuss this with their capitals "at the highest possible level."

"I urge you to stress the importance of the situation we find ourselves in, and how significant the position you take in September will be," Azevêdo continued. The 31 July deadline, he reminded them, was not one he had set for them, but one that their own trade ministers had agreed this past December.

The prospect of missing the TFA deadline has prompted both WTO members and the broader trade community to speculate – both publicly and privately – on what ramifications there might be for efforts to resolve the remaining elements of the Doha Round trade talks, with many saying they were deeply concerned.

The Bali deal had been hailed in December as a stepping stone in advancing the 13-year Doha negotiations, which were declared at an impasse in 2011. Along with the TFA and other Bali decisions, ministers had agreed to begin preparing a work programme that would outline a potential path forward for resolving the Doha Round.

The deadline for developing such a programme had been set for end-2014, with consultations and meetings so far in Geneva still said to be at an early stage. While the Director-General reported end of July that these discussions have reflected good engagement, some sources have noted that members have appeared hesitant so far to push these talks forward too much, unless it is clear that the Bali deal will go forward.

Furthermore, many members, such as the US, have openly warned that a failure of the Bali deal could be catastrophic for the WTO, particularly for the efforts to develop a post-Bali roadmap for the Doha Round.

"It's pretty serious," one developing country trade official speaking to Bridges confirmed. Another warned that, in the event of no resolution by midnight Thursday, "it would be a serious breach of good faith."

Others, however, told Bridges that while the situation was far from ideal, it would not mark the first time a ministerial deadline had been missed. Some developing countries pointed, for instance, to slow progress on eliminating export subsidies – which WTO members had agreed nine years ago would take place by 2013.

Plurilateral approach next?

In the final hours before the midnight deadline, the question of whether a plurilateral approach might be taken toward trade facilitation – should a resolution not be found multilaterally – began to be raised in the corridors, following reports that some of the major economies were considering that option.

One source from an African developing country noted that there was a "tendency" to consider this sort of approach – either bilaterally or plurilaterally – by some countries before Bali.

However, the source suggested, the fact that there is an agreed text from the Bali ministerial conference means that taking a plurilateral approach would likely not be the first choice. Others concurred that a plurilateral would, at best, be just a second or third option.

A developed country official, meanwhile, noted that while it was not involved in the reported discussions among some members for a plurilateral TF approach, members had considered that idea in the past and decided against it.

Others noted that, should the plurilateral idea gain traction, how it would work, in legal and technical terms, was not yet clear.

ICTSD reporting

ECONOMIC PARTNERSHIP AGREEMENT

West African leaders formally endorse EU trade pact

After over a decade of negotiations, West African leaders formally approved their Economic Partnership Agreement (EPA) with the EU in July during an ECOWAS Heads of States summit in Accra, Ghana. Regional chief negotiators have now been instructed to take immediate action toward launching the signing and implementation processes.

The leaders' decision came following "consensual results reached by the Chief Negotiators on all the issues (particularly on the market access offer, the EPA Development Programme (EPADP) and the text of the Agreement)," the summit communiqué said.

The planned EPA, once ratified, would establish a free trade area between the EU and West Africa, replacing the non-reciprocal regime currently in place.

"This agreement, with a strong development component at its heart, will pave the way for sustainable economic growth in West Africa, generating jobs and well-being for our citizens," said European Trade Commissioner Karel De Gucht on11 July, in response to the news.

Despite progress earlier this year by the regional bloc towards finalising the trade pact, the final deal was briefly put into doubt after several African trade ministers openly sided with Nigeria against the EPA during a meeting of African Union trade ministers in April.

Nigeria lifts veto

West African leaders had already endorsed the EPA "in principle" during a previous ECOWAS Heads of States Summit in Yamoussoukro, Côte d'Ivoire. However, Nigeria later said it was concerned over the deal's potentially adverse economic impacts, arguing that the EPA could cause harm to its infant industries and jeopardise its development. (See Bridges Africa, 15 May 2014)

The change in stance, sources say, came following significant domestic opposition to the pact, ranging from civil society to the private sector. Nigeria had therefore insisted on renegotiating some of the agreement's key provisions, such as by asking that 181 tariff lines be reclassified within the different categories of the offer.

This, Nigeria claimed, was necessary given that the initial structure would have hampered key sectors of their economy. The country also requested further discussions on a revision clause, which would require that the agreement be adapted every five years, as well as on Brussels' commitment to offset tax losses and provide additional financial resources for the EPA development programme. In addition, Nigeria had also asked for the development of indicators for measuring the EPA's impact.

An ad hoc committee comprised of Nigeria, Ghana, Côte d'Ivoire, and Senegal was thus established to assess Nigeria's concerns, in the hopes of moving the discussions forward. The group provided technical and political responses to Nigeria's queries during their second meeting in mid-May.

According to sources close to the discussions, countries agreed that the Agreement would be revised every five years and that this revision would be based on the results of an economic impact study.

Furthermore, West Africa will receive a five-year moratorium during which it will not have to cut tariffs. The safeguard measures for ECOWAS' common external tariff will also be

ECOWAS

The ECOWAS group – known also as the Economic Community of West African States – consists of Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

integrated within the EPA, thus giving each country the opportunity to protect domestic production if necessary.

Meanwhile, the implementation of the EPA will be guided by a joint EU-West Africa Ministerial Council. The ad hoc committee also convinced Nigeria to set aside its demands that the market access component of the pact be revised. Ministers reportedly stressed that such a request could dismantle the hard-won compromise, which was the result of a complex process that required balancing the region's varying economic configurations and interests.

Another consideration for West African officials, sources say, was the fear that the EU might lose interest in committing to the agreement if the initial 75 percent phased-in market opening over the next 20 years was adjusted downwards. Preserving regional integration integrity featured high in the discussions, observers say.

Côte d'Ivoire and Ghana are no longer in the list of countries that risk losing their trade preferences to the European market. Key exports from these countries to the EU – such as cocoa, bananas, and tuna – will therefore not be affected. Both countries have openly backed the new deal, having previously initialled interim EPAs with the EU in 2007.

Analysts note that these two countries are the only ones in the region – besides Nigeria – that are not "least developed countries" (LDCs). This therefore put them at risk of being included in the less advantageous EU Generalised System of Preferences should the EPA not be in place. The LDCs in the region, meanwhile, would still benefit from DFQF access under the Everything But Arms arrangement.

In an effort to speed up the talks, the European Commission announced in 2011 that countries that have concluded an EU EPA without having taken steps for ratification and implementation by 1 October 2014 will be withdrawn from the Market Access Regulation, which provides DFQF access to 36 African Caribbean and Pacific countries.

Should these developing countries not ratify an EPA by this deadline, they would potentially be at risk of losing their free access to the EU market.

Some experts, such as Ben Czapnik, an adviser for the International Trade Centre, have suggested that a failure to reach a deal would not only have undermined Côte d'Ivoire's exports of primary products to Europe, but could also have reversed the industrialisation process already underway in some sectors.

In the other two African regions where EPA negotiations are still ongoing, significant strides have been made over the past few months. Various sources are particularly optimistic that a deal could soon be reached with the Southern African Development Community (SADC) *[SADC concluded the EPA negotiations in July 2013]*, where discussions have been narrowed down to two outstanding issues: export taxes and agricultural safeguards.

In the East African Community (EAC), while issues such as the Most Favoured Nation (MFN) clause and rules of origin have reportedly been settled, export taxes and EU domestic agricultural support are still unresolved. However, sources indicate that political issues could also jeopardise the deal in the latter region, given that East African leaders are not keen to sign a trade agreement that includes a non-execution clause – in other words, a clause that permits the deal's suspension in cases of proven human rights violations.

ICTSD reporting

The newsroom

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Good progress on Tripartite FTA

African high-level officials from the Southern African Development Community indicated during the recent SADC Summit that negotiations for the establishment of a free- trade area spanning three major regional economic communities in Africa – The COMESA, the EAC, and the SADC – have progressed well and could conclude by the end of this year.

The three economic communities are now finalising the first phase of negotiations, which cover primary FTA issues of tariff liberalisation, rules of origin, customs procedures and simplification of customs documentation, and transit procedures among other issues.

Sources indicate that negotiations for the second of the three phrases is about to start and will focus on issues like trade in services and other trade-related issues such as intellectual property rights, competition policy, development and competitiveness.

India increases duty free coverage for LDCs

On 20 August, India revised its duty-free market access scheme for least developed countries (LDCs) in order to increase trade with the African region.

"In order to expand trade with Africa, India has recently amended its Duty Free Tariff Preference (DFTP) scheme to cover around 98 per cent of the tariff lines," said, Indian Commerce Secretary Rajeev Kher.

India launched the DFTP scheme for 49 LDCs in 2008, including 22 African LDCs.

At this stage the broadening of the Indian preferential scheme towards African LDCs could be a move to seek support from the African group on WTO issues, declare some sources. According to Rajeev Kher, the Indian stand at the WTO deliberations on the trade facilitation agreement was supported by the G-33 and endorsed by 46 countries, including several countries from Africa.

UN group agrees on SDG text

The UN working group charged with outlining a proposed set of sustainable development goals (SDGs) adopted an outcome document on 20 July.

The recommended goals will now be sent to the UN General Assembly for consideration as part of the discussions around the post-2015 development agenda.

The final 23-page document maintains the 17 goals outlined in a revised "zero draft" – released by the working group's co-chairs in early July to serve as a basis for this final meeting – with 169 targets. Sixty-two of these can be classed as "means of implementation," (MoI) or the methods to achieve each goal.

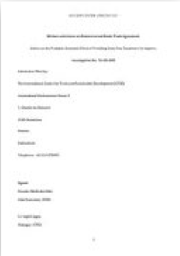
While much of the outcome document's focus and language remains unchanged from the "revised" zero draft released a few weeks ago, certain areas have been altered to reflect the latest negotiations. Many targets are more specific, for example, covering several areas of action.

LDC submit request on services

At the end of July, the WTO's poorest members, known as the Least Developed Country (LDC) Group, submitted a collective request regarding the preferential treatment they would like to see for their services and service suppliers. The move comes seven months after the global trade body's ministerial conference in Bali, Indonesia, where members agreed to take steps for bringing this "services waiver" into operation.

The LDC services waiver, as it is referred to in trade circles, was initially an outcome of the 2011 WTO Ministerial Conference, held in Geneva, Switzerland. The waiver, as outlined in the 2011 Geneva ministerial decision, releases WTO members from their legal obligation to provide non-discriminatory treatment to all trading partners – as outlined in Article II of the General Agreement on Trade in Services (GATS) – when granting trade preferences to LDCs. The waiver is initially set to last 15 years from the date of adoption, 17 December 2011.

Publications and resources



Advice on the Probable Economic Effect of Providing Duty-Free Treatment for Imports – ICTSD – August 2014

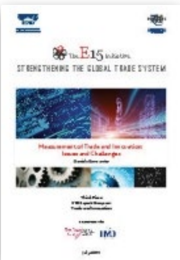
In April 2014, the International Trade Commission of the United States opened an investigation into the potential economic effects of a trade agreement on environmental goods, EGA. The investigation will culminate in a confidential report to the Office of the US Trade Representative, to be delivered in August. ICTSD made a written submission as a contribution to that process, highlighting steps and measures that can be undertaken in the upcoming negotiation so that the resulting agreement will contribute positively to climate action by allowing for improved markets and thus facilitating a scale up of renewable energy. http://bit.ly/1zbxTN1

International Regulation of Pharmaceuticals: Codification by Means of Legal Transplantation – ICTSD – July 2014

This Information Note draws on the introductory chapter of the book Intellectual Property, Competition and Regulatory Aspects of Medicines, jointly published in 2013, in Spanish, by Universidad Javeriana and ICTSD. http://bit.ly/1wgSfs0

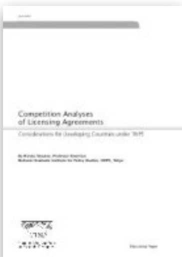
Intellectual Property, Competition and Regulatory Aspects of Medicines: International Determinants and Public Policy – ICTSD – July 2014

The book's fourteen chapters offer a comprehensive overview of the legal aspects of the pharmaceutical chain, which are key to the development of new drugs and access to medicines. http://bit.ly/1o4UrgE



Measurement of Trade and Innovation: Issues and Challenges – ICTSD – July 2014

This think piece focuses on the measurement of trade-related aspects of innovation and creativity in the broader context of a rules-based multilateral trading system. It takes stock of recent and current developments in international trade indicators and their linkage to innovation; encourages international organizations and countries to improve the collection, compilation, and dissemination of data relevant to both trade and innovation; and finds ways to better inform the negotiating process in the WTO to make the multilateral trading system more conducive to the development of innovation capabilities and results. http://bit.ly/1lbldz3



Competition Analyses of Licensing Agreements: Considerations for Developing Countries under TRIPS – ICTSD – July 2014

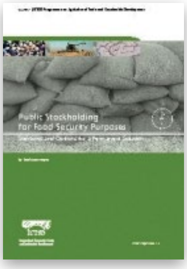
The paper seeks to draw implications for developing countries particularly as many of them have adopted some features of the Japanese model but without necessarily paying sufficient attention to how this model evolved over time with changes in the country's industrial development and technology transfer policies as it went from being a net technology importer to a technological leader. http://bit.ly/1oQ8ZNo

Post-2015 Development Agenda Briefing Series – ICTSD – June 2014

The Open Working Group on Sustainable Development Goals was established by the United Nations General Assembly to provide recommendations for a set of Sustainable Development Goals (SDGs) as part of the Post-2015 Development Agenda. ICTSD's Post-2015 Development Agenda Briefing Series, based on submissions to the Open Working Group, summarises research on the role of trade in meeting sustainable development objectives, including addressing the challenges of climate change and sustainable fisheries, and through Aid for Trade. http://bit.ly/TJfclS

Food Security and WTO Domestic Support Disciplines post-Bali—ICTSD—June 2014

Trade ministers in Bali agreed an interim solution to the problem of food security and WTO domestic support disciplines, but also committed to begin discussions on a "permanent solution" once the ministerial conference ended. This paper seeks to help negotiators and policy-makers in their journey down this road, by providing a careful overview of the background to the discussions in this area, discussing the interim agreement in Bali, and by reviewing options that members could consider as they examine how best to craft a permanent solution to the problem that members face in this area. http://bit.ly/1sB3w4J



Public Stockholding for Food Security Purposes: Scenarios and Options for a Permanent Solution—ICTSD—June 2014

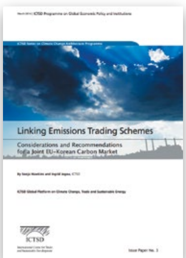
This paper, by Raul Montemayor, explores how various scenarios could affect the measurement of domestic support under WTO rules. The simulations suggest that a strict application of current rules could lead most of the developing countries examined in the study to breach current ceilings, but that more commodities in more countries would fall within existing limits if this support were assessed and calculated differently. http://bit.ly/1m9gBIW

Agricultural Export Restrictions, Food Security and the WTO—ICTSD—June 2014

Export restrictions can exacerbate the negative effects on food insecurity when an unexpected, rapid increase in food staple prices occurs. This short information note examines six possible options for a WTO agreement on export restrictions, with a view to ensuring that agricultural export restrictions do not inadvertently exacerbate the effect of price shocks on vulnerable consumers in low-income, food-deficit countries. http://bit.ly/1nZuf5Q

The 2014 Agricultural Act: U.S. Farm Policy in the context of the 1994 Marrakesh Agreement and the Doha Round—ICTSD—June 2014

This paper by Vincent H. Smith analyses the domestic support programmes of the new US Agricultural Act in the light of current WTO rules and the on-going Doha Round negotiations. The paper finds that the new programs are unlikely to prevent the US from complying with current WTO commitments, but could make it more difficult for Washington to agree to future reductions in agricultural domestic support ceilings in a new WTO agreement. http://bit.ly/T4Ixqn



Linking Emissions Trading Schemes: Considerations and Recommendations for a Joint EU-Korean Carbon Market — ICTSD — March 2014

This paper analyses the case for a link between the EU ETS and the upcoming South Korean ETS. The authors, Sonja Hawkins and Ingrid Jegou, placed the linkage debate in the larger context of international cooperation on climate change. http://bit.ly/1nEeO1I

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