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VOLUME 3, ISSUE 1 – FEBRUARY 2015

Services trade through the GVC lens: lessons for Africa

SERVICES

What should developing countries be aware of?

CONTINENTAL FREE TRADE AREA

What progress towards a CFTA can be expected in 2015?

ACP-EU RELATIONS

A reality check on the ACP-EU partnership

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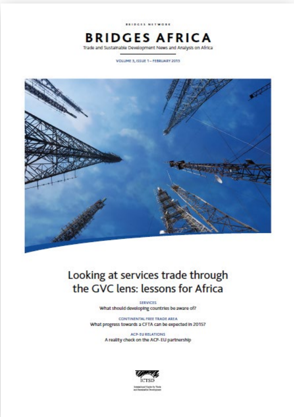
Services trade through the GVC lens: lessons for Africa



Much of today's trade comprises intermediate goods and services that travel from economy to economy before becoming part of a final product. Tasks are outsourced and offshored to wherever they can be most efficiently performed. This fragmented production is often referred to as "trade in tasks."

Participation in Global Value Chains (GVCs) has helped various countries to vastly develop capacities at all levels, including innovation, skills enhancement, and marketing. This, in turn, has allowed countries to stregthen their industrialisation process in many ways. In fact, several African countries are already connected to GVCs in various forms and sectors.

In this context, the role of services is quite prominent. The WTO and OECD have recently joined forces to produce international trade statistics on a value-added space between basis and in order to disaggregate the value that is added at each stage of the production chain and measure the contribution made by each trading partner. In these statistics, services are found to represent nearly half of world trade in terms of value added. Other data reveal that several African countries already export services; however African countries have not yet capitalised fully on the possible opportunities offered by services trade.

The lead article of this first issue of Bridges Africa is intended to explore what developing countries should be aware of while developing future services trade regulations. This article is complemented by another reflection that digs into the factors that could enable African countries to boost their participation in the services aspects of GVC activity. This issue aims to encourage reflection on services as a rising phenomenon and what it means for Africa. These analyses constitute the start of a series on services trade which Bridges Africa will run this year.

This month's edition also features a provocative perspective on the relevance of the African Caribbean and Pacific (ACP) – EU partnership along with a strong response by the ACP group itself. As efforts are underway to rethink the Cotonou Agreement – a treaty that governs the relations between the EU and the ACP countries – ahead of its termination in five years, these two articles reveal key challenges in future relations between these two global blocs.

As the process to establish a Tripartite Free Trade Area (TFTA) later on this year is evolving fast – with May now set as a deadline for the launch of the FTA, - it is also time to reflect on the factors that will ultimately underly the effective implementation of the Continental FTA which will build on the TFTA.

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

SERVICES

Challenges ahead for services trade: What should developing countries be aware of?

Harsha Vardhana Singh

Today, services are imbricated not only with traded goods, but also with a number of other variables such as value chains, technology and investments. This article takes a fresh look at what services trade means for developing countries taking Latin America as an example.

Trade policy and issues keep evolving, becoming more comprehensive in scope and reach. They now include an array of regulatory issues and non-tariff measures, technological change revamping both trade opportunities and the scope of policies across the world, importance of trade facilitation, and growth of south-south trade and investment. Services are now seen as a new source of dynamic advantage, and six important overlapping points arise in that context for business and policy purposes.

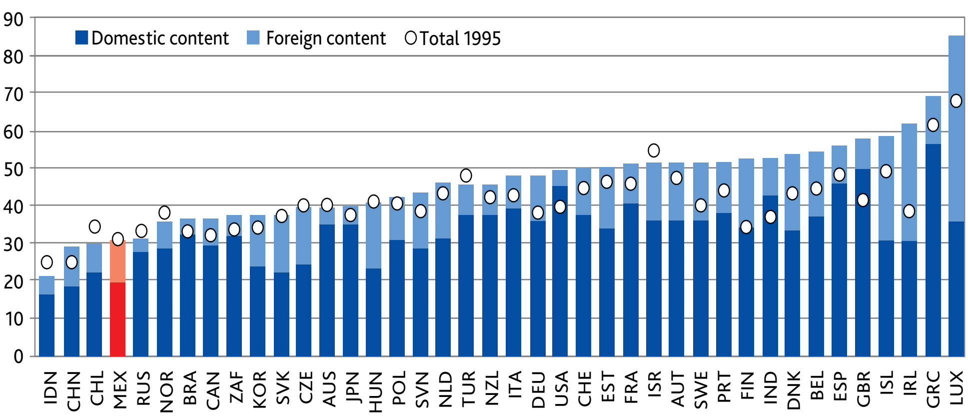
1 **Global value chains (GVCs):** GVCs are now quite significant in international trade, implying that production and value-added from more than one nation goes into making any single product. In this sense, products are now being "made in the world".

2 **Key importance of services:** No GVC is possible without well-functioning transport, logistics, finance, communications, and other business and professional services. In fact, without services, production and trade would not be feasible.

3 **Larger scope of trade in services:** As shown in the General Agreement on Trade in Services (GATS), unlike goods, trade in services takes place through four different modes: a) cross-border; b) consumer traveling to supplier; c) supplier located in the importing country; d) and natural persons traveling abroad to provide services. This provides different options, including the combination of such modes, for engaging in services trade.

4 **"Servicification" of manufactures:** This idea indicates that a large part of value added in manufactured products is actually value added due to services. In fact the importance of services in the overall economic activity is far larger than usually shown by conventional statistics, way beyond even the four modes of services exports. The value-added share of services in gross exports for a number of countries is shown below (see Table 1).

Table 1. Services content of gross exports, 2009 (value added data of OECD)

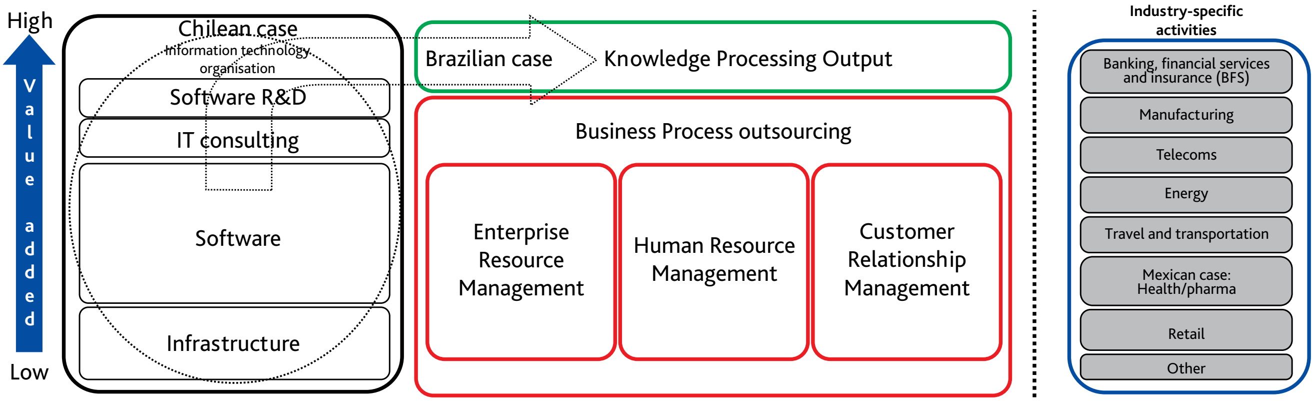


Source: OECD/WTO TiVA

5 **Close link between trade and investment:** Trade and investment are increasingly linked and are seen as two sides of the same coin. As investment links grow across nations, they also propel GVC links. This implies that the distinction between trade policies and domestic policies is eroding and constraints in one area usually limit effective operations in the other area.

GVCs and FDI imply that multinationals can shift activities across to increase competitiveness through segregating their activities to reap economies of scale and specialisation. A recent book on Latin America's emergence in global services shows interesting examples of offshoring by a number of Latin American countries (see diagram below).

Latin America's emergence in global services trade



Source : ECLAC, 2014, Hernandez, R. Mulder, N., Fernandez-Stark, K., Sauvé, P., López, D. & Muñoz, F.

The categorisation of services in the above diagram illustrates an important growing aspect of trade in services, i.e. services are now being commercially subdivided into tasks. GVCs and trade in tasks create additional possibilities of participating in international trade.

6 **Services are a major determinant of the competitiveness of an economy and of quality of life in societies:** Services are the backbone of economic and social performance of a nation. Combined with an appropriate regulatory regime, they contribute importantly to enhancing competitiveness both at the level of the firm and of the economy.

Evolution of trade in services and FDI and relative performance of Latin America

In this background, let us see how services trade has evolved over time and the performance of developing countries in that context. In 2012, total nominal dollar value of services exports was 2.9 times the level in 2001, and for inward FDI this increase is 1.6 times. The experience of Latin American and Asian developing countries however has been very different. Latin America saw a decline in its global share of services exports and relatively sluggish increase in their shares for services imports and FDI. In contrast, Asian developing economies saw a very significant rise in their share. This reflects inter alia the growth of GVCs for Asia, particularly regional value chains, and the rising economic importance of China and some other economies in that region (see Table 2 below).

Dynamic economic trajectories and capacity up-gradation

Keeping an eye on growth and capacity evolution, it is important to bear in mind that services activities can be categorised in terms of sequential growth in technological or managerial capacities. For instance, one categorisation by Humphrey and Schmitz (2004) is in terms of product upgrading, process upgrading, functional upgrading, and chain or inter-sector upgrading. Similarly, Fernandez-Stark, Bamber and Gereffi (2011) provide five-part up-grading trajectory, i.e. entry into the value chain, upgrading within the BPO segment, offering broad spectrum services, upgrading from Information Technology Outsourcing to Knowledge Process Outsourcing, and specialisation of firms in vertical industries.

Table 2. Percentage share in world total, 2001 and 2012

	Developing Economies		Latin America*		Developing Economies: Asia	
	2001	2012	2001	2012	2001	2012
(1) Services Exports	23.1	30.4	3.0 (3.9)	2.8 (3.6)	16.9	24.5
(2) Services Imports	27.1	37.3	4.3 (4.8)	4.7 (5.1)	19.3	28.0
(3) Inward FDI Flows	26.8	52.0	8.4 (9.7)	12.3 (18.1)	14.7	30.1
(4) Outward FDI Flows	12.2	30.6	0.7 (4.9)	3.5 (7.4)	7.7	22.2

Source: UNCTAD Database

** = Numbers outside parentheses are for Central and South America, and in parentheses show total with Caribbean*

Dossani (2005) discusses up-gradation stages in the context of growth in offshoring where he specifies different roles for importer's and the exporters during these stages (See table 3).

Thus, several opportunities with associated trajectories for capacity up-gradation and higher value addition are possible with increasing links provided by GVCs and trade in tasks. This set of options is further augmented when we consider the four modes of services exports as provided in the GATS.

Table 3. Stages of growth in offshoring

Activity Role of	1 Assembly	2 Original Equipment Manufacturer	3 Original Equipment Manufacturer	4 Original Design Manufacturer	5 Original Brand Manufacturer
Importer	Design, input sourcing, quality control	External design, internal design specification	External design	Purchase from exporter's catalogue	Competitor
Exporter	Production capacity	Sourcing, application of internal design	Specification for internal design	Product selection, external design, quality control	Product innovation
Industry	Body-shopping	Programming of applications	System design and integration	System architecture and R&D	System consulting, business development

Notes: OEM=Original Equipment Manufacturer; ODM=Original Design Manufacturer; OBM=Original Brand Manufacturer

Source: Dossani, R. (2005). Globalization and the Offshoring Services: The Case of India. Brookings Trade Forum.

Importance of technological developments and regulations

To realise these opportunities, we need to be aware of the technological changes. IT and the use of data transfer services are on the verge of further revolutionising the way we interact with the rest of the world.

Interesting implications of these technological developments include emergence of new services, many of which will be crucial for improving competitiveness, and that services hitherto requiring close proximity of supplier and consumer will now be provided also from a distance.

This will overlap with another key aspect, namely appropriate regulation regime for services. Regulation is a key ingredient to foster competition internally and internationally for the services sector. This means an adequate regulatory system, which together with international trade regulation, competition and international supply chains has an important role for achieving competitiveness, enhancing the existing potential and balance between different commercial and social objectives.

Thus, new technologies will change the paradigm within which goods, services and regulatory mechanisms will have to work together and consistently with each other. Furthermore, GVCs imply that such consistency will have to evolve similarly amongst different national regimes. Therefore, mechanisms for consistency, such as mutual recognition, conformity assessment or certification processes becomes crucial for achieving effective market access.

Particularly important in the context of new technologies are data transfer services. An example of the relevant regulatory regime is the Data Protection Directive of EU which will regulate the export of personal data outside the European Economic Area. It is important for countries to be amongst those recognised as having adequate level of data protection to meet the criteria under this Directive.

Other considerations for developing countries

As GVCs and south-south trade and investment increase in scope and reach, business and policy makers will expect all countries to play an active role in developing future services trade regulations.

What are some of the key insights for giving a dynamic impetus to services trade? It is crucial to focus on the reduction of regulatory compliance costs. Also, any policy package should keep in mind the importance of improving skills, infrastructure and the downstream and upstream inter-linkages through services.

In this background, if some domestic producers are able to achieve global standards of performance, the result could be like a locomotive with possible ripple effects across the economy. One could consider some services with extensive forward and backward connections, for example tourism, construction, transport or logistics. Next, one could address the key constraints that limit high quality growth, so that such services may also aim to achieve a global presence.

Emerging business opportunities could arise especially due to two important developments: extensive growth of urbanisation and large increase in the global middle class. Dynamic service sectors will include transport, travel, business and financial services, healthcare, education, creative industries, retailers with strong franchise models, and services linked to urban growth.

Over time, with demographic changes in developed economies, the present perspective on Mode 4 will change and the movement of persons will become easier, but that will require preparing the process for political acceptability by determining key skill profiles required and agreed mechanisms for temporary transfer of labour. Meanwhile, movement in terms of internationally agreed rules and market access in this area will take place to an important extent through preferential trade agreements (PTAs) or through Investment Agreements.

The policy perspective should include both short and medium term growth. Links between goods and services will have implications for future negotiations, as business increasingly connects and evaluates market access conditions for services in terms also of restraints in the market for goods. So while the negotiations in services have currently strongly focused on services themselves, over time a larger more comprehensive framework for trade regulation will tend to develop especially in the minds of business, which will comprehensively consider the international trade regulation regimes for goods and services.

Ongoing negotiations: Larger scope of regulations, benefits and concerns

Thus, in the five or so years ahead, we may have a wider-ranging approach than at present for evaluating the results of services negotiations. Progress towards such a paradigm will be made outside the WTO through ongoing plurilateral negotiations. The ongoing Trade in Services Agreement (TISA) negotiations will expand the framework of services trade regulations, and this will form an important link for the larger scope of the negotiations conducted in the Trans Pacific Partnership (TPP) negotiations.

There is a need to watch out for additional developments even outside the scope of services negotiations to comprehensively address the policy framework relevant for services. For instance, take the negotiations on investment within TPP and the ongoing bilateral investment treaty negotiations (e.g. between China and US and China and EU). Developments in investment regulations have a double impact on services trade because they also build links with supply chains.

An important part of PTAs is that they set up a framework for negotiating advances in market segments reflecting rapid technological and commercial change, such as e-commerce. PTAs have also managed to achieve advances in complimentary set of disciplines in areas such as investment and government procurement liberalisation.

In particular, TISA has a high level of ambition with the negotiations aiming to capture substantial part of liberalisation achieved in other trade negotiations, and going beyond them as well. In addition to the present GATS-like approach, TISA negotiators would also consider developing new approaches for market access and other disciplines. TISA has a negative list approach to national treatment, which effectively means that there will be at least applied level of market access. Thus, the commitments are to be made as close as possible to the applied regime or exceeding those levels, with an objective for enhancing assured market access. Mode 4 proposals are also under consideration as are additional disciplines in areas such as international data flows, privacy, mutual recognition, state owned enterprises, and domestic regulation (some horizontal and possibly other additional provisions at the sector level).

An important issue is whether the market access provided by this Agreement would be available multilaterally or be limited only to its Members. In any event, regulatory regimes, standards for technical interoperability, mutual recognition and conformity assurance will be a key issue for consideration. Though there are a number of economies negotiating TISA[1], which cover 70 per cent of services trade, several others are still not part of it. Given the major importance of services and relevance of global markets and supply chains for growth in developing nations, the exclusionary impact of these forthcoming disciplines and regulatory frameworks could be quite significant. Without inclusive systems and consistent and facilitating policies, business may find it difficult to adequately plan for growth of their supply chains and opportunities across a wider number of economies.

Conclusion

All policy makers need to follow these developments, recognise the scope of inter-linkages between services, goods and investment within a GVC framework, and emphasise the need for consistency and inclusive regulation in their implementing mechanisms.

Without such efforts, the potential reduction in growth and development of several nations will adversely affect their ability to manage emerging concerns in an inter-linked world, and begin affecting trade and investment relations amongst various groups of countries. Without inclusive systems and adequate capacity augmentation to create dynamic opportunities through services trade, such adverse effects and consequent dis-satisfaction could even spread beyond the trade and investment realm, creating tensions which could have extensive effects. The benefits of adequate preparation and policy steps are immense, and the consequences of not doing so could be significantly serious for us all.

[1] Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, EU (28), Hong Kong China, Iceland, Israel, Japan, the Republic of Korea, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Switzerland, Turkey and the USA.

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SERVICES

How can African countries boost their participation in the services aspects of GVCs?

Sherry Stephenson and Jane Drake Brockman*

This article considers the various factors that drive competitiveness in services, a critical but often overlooked part of global value chains. In value-added terms, services now account for nearly half of world trade, yet too few African developing countries are taking advantage of the new opportunities available.

Services are a critical but often overlooked part of the growing global value chain (GVC) phenomenon. Today, the production of goods and services involves a combination of intermediate inputs and service activities, sourced globally, to make up a finished output for the final consumer. It is this fragmentation of production that has led to the creation of global value chains (GVCs).

Services play a key role in the operation of value chains by providing the "glue" that connects each point of the production process. For many African states, participation in the services sector is particularly important since this sector is less capital intensive than manufacturing, thus allowing for potentially greater participation in global markets and offering an alternative route to economic development other than that of the traditional agriculture and manufacturing paths.

In value added terms, services now account for nearly half of world trade with developing countries' share in world services exports experiencing a nearly 20 percent increase in the last twenty years (OECD/WTO TiVA database). Despite this recent increase, too few developing countries are taking advantage of the new opportunities to specialise in the export of services 'tasks', that go into global value chains, both regionally and around the world.

Development potential of GVCs for Africa

In a world of GVCs, developing economies, including the least developed, have increased opportunities to enter into intermediate activities by adding relatively small amounts of value-added to any particular product. GVCs therefore open up tremendous opportunities for development that did not previously exist in the world economy. Rather than having to be competitive in all aspects of the production of a good or service, developing countries can now capture a single component or task going into a value chain. All tasks along the supply chain are being increasingly outsourced and offshored wherever they can be most efficiently performed. Thus international trade is made up predominantly at present by intermediate goods and services.

What remains much less understood is the fact that value chains including GVCs, exist not only in the goods but also in the services sector itself. In a services value chain, any cluster of activities can become a core competence or be outsourced from the services firm. It is increasingly recognised that for many elaborately transformed manufactures (such as the Iphone) the highest value added is contributed by services inputs, often at the R&D and design phase or at the logistic/distribution phase. Services inputs therefore represent new competitive opportunities for specialisation and for the participation of emerging suppliers.

One of the main development implications for developing economies of the new possibilities offered by services and GVCs is that it is possible for governments to 'create'

This article is based on the following report 'The Services Trade Dimension of Global Value Chain: Policy Implications for Commonwealth Developing Countries and Small States, The Commonwealth Secretariat, 2014.

a comparative advantage in a service task. Since services are all about people and human capital rather than physical capital, the role of policy can be determinant in this regard. Because of the possibility of capturing only one type of services activity, even small economies may position themselves in niche markets.

For those countries on the lower income rankings, services may provide a platform for 'leap-frogging' stages of development if the government can help to create conditions necessary for developing the services sector, allowing countries to bypass the manufacturing stage and move directly into services, including in international markets.

As shown in Figure 1, services exports are making greater contributions to GDP for poorer countries than for middle-income economies: just below 6 per cent for lower middle income economies and just over 6 per cent for low-income economies. Finding a way to 'fit' into a GVC through taking on an outsourced services task is one of the ways that developing countries can target an alternative development route.

African countries' participation in services exports and GVCs

Many African countries are already exporting services, some without being aware of it; in turn some of these services are destined for use in GVCs. The following case studies from Africa give us information as to what types of services are already being exported:

Education services: Ghana

Ghana has concentrated recent efforts in the development of exports in the educational sector; this has resulted in Ghana becoming the leading destination for learning English for francophone West African countries. Ghana is exporting educational services in the form of admissions of foreign students into Ghanaian colleges and universities.

Professional services: Kenya

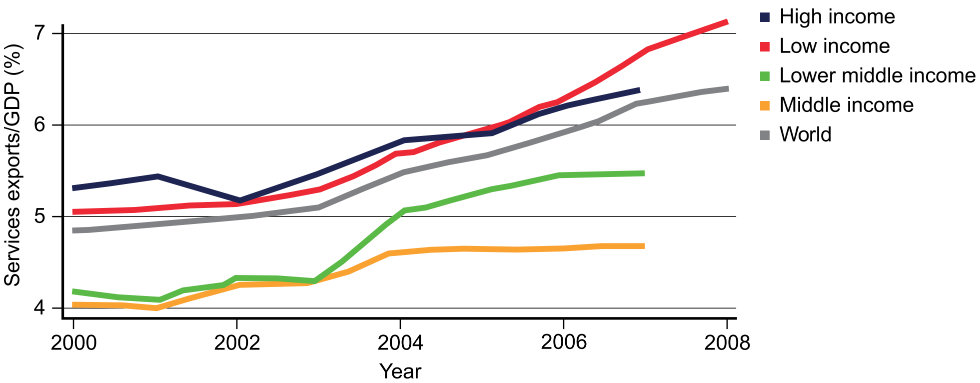
Kenya, the country with the most advanced human resource base in the East African Community (EAC) region, has a large and well developed services sector with professional service providers in many areas ranging from banking and insurance to legal services, accounting, ICT and engineering. Over the past few years Kenya has targeted export of professional services to other EAC states, riding on increased demand for these services in a region of 127 million people and a combined GDP of US$73 billion. (World Bank and Kenya's Export Promotion Council)

ICT and IT services: Uganda and South Africa

Uganda is one of Africa's better performers in the export of Information and communications technology (ITC)-related services, which are reported to have grown from US$0.7 million in 2003–04 to US$31.5 million in 2006–07, a 45-fold increase. This makes the ICT sector one of Uganda's best export growth performers. (UNCTAD, 2011)

According to a World Bank study (Dihel et al. 2012: 262), South Africa's BPO sector is forecast to grow to 1.9 billion USD by 2015. South Africa has the potential to compete

Figure 1. Services exports as a contributor to gross domestic product (GDP) at different levels of development



Source: Saez (2011) from World Bank, World Development Indicators with some of the strongest global exporters of BPO, having already attracted some of the world's top investors in the sector. The World Bank study notes that among the key factors influencing South Africa's success was the crafting of deliberate policies and strategies to help create an enabling business environment and cut telecommunications costs.

Factors relevant to services competitiveness

The opportunities offered by the new pattern of world trade in the form of value chains make it imperative that economies give greater attention to efficient logistics as well as their services competitiveness, which will determine their ability to attract services tasks onshore for production to the global market.

Inefficient domestic logistics, as well as other domestic services inefficiencies, will reduce the likelihood of success in efforts to participate in global goods value chains. Many services rely on underlying infrastructure and thus local inefficiencies in the latter are prejudicing opportunities for African countries to participate in global value chains.

Competitiveness in services can be greatly enhanced by the actions of individual countries, driven by policy choices and efforts made to create an environment that will enable and encourage trade. Because so many of the constraints to services trade are behind-the-border measures, the efficiency of domestic regulatory regimes is also highly relevant to participation in services trade. Drivers of competitiveness, summarised in a framework by the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council, include: endowments, especially human capital, investment in intangible assets (corporate intellectual property, enabling digital infrastructure, quality of institutions, efficiency of domestic regulation, connectedness with the international market, services business stakeholder consultation, and mainstreaming services policy as a priority focus into the national development planning process.

Policy recommendations

True interconnectedness will only be possible when the current lack of understanding of the services sector is addressed. Currently there is limited public awareness of the economic significance of services for economic development and relatively little advocacy to raise that awareness. Identifying and addressing the specific services choke points in GVCs that are impacting negatively on African country participation in value chains ultimately requires that fundamental framework issues such as the lack of focused policy planning tools, overly burdensome domestic regulatory regimes, and insufficient intergovernmental agency co-ordination, be addressed.

In order to boost the participation of African countries in the services aspects of GVC further background research should be conducted, particularly through case studies, in order to inform an active policy and regulatory dialogue. Also, technical assistance and capacity building in support of African nations should focus on improving the evidence base, raising awareness and disseminating research results. African governments should be directing policy attention to achieving efficiency gains in logistics services such as improved transportation, telecommunication and distribution infrastructure so as to facilitate cross-border trade in both goods and services. Regulatory regimes should also be examined for their appropriateness and strengthened where necessary.

International capacity building efforts should be directed to identifying and leveraging the factors that impact on services competitiveness overall as well as in individual prospective services growth sectors in tandem with trade policy reform. Lastly, African donor countries should partner with trade-related international organisations to showcase best practice methods and tools for services export promotion.

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TRIPARTITE FTA

What does 2015 hold for progress towards establishing the Continental Free Trade Area?

Gerald Ajumbo and Inye Nathan Briggs

As efforts to launch a Continental Free Trade Area this year are underway this article reflects on what it would take to make it work effectively.

Following the recent African Union (AU) Trade Ministers Conference held in Addis Ababa from 4-5 December 2014, we consider it opportune to discuss what 2015 may hold for progress towards establishing the Continental Free Trade Area.

The genesis of the accelerated intra-Africa trade agenda goes back to December 2010, when Africa trade ministers meeting in Kigali, Rwanda, agreed on a fast track agenda for a Continental Free Trade Area (CFTA) to address Africa's low internal and external trade performances (at 13 percent and 2 percent, respectively). This in effect means that tariffs and quotas on the trade of most goods and services among African countries will be eliminated, bringing together 54 African countries with a combined population of more than one billion people and a combined gross domestic product of more than USD 1.2 trillion. The 18th African Union Summit of Heads of State, which convened on 30 January 2012, went a step further and approved an Action Plan for Boosting Intra-African Trade (BIAT). Both of these closely linked initiatives could easily lead to greater regional cooperation, trade and stability.

The projected numbers look impressive. A computable general equilibrium (CGE) analysis by Cheong, Jansen and Peters estimates that the CFTA could stimulate intra-African trade by up to USD 35 billion per year, or 52 percent (above the baseline) by 2022. It could also lead to a USD 10 billion decrease in imports from outside the continent, while boosting agriculture and industrial exports by up to USD 4 billion (7 percent) and USD 21 billion (5 percent) respectively. Gains in real income and employment could be even higher if the CFTA is complemented by trade facilitation reforms, reduction of non-tariff barriers, improved infrastructure and measures to counter-balance some of the negative effects associated with liberalisation reforms such as loss of tariff revenue.

Key objectives of the CFTA

The key objectives of the projected CFTA are as following:

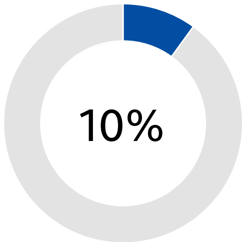
- Create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union by 2019 as provided for in the Abuja Treaty establishing the African Economic Community.

- Expand intra-African trade through better harmonisation and coordination of trade liberalisation and facilitation regimes and instruments across Regional Economic Communities and across Africa in general.

- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

- Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

The raw materials for achieving these levels of growth already exist. McKinsey estimates that the continent's gross domestic product will rise from USD 1.7 trillion (2010) to USD



This is the level of intra-African trade (Source: WTO). This level is considered to be the lowest in the world as other regions exhibit much high level of intra-regional trade.

2.6 trillion (2020) pushing up consumer spending from USD 860 billion (2010) to USD 1.4 trillion (2020) and thus potentially lifting millions out of poverty. The consultancy also estimates that by 2030 nearly 50 percent of Africa's population will be living in cities while there will be nearly 1.1 billion Africans of working age by 2040.

Implementing the CFTA

Even though the potential benefits of a CFTA are fairly clear, its implementation and the potential negative effects are the more contentious issues, which is why the various existing regional integration initiatives form its building blocks. At the heart of the process is the COMESA-EAC-SADC Tripartite Free Trade Area Initiative covering 26 countries, with a combined population of 530 million (57 percent of Africa's population) and a total GDP of USD 630 billion (53 percent of Africa's total GDP).

Linking the CFTA to the Tripartite FTA seeks to build on successful negotiations in the Tripartite as it would mean that more than half of the continent's economy is already in a free trade area. What would remain is to extend that coverage to the rest of the continent. Moreover, important lessons can be learnt from that process in negotiating the creation of the CFTA in terms of scope, coverage, negotiating modalities and other approaches to the negotiations.

Trade Ministers meeting in Addis Ababa noted with concern that developments outside the continent have highlighted the importance of hastening Africa's economic integration to mitigate the risk of preference erosion. Among those developments were, most notably, the emergence of mega-regional trade agreements like the Transatlantic Trade and Investment Partnership (TTIP) negotiations between the EU and the USA and the Trans-Pacific Partnership (involving 12 countries from Asia, the Pacific and the Americas) and the operationalization of the Africa-EU Economic Partnership Agreements (EPAs).

These developments raise a few questions. For instance, what would be the relationship between the CFTA and the existing regional FTAs? Countries have varied commercial and other interests that underpin their ongoing engagement in regional FTAs. This includes the pursuit of deeper trade liberalisation and the elimination of duties, non-tariff barriers and other restrictive regulations of commerce, while similarly pursuing trade between and amongst regional partners.

A number of countries also have binding trade agreements with third parties like the economic partnership agreements (EPAs) with the EU and an assortment of bilateral investment treaties (BITs). It is important to establish a common understanding of how the systemic issues and multilateral system implications arising from these would be treated. Also, will the CFTA negotiations have sufficient depth to provide for flexible rules of origin, or for liberalisation of trade in services and the free movement of persons? Will the negotiations provide for countries' desire to purse an industrial policy? How will the CFTA ensure convergence on all or some of these issues which have proved contentious even within the Tripartite FTA?

There are no easy answers. Lessons from the Tripartite FTA process suggest that the AU Commission will need to strengthen its organisational and coordinating capabilities if it is to drive the CFTA negotiations. The Tripartite FTA process similarly faced resource challenges. Likewise the AU would have to mobilise sufficient funding, and the necessary technical expertise to manage negotiations of the size and scope of the CFTA. Apart from these basic issues, there is also the question of incentives and sanctions, especially if the deadline of 2017 will be met.

Whereas the resource discoveries, entrepreneurial revolution and abundant labour force are expected to drive growth in many African countries, the private sector in many jurisdictions are nascent, lack business support services and are besieged by high cost production environment. Trade policies in many African countries are characterised by protectionist trade regimes that are inimical to a CFTA. Judging from the resistance to the EPAs, it will not be a surprise in some countries if private sector lobbies are expected

US$ 35 billion

The CFTA could stimulate intra-African trade by up to USD 35 billion per year (CGE analysis, Cheong, Jansen and Peters).

display resistance to the CFTA. Therefore, much more needs to be done to galvanise the private sector – both SMEs and large firms – to buy into the regional FTA and CFTA agenda.

Making it work

There are several FTAs in Africa which all aim to satisfy their members' broad desire to increase market access opportunities and boost intra-regional trade volumes. For the most part, these FTAs have unfortunately been characterised by low levels of ambition, and have made limited progress in terms of: (i) full and timely implementation; (ii) eliminating non-tariff barriers; (iii) boosting a major increase in regional trade; and (iv) promoting regional industrialisation. While there are certainly gains to be made in intra-African trade, the proposed CFTA may also compound some of the FTA implementation challenges experienced at a regional level.

The CFTA has to be carefully structured and synchronised in order to ensure broad based gains for member countries. This requires adoption of mechanisms to provide special and differential treatment for the least developed countries and to compensate them for certain negative effects associated with implementing the CFTA.

It is also important to understand that industry concentration and relocation may occur as the CFTA is implemented – meaning there will be winners and losers. Moreover, countries with better infrastructure and incentives may be more attractive to investors deciding where to locate. This has been the experience in other regions like the EU, East Asia and North America in the early transitions of their respective free trade arrangements.

A specialised body could be established to oversee the CFTA negotiations process. A comparable example is the Caribbean Community (CARICOM) Secretariat's Office of Trade Negotiations, which is responsible for coordinating the 14-member CARICOM's external trade negotiation resources and expertise. Technical issues such as non-tariff barriers, transit corridor issues, energy, transport, financial and logistics services can all be resolved by specialized institutions or agencies that do not have to be RECs. Such institutions could undertake inter-regional coordination and harmonization at a greater and more efficient pace than is achievable in individual RECs. Because nearly all the RECs have such institutions, it might be useful to spin them out of the RECs and create somewhat independent institutions that will take on the duties of these institutions.

In general, based on lessons from the Tripartite FTA process, we would recommend a sequential process, building on an incremental basis, i.e. sector by sector, covering Trade in Goods, Trade in Services, Investment, and other areas as applicable, as opposed rather than taking on a comprehensive agenda, given the challenges of capacity: skills, human, institutional, financial.

We also encourage the harmonisation of regulatory frameworks (soft infrastructure), investments and cross-country infrastructure development projects that will facilitate freer movements of goods, services and persons across borders. However, such an approach should not lack ambition, in light of ambitious FTA developments taking place outside the continent.

Finally, it is important to recognise the role of the private sector as a major partner. Here, establishment of something like the African Business Council will provide the much-needed opportunity to effectively harness private sector inputs into continental trade policy making and the monitoring and evaluation on implementation processes.

The views expressed in this article are entirely those of the authors. They do not necessarily represent the views of the African Development Bank and its affiliated organizations, or those of the Executive Directors of the Bank or the governments they represent.

This article originally appeared in the African Development Bank 's blog on 12 January 2015 under the following the title "Taking stock of the proposed Continental Free Trade Area."

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ACP-EU RELATIONS

A reality check on the ACP-EU partnership: Can it be revitalised?

Geert Laporte

The ACP group is getting defunct and fast losing traction, political clout and bargaining power in global governance. Structural challenges remain but high-level reforms could create a new way forward.

A lot of soul-searching has taken place within the ACP group over the years about the relevance and value addition, or lack thereof of ACP-EU cooperation and of the ACP group itself.

The debate of today focuses particularly on how ACP-EU cooperation could enrich the expanding global governance agenda.

This article seeks to operate a reality check of some major official declarations by the ACP, including the Sipopo declaration of ACP Heads of State (December 2012), with a view to digging deeper the expressed ambitions and align them to current realities. It will also look at the potential for complementary comparative advantages, as well as explore possible routes of common interests to the EU and the ACP group in global governance.

The key questions that need answers

On which global issues did ACP-EU collective action have a major impact? Has there been a real convergence of interests between the ACP and the EU that allowed both parties to turn global processes to their advantage? What is the specific comparative advantage and added value of the ACP as a group on global themes that cannot be covered by other institutions? To what extent does the ACP-EU partnership play an important role in furthering the EU's ambitions and strategic interests in the world?

The overall rationale for the ACP-EU partnership has evolved dramatically over the last two decades through changes in the global landscape. Hence, it is important to discuss the topic of working together on global issues in the light of the current political realities and the capacity of the ACP group to engage in global issues and deliver real impact.

The reality check: From rhetoric to empiricism

Though wordings such as "shared interests", "solidarity" and "unique partnership" re-appear regularly in all ACP Heads of State and Government Declarations, at some stage they risk becoming hollow slogans and not supported by evidence of concrete action. This calls for the question of how solid the foundation of the ACP-EU partnership is in the global arena beyond the ambitious intentions.

The Cotonou Agreement for instance remains the most sophisticated partnership framework covering political, economic and development cooperation between any regions of the world. But does it have the sufficient commonality of interests along with political and economic clout to meaningfully address global governance challenges? Can it generate truly effective "collective action" to be heard and exercise influence?

The declining importance of the ACP-EU cooperation is evident in three concrete examples:

A first example focuses on the political roles of the ACP-EU partnership. In the past few years these roles have been taken over by other international organisations and groupings. Global public goods such as security, peace, migration, democracy, and human rights are no longer primarily addressed through the ACP-EU framework. These global issues have

The ACP Group

The African, Caribbean and Pacific Group of States (ACP) is an organisation created by the Georgetown Agreement in 1975. It is composed of 79 African, Caribbean and Pacific states.

moved elsewhere. For example, African peace and security issues are dealt with by the African Union (AU), by the Regional Economic Communities (RECs) and by the Africa-EU Partnership. The most recent EU-Africa summit in Brussels in April 2014, for instance, spent a lot of time and energy on peace and security.

A second example relates to the economic and trade-related roles that are gradually being taken over by RECs negotiating Economic Partnership Agreements (EPAs) with the EU. Relatively new areas such as economic transformation, the transparent management of natural resources, transport, energy and the engagement of the private sector in development are increasingly dealt with at the continental (AU) and regional (RECs) levels.

The third example relates to the evolving landscape of actors involved in global challenges as well as ACP-EU cooperation on many other issues. While there is still regular interaction between the ACP and the EU at government and parliamentary levels, evidence suggests the political traction and influence of this interaction is waning. There are only a few European ministers that show up at the meetings of the ACP-EU Council of Ministers. Questions can be raised whether an ACP-EU Summit of Heads of State – if it will still be organised – would be able to mobilise comparable numbers of high-level representatives as the recent EU-Africa summit, which had more than 60 heads of state in attendance.

Questions can further be raised as to whether ACP-EU relations are still able to effectively mobilise non-state actors. Around the year 2000, business, civil society and local government leaders spontaneously came together and established the ACP Civil Society Forum, the ACP Business Forum as well as the ACP Local Government Platform in which interaction took place among representatives of all three ACP regions and the six sub-regions. There is not much left of these initiatives and what is noticed now is the shift that has gradually taken place from these ACP configurations to the organisation of business and civil society through continental platforms.

These examples suggest that the ACP and the ACP-EU partnership have lost traction, political clout and bargaining power. There is a major overlap of mandates between the ACP and other groupings and in terms of visibility the ACP Group seems to be losing the battle on the international stage.

The ACP and the ACP-EU partnership have lost traction, political clout and bargaining power.

Despite rather limited concrete political support, we can observe at the same time that the Heads of State, Ambassadors and Parliamentarians of the ACP-EU Joint Parliamentary Assembly (JPA) are fiercely defending the ACP-EU cooperation and the ACP Group and even pleading to add new tasks to this fragile building – amongst others by incorporating complex global challenges. Bad characters would suggest that this is mainly for the financial manna that is still considerable. These same bad characters would also suggest that the ACP would not survive if European Development Fund (EDF) resources disappeared.

However, while the historical "package of common interests" between the two groups seems no longer strong enough to generate collective action in key policy areas, there might be new windows of opportunities to re-align common interests.

For instance, in Europe we still see a strong interest in the individual regions composing the ACP, particularly Africa. Most African countries are booming and there is a major interest in the EU and the BRICS in building stronger relations with them. The Caribbean and Pacific regions should continue to be of interest to Europe, given that both of these smaller ACP regions hold major potential as blue economies and diplomatic capital. However, it remains to be seen whether the EU believes that the ACP will make a difference as a group in the strive towards becoming a stronger global player.

An ACP-EU partnership beyond 2020

Going into the near future, it would be in the interest of the ACP group to be very realistic about its own future and about what it can do with the EU and other partners. It is important to explore the potential opportunities for ACP-BRICS and increased South-South cooperation. All ACP countries can benefit from cooperation with other partners, in addition to the EU. However, is it realistic to assume that China, for example, would be interested in upholding a special relationship with an ACP group that is perceived as a left-over of the colonial past of some EU member states?

In conclusion, the ACP group will need to focus the debate and spend less time analysing its past successes. It is always good to remember where the group came from and to have a historic perspective as long as this does not give rise to conservatism or myopia. The ACP and the nature of the ACP-EU cooperation should change fundamentally. Strategic vision is needed and wishful thinking and unrealistic ambitions should be avoided.

Also, the ACP needs to build a stronger internal coherence. Numbers are important but they are not enough, particularly if there is no internal coherence among a large group or if the group is unable to have impact. Now the ACP is composed of middle-income countries, less developed countries and vulnerable and fragile states. This can debilitate the scope for meaningful collective action. A group of less developed countries and vulnerable small economies could have greater coherence but this would imply that other stronger countries would be asked to leave the group, which seems unlikely.

Additionally, the ACP will need to do less, but better. The best recipe for irrelevance is trying to do everything at the same time and duplicating the work of other institutions. The ACP will need to substantially reduce its mandate to improve on delivery.

In today's highly competitive world, the ACP should have a clear brand that is recognisable to all its members. An area where a common interest could be found among all eighty ACP countries could be the blue economy, which is undergoing spectacular growth. It is the second global economic sector after the food and agricultural sector which is valued at some 1'500 billion euros a year. Related areas such as renewable energy, bio-diversity and fisheries could provide scope for common interests among ACP countries and regions. The ACP as a knowledge network could focus on the exchange of experiences among countries and sub-regions in different sectors such as tourism, regional integration, trade negotiations and non-tariff barriers to trade and could generate common interests, building on the recognised expertise of established ACP-EU institutions such as the Technical Centre for Agricultural and Rural Cooperation (CTA).

Equally important is the fact that the ACP will need to mobilise its own financial means. Moving beyond a donor-recipient relationship of dependency on the EU would give a clear signal of traction and belief that the ACP is able to offer something of substance in the global arena.

Lastly, the ACP should be alive outside Brussels and include different stakeholders from the bottom up, such as civil society or the private sector who take an interest in working with the ACP in global governance.

The views expressed herein are those of the author and do not necessarily reflect the views of the ECDPM.

This article is based on speech delivered on the occasion of the ACP Day on 6 June 2013.

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ACP-EU RELATIONS

The ACP Group: Where there is a will there is way

Obadiah Mailafia

The ACP-EU partnership is still a relevant form of development cooperation but needs to evolve to adapt to the changing global context. This invited article is a response to "A reality check on the ACP-EU partnership: Can it be revitalised?" by Geert Laporte (page 15).

The article "A reality check on the ACP-EU partnership: Can it be revitalised?" by Geert Laporte (Pg. 15) is as thought-provoking as it is sobering. He has succeeded in raising more questions than answers – questions that are themselves both relevant and timely. The thrust of his paper centres on the proposition that the Africa Caribbean and Pacific (ACP) Group of States is an old-fashioned, outdated post-colonial behemoth that offers little value in today's world. While it is generally conceded that there is potential for Europe and Africa to strengthen their linkages, it is also assumed that the Caribbean and the Pacific perhaps should be allowed to go their own way.

The relevance and strengths of the Group

The ACP does not define itself solely on its relationship with Europe. Indeed, the Georgetown Agreement of 1975 sought to establish an intergovernmental body bound together by a shared sense of South-South solidarity and commitment to the pursuit of equity in world economics and international trade and in the use of dialogue as the primary instrument of international cooperation.

The Cotonou Partnership Agreement linking the ACP with the EU constitutes the largest North-South cooperation system in the world. It is also unique as it is anchored on a formal legal-contractual framework, with provisioning for predictable resources – most of it in form of grants – under the European Development Fund (EDF). Cotonou has brought in its wake a strengthened political role to the ACP Group and an engagement amongst its members to undertake political actions to reinforce their international duties regarding the respect for human rights, to apply democratic principles, and to ensure good governance and transparency. The developmental sustainability posited by the Cotonou Agreement constitutes an element of the political environment. Hence development aid is now dependent on a stable and democratic political environment rather than vice versa in the clear and unambiguous wording in Article 10 of the Cotonou Agreement.

At the trade level, the European Commission (EC) is finalising Economic Partnership Agreements with the different regions of the ACP Group with a view to synchronise and harmonise trading arrangements compatible with the World Trade Organisation's provisions on non-preferential trade and to achieve viable region-region agreements. Thus, for the first time ever, the EC is preparing to make direct and binding agreements with segments of the ACP, which may have implications for the cohesion of the ACP Group. While the Caribbean region has already finalised an EPA with the EU, the African and Pacific regions have yet to do so. The West African regional economic community (ECOWAS) has virtually finalised its EPA negotiations while a few others are on course for finalisation.

The collective strength of the ACP Group derives from decades of inter-regional solidarity, international trade negotiations, development finance cooperation, political dialogue, and relations with other international organisations.

ACP Group's appeal for action

The need to strengthen the ACP Group has become urgent as the global context in which the ACP Group acts has transformed radically since the first Lomé Convention. Our countries no longer define their identity exclusively in terms of their partnership with

The Cotonou Agreement

The ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000, was concluded for a 20-year period from 2000 to 2020. It is the most comprehensive partnership agreement between developing countries and the EU.

Europe. Rather, they define it as being rooted in their sense of shared history, in their commitment to the universal values of democracy and the rule of law.

Leaders within the ACP are well aware of the new imperatives that globalisation imposes on national systems, in particular the pressures of market discipline and competition. They are also aware that the honeymoon of privileged access to EU markets is over, thanks to the emergence of a WTO rules-based international trading regime. They are also acutely aware of the new uncertainties deriving from the 'New Europe', with its changing institutional architecture and geopolitical priorities. They know that these imperatives impose the necessity for choice; a choice that will require diversifying their economic and political linkages and embracing South-South cooperation and the opportunities opened up by the emerging economies of China, India and Brazil.

Equally crucial is the need to reform the workings of the principal institutions and to streamline many of our core functions. It seems evident that the ACP can be most effective when it does not replicate what others are already doing but instead concentrates on those core areas where it has a high comparative advantage. This would require focusing on our core competencies and repositioning the Secretariat as an intergovernmental organisation that does more than the role of mere convener of conferences and meetings.

A Working Group has been put together under the leadership of Ambassador Patrick Gomes of Guyana, newly elected as Secretary-General for the years 2015—2020. The Eminent Persons Group (EPG) chaired by former Nigerian President Chief Olusegun Obasanjo was constituted to help map out alternative scenarios for the ACP. The EPG submitted an interim report to the 100th Council of Ministers in December 2014 and is set to finalise its work by the first quarter of 2015. The interim report notes that the ACP's 50 years of contractual cooperation with the EU has made it one of the most significant multilateral groupings with a rich cultural and linguistic diversity as well as wide geographic reach across three continents covering nearly a billion people. The pursuit of a new core mandate and its enhanced capability to deliver on that mandate will constitute an important asset for leverage in a crowded development marketplace.

The EPG also believes that, beyond multilateral and bilateral cooperation, the full involvement of the private sector, including the ACP Diaspora and network of experts, will have to be integrated into the work of the Group. Also the idea of having a restructured Secretariat will provide the basis for better functionality and efficiency. This will also necessitate a reorientation of the status of the ACP Group to a fully-fledged international organisation with the appropriate legal, diplomatic and political authority at international level built on the acquis of the current institutional set-up.

For us at the ACP, we believe that the future is what we make of it. The ACP-EU partnership is the best model there is for the contractual approach to world development based on interdependence, dialogue and mutually shared responsibilities.

Conclusion

We do acknowledge the fact the world has changed. Europe itself has undergone a profound transformation, with a clearly changing set of geopolitical priorities. We believe that Europe would not be Europe if it abandoned its political and moral obligations. At the same time, nations of Africa, the Caribbean and the Pacific must take full responsibility for their own future. They have to strengthen the ACP as an intergovernmental body by reforming the Secretariat and the workings of the Principal Organs while streamlining and refocusing the core mandate of the organisation. There has to be focus on critical regional and global public goods and to leverage on those acquis that have defined the value of their privileged partnership with Europe, while building new alliances with the emerging economic powers of the South. They must also redefine their identity outside the exclusive relationship with the EU while looking beyond aid and forging those bold new partnerships that will accelerate their progress into the ranks of prosperous democracies. Where there is a will there will always be a way.

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GEOGRAPHICAL INDICATIONS

Marketing ACP agricultural products using GIs and origin branding

Dominique Barjolle and Monique Bagal

Which support should public authorities provide to the private sector in ACP countries to enable the use of origin branding and legal protection tools like geographical indications (GIs)?

There is a growing interest in identifying specific successful strategies for the marketing of products whose quality and reputation are strongly linked to their geographical origin in African-Caribbean-Pacific (ACP) countries. Developing countries have started a few years ago with products like the Tequila in Mexico, the Colombian Coffee or the Darjeeling Tea in India. Different types of tools exist for the mobilisation of quality linked to the origin of various products: Registered and non-registered protected geographic indications (GIs), as specific intellectual property (IP) instruments or marks, as well as other forms of mobilisation of the origin. In ACP countries, regional institutions are important platforms that play a major role in regulating IP. The African Intellectual Property Organisation (OAPI), African Regional Intellectual Property Organization (ARIPO), the Pacific Islands Forum Secretariat (PIFS) and Caribbean Community and Common Market (CARICOM) are key players to encourage mobilisation of the origin in commercial strategies.

The term "GI" (Geographical Indications) refers to the origin of a given product where the product has particular characteristics and a reputation related to its origin.

The WTO 1994 Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement does not provide any specific legal system of protection for GIs, leaving this task to member countries. If a member country has established a formal registration process to recognise GIs within its territory, then a product registered as such can be referred to as a "protected GI". However, a GI may exist without registration or without seeking registration, unless the name or product is considered generic. In certain situations, a collective mark or certification mark is the most effective legal protection for a GI.

Increasing interest and development of GIs and origin brands

In ACP countries, the number of products with quality linked to the origin is indeed rather high. According to our documentary study, more than 150 of them have already been studied or inventoried: the potential of the mobilisation of the origin in marketing strategies is well ascertained, and seems appropriate in ACP countries. What is less clear is to which extent the valorisation of quality linked to the origin can boost commercial strategies that pay back small-scale producers fairly. In other words, how such strategies can prevent the remuneration of quality products by consumers being entirely retained by the various intermediaries of the supply chain and the retail sector.

Some products are known and their value recognised primarily by local populations, being regional or national. Up-scaling and accessing new markets is most of the time challenging because of the limited resources of small-scale producers but also of other operators all along the value chain. However, demand for these specific products is growing particularly in urban centres. Hence better linkages between producer communities and those emerging markets would increase producers' incomes, create value along the chain and reduce import dependency. The stakes are therefore economic (increased and better distribution of added value), cultural (valorisation of regions and local know-how) and related to food security (resilience of local agro-ecological systems and import substitutions).

Art. 22.1 WTO TRIPS:

"Geographical indications [...] identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin"

Kenyan Coffee as an example
The Kenyan Coffee value chain is characterised by extreme fragmentation at the agricultural level and concentration of power among a few players downstream.

As the Kenyan value chain is regulated by the Coffee Act, there is a mandatory traceability and grading system, which is under the supervision of the Coffee Directorate of Kenya (CDK). The Kenyan Coffee Act has organised a vertical redistribution of the market price among the stakeholders. Money goes from the dealers to traders/millers and from traders/millers to producers. Regarding the consequences of and interactions between the GI implementation and these market institutions of pricing, some conclusions can be drawn.

Price stabilisation is a motivation to enter the GI scheme of protection. Additionally, the view is shared among most of the stakeholders that have been interviewed during the study, that the direct selling system is more suitable for the valorisation of coffees with a specific identity linked to its origin, while the auction system is a "mass channel" more adapted to a "national GI". This important setting will certainly strongly affect the evolution of the stakeholders' interest and involvement in the GI initiatives.

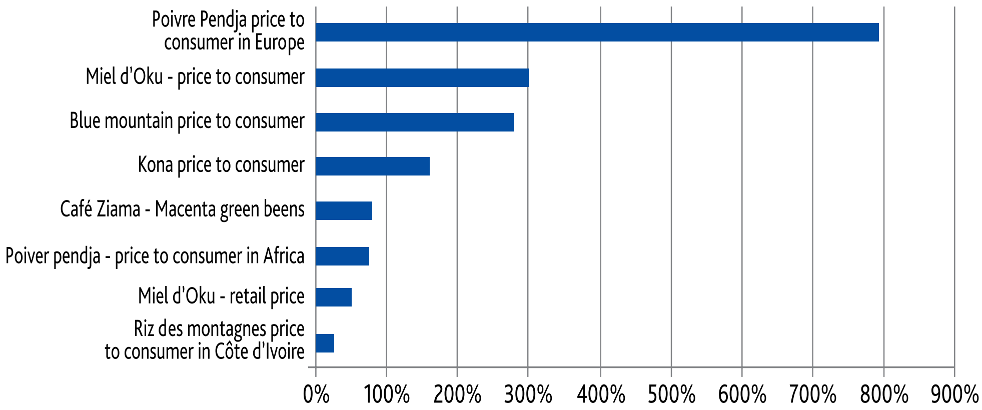
There is plenty of evidence that a strong "origin" effect benefits the Kenyan Coffee. The CDK and other major national institutions involved in the governance and support of the Kenyan value chain (Kenyan Intellectual Property Institute and Kenya Bureau of Standards for example) have strong interest in developing this "origin" effect, and have taken several initiatives for lobbying the adoption and implementation of the Geographical Indication Bill (still in preparation) in order to reinforce the position of the Kenyan Coffee on the global market. Their motivations are to protect against misuses of the Kenyan origin on coffee, and to follow the successful trend started with the GI initiatives of the Coffee of Colombia and Jamaica, and the origin-branding initiatives taken by the Ethiopian Coffee producers. The brand "Kenya Coffee Mark of Origin" is the Kenyan trademark registrar and was publically presented in January 2015.

Challenges
As for export-oriented products, the number of concerned products (coffee, tea, cacao, pepper, etc.) and the volumes at stake, as well as the national economic importance of these products justify proactive supportive policies from the different technical and financial partners. However, several constraints hinder the adoption of such approaches: First of all the size of supply chains and particularly the multitude of stakeholders. Cultural and social factors also play against implementation, as well as producers' technological level resulting in a high heterogeneity of quality or an incapacity to respect food safety norms. Hence, the specific quality looses in importance in the eyes of policy makers. On the producers' side, their weak financial position does not incite them to engage in commercial strategies that start generating benefits after several years only.

On the benefits side, differences exist between prices of products with quality linked to the origin and those of generics, both for export products and products mainly sold on the domestic market. These differences appear more significantly in the main target markets of these products. This is clearly the case for coffee, cacao and some spices, such as pepper, on the international markets and vegetable, fruit, cereal and honey on domestic markets. (see Table 1)

On the costs side, certification costs are not limited to the audit costs charged by certification bodies, but include additionally induced costs. In the ACP context, these additional costs comprise for example: training costs, investments to comply with requirements, costs of the constitution of the producers' organisation (PO), and the development of a system for internal quality control, etc.

Table 1. Premium (difference with price of similar product)



Source: Documentary work.

Recommendations to governments and public institutions of ACP countries

International (TRIPS, Lisbon Agreement) and European protection

The first recommendation is to push for a stronger protection of their GIs through the accession to the Lisbon Agreement and the mutual recognition of GIs with the European Union. The on-going revision of the Lisbon Agreement is a promising way for achieving better protection of geographical indications at global level.

Regional integration

The harmonisation of the protection regimes will contribute significantly to the integration process. This can be achieved through a common legal definition of the GI, consistence between the product and its origin guaranteed by recognition procedures and by certification, and the promotion of a common visual logo.

Enforce laws and rules

Often states favour national GIs putting the focus on the fame of the country satisfying the demand coming from the industry, who seeks first of all generic quality. The main risks of this approach are heterogeneity in quality and a very weak identity on the market. Stakeholders are recommended to take into account the specific qualities linked to smaller regions that can be promoted on niche markets. The corollary of this is to make sure that regulations do not exclude local GIs with higher specificity in close relation with their place of origin.

Empowerment of decision makers, NGOs, POs, trainers and researchers

The success of GI strategies is strongly conditioned by training programmes for decision makers, public administrations, civil society, as well as development agents, agro-technicians, researchers and trainers belonging to research and training institutes.

Research programme on GIs in pilot countries

In all contexts where this is possible, strategies for products with quality linked to the origin would benefit from research, in particular participatory research approaches triggering stakeholder mobilisation.

This article is based on a study commissioned by the European Commission in 2013 and assesses the potential of marketing the agricultural products of ACP countries using geographical indications and origin branding.

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SUSTAINABLE DEVELOPMENT GOALS

UN member states begin post-2015 development agenda negotiations

A series of talks between UN member states geared towards agreeing on a post-2015 development agenda kicked off at the end of January with a session reviewing the preparatory efforts undertaken over the past two years.

Delegates welcomed the work of a dedicated UN group to craft a list of proposed sustainable development goals (SDGs) to include in a new agenda. The talks also addressed possible key messages that should be included in an eventual declaration on the post-2015 development agenda, scheduled to be adopted by world leaders at a summit in New York in September. Some remaining gaps were reportedly apparent in member states' views around how to achieve equitable development and associated responsibilities.

During the discussions, several member states pointed to the role of trade as a means of implementation – through acting as support – for achieving the proposed sustainable development goals (SDGs). According to Earth Negotiations Bulletin (ENB), Benin on behalf of the least developed countries (LDCs) said that given the limited potential for domestic resource mobilisation among this group, other sources should be tapped for implementation. These could include aid, trade, private capital flows, and debt relief, Benin suggested.

Niger also reportedly told the meeting that trade could play a "catalytic role" in helping landlocked developing countries (LLDCs) mobilise the resources they need for sustainable development. Aid for Trade, a WTO-led initiative geared towards helping developing countries better integrate into the global trading system, was also cited as a useful tool.

Trade tools feature across the proposed set of SDGs put forward last July by the Open Working Group on Sustainable Development Goals (OWG).

The group's proposed SDGs include trade targets deployed as means of implementation (MoI) for meeting specific goals, such as aid for trade in support of economic growth. In other cases these are posited as targets within a goal, such as eliminating fisheries subsidies to support the sustainable use of marine resources.

Several more systemic trade-related targets are included under a final proposed goal on MoI for the entire framework. In that section, language is included referring to the promotion of a "universal, rules-based, open, non-discriminatory, and equitable multilateral trading system under the WTO," including the conclusion of the current Doha Development Agenda (DDA) negotiations. (See BioRes, 23 July 2014)

After stalling on several occasions since first being launched in 2001, WTO members are now in the process of defining a work programme to conclude the Doha Round, and have set July as the deadline to elaborate such a plan.

More generally, a number of UN member states said last week that delivering the eventual SDGs would be impossible without sufficient MoI and partnerships, underlining the interconnections between the SDGs and the Third Conference on Financing for Development (FfD3) due to be held in July in Addis Ababa, Ethiopia.

ICTSD reporting;
"Ban Ki-moon: Lack of focus on green investment "troubling,"" RTCC, 23 January 2015; "Summary of the First Intergovernmental Negotiation on the Post-2015 Development Agenda: 19-21 January 2015," IISD REPORTING SERVICES, 24 January 2015.

REGIONAL INTEGRATION

African Union encourages concrete action as regional trade integration struggles

African Union trade ministers met on 4-5 December in Addis Ababa, Ethiopia to discuss African trade priorities.

African countries should translate their regional integration projects into real action on the ground, especially given today's rapidly evolving landscape of international trade regulation, African Union (AU) trade ministers said following a 4-5 December conference in Addis Ababa, Ethiopia.

The AU's call for sustained momentum in Africa's regional integration comes amid reports about delays in the launching of the Tripartite FTA (TFTA), a 26-country trade bloc spanning the continent's three main Regional Economic Communities.

The TFTA negotiations started in 2011 and the free trade bloc, once operational, has been envisaged by the AU as a stepping stone for a planned Continental FTA (CFTA), which they aim to launch in 2017.. The launch of the TFTA was expected to take place in December 2014 during the Tripartite Summit of Heads of State and Government in Sharm El-Sheikh, Egypt. However, according to a post by the South African capacity-building organisation TRALAC, an announcement was circulated to official negotiators informing them that the date for the summit is "not convenient" due to "inadequate consultations among SADC Member States coupled with the unavailability of the SADC Chair who is also the Chair of the Tripartite Summit."

According to an African Union source, the launch, as planned originally, would have been a step towards introducing an implementation plan covering the finalisation of negotiations on outstanding areas of the agreement, most likely rules of origin, trade remedies, and dispute settlement; the ratification by the member states; and the start of the implementation itself.

During the meeting in Addis Ababa, Nigeria voiced concerns about the EPAs between individual African regional blocs and the EU.

"Nigeria will not sign an Economic Partnership Agreement until it can be sure that the EPA does not threaten the economic integration of Africa or lead to the loss of jobs and investment in Nigeria," reads the Ministerial draft report.

Africa's request for the renewal of the US' African Growth and Opportunity Act (AGOA), which is set to expire in September 2015 unless Washington lawmakers pass new legislation, "is receiving favourable response," reported Acyl during the discussions.

Concerns were also raised over the implications of mega-regionals for Africa: the risk of preference erosion, and the possibility that such agreements affect international rules and standards, confining African economies to the role of "standard-takers."

ICTSD reporting.

The newsroom

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West Africa implements CET

Regional Integration has taken a new step in West Africa as 15 States of the Economic Community of West African States (ECOWAS) have started to implement the Common External Tariff (CET).

Through the entry into force of the CET, the countries of this region are standardising the tariff treatment of goods entering the community, thereby nullifying all domestic national legislations of the ECOWAS Member States as well as the CET of the West African Economic and Monetary Union (WAEMU), effective since 2000.

The regulatory texts adopted along with the CET include: the trade defence measures, which consists mainly of safeguard measures to restrict imports of certain products temporarily; countervailing duty levied to counteract the effects of subsidies; anti-dumping measures to counteract unfair practices; additional protection measures.

US removes three countries from AGOA

As of 1 January 2015 Swaziland, the Gambia, and South Sudan are no longer receiving trade benefits under the Africa Growth Opportunity Act (AGOA).

Although no specific reason was pinpointed in the official proclamation for Gambia and South Sudan's removal from AGOA, various sources attribute the removal to human rights abuses and political instability in each of the respective countries.

Observers note that exception from AGOA will surely impact the textile and manufacturing sectors of these countries as well as hurt private sector growth. In addition to The Gambia, Swaziland, and South Sudan, seven other countries have had their AGOA benefits revoked (though in some cases restored, i.e. Guinea- Bissau and Madagascar in 2014) in the last few years for a variety of reasons (often due to undemocratic transitions of power).

South Africa and US seek to solve poultry dispute

Last week, South African Trade and Industry Minister Rob Davies met with his US counterpart Michael Froman in order to discuss their chicken trade dispute and ensure South Africa's eligibility in the African Growth and opportunity Act (Act), which is up for re-authorisation on 30 September this year.

“The dialogue between our two poultry associations had now reached the point of exchange of offers” declared Rob Davies to the BusinessReport

He explained that South African and American poultry associations are working together on a programme which will include some additional market access for the US poultry products as well as a development component.

As attempts to find a solution over the poultry issue intensified over the past days, a delegation of African trade ministers held discussions in Washington to push for the renewal of AGOA, which is set to expire in eight months.

West African countries set to sign the EPA

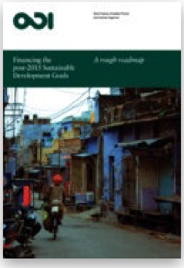
Following the approval of the Economic Partnership Agreement on 10 July 2014 by the West African Heads of State, the process leading to its implementation gained momentum towards the end of last year.

In conjunction with the work of the 46th Ordinary Session of the Conference of Heads of State and Government of the Economic Community of West African States (ECOWAS) held in Abuja, Nigeria on 15 December 2014, various Member States of the organisation have signed the economic partnership agreement. Several countries, namely Nigeria, Togo, Gambia, Sierra Leone and Mauritania are not yet among the signatories.

The signing process should therefore continue for the countries that have not yet signed the agreement. For those who have already done so, the ratification process by national parliaments could begin in the coming months, even though no one can anticipate the outcome of such processes, which could be long and uncertain.

Publications and resources

The United States 2014 Farm Bill and its Implications for Cotton Producers in Low-income Developing Countries – United Nations Conference on Trade and Development (UNCTAD) – January 2015
The report discusses the trends in United States cotton production and exports; describes the 2014 Farm Bill and Stacked Income Protection Plan (STAX); focuses on the outlook for subsidies paid to United States cotton farmers; and discusses the opportunities for African cotton producers and highlights some policy recommendations to enhance income from cotton production in Africa. http://bit.ly/1uE5opH

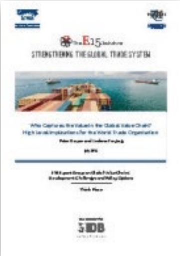


Financing the post-2015 Sustainable Development Goals: a rough roadmap – Overseas Development Institute (ODI) – December 2014
The paper investigates how a country's mix of development finance changes as it grows – the so-called 'missing middle' dilemma. It finds that public resources overall fall continuously until a country is well into middle-income status, as international assistance falls faster than tax revenues rise. This paper looks at alternative groupings, especially taking into account fiscal capacity, creditworthiness and vulnerability. http://bit.ly/1DbNijl

Socio-Economic Impacts of the Ebola Virus Disease on Africa – United Nations Economic Commission for Africa (UNECA) – December 2014
This report aims to assess the socio-economic impacts of EVD not only on the countries with widespread and intense transmission, but West Africa more widely and the continent as a whole—both the real costs as well as growth and development prospects. http://bit.ly/1zfAJTF

The Services Trade Dimension of Global Value Chains: Policy Implications for Commonwealth Developing Countries and Small States – Commonwealth Trade Policy Discussion Papers– Commonwealth Secretariat (COMSEC) – December 2014
This paper considers in detail the various factors that drive competitiveness in services, a critical but often overlooked part of the global value chain, and the policy levers available to influence them. The paper concludes with a number of policy recommendations to increase country participation in the services aspects of global value chain activity. http://bit.ly/1COAd1O

Global Value Chains: The New Reality of International Trade– ICTSD – December 2014
This publication seeks to close the gap between trade and investment practices and the normative framework within which they take place so that it does not widen further. The phenomenon of global value chains (GVCs) is one of the manifestations of globalization, which is changing many aspects of economic and trade relations. http://bit.ly/1BzjAW2



Who Captures the Value in the Global Value Chain? High Level Implications for the WTO – ICTSD – December 2014

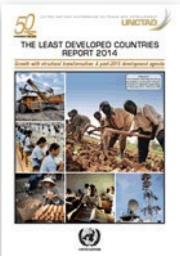
This paper sets out some core propositions central to the debate about the GVC approach, and sketches the high-level implications they have for the WTO. In the paper, the authors briefly review the meanings of GVCs in relation to the debate over their developmental impacts, sketch high level trade policy implications, and conclude with a brief assessment of the implications for negotiations in the WTO. http://bit.ly/1BzjKwB

TRIPS, Patents and Innovation: A Necessary Reappraisal? – ICTSD – December 2014

This think piece examines the issue of patents and innovation in the light of both the TRIPS Agreement and the available evidence. After reviewing the raison d'être of the TRIPS Agreement, it focuses on what can be done within the confines of the WTO to ensure that patent protection stimulates innovation, and that the benefits are in balance with social costs. http://bit.ly/1ErwXes

Tackling Agriculture in the Post-Bali Context: A collection of short essays – ICTSD – December 2014

This volume builds on the most recent analysis of global trends and domestic policy reforms to inform negotiations on a post-Bali agricultural trade agenda. It features a series of concise, nontechnical and solution-oriented papers by leading experts and thinkers, covering systematically all elements of the agricultural negotiations on market access, domestic support and export competition. http://bit.ly/1Lk3ftF



Least Developed Countries Report 2014 - Growth with structural transformation: A post-2015 development agenda – United Nations Conference on Trade and Development (UNCTAD) – November 2014

UNCTAD´s Least Developed Countries Report provides a comprehensive and authoritative source of socio-economic analysis and data on the world´s most impoverished countries. The Report is intended for a broad readership of governments, policy makers, researchers and all those involved with LDCs´ development policies. http://bit.ly/1zfBMmw

Fishing for the Future: Trends and Issues in Global Fisheries Trade – ICTSD – November 2014

This paper investigates the impact of India's duty-free trade preference scheme for LDCs on Tanzania's exports to India. Exports of Tanzania's top 30 export products have increased over 5-fold following the launch of the scheme in 2008. Much of this change was driven by products that receive preferential duty treatment under the scheme. Nevertheless, a number of products of critical export interest to Tanzania are excluded. http://bit.ly/18GSjHR

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