EAGER Policy Brief

NUMBER 39 / SEPTEMBER 1999

Implications For Africa of Initiatives by the WTO, European Union, and U.S.

As efforts at economic integration gain ground at the regional and multilateral level, Africa's trading relations with the United States, the European Union and other partners are under the most comprehensive review since the colonial era. Those African countries in the vanguard will see the opportunity to gain lucrative concessions, spurring trade and investment. But since African countries tend to be ill-equipped to participate actively in the dozens of WTO interest areas, there is a real danger that some African countries will end up worse off than before.

Agriculture and food fiqure prominently on the international agenda. The World Food Summit's new Food Aid Convention and international action on poverty reduction and debt relief focus attention on policy coherence between agriculture trade and food security. As the poorest aggregate region, Sub-Saharan Africa is most humanly affected by changes in policies, technologies and flows of food. A change in food policy by wealthier WTO members could adversely affect food security in Africa.

At the Third Ministerial Meetings of the World Trade Organization (WTO) in Seattle at the end of 1999, the 38 African WTO members will join the nearly 100 other countries in new negotiations in the key fields of agriculture and services. There will be long discussions about how to liberalize other sectors, with nascent areas such as e-commerce perhaps even receiving a mandate from the gathered ministers. The benefits of increasing participation in the WTO will have to be

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Equity And Growth through Economic Research– an activity of USAID, Bureau for Africa, Office of Sustainable Development, Strategic Analysis Division

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weighed against the increased bureaucratic obligations incurred by African governments.

The Uruguay Round established an initial framework for agricultural trade liberalization that will continue to be pursued by the OECD countries. Several key farm support programs in the U.S. and EU will be subject to change, such as the use of export subsidies. But resistance will be fierce, as even wealthy countries such as Japan are now refusing to import more rice citing "food security" arguments. It is only domestic budget pressures, such as eventual EU enlargement, that will lead to real change in the wealthy countries.

The African countries were largely left out of the fray in the Uruguay Round, but certain key concepts were established, such as the need to shelter net food-importing countries from the worst effects of price variability. Developing countries were granted special and differential treatment on agriculture in the Uruguay Round, including additional flexibility for subsidies related to food storage, domestic feeding programs for the rural and urban poor, investment in agricultural structures, and transportation for agricultural exports. For many African countries, only now becoming aware of the wide range of issues potentially on the table starting in Seattle, defining their negotiating position on the WTO should be an immediate national priority. Maintaining those rights and establishing new mechanisms for better security of supply of food should be the African countries' priorities, in addition to prying open value-added markets shut by tariff peaks and tariff escalation. African countries must be prepared in case the Seattle Ministerial proposes developing new rules on state trading enterprises, export credits and credit guarantees, and food aid.

The European Union, in the midst of a profound deepening of its integration effort, is in the process of changing its monetary system, its post-colonial trade regime, and eventually its membership. Full conversion to the Euro in 2002 will most immediately affect the countries of UEMOA, as the CFA will be tied to the Euro rather than the French franc. The exchange risk certainty that UEMOA has enjoyed for trade with France will now extend to the entire Euro area. Reducing the costs of foreign exchange and cash management is expected to lead to an intensification of trade. For many CFA countries, the French franc is important in the current account, and the dollar is important in the capital account, a situation that could change if the Euro emerges as an important reserve currency rivaling the dollar.

The EU governs its relations with the 71 ACP (African, Caribbean, and Pacific) countries through the Lomé IV Convention, a package of development aid and non-reciprocal trade arrangements negotiated on a group basis on both sides. However, the Lomé trade concessions into the EU market are in violation of GATT Article 1 on Most Favored Nation Status (MFN), to the detriment of other developing country exporters, as evidenced in the banana dispute. The current WTO waiver for

Lomé IV expires on February 29, 2000, placing the Millennium Round and the resolution of ACP trading privileges on a collision course.

African countries are left with a rather difficult choice. They can preserve the Lomé trade concessions by accepting the EU's offer to negotiate individual free trade agreements, which will require a "substantial" portion of trade to be liberalized on a reciprocal basis to meet the terms of GATT Article XXIV. Or they can fend off the dangers of reciprocity by accepting the less-favorable terms of the EU's Generalized Scheme of Preferences (GSP). Eventually, due to the ACP countries' wish to keep the non-trade aspects of Lomé IV (Stabex, Sysmin, access to the European Development Fund), one should expect dozens of new FTAs riddled with exceptions for processed agricultural products and other sensitive commodities, much like Lomé IV.

The EU itself will be under great pressure to further reform its Common Agricultural Policy in order to lower the budgetary exposure caused by eventual enlargement to include Poland, Czech Republic, Hungary, and other applicants. The EU's Agenda 2000 has laid down a marker stating that, as occurred in the Uruguay Round, the fate of the WTO negotiations and also the details of the Lomé transition may be held up by the slow process of internal EU reform.

By comparison, the convergence of events should facilitate closer trading ties for Africa with the United States. The U.S. is keen on opening markets while at the same time reducing poverty and food insecurity. Recent U.S. topical and regional initiatives on Africa, including the Child Survival Initiative, the African Food Security Initiative, the Initiative for Southern Africa, the Greater Horn of Africa Initiative, and the Leland Initiative, among others, seek to contribute to an improved enabling environment for equitable growth to occur. Fuller integration of the African members into the rules-based trading regime of the WTO will provide multilateral commitments on tariffs and policies and impose a third-party dispute settlement mechanism, improving the reliability of the external trading framework. In this way, the WTO complements the ongoing African efforts at regional integration, which the U.S. strongly encourages. Under the African Trade and Investment Program (ATRIP), the U.S. is sponsoring workshops on the WTO for trade negotiators throughout Africa, including regional organizations such as COMESA or UEMOA. It is that type of technical assistance activity that will help the African countries to sort through the myriad of changes underway in the global context and emerge in a stronger position.

This policy brief is based on Eager Discussion Paper Number 21, *Implications for Africa of Initiatives by the WTO, European Union, and the U.S.*, 1999, by Daniel Plunkett [dplunkett@aird.com], Associates for International Resources and Development, Cambridge, Massachusetts.

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