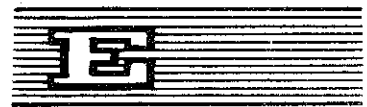




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NEW CONCEPTS AND TECHNIQUES FOR MULTILATERAL TRADE
NEGOTIATIONS AMONG AFRICAN COUNTRIES

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Introduction

1. Overall experience acquired so far both in multilateral trade negotiations and through the examination of resulting effects on trade flows, clearly demonstrates that the concepts used broadly determine techniques to be applied in negotiations, and are of crucial significance for the conduct and outcome of negotiations. And negotiating techniques are themselves constantly subject to improvements.
2. Some basic techniques of trade negotiations, such as the working out of the lists of products of export interest to participating countries, their exchange among prospective negotiators, submission of requests for concessions to prospective negotiating partners, multilateral application of concessions etc., will always be useful tools and instruments. But the concepts used may widely differ as regards, for example, whether "product by product" negotiations or negotiations on "package deals" should be adopted or given priority, or whether negotiations on subregional or regional levels should be given priority. The concepts normally offer an answer to what should be done and only partly answer how this should be done. Inventive techniques should offer an answer in detail on the methods to be adopted. In spite of considerable development of new concepts, over the last few years, we are still faced with important issues on what and how trade liberalization could be achieved among developing countries generally, and in particular amongst African countries.
3. The term "new concepts" in this study will be used mostly to outline the pattern of negotiations for which experience recently acquired gives the most solid grounds for expectation of success. Nevertheless, there is a clear need for imaginative and constructive ideas in this field. So far, narrow concepts and uncritical application of experience acquired in the industrial countries have been responsible for the fact that results in previous multilateral negotiations among developing countries generally and African countries in particular have fallen far short of expectations. Trade among developing countries in general and among African countries in particular, is still hampered by various kinds of tariff and non-tariff barriers. Although vital in the initial stage, such rigorously protective policies have suffered from many shortcomings on technological and economic grounds, and could have negative economic and other implications if continued.
4. This obviously is not intended to convey that these barriers should be dismantled outright without due precautions. Not all trade liberalization is growth let alone development promoting. In other words trade liberalization is not positive by itself. Developing countries have witnessed many cases of damaging trade liberalization, which either affected adversely some branches of their economies or prevented them from building up the modern sector of the economy or both. In the African context, there has been over the last few years acute awareness of the fact that whenever there are large disparities between the levels of development of the interested parties, trade liberalization may prove to be destructive for weaker partners. Indeed as was pointed out in the "Revised

framework of principles for the new international economic order in Africa" recently adopted by the Executive Committee of ECA, "Trade is no longer a simple matter of barter or even of exchanging commodities for foreign currency; increasingly, it is being viewed as an integral part of a whole range of strategies and instruments aimed at the achievement of economic independence through regional and intra-regional co-operation" (E/CN.14/ECO/90/Rev.3, page 46).

5. With the foregoing in mind, new concepts with respect to a number of issues of key importance in trade liberalization negotiations are discussed. Suggestions are also offered with regard to organizational and technical preparations for negotiations amongst African countries; the negotiation framework itself, as well as procedures for the exchange of concessions. Reactions to these preliminary suggestions from participants at the Symposium will be particularly welcomed to the extent they will assist in further refining or improving them.

I. NEW CONCEPTS ON ISSUES OF KEY IMPORTANCE IN POSSIBLE NEGOTIATIONS AMONG AFRICAN COUNTRIES

6. The concept of collective self-reliance among developing countries in general and of regional African self-reliance in particular constitutes an essential component of the African strategy for the establishment of the new international economic order. In this context, the trade liberalization exercise as such may take on a altogether new dimension to the extent that it can be made to assist in giving concrete meaning to this concept.

(a) Balancing of concessions

7. Balancing of concessions in multilateral trade negotiations, in fact, is a very complicated and delicate job. One may rather speak of the philosophy of balancing concessions than of reliable methodology. What should be balanced during the course of negotiations are expected benefits from the concessions required as compared to expected benefits to partner country to which the concessions are offered. Import statistics, of course, may give some guidance, as well as levels of current protection by tariffs and non-tariff restrictions. Theoretically, requests and offers should meet at the point of equilibrium, resulting in balanced concessions. In practice, however, nobody can be sure where such a point is reached, or if one party is a better negotiator than the other. A number of unforeseen factors may alter the position, such as technological improvements in the sectors involved, the size of the investment which may be sought, as well as the future performance of the competitors in the same market. In addition, concessions are multilaterally applied. This means in practice that tariff reduction of, say, 50 per cent will be an advantage not only to the country which negotiated the concession, but to all participating countries.

8. If concessions are granted by country A on a product which is not produced domestically, it means support for the larger scale and, consequently, more economic production of other B, C, D African countries, etc. in exchange for elimination or reduction of protection affecting the export product of the same A country in the markets of countries C, D, E etc. This should be understood primarily as a matter of political will, while safeguard clauses may always be introduced to meet unexpected difficulties if and when they arise. Experience also shows that for a particular African country to allow limited imports of even the commodities which it itself produces from another African country can be a sound way to prevent domestic producers from settling into a cushy position and not paying enough attention to the

need to increase productivity and reduce costs of production. By the same token, domestic producers should be encouraged to export at least to the extent possible part of their output, since contacts with foreign markets, including African markets, are likely to broaden their knowledge and their practical experience. In other words, the balancing of concessions exercise should clearly be understood from a dynamic, rather than a static, standpoint, as was the case in multilateral trade negotiations among developed countries in a not too remote past.

(b) The principle of non-reciprocity in favour of the least developed countries

9. In the same way as many developed countries have recognized, at least in principle, that they should not expect any reciprocity from developing countries in their trade negotiations with them, the more advanced African countries could agree to the same with respect to the least developed African countries. Once it is broadly agreed upon, the principle would naturally need to be defined further in its application, timing, and other modalities.

(c) Combining trade liberalization with development oriented co-operation

10. The inappropriateness of a purely trade liberalization approach especially in the context of economic co-operation negotiations amongst African countries has been recognized for some time now, to the extent that it leaves, many more problems in its wake than it solves if it indeed solves any, not only for the least developed countries, but also for the more advanced ones. It is therefore imperative that the trade liberalization exercise be coupled with a set of closely interrelated measures in the financial but also technical and most important, production and technological fields, to be worked out to the benefit of the least developed countries and in full co-operation with the latter of all stages. So far, it is the measures in the financial field that have been well publicized. Thus the West African Economic Community established a "Community Development Fund", in addition to the already existing "Mutual Aid and Loan Guarantee Fund" of the "Conseil de l'Entente". The ECOWAS Treaty stipulates constant review of the disparity in the level of industrial development, and the establishment of the "Fund for Co-operation, Compensation and Development". It is clearly stipulated that the Fund will "provide compensation and other forms of assistance to member States which have suffered losses arising out of the application of the provisions of this Treaty on the liberalization of trade within the Community", 1/ as well as to "promote development projects in the less developed member States of the Community". 2/ But much more remains, to be done in the fields other than the financial one that were mentioned above to bring about what could be called meaningful development co-operation.

1/ Article 52 of the Treaty of ECOWAS.

2/ Ibid.

(d) Application of the most favoured nation clause (MFN) amongst African countries

11. Trade negotiations among African countries should lead towards general application of the MFN clause among all the countries of the region. So far, the most-favoured-nation clause is applied among African countries members of GATT and those non-GATT African countries linked with bilateral trade agreements containing the same clause. Trade negotiations to be conducted on the African continent should achieve the application of the same clause for all countries of the continent, irrespective of GATT membership and bilateral trade agreements.

II. ORGANIZATIONAL AND TECHNICAL PREPARATIONS FOR NEGOTIATIONS

(a) Lists of commodities of export interest to individual participating countries

12. The organization of negotiations normally involves inviting each participating country or grouping to submit a national or grouping list of commodities of export interest to it in relation to the other countries taking part in the negotiations. The procedure needs to be somewhat altered in view of the present African context. There are many indications that there is a potentially great demand in particular subregions for various types of industrial, agricultural and processed products available in other subregions. There are, at the same time, a number of sectors within the region where the way to achieve complementarity is through inter-subregional or regional trade liberalization, specialization and economic co-operation. Thinking and working only in terms of subregional groupings might therefore be at least, in part, contrary to existing economic trends, potentialities, as well as to real export interests.

13. The lists of products of export interest to individual African countries, therefore, should distinguish between:

- (a) Products of export interest directed to neighbouring countries and countries of the same subregion;
- (b) Products which may be exported to areas broader than the neighbouring countries and countries of the subregion;
- (c) Mass-produced products which could be exported to all African countries.

14. Each commodity listed should be accompanied by the names of countries for the market of which there is an export interest. If such information is not available, an enquiry should be made to cover all current and potential exporters in the country.

(b) Identification of commodities and markets of export interest

15. In order to avoid some of the deficiencies of previous trade negotiations among developing countries, many countries may find it useful to address an enquiry to national exporters inviting them to state their export interests, both as regards commodities and African markets of interest to them. Answers to enquiries provided by the exporters may stimulate negotiations between subregional groupings themselves or with the other countries in other subregions.

(c) Summary lists of commodities of export interest

16. A very simple technique may be used to work out the summary list of products for all countries which declare their intention to take part in negotiations and submit lists. First column should contain Customs Co-operation Council Nomenclature (CCCN code, previous BTN code), second column description of the product, and third column the names of countries which notify their export interest for the same product. The corresponding SITC revised codes could also be useful, particularly at a stage when import data by participating countries are required.^{1/} Summary lists may serve several purposes. First of all they are suitable for the presentation of information both on imports by the participating countries and on tariffs and non-tariff measures applied by the countries taking part in negotiations. They also show in a suitable way which countries are interested in exports of the same products, thus offering useful material for analysis. They make it easier for particular countries and groupings to determine which other countries might be natural allies in supporting their requests for preferential trade liberalization for products of export interest to them.

(d) Import opportunities and techniques to be applied

17. Submission of requests for concessions pre-supposes availability of necessary data on import opportunities in participating countries. Summary tables designed along the lines described above would provide the required import data for commodities which are of import interest to negotiating partner countries. Such data might be supplemented by projections on imports for particular commodities, if available, or by reasonable estimates. Once completed, the information on import opportunities could be forwarded to the secretariat to be distributed to participating countries.

(e) Full description of import and export regimes and preparation of summaries thereof

18. Negotiating trade partners certainly need to exchange full information on their import regimes, and the form and content of presentation should be flexible, depending on the elements of import regime and its administration. Suitable guidelines could still contribute to some uniformity of presentation. Full descriptions of import and export regimes should be prepared.

19. The working out of summaries, presented in comparable forms, should serve several important purposes. For negotiating bodies, it may serve the purpose of quick overall review of the essential elements of the import regimes of negotiating

1/ Examples for the composition of summary lists

| CCCN (SITC REV.) | Product description | Countries which notified an export interest |
|---------------------|---|---|
| 02.01A (011.1) | Meat of bovine animals, fresh, chilled or frozen | MDG, CHAD, KEN, MOR, ANG, ETH, U-VOL, NGR, MALI, MOZ, TAN, |
| Ex 16.02 (013.8) | Meat tinned, Nes. | KEN, TAN, MDG, ETH, SOM, UGA, MOZ, NGA, ALG. |

(The above examples are, of course, only for illustration.)

partners. It should be borne in mind how complicated and often confusing are import regimes of most developing countries, as well as how busy are the most capable negotiators with various kinds of responsibilities. Summary presentation of obstacles to trade should also serve the purpose of facilitating the flow of information to top government executives during the preparations for negotiations, during the negotiations, and after the negotiations. Every effort should therefore be made to make the non-tariff barriers applied in negotiating countries understandable for negotiators as well as for top government executives responsible for the decision-making in the matter.

III. THE TRADE NEGOTIATIONS FRAMEWORK

(a) Statement of goals and objectives

20. Multilateral trade negotiations are normally preceded by a ministerial declaration made at a meeting of representative ministers. Such a declaration normally contains motives and principles and clarifies agreed positions on essential matters which might hamper the negotiations. Since African countries would have to face some specific problems, such as the fact that a considerable part of budgetary revenue is derived from import duties and allied taxes, these should certainly form part of the subject for preliminary consultations, and any decisions reached on readjustments in fiscal systems should be included in the initial declaration. In short, such a declaration would set the scene for the negotiations by highlighting the main principles and objectives such as regional self-reliance, special treatment of the least developed countries, self-sustaining and mutually reinforcing economic development, which the participating countries would seek to achieve through the negotiations.

(b) Trade Negotiation Committee

21. A Trade Negotiation Committee should be set up well in advance of the start of the actual negotiations. Its functions would be those of a steering organ, that is to say one which would supervise the conduct of the negotiations taking place in various groups and with respect to various sectors and commodities. It would also draw up detailed negotiating plans and negotiating procedures. Another key task of this Committee is to try to iron out the difficulties and conflicts, real and apparent, of a short term, medium- or long-term nature, that are bound to arise in the course of the negotiations. It is recalled in this connexion that during the first round of large-scale multilateral negotiations among developing countries, which took place between 1967-1971, some results were achieved, in spite of all difficulties faced by the negotiators from Africa, Latin America, Asia and Southern Europe. However, no persistent efforts were made to improve trade negotiating techniques, to enlarge the scope of the preferential scheme, or to arrange further follow-up rounds of negotiations for developing countries. This experience points to the conclusion that a broad approach, coupled with persistence in trade negotiations, is essential if meaningful results are to be achieved. The Trade Negotiation Committee which should be selected on the basis of equitable geographical distribution would have to play a crucial role in this regard.

(c) Trade Negotiating Teams

22. Trade Negotiating Teams on national or economic groupings levels, wherever these exist, could also be established. There are good reasons why a somewhat different approach should be adopted in their selection than has traditionally been the case. Their primary qualification has, so far, been that they should be good bargainers. At present, the challenging concept of regional self-reliance among African countries should hopefully alter the negotiating situation considerably and in particular assist negotiating teams in going beyond the traditional balancing of concessions received and given type of exercise. The ability to defend national or groupings interests, and to view them at the same time within the overall regional framework, that is to say from the standpoint of the benefits likely to accrue to the region as a whole, should be a key factor in the selection of the members of these negotiating teams.

(d) Conduct of the negotiations

23. Various negotiating techniques and approaches may be considered. These include the "item by item" or "product by product" approach, with which African countries are quite familiar, and the linear cuts approach which is applied mostly with respect to "package deals" when agreement has been reached regarding the percentage of tariff reductions that should be aimed at and the product coverage or product sectors that would be subject to tariff cuts. Another possibility is the so-called "harmonization technique" whereby tariffs are generally harmonized to an agreed level. Attention will be drawn here to the formation of "packages" of which not much use has been made hitherto in the African context, in so far at least as multilateral trade negotiations among African countries are concerned.

24. Formation of "packages" unavoidably brings economic interests into play. "Packages" are usually formed when negotiating parties decide to negotiate trade liberalization in one group of commodities against trade liberalization in another group of commodities, with linear reduction of protection. For example, trade liberalization in cotton textiles against trade concessions in woollen textiles, as a whole. It is worth noting that the Kennedy Round brought a novelty in the formation of "packages" when developed countries unanimously agreed to reduce tariffs on all industrial products, with 50 per cent linear application and allowing only for limited exceptions. Industries which felt weak in international competition, resisted very strongly trade liberalization in their sectors, and requested to be excepted. The Kennedy Round ended up with an average reduction of tariffs by 30 per cent on manufactured goods.

25. In the African context, the situation in this regard would obviously be quite different. Judging from current economic conditions in African countries, and attitudes towards protection of young industries, any linear or across-the-board reduction of tariffs on manufactured products (of say 50 per cent), even as a working hypothesis, is unlikely to be acceptable to many African countries. Most infant industries still need strong protection, and their flexibility and general capability to overcome the difficulties which are likely to arise from trade liberalization, is very limited. This is one of the reasons why the conditions for trade liberalization in the African context differ so much from those obtaining in the case of industrially developed countries. But, linear reduction of import protection could be much more

pronounced than, say, 50 per cent, for manufactured goods not produced in the country; and that percentage may be much lower for goods produced in the country, but still significant (10-20 per cent), provided that it is firmly understood that some degree of competition to domestic industries could be useful.

25. On the basis of preliminary investigations, it appears that the formation of the following "packages" and the corresponding negotiating groups could be of interest.

27. A first negotiating group would deal with goods which are not produced in some of the countries participating in the negotiations, but which are of export interest to others. Tariff elimination or removal of non-tariff protection or their reduction could be agreed upon on subregional levels, with 50 per cent reduction as a guide and favourable import permission treatment on the regional level. Only a limited number of exceptions would have to be permitted to cover primarily luxury goods and those products which currently provide a large part of budgetary revenues through import duties, excise and other taxes (tobacco, cigarettes, alcoholic beverages, cosmetics, etc.). The import charges on products subject to exceptions would be still further reduced to such a level as to allow for substantial preferential margins in relation to products imported from industrially developed countries.

28. A technical problem is likely to arise with regard to the precise identification of the goods falling under this category. It could be solved in the following way. As soon as summary lists of products of export interest are ready, copies thereof should be forwarded to the Trade Negotiating Teams of all participating countries. National (or trade groupings) Negotiating Teams should be invited to study the lists and to mark clearly all the commodities which are not produced in the country (or grouping). Since some products might be produced only in small quantities, or their production might be uneconomic with it prospects for improvement, such products should also be indicated. The other essential data, which should accompany items so marked, are import duties and taxes and other restrictive measures. It would probably be practical to organize negotiations first within this group (I) to clear the position for the other negotiating groups. The only exception could be the proposed Fourth group, which as will be indicated below, deals with institutional matters, such as compensation, in view of the crucial importance of its subject matter for the success of negotiations in group (I).

29. The second negotiating group would deal with primary products and those semi-processed and processed goods which are produced wholly or mainly on the basis of domestic raw materials, and agricultural goods. It would cover inter alia such sectors as meat and meat products, staple foodstuffs and animal feeds, fertilizers, textiles, footwear, furniture, building materials, all of which account for a very large share of total product consumption in the region, and are likely to continue to do so for many years to come, and whose production is based, in major part on local natural resources.

30. Particularly serious problems are to be faced at present in the sector of livestock, meat and meat products, where there is a clear need for an all-African grouping to deal with acute problems of keen competition from abroad (EEC and Australia) and an urgent need for the accelerated application of science and modern technology in animal breeding. Production and intra-regional trade in the other above-mentioned sectors is far behind the achievements on the other continents, so

that trade liberalization should open the way for accelerated progress and remove obstacles to co-operation on all African level in the field of joint investments, large-scale training and product specialization.

31. A third negotiating group would deal with primary products and those semi-processed and processed goods that are produced wholly or mainly on the basis of imported (i.e. from outside the region) raw materials and agricultural goods. The issues involved in the liberalization of trade in this category of products are obviously quite different from those arising with respect to products assigned to the second negotiating group. It should be borne in mind in particular that most of the manufacturing units whose production is based on imported raw materials are usually set-up on the initiative of foreign raw materials producers and/or capital goods suppliers, to produce for protected markets. "Added value" realised in such protected markets is very often considerably different from "internationally recognized added value", and many such small enterprises, that were set-up during the last decade or two, would in the open market have to compete with the giants in the field. Such manufacturing units are likely to be opposed in the main to liberalization measures, especially if those were to be on a multilateral basis.

32. A fourth negotiating group which would have to work in close collaboration with the other groups would deal with institutional and safeguards matters.

33. Should the question of compensation to be provided for the losses of budgetary revenues from reduced import duties and taxes not be solved during the preparatory period, this is certainly one of the first issues that would need to be tackled. At any rate, the negotiating group should deal with possible forms of readjustment in fiscal systems, and prepare recommendations to the governments. Although trade between some African countries in respect of certain commodities is significant and could become quite substantial if tariff, and more importantly in many cases, non-tariff barriers were eliminated intra-African trade, as a whole, represents only 5 per cent of total African trade, so that, in many instances, initial requirements for readjustments may not be unsurmountable. This negotiating group would also be entrusted with the task of working out modalities of compensation to be provided to the less advanced countries which might suffer temporary or long-term losses from trade liberalization. This could take the form of "Solidarity Funds", of provision of technical and financial assistance in infrastructure building, training, setting-up of joint production units.

1/ In addition to investigating possibilities for liberalization of trade, the negotiating group may examine the possibilities for joint procurement of raw materials, for specialization, for exchange of unused capacity, joint import pooling of equipment and machinery. Of course, technical studies and negotiations on various levels would be necessary, but this is clearly one of the fields where the transition from the policy of "national self-reliance" to the policy of "collective regional self-reliance" merits due attention and could probably best be carried out.

34. Further, in order to provide assurance to negotiating parties that concessions granted in initial negotiations may be altered in case new production would either be started or expanded at home, ground rules providing for permanent possibilities to renegotiate concessions should be worked out and agreed upon. Another important task of this group would be to devise appropriate rules of origin for products which would be the object of trade liberalization. The broad principle should be that preferential treatment should exclude goods originating from other African countries whose import content from non-African countries is deemed too high. The value added criterion should no doubt receive particular attention.

35. A fifth negotiating group would deal with non-tariff barriers hampering trade amongst African countries. The task of this group would be all the more vital as such barriers are known, in many, if not most, instances, to constitute the most serious impediments to trade expansion among countries of the region; and, in a number of cases, the only serious obstacles to trade. This group would naturally have to deal with such classic non-tariff barriers as have been identified for some time now in world trade generally, but special efforts should be made to take into account the specific African context. Certain procedures and practices, such as government procurement, which are identified as non-tariff barriers in trade negotiations between developed countries or even between developed countries, on the one hand, and developing countries, on the other, may need to be reinterpreted accordingly.

Concluding remarks

36. What has been presented in this paper is only a preliminary sketch of the concepts, principles, objectives and mechanisms that could be considered in multi-lateral trade negotiations amongst African countries. Much more detailed technical preparations will be required if such negotiations are to start on a proper basis and hopefully succeed and even lead eventually to the establishment of an African Common Market.

37. What is no doubt of much greater importance is that African countries and governments meaningfully prepare themselves for such negotiations, not simply at the technical level, but at the political, psychological and socio-economic levels, in other words, clearly concretize their will to have such negotiations started under conditions and according to a time-schedule to be defined.

38. Coming as it does after the last OAU Ministers of Trade Meeting which drew up an extensive programme in the field of intra-African economic co-operation and trade, the Algiers Symposium has it in its power to make a significant contribution to the task of assisting countries in the region not just in liberalizing trade amongst African countries, but more importantly in promoting self-sustaining growth both in individual countries and in the region as a whole through co-operation in the field of trade naturally, but also production, technology and other appropriate and complementary fields.