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**PARTICIPATION OF
THE AFRICAN, CARIBBEAN AND PACIFIC GROUP OF
STATES IN INTERNATIONAL TRADE**

Report by the UNCTAD secretariat to

**The Third Summit of ACP Heads of State and Government
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Executive summary

The ACP States' trade performance as a group rapidly expanded during the second half of the twentieth century. The trade expansion to some extent kept pace with world trade growth until 1980 before slowing down rapidly thereafter, resulting in the ACP share in world trade progressively declining to less than 2 per cent. In parallel, there has been a noticeable evolution in ACP trade patterns. African countries have been slowly moving towards diversifying their export structure towards manufactures and processed food, while exports of commercial services, most notably travel associated with tourism, have increasingly become major sources of increased export earnings for the Caribbean and Pacific regions. The ACP export structure has also been diversified in respect of the destination of exports. Traditional export markets in developed countries, including the European Union and North America, have increasingly been challenged and replaced by other destinations, in particular those in developing countries. Among the developing country markets, it is the neighbouring developing countries within each region that have increased their importance as export markets in all ACP regions. Increased regional cooperation and freer trade among developing countries in general and ACP States in particular appear to be key factors for this expansion of South-South trade. In contrast, interregional trade between the different ACP regions is the weakest link in the ACP trade network. This link requires remedial action by the ACP Group. At the same time, the participation of ACP States in developing and deepening traditional trade relations with the European Union and within the multilateral trading system remains important for the overall development of ACP trade and its integration into the international trading system.

INTRODUCTION AND SUMMARY

1. This report reviews the participation of the African, Caribbean and Pacific (ACP) Group of States in international trade together, with major trends and patterns. It highlights some of the key structural features underlining ACP trade and, on the basis of these analyses, provides some recommendations on strengthening ACP participation in international trade.

2. International trade has been a driving force for economic growth and development for all nations. Since the 1950s, the role of international trade in national development has been at the forefront of the development policy debate particularly between inward-oriented and outward-looking approaches. The experiences of some East and Southeast Asian countries since 1970s in respect of rapid economic growth, driven by exports and foreign direct investment (FDI), have been considered strong evidence for the link between trade and sustained economic development of developing countries. It is now widely recognized that trade can and should be facilitated to become an engine for achieving national development objectives.¹

3. International trade has expanded rapidly over the past 50 years. However, the distribution of trade growth among States has been uneven across regions and countries. Fast growth and rapid expansion of trade have largely been limited to a few countries, in particular the developed countries and subsequently some fast-growing developing countries. Particularly since 1980, the increased share of developing countries as a group in world trade has been a force behind the growth of global trade. However, export expansion has been concentrated in a handful of developing countries in East and South-East Asia, which have also experienced rapid economic growth during the same period. The aggregate value of ACP trade increased rapidly from 1950 to 1980, keeping pace, to some extent, with global trade growth as a whole. Trade expansion ceased after 1980, producing a growing gap with the world average growth rate and thereby resulting in the ACP's share being progressively reduced by 2000 to one-fifth of the 1950 level.

4. In the meantime, there has been noticeable evolution in the patterns of trade of ACP States. African States are slowly moving towards the diversification of their export structure by upgrading to higher-value-added products in manufacturing and food processing. Nonetheless, the region continues to rely heavily on exports of primary commodities (including minerals) and agricultural raw materials, although to a lesser degree as compared with previous decades. The Caribbean and Pacific States have increased specialization in services trade. Exports of commercial services,² in particular services activities associated with travel and tourism, have emerged as the major source of increased export earnings. The international provision of financial and insurance services, as well as of other business services, is an emerging but still nascent service industry in the Caribbean and the Pacific. These developments in the patterns of trade of ACP States underline the fact that it is important for policy makers to promote competitiveness and production capacities in traditional products, support horizontal and

¹ See, for further analysis, UNCTAD, *Trade and Development Report, 2002* (United Nations, New York/Geneva, 2002, Sales No. E.02.II.D2).

² This includes financial services, insurance services, communications, travel, transport, construction services and computer and information services.

vertical diversification of export commodities with higher domestic value-added and technology content, and encourage the development of services products.

5. The emerging diversification of export structures is also notable in the network of the trading partners of ACP States. Their traditional export markets in developed countries, most notably the European Union (EU) and North America, have increasingly been contested by other destinations, especially those in developing countries. As a group, developing countries have become a major export market for ACP States. Moreover, such markets are concentrated within the same region. The dynamic performers in East and South East Asia are also important export markets. Thus an important share of ACP exports is being directed to developing countries, with intra-regional trade within the broader ambit of South-South trade therefore becoming increasingly important.³ This phenomenon is attributable in large part to progress in the formation and consolidation of regional and subregional trade groupings within ACP regions. Conversely, interregional trade between different ACP regions is the weakest link in the trade network of ACP States.

I. GLOBAL TRENDS

6. The value of world merchandise trade increased by a factor of 100 between 1950 and the end of the twentieth century. Total world merchandise trade today stands at about US\$ 6.3 trillion for exports and US\$6.5 trillion for imports.⁴ World trade has expanded over the past half century on average at an annual rate of 10.7 per cent for exports and 10.6 per cent for imports. During the fast three decades between 1950 and 1980, the pace of export growth was slightly faster for developed countries (11.8 per cent) than for developing countries (10.8 per cent). Since 1980, world trade growth has slowed down but remains robust at an average rate of 7.0 per cent for both exports and imports annually. During this period, developing countries outpaced developed countries in their speed of trade expansion, with their exports (imports) growing at an average annual rate of 7.8 (8.2) per cent as compared to 7.3 (7.0) per cent for developed countries. Merchandise export growth was faster than gross domestic product (GDP) growth for both developed and developing countries. The average annual GDP growth rates were 2.7 per cent for developed countries and 4.5 per cent for developing countries.

7. In 2000, developed countries as a group accounted for about two-thirds of world merchandise exports (63.9 per cent) and imports (67.3 per cent). Developing countries accounted for one-third or less (32.1 per cent and 29.1 per cent respectively for exports and imports). For developing countries, these shares represented the highest recorded levels achieved since 1950. The trade performance during the intervening 50-year period was not consistent, however. On the export side, the export share of developing countries progressively declined until the early 1970s record low of 18.4 per cent in 1972 (72.3 per cent for developed countries). Then, along with the export boost started by the increase in oil prices, the developing countries' share increased and reached high levels. These high levels were maintained until the start of the debt crisis in the early 1980s, and subsequently declined as

³ For analysis of South-South trade performance, see, for example, UNCTAD, "Issues in South-South Trade Cooperation" (UNCTAD/DITC/TNCD/7, August 2001).

⁴ Unless otherwise stated, the trade data are drawn from those reported in UNCTAD, *Handbook of Statistics 2001* (United Nations, New York/Geneva, 2001, Sale No. E/F.01.II.D.24).

trade performance deteriorated. Then, starting in 1986, there was a steady recovery in trade performance, and shares attained peak levels in 2000.

8. The increased share of developing countries as a group in world trade can be equated to an expansion in the trade performance of not all developing countries, but rather of some regions and countries. A group of countries in East, South and South-East Asia accounts for the dominant share of 62.5 per cent of total developing countries' global exports, followed by West Asia, comprising the Gulf and Middle East States (12.9 per cent), Central America and the Caribbean States, including Mexico (8.0 per cent), South America (9.0 per cent), sub-Saharan Africa, excluding South Africa (3 per cent), North Africa (2.6 per cent), Central Asia and developing Europe (0.9 per cent) and the Pacific (0.2 per cent). ACP States represent overall about 5.1 per cent of developing countries' total exports.

II. PARTICIPATION OF ACP STATES IN INTERNATIONAL TRADE

1. ACP trade profile

9. The aggregate value of exports and imports of goods and commercial services of ACP States as a group stood at US\$ 107 billion and US\$ 126 billion respectively in 1999, which represents about 1.5 and 1.8 per cent of world exports and imports of goods and commercial services.⁵ Merchandise exports (US\$ 89 billion) and imports (US\$ 107 billion) account for just over four-fifths of the total exports and imports of goods and commercial services, a ratio similar to the world average. The remaining just under one-fifth, or 17 per cent, is accounted for by the share of commercial services exports and imports,⁶ which amounted to about US\$ 19 billion for both exports and imports in 1999. The value of merchandise exports and imports for 2000 were respectively US\$105 billion and US\$115 billion, while the full corresponding data are not available for services. The aggregate trade balance is negative for ACP States, a trend that has continued since 1980. The value of imports has continuously exceeded that of exports, which has resulted in a persistent negative trade balance over the period. In 1998, deficit exceeded US\$ 20 billion. Individually, only a handful of ACP States are estimated to have recorded trade surpluses in 1999, most notably the major petroleum-exporting countries (Nigeria, Angola, Gabon, Trinidad and Tobago, Congo).

10. A high degree of diversity in the size and pattern of trade flows is prominent among ACP States. The degree of participation by ACP States in international trade differs significantly across and within different regions. The regional distribution of trade among ACP States shows such diversity. The largest share of ACP exports and imports is accounted for by African States, which together provide about 80 per cent of total ACP trade. The absolute number of countries aside, the dominant share of Africa is in large part explained by the presence of the two large economies of the ACP Group, namely South Africa and Nigeria. Both countries together account for more than 40 per cent of total ACP trade, with their share being 27 and 15 per cent respectively. Among the other biggest individual traders in the group are the Dominican

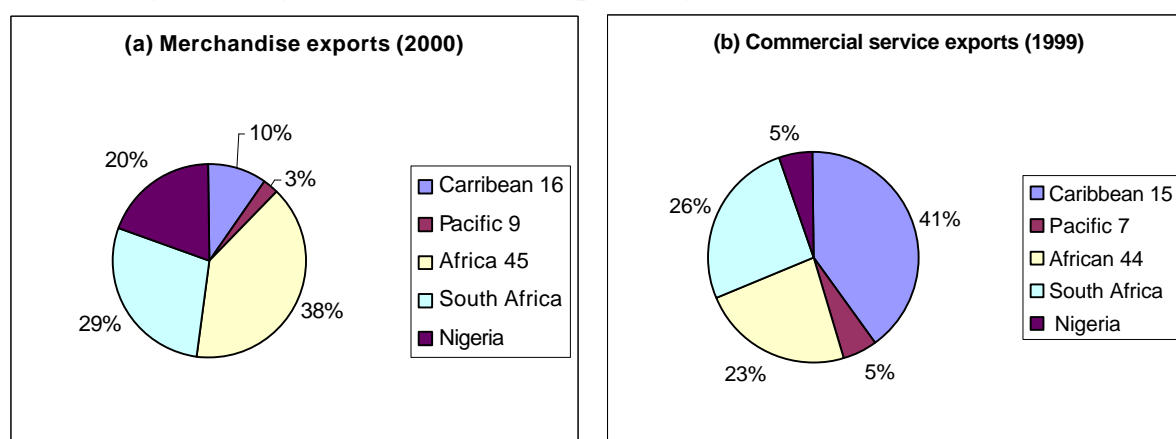
⁵ Among the 78 ACP economies, trade data are not reported for Eritrea, the Marshall Islands, the Federated States of Micronesia, Niue, Palau and Tuvalu. In addition, data are not available on trade in commercial services for Cook Islands, Cuba, Democratic Republic of the Congo and Nauru.

⁶ For the definition of trade in services, see UNCTAD, *Handbook of Statistics 2001*, *op. cit.*

Republic (4.5 per cent), Angola (4.0 per cent) and Côte d'Ivoire (3.2 per cent). At the other extreme are the five small island States of the Pacific and Africa, which together account for a fraction of 0.1 per cent of total ACP exports and imports of goods and commercial services.

11. On the export side, Africa other than South Africa and Nigeria represents about 38 per cent of ACP merchandise exports, significantly larger than its share in services exports of 23 per cent of total, which indicates its relative specialization in merchandise exports. (See figure 1 below) The opposite is true for the Caribbean and the Pacific, for which the share is larger in services exports than in merchandise exports. The share of the Caribbean is four-times as large in services exports as in goods, representing more than 40 per cent of the ACP total, thus indicating its clear specialization in commercial services. The Pacific region, owing to the small size and number of countries, accounts for a marginal share of 3 per cent in ACP merchandise exports; however, its share is significantly greater in services exports – 5 per cent of the ACP total.

Figure 1: Regional distribution of exports of goods (2000) and services (1999)

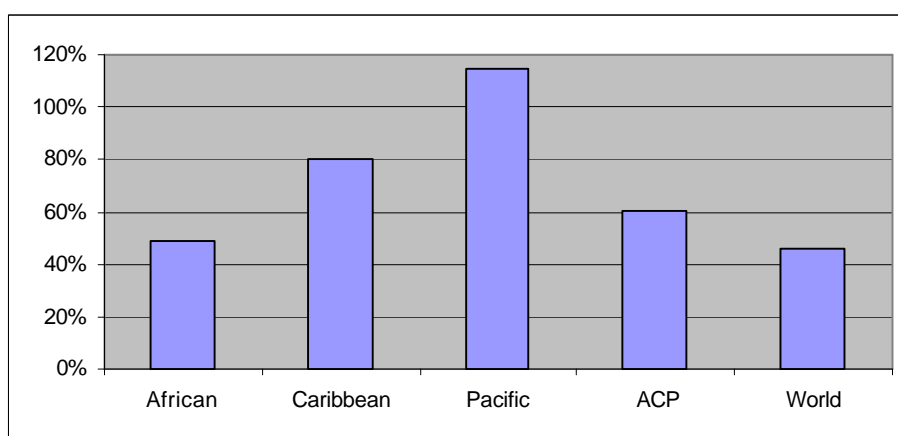


12. In terms of trade per capita, nationals of ACP States engaged in international transactions of goods and services worth about US\$2,000 on average in 1999. The figure appears to well keep pace with world average trade per capita figure of \$2,616, and is twice as large as the average figure for developing countries of \$974. The high-income countries in the Caribbean and Africa are among the most intensive traders in the group, and contribute to a great degree to the relatively high average figures for the ACP group as a whole. These include the Bahamas (US\$ 16,900), Antigua and Barbuda (US\$14,400), the Seychelles (US\$ 12,400), Barbados (US\$ 10,600), and Trinidad and Tobago (US\$ 6,200). Together they account for more than 40 per cent of ACP per capita trade. For the first three countries, the per capita trade figure is even greater than that of the developed country average (\$ 11,710). At the other extreme are some of the States that have been adversely affected by internal instability and civil strife in recent years.

13. Despite ACP States' small share in world trade overall, it is important for them because their economies are highly dependent on international trade. (See figure 2 below) Measured by trade openness (the percentage share of trade in GDP), all three ACP regions recorded a degree of openness higher than the world average of 46 per cent in 1999. The Caribbean and the Pacific are extremely open to international trade, which accounted for 80 per cent of GDP in the case of the Caribbean, and 114 per cent in the case of the Pacific. Such a high degree of

openness substantially increases the reliance on international transactions, and also the vulnerability to harmful external shocks. Africa (including South Africa and Nigeria) is less open to trade as compared with the other two ACP regions, but its openness at 49 per cent is nevertheless above the world average. The small (island) economies of the ACP group exhibit the most open economic structures including Guyana (235 per cent), Nauru (210 per cent), Seychelles (176 per cent), Swaziland (164 per cent) and Congo (159 per cent). Between 1992 and 1999, trade openness increased modestly for all three ACP regions. Africa and the Caribbean reached their peak levels around the mid-1990s before declining towards the end of the decade. The Pacific continued to increase its openness well into the second half of the 1990s.

Figure 2: Total trade as a percentage share of GDP



2. Trends in ACP trade

14. In the past two decades, ACP trade in goods and services (exports and imports) has been virtually stagnant on average, growing at a modest rate of 0.7 per cent annually. Imports (goods and services) grew faster than exports, and merchandise trade (exports and imports) grew faster than trade in commercial services. Total imports have been increasing at an average annual rate of 1.1 per cent, as compared with 0.4 per cent for exports. Merchandise trade grew at an annual rate of 6.1 per cent, nearly five times faster than services trade, which grew at a modest rate of 1.3 per cent.

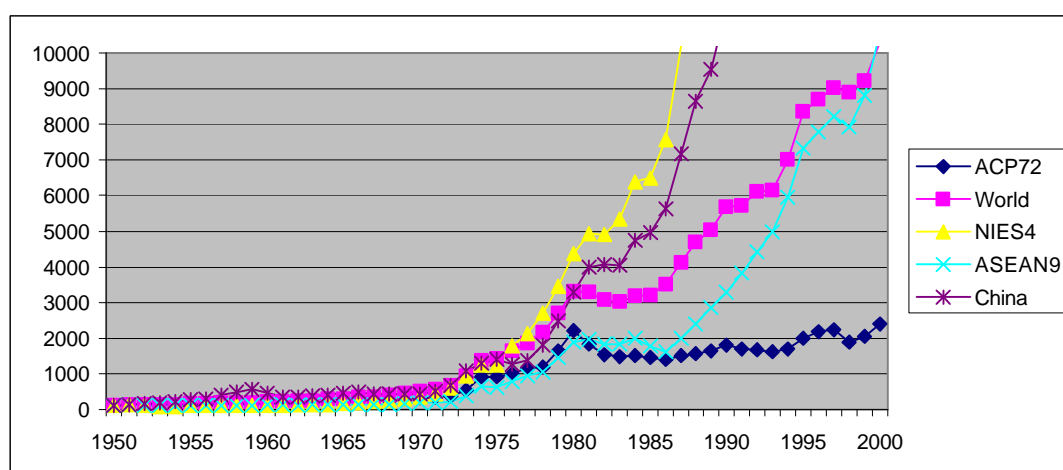
15. The generally modest pace of export and import expansion has been a determinant in ACP States' declining share in world exports and imports. The value of world trade grew at an average annual rate of 6.1 and 6.0 per cent for exports and imports respectively during the period 1980-1999. Accordingly, the share of ACP exports and imports in world trade declined by two-thirds during the same period from 4.5 per cent in 1980 to 1.5 per cent in 1999 for exports and from 4.5 per cent to 1.8 per cent for imports.

16. As regards merchandise exports, the declining share in world exports was the prominent feature of ACP participation in international trade in the latter half of the twentieth century. (See figure 3) While by the 1980s the aggregate value of merchandise exports of ACP States had increased by a factor of 20 from 1950, world exports increased by a factor of 30. Accordingly, the ACP share in world merchandise exports has continuously declined, falling from 7.1 to 4.7 per cent in 1980 before rapidly declining further to 1.7 per cent in 2000. Furthermore, ACP export expansion not only lagged behind world but also some other

developing country groupings including newly industrialized economies (NIEs), China and ASEAN (excluding Singapore).

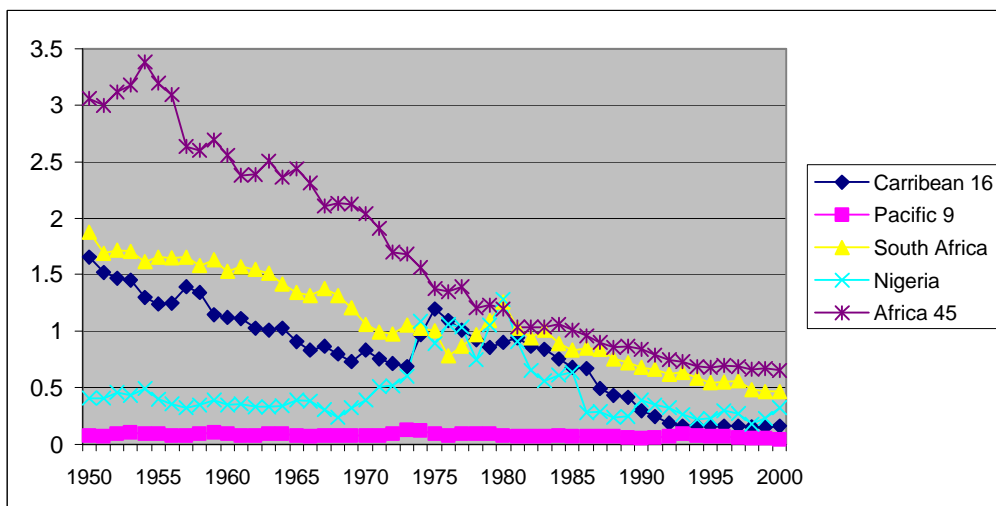
17. Since 1980, export growth has stagnated when ACP export value reached a peak level owing in large part to the surge in the export price and volume of petroleum products. Major petroleum exporters among the ACP group are Trinidad and Tobago, Angola, Congo, Gabon and Nigeria. Since they together account for more than one-third of ACP total exports, the movement of petroleum exports has largely determined short-term fluctuations in ACP exports, in particular since the late 1970s when price volatility increased in the oil market. The aggregate value of ACP exports has declined in absolute terms since 1980, and it was not until the mid-1990s that it regained its 1980 level. During the same period, world merchandise exports increased rapidly to reach 100 times the level of 1950 in 2000, whereas ACP exports stagnated at around the 1980 level 20 times the level of 1950, thereby accelerating decline in the share of ACP group in world trade.

**Figure 3: Evolution of merchandise exports: 1950-2000
(1950 = 100)**



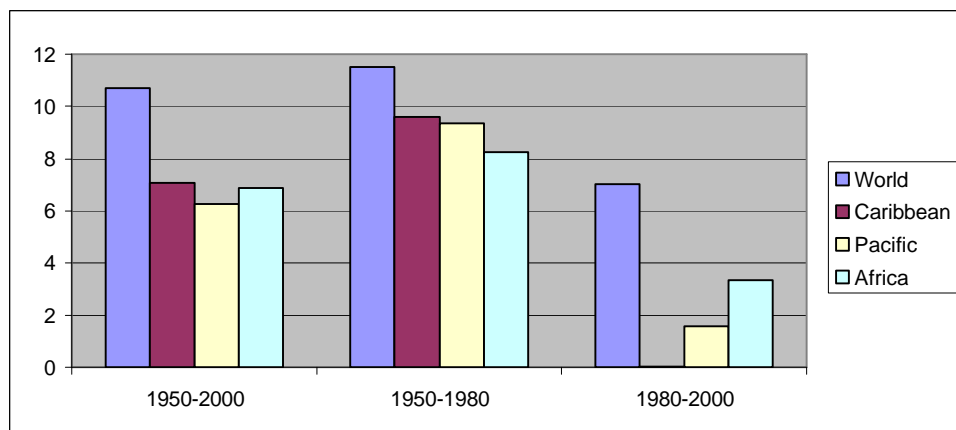
18. In regional terms, the Caribbean was most seriously affected by the long-term declining trend of ACP share of merchandise exports in world (see figure 4). Its share declined rapidly and drastically to 0.2 per cent in 2000, which was only one-tenth of the 1950 level of 1.7 per cent. The rapid decline has been accompanied by reduced export volumes in absolute terms since 1980, with the region's export value in 2000 being about US\$ 10 billion, which was one-half of the 1980 level. (See also figure 6 below) African countries other than South Africa and Nigeria have witnessed a progressive and consistent decrease in their share in world merchandise exports since 1950. The share had decreased to almost one-fifth during that period, from 3.1 to 0.7 per cent. South Africa also experienced a rapid decline in its world share by about one-fourth, from 1.9 to 0.5 per cent. Nigeria is rather exceptional in the ACP-wide long-term downward trend as its share remained somewhat static until 1990 at around 0.3 to 0.4 per cent, with the exception of 1980 when its share tripled to exceed 1.2 per cent owing to the increase in demand for its petroleum exports. However, the past decade saw its share declining by one-fourth of the 1950 value. The Pacific region's share was largely unaffected until 1980 at around 0.08 per cent, keeping pace with world export growth. Since 1980, however, it appears that share experienced a significant decline to one-half of the 1950 level.

Figure 4: Evolution of share of ACP exports in world total by region: 1950-2000 (percentage)



19. During the first 30 years after 1950, ACP merchandise exports kept pace to some extent with other developing regions and the world as a whole. (See figure 5) The simple average of the average annual change for ACP States was about 9.6 per cent for the Caribbean, 9.4 per cent for the Pacific and 8.3 per cent for Africa, as compared with 11.5 per cent world total average and 11.6 per cent developing country average. During that period, the fastest growth among ACP States was achieved by the Bahamas (32.4 per cent), Mauritania (23.9 per cent), Rwanda (17.5 per cent), Gabon (17.4 per cent) and Botswana (16.1 per cent).

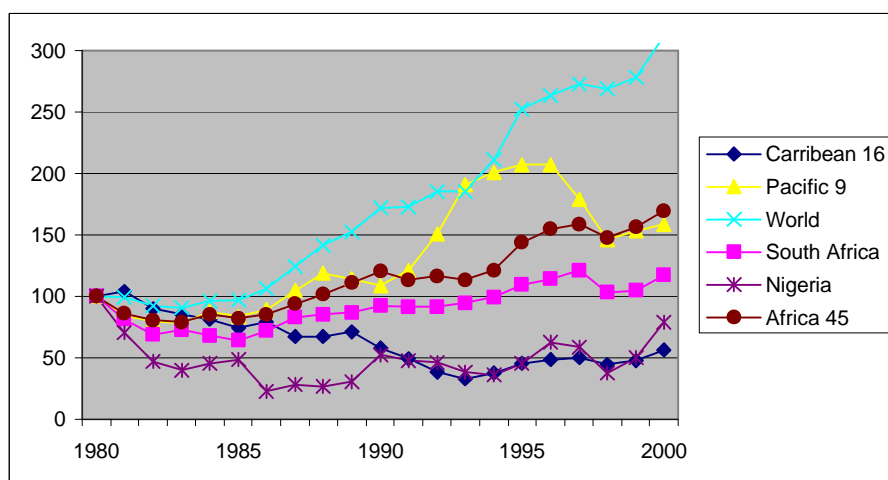
Figure 5: Average annual change: merchandise exports(percentage)



20. At the turn of 1980, both world and ACP exports slowed down, but the degree of downturn was far greater for ACP regions. During the period 1980-2000, the Caribbean's exports expansion was quasi-stagnant at a rate of 0.05 per cent and the Pacific had an export growth rate of only 1.6 per cent. Africa recorded the highest export growth among the group – 3.4 per cent – which, however, was less than half the world average of 7.0 per cent. Only 11 ACP States kept pace with world export growth including Equatorial Guinea (21.9 per cent), Benin (14.1 per cent), Seychelles (12.3 per cent), Lesotho (11.2 per cent) and Mauritius (9.4 per cent). The disparity among ACP States and the world in the pace of export expansion was such that during the 1980s, the ACP States' share in world exports was progressively surpassed by a

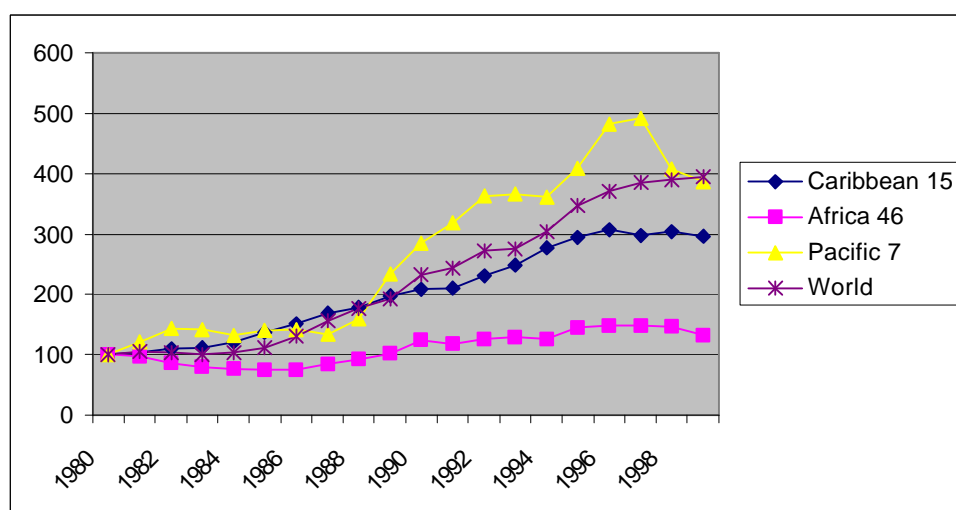
number of faster expanding developing countries, firstly by the four NIEs, followed by China and 9 ASEAN countries.

Figure 6: Evolution of ACP exports by region since 1980 (1980 = 100)



21. Most ACP regions slowly recovered from the decline by the early 1990s. (See figure 6) The exception was the Caribbean, which steadily experienced a decline in its absolute value of exports to as low as 50 per cent of the 1980 level, and Nigeria, which suffered from the decline in oil export prices and value. The Pacific was the fastest-growing region of the ACP group between 1980 and the mid-1990s. Africa was recovering steadily and by 1997 exceeded its export value by 50 per cent. South Africa has experienced static growth at its 1980 rate. However, all regions lagged largely behind the world export growth pace, resulting in the ACP regions' rapidly decreasing share in the world exports during that period.

Figure 7: Evolution of service exports by region since 1980 (1980 = 100)

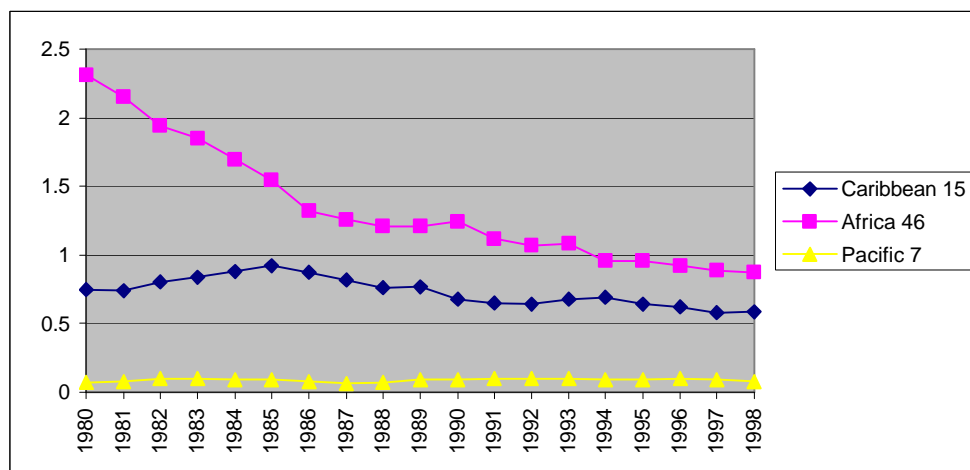


22. As regards trade in services, data are available only for the past 20 years. The services exports of ACP States have been growing relatively steadily since 1980, as compared with merchandise exports. (See figure 7) The pace of growth has been positive for all regions, but most pronounced for the Pacific countries, which increased its export value by five times by

1997, outpacing world export growth. The Caribbean also experienced significantly rapid growth of service exports such as to triple the value of its services exports by 1996. However, the pace was slower than world service export growth pace. Africa (including South Africa and Nigeria) was the least dynamic of the ACP Group with respect to service exports, as the value of its services export remained virtually stagnant, increasing only by about 50 per cent from the 1980 level, thus far lagging behind world growth pace. The dynamic services exporters in the ACP group include Uganda, Mauritius, Dominica, Comoros, and Saint Kitts and Nevis.

23. The slower pace of ACP service export expansion has resulted in its declining share in world exports of services. The aggregate share of ACP services exports in world declined by 50 per cent from just over 3 per cent in 1980 to less than 1.5 per cent in 2000. In terms of regional distribution, the incidence of shrinking ACP services exports is attributable in large part to Africa, whose global share declined rapidly by two-thirds from 2.3 per cent to 0.8 per cent. (See figure 8) As regards the Caribbean, its share also declined, although modestly, from 0.75 in 1980 to 0.6 per cent in 1999. Pacific region's share remained more or less static at about 0.07 per cent, reflecting its steady pace of service export expansion comparable to that of the world's.

Figure 8: Share of ACP countries in world service exports 1980-1999 (percentage)



3. Export structure by commodity and sector

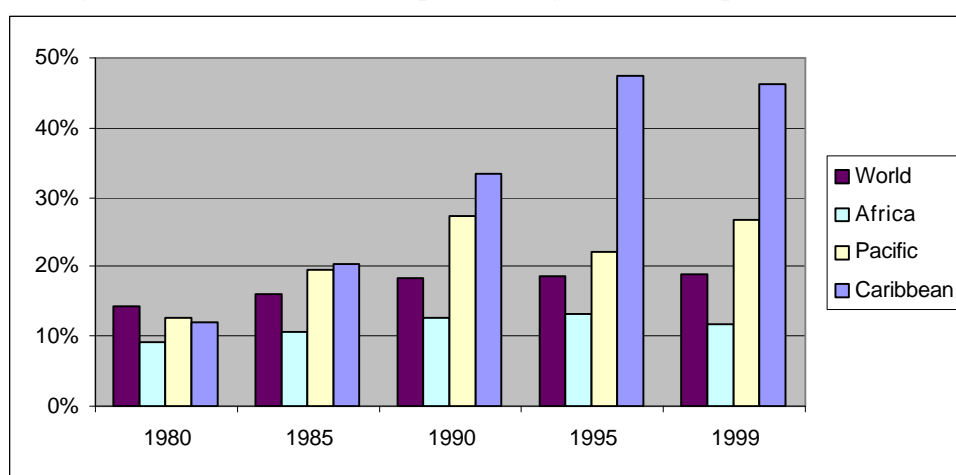
24. ACP economies are characterized, in respect of production and exports, by a heavy dependence on a small number of commodities. The average number of export commodities (SITC 3-digit level, total 239) is 13 for Caribbean States (1997), 22 for Africa including South Africa and Nigeria (1997) and 4 for the Pacific (1993). Those numbers confirm a lower level of diversification in exports in ACP economies. While due account needs to be taken of the reporting problem associated with data on the structure of trade by commodity group, some broad changes are noticeable in trade structure of ACP States during the past two decades across the regions, which appear to show a sign of diversification in the composition of their export structures. (See annex 1)

25. Export in Africa (excluding South Africa and Nigeria) relied until recently on primary commodities, including fuels, minerals and raw agricultural commodities. In 1980 the share of primary commodities exceeded four-fifths of the region's total exports. By 1999, the share of

primary commodities had been in large part replaced by processed food items and manufactured products. South Africa had already a large share of manufactured goods – at 45 per cent of its exports. Its share expanded, with fluctuations, by 10 per cent in its exports, replacing mainly processed food items. Nigeria’s exports are dominated by fuels, and the structure remained unchanged during 1990s. The Caribbean’s merchandise exports have steadily declined in absolute terms during the past two decades. Fuels were the leading export commodity in 1980. Its share has been steadily replaced by the increasing importance of manufactures and food items. Available data on the Pacific indicate that ores and metals are the most important export products, while the share of food items is small but increasing. Also noticeable is the small share of raw agricultural and manufacturing products.

26. Regional differences are particularly notable with regard to services trade. The share of services exports in a country’s exports of goods and services differs significantly across regions and over time, indicating significant regional variations in the pattern and degree of specialization. (See figure 9) Services exports contribute 11.7 per cent of Africa’s total trade, which is significantly lower than the world average of 19.0 per cent and the ACP average of 17.4 per cent. By contrast, for the Caribbean, the importance of service exports almost matches that of goods (46.3 per cent). Services exports are important for the Pacific as well, with its share exceeding 26.8 per cent of the region’s total trade.

Figure 9: Share of services exports in regions’ total exports: 1980-1999



Note: Africa includes South Africa and Nigeria.

27. Services trade has been increasingly important for ACP States with the exception of Africa. The share of services in total exports has been increasing for two regions of the ACP as well as of the world as a whole. The world average share of service exports has nearly doubled over the past two decades, approaching 20 per cent of total exports. The evolution of the Caribbean and the Pacific has been remarkable, as the increase in the share of services exports in total exports has been dramatic. The Caribbean recorded a fivefold increase in its share of service exports from the 1980 level, which reached about 50 per cent of the region’s total trade during the 1990s. With the declining merchandise exports in both relative and absolute terms, the Caribbean countries have become increasingly and highly specialized in services exports. The Pacific region also tripled its share of services since the early 1980s, despite the yearly fluctuations. The pattern of specialization of Africa’s exports contrasts sharply with that of

other two regions. The share of services exports remained stagnant at around about 10 per cent over the same period.

28. The rapid growth in the Caribbean region's services exports is attributable above all to services activities associated with travel. (See annex 2) Increased tourism services seem to have outpaced all other categories, except financial and insurance services. Thus about 80 per cent of services exports was accounted for by travel earnings. The Pacific region, on the other hand, is increasing exports of "other business," the share of which has tripled since 1980. The volume of transport services remained static whereas the share of travel services has been declining for the Pacific. As in the Caribbean, the emerging financial and insurance services were also noticeable in 1999. Africa has significantly increased the share of travel services that replaced transport as the most important sector in service exports. Indeed, exports of transport services experienced absolute decline during that period for Africa. Nigeria could only be observed as having a highly volatile service export structure.⁷

4. Export structure by destination

29. Major developed country markets have been and remain the single most important trading partners for all ACP regions during the past two decades. In particular, since the early 1960s the EU has provided the ACP States with preferred market access conditions in the form of non-reciprocal preferential market access and commodity protocols under the framework of successive Yaoundé and Lomé conventions, and recently the ACP-EU Partnership Agreement. The importance of the EU as an export market differs across the ACP regions, and the degree of that importance has not been static over time. A noticeable trend common to all ACP regions, although to a lesser extent regarding the Pacific, is an increased diversification of export markets across regions and an increased share occupied by developing countries' markets as export destinations. Such South-South trade has been increasingly taking place within each ACP region, the increasingly greater part of which is further accounted for by the intra-trade of subregional groupings. (See annex 3)

30. The importance of the EU as an export market was very pronounced for Africa (excluding South Africa). Nearly 60 per cent of Africa's total exports flowed to the EU market in the early 1980s. The degree of importance of the EU market has progressively declined, however, approaching 30 per cent in 2000 (32.7 per cent). Its declining importance has corresponded to an increased share for North America (29.4 per cent) and developing countries (27.0 per cent) as export markets. The distribution of exports among the three destinations in 2000 was such that each accounted for about one-third of African exports in 2000. Among the developing country markets are the two major regions, namely "Africa" (including North Africa) and "other developing countries" (of Asia most notably), which with their share of 10.4 and 13.4 per cent respectively account for about 40 and 50 per cent of African exports to developing countries as a group. Since 1990, the importance of both categories of export markets has increased, but the pace is faster for "other developing countries", which have tripled their share from less than 4 per cent in the early 1990s. The intra-trade of subregional groupings in Africa including COMESA, ECCAS, ECOWAS, SADC, UDEAC and UEMOA, accounts for a

⁷ This is due, however, to data problems, which show that in 1980 a total of 80 per cent of services exports was accounted for by transport, but in 1999 "other business" accounted for 80% of services exports.

significant proportion of their total trade within Africa, ranging between 48 and 90 per cent of each grouping in 2001.

31. With regard to the Caribbean countries, the neighbouring North American markets have absorbed the largest part of their exports over the past 20 years despite its declining share in total exports. North America had absorbed more than 60 per cent of Caribbean exports, but the share rapidly declined towards the end 1980s to 40 per cent in 2000. As regards *the region's* export destination, the decline in North America's share was matched by the increased share of the EU and developing countries, both of which have doubled their share since the 1980s, this share approaching to 30 per cent in the case of the former and more than 20 per cent in the case of the latter in 2000. In respect of the Caribbean countries, about 85 per cent of their total exports to developing countries as a group was absorbed by "Latin American and Caribbean" countries, and within this ratio, about 65 per cent is accounted for by intra-trade within the Caribbean Community.

32. Regarding the Pacific region, while due account needs to be taken of the wide yearly fluctuations due to the small size of the economies and possible data deficiencies, "other developed countries", including most notably those in Oceania (such as Australia and New Zealand) and East Asia (Japan), have been the predominant export markets for most of the period between 1980 and 2000. Their market share stood at about 40 per cent in 2000. The importance of the EU as an export market has been declining overall, although the EU had absorbed the greatest share of around 40 per cent of total Pacific exports in the mid-1980s. Its share in 2000 was just over 10 per cent. An increasingly greater proportion of the Pacific region's exports are directed to developing countries as a group; their share today – at 20 per cent – exceeds the EU's share. The quasi-totality of those exports is accounted for by "other developing countries", including the Pacific States themselves, as well as those in South and South-East Asia. The market shares of the United States and Canada have been rather static at below 10 per cent.

33. International trade with developing countries in general and with regional partners in particular has thus become increasingly important for all regions of the ACP Group, while the extent to which this is the case differs across regions. Intraregional trade is particularly important for the Caribbean region, where 85 per cent of total exports to developing countries is composed of intraregional trade. Intra-African trade accounts also for a significant share (40 per cent) of Africa's total trade with developing countries. In the case of the Pacific region, it can only be assumed that their exports to "other developing countries" are more towards East and South-East Asia, which together account for the quasi-totality of the Pacific's total exports to developing countries. The only apparent weak link in the ACP network of international trade relations is interregional trade between countries of the different ACP regions. In 2000, only 2 per cent of Caribbean exports flowed to Africa, including North Africa; about 3 per cent of African exports went to South America, including Central and South America; and in the case of the Pacific, the corresponding share was 0.1 per cent for Africa and 0.2 per cent for Latin America and the Caribbean. Thus, interregional trade among the ACP States represents the weakest link in the trade network of ACP States.

III. PROPOSALS AND RECOMMENDATIONS

34. Paragraphs 64 and 69 of the Declaration adopted by the Third Meeting of ACP Ministers of Trade (12 December 2000, Brussels, Belgium (ACP/61/093/00Rev.5)) called for measures focusing on building the “importance and value of intra-ACP cooperation” as well as the “possible formation of an ACP free trade area” in order to address the “protracted marginalization of ACP countries in world trade” and the “weak export base” of ACP States as recognized in the Declaration. Reversing the current trend towards the marginalization of ACP States through enhanced production capacity and export expansion would necessitate policy changes and new development strategies and plans at the national, regional and multilateral levels. Those measures should address issues related to supply-side constraints and demand-side market access obstacles. In this regard, some suggestions are provided below for the consideration *by* the ACP States.

1. Measures to be taken at the national level

35. The essential part of efforts aimed at export expansion and development falls within the competence of national Governments. National policy has a particularly important role to play in addressing supply-side constraints through enhancing human, institutional and policy-making capacities in the following areas:⁸

- Multilateral and regional trade negotiations, and implementation of trade and trade-related issues (including trade, debt and finance, and trade and transfer of technology), through enhanced national coordination mechanisms and mainstreaming of trade-related policies into the overall national development strategies;
- Production and export capacity building through diversification and upgrading of production of commodities which remain important for most ACP States. At the same time, there is a need to develop competitive commodity exports and services, including through policies and regulations for upgrading export structures into market- and supply-dynamic products with higher technology and capital contents with a view to deriving higher domestic value added and export earnings;
- Providing a supportive environment for developing competitive enterprises so that they can compete effectively domestically, regionally and internationally in increasingly open and competitive markets. This includes the development and implementation of supportive national export strategies with sectoral plans;
- Developing an institutional and attendant administrative regulatory framework for well-functioning markets, including the protection of intellectual property rights; modern technical and sanitary and phytosanitary standards (including for fisheries and organic products); competition law and policy, with a view to improving the ability of enterprises to compete effectively and efficiently in domestic and international markets on a fair and equitable basis; and trade remedy legislations (anti-dumping, safeguards);

2. Measures to be taken at the regional level

⁸ UNCTAD, *Trade and Development Report, 2002*.

36. Intraregional trade is increasingly important for ACP States, in particular in the context of regional integration groupings. Further consolidation and deepening of existing subregional trade agreements would therefore be of the greatest importance in increasing market access opportunities in demand-dynamic export markets of neighbouring partners within the region. Regional trade agreements can be instrumental in the diversification of exports and commodity-based development, which would enable ACP States to effectively derive export earnings from exports of manufactured and processed food products with higher domestic value-added, especially in the context of production based on foreign direct investment (FDI), including FDI originating in the EU.⁹ The following are among the issues for consideration by ACP States in the context of regional trade agreements such as the Caribbean Community, the Pacific Islands Trade Agreement, ECOWAS, UEMOA, CEMAC, SADC, COMESA and the Indian Ocean Commission:

- The immediate and total inclusion of products of export interest to ACP States within the scope of mutual tariff reduction and removal in regional trade agreements, including manufactured and processed food products, with a view to diversification and upgrading of the export and production basis of ACP States into dynamic products with higher domestic-value-added, technology and capital contents;
- Recognizing that many trade agreements are being formed with developed countries and that a similar effort will be undertaken in the context of ACP-EU negotiations on new trading arrangements, it will be critical to define flexibility and special and differential treatment required by ACP States within these agreements in terms of product coverage, transitional period, non-tariff measures and rules of origin. The same would apply to negotiations on trade in services;
- Inclusion of services sectors of economic importance as well as export interest to ACP States in the scope of regional trade agreements, with a view to expanding export of competitive services (tourism, transport, financial, and insurance and “other services”), as well as creating an enabling national and regional policy environment for efficient and low-cost market economic structure for private-sector-based development. Services sectors of particular importance include: infrastructure services (energy, communication and transport, construction), business services (computers) and intermediary services (financial and professional services), audiovisual, health, education, environmental, financial and computer services;
- Regulatory policy cooperation where appropriate in the areas of, *inter alia*, competition policy, intellectual property, sanitary and technical standards (including via mutual recognition agreements), and trade remedies so as to support the promotion of trade and development competitiveness in regional supply capacities. The elaboration of regional competition policy is being pursued in CEMAC, COMESA and UEMOA. Such regional cooperation would be an efficient way for ACP States to effectively counter anti-competitive business practices by private parties, particularly monopolistic foreign services suppliers in the context of increased market access and FDI.

⁹ UNCTAD, *Trade and Development Report 2002*.

- Examining the implications of multiple membership of regional trade agreements, and membership of wider regional trade agreements that include developed countries, such as the Free Trade Area of the Americas (FTAA) for the Caribbean States, and the Pacific Agreement on Closer Economic Relations for the Pacific States concerned and for the ACP Group as a whole and their future trade relations with the EU;
- Strengthening interregional cooperation between different regions of the ACP Group through increased technical cooperation with a view to enhancing trade and FDI flows between them.

37. With regard to the formation of an ACP-wide single free trade area, its feasibility and desirability would need thorough examination. The trade link among ACP States is weakest in respect of interregional trade between the different ACP regions, but this may be the direct reflection of economic and physical conditions surrounding such trade, including high transaction costs, the small size of economies and overlapping specialization in export commodities. In this light, an ACP-wide framework arrangement for economic cooperation and policy coordination might prove to be a useful and feasible option, especially in terms of the external representation of the ACP States' common trade and development interests in regional and multilateral trade negotiations. For instance, in the context of negotiations on the new trading arrangements with the EU, it has been proposed that an ACP-wide agreement be concluded with the EU so that country or regional-based approaches in the negotiations do not erode the group solidarity and bargaining position of ACP States vis-à-vis the EU.

3. Measures to be taken at the multilateral level

38. At the multilateral level ACP States have to engage actively and proactively in the context of the multilateral negotiations under the Doha Work Programme adopted by the Fourth Ministerial Conference of the World Trade Organization (WTO), and the negotiations to be launched in September 2002 between ACP States and the EU within the framework of the EU-ACP Partnership Agreement. There is a need to pursue policies conducive to the expansion of ACP trade in both sets of negotiations, in particular with a view to ensuring predictable, secure and commercially meaningful market access conditions for goods and particularly services in major developed country markets. There is also a need to negotiate meaningful structural adjustment in the developed country markets to promote fair trade. The agendas of the negotiations are also relevant in addressing supply-side capacity constraints, and the ACP States need to seek to identify these issues and raise them in the negotiations.

39. The following are among the pertinent issues for both sets of negotiations that ACP States might wish to address during the course of those negotiations in a coherent manner:

- Most-favoured-nation (MFN) reduction and bindings of tariffs on products of export interest to ACP States in industrial and agricultural market access negotiations. Assessment of negotiating scenarios for industrial and agricultural tariff cuts based on trade simulation tools is essential to those negotiations;
- Addressing the erosion of preferences in the context of MFN tariff reductions with a view to developing the competitiveness of industries receiving preferences. Such measures could include financial and fiscal compensatory measures, proactive

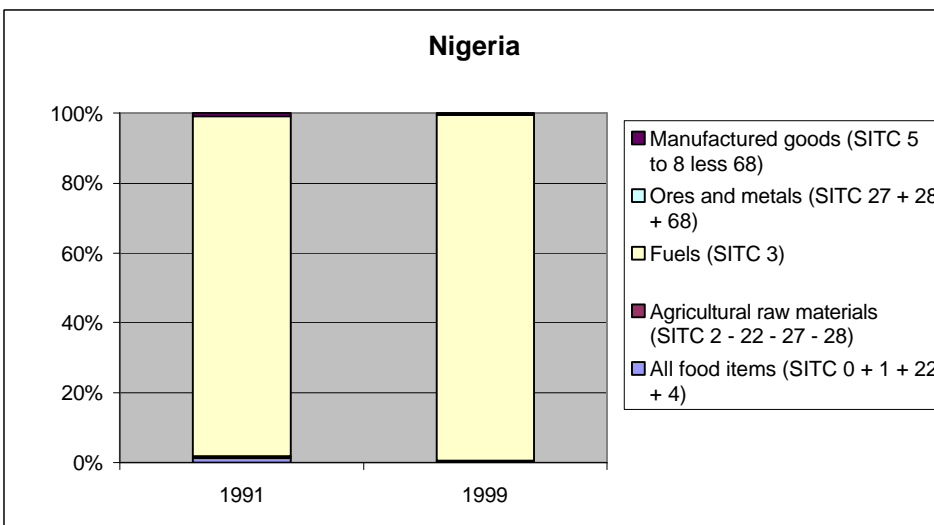
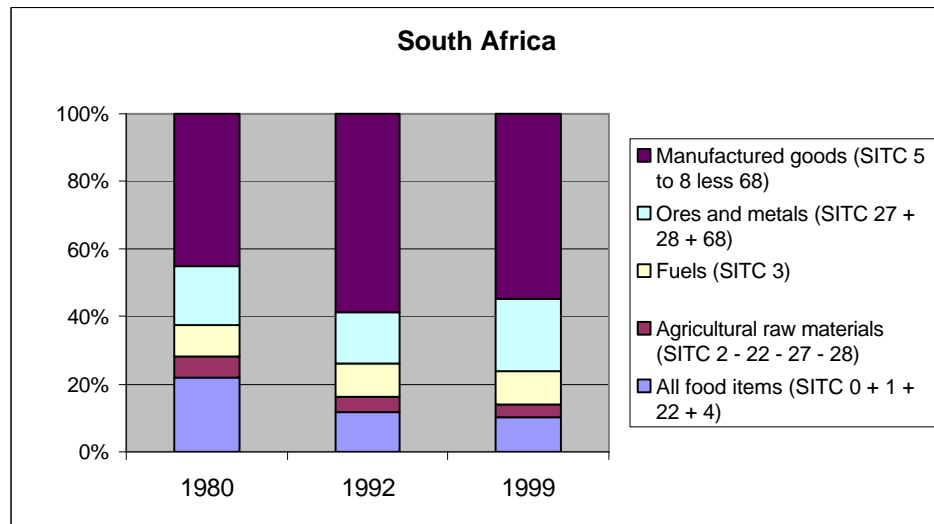
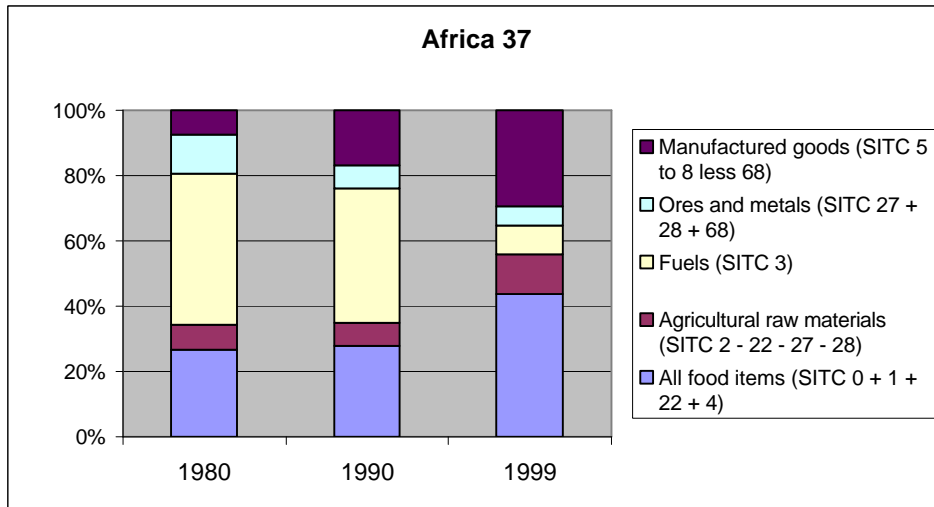
investments in ACP States, technological development support and technology transfer, the development of transport linkages and standard facilities to reduce their costs;

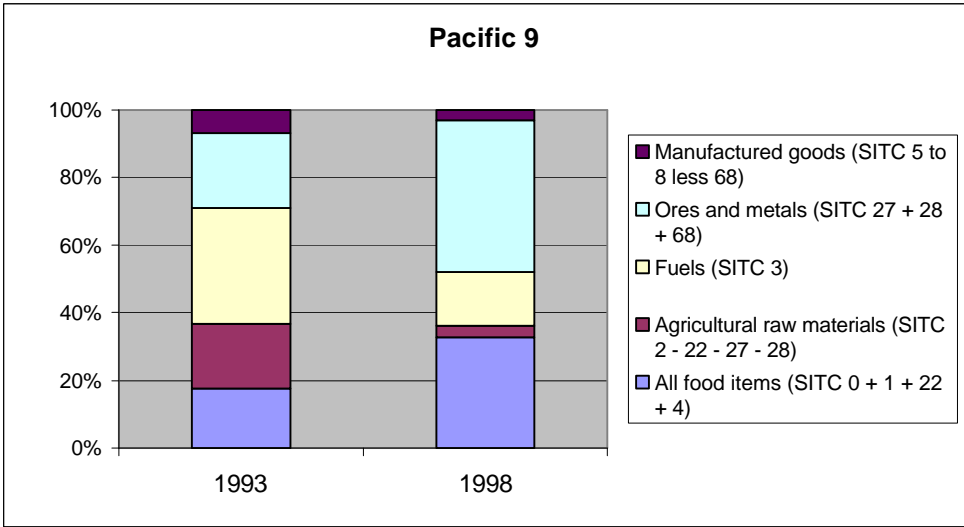
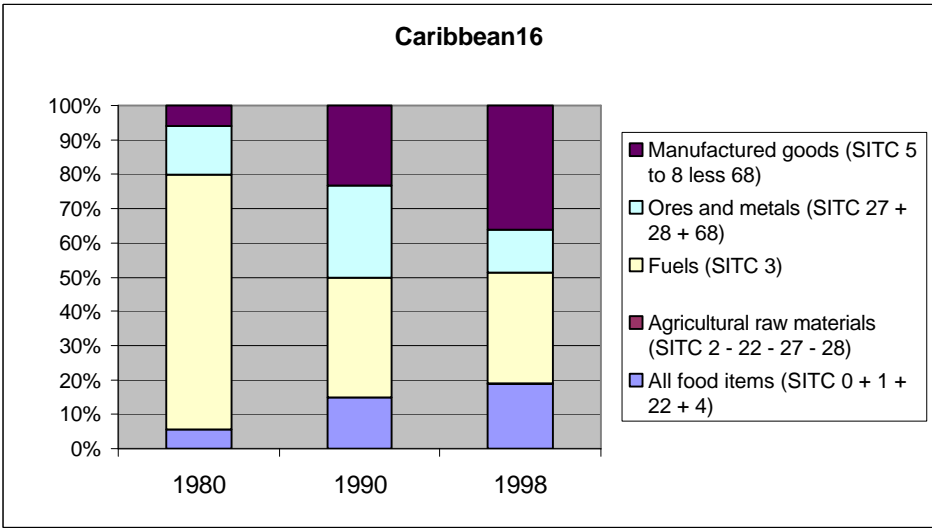
- Pursuing the effective utilization of existing trade preferences through measures addressing rules of origin and technical product standards, as well as consolidation of LDC preferences through, *inter alia*, the binding of preferences. Also informing enterprises to exploit these preferences;
- Definition of negotiating approaches to operationalizing special and differential treatment within the WTO as a core principle and specifically in all concerned areas of trade negotiations and the Work Programme under the Doha Declaration and decision on implementation issues, as well as the “Singapore issues” and the working groups on trade, debt and finance and on transfer of technology. The area of WTO rules negotiations with respect to regional trade agreements such as GATT Article XXIV is of particular and significant importance to ACP States as the results would set the boundaries within which the WTO compatibility of new ACP-EU trading arrangements would be judged;
- Technical examination and elaboration of ACP negotiating approaches to agriculture and services in respect of the Doha Work Programme, including developing coordinated approaches with the support of the ACP Group and ACP Office in Geneva:
 - *Agriculture*: substantial cuts in bound tariffs, in particular tariff peaks and tariff escalation in developed country markets; elimination of the special safeguards measures in developed countries; elimination of export subsidies; creation of the “development box”; and specific and operational special and differential treatment; and
 - *Services*: strengthening the provisions of Article XIX:2 of the General Agreement on Trade in Services (GATS) on conditions for access to developing country markets; maintaining adequate policy space under GATS rules; further liberalization of the movement of natural persons (mode 4) on a sectoral basis; and an independent assessment of the quality of data on trade in services;
- Examination of the effects of environmental measures on market access conditions for products of export interest to ACP States, and the interface between the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Convention on Biodiversity (CBD), including protection of traditional knowledge within the framework of the review of the TRIPS Agreement.
- Examination and definition of ACP approaches to the “Singapore issues” and the way in which these could be best addressed in the WTO, in the ACP-EU negotiations, and within subregional or regional negotiations:
 - *Competition policy*: identification of the cross-border anti-competitive practices, in particular those multinational enterprises, which inhibit the exports, both goods and services, of ACP States;

- *Investment*: definition of the scope and policies which developing countries, including ACP States, can apply to attract inward FDI and to provide support to domestic firms for investment;
- Examination and definition of ACP approaches to the WTO work programmes on small economies, trade, debt and finance, and trade and transfer of technology as a way of addressing supply-side constraints;
- Seeking flexibility for LDCs in the process of accession to the WTO (including Samoa and Sudan). Also seeking effective progress in areas of concern to LDCs such as duty free and quota free market access for all their products and increased trade-related technical assistance and capacity building such as being provided for LDCs under the Integrated Framework and for African countries under the Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme (JITAP).
- Developing coherent approaches at the ACP level and within each ACP region to conducting negotiations in the context of the ACP-EU negotiations and the Doha negotiations and work programme. In this regard, ACP States could consider creating or strengthening (where they exist) national trade negotiation offices with adequate resources and appropriate policy autonomy (for example, being headed by a very senior official or minister). Likewise, the development of national institutional mechanisms to promote consultations among the different stakeholders in government, the private sector, academia and civil society (including the media) has become essential for the results of the trade negotiations to become acceptable to national constituencies. This is important for mainstreaming trade into national development policies. At the ACP level, the possibility of transforming the ACP Secretariat into the negotiating body for the ACP Group of States in respect of the negotiations with the EU could be considered.
- Technical and financial support to the Geneva-based ACP delegations to assist them in the Doha negotiations and work programme. The support could be provided to undertake and augment the technical and policy analysis available to policy makers and trade negotiators to identify common ACP multilateral trade interests and respond to the negotiations in WTO, while maintaining synergy ACP-EU trade negotiations on economic partnership agreements.

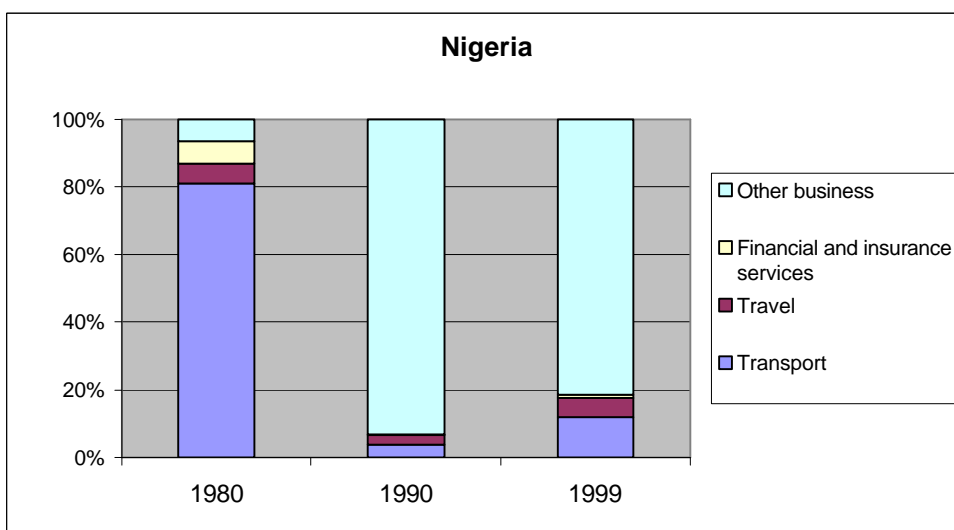
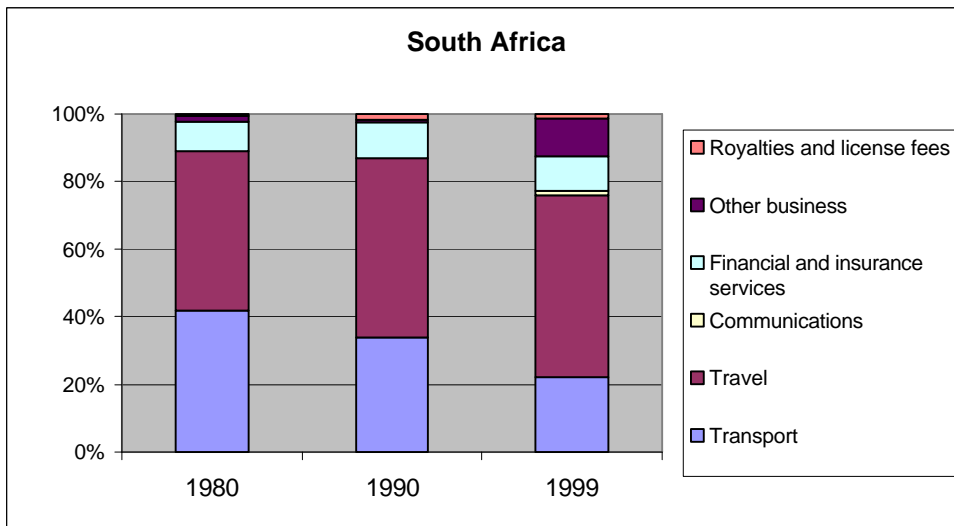
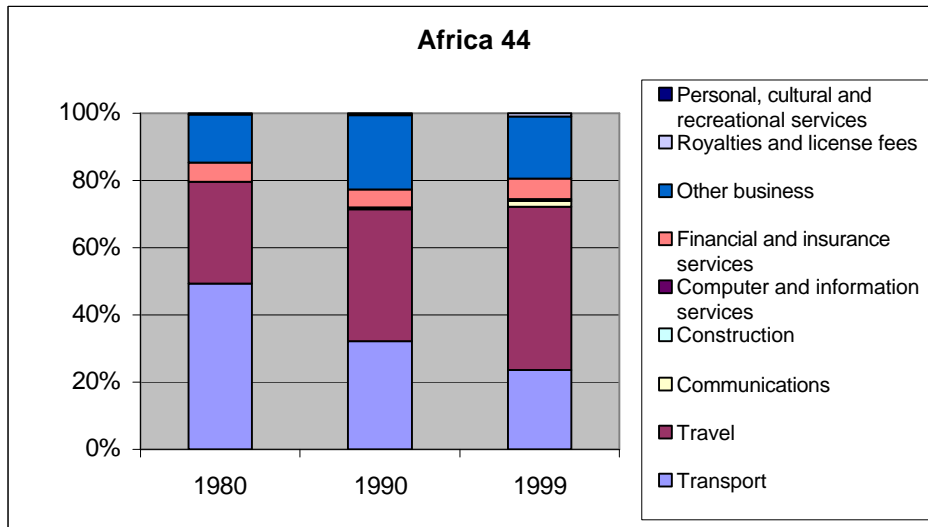
ANNEXES

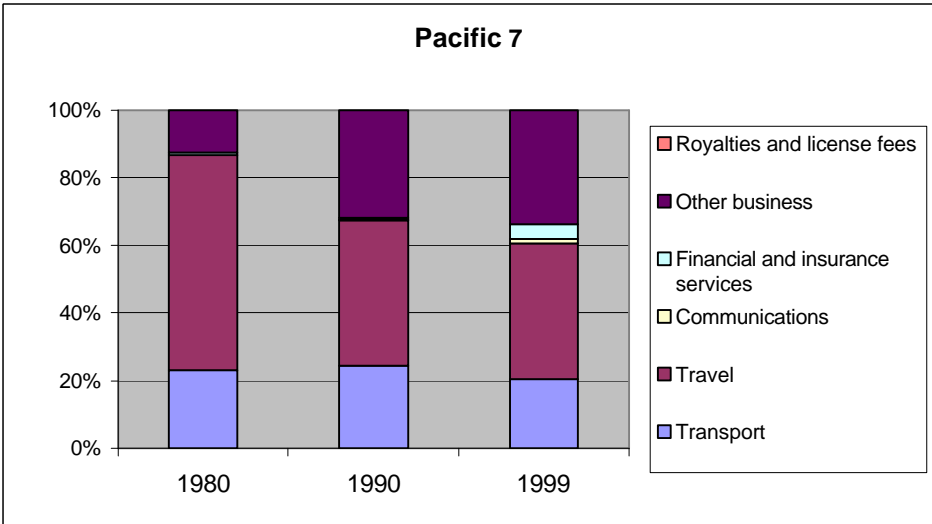
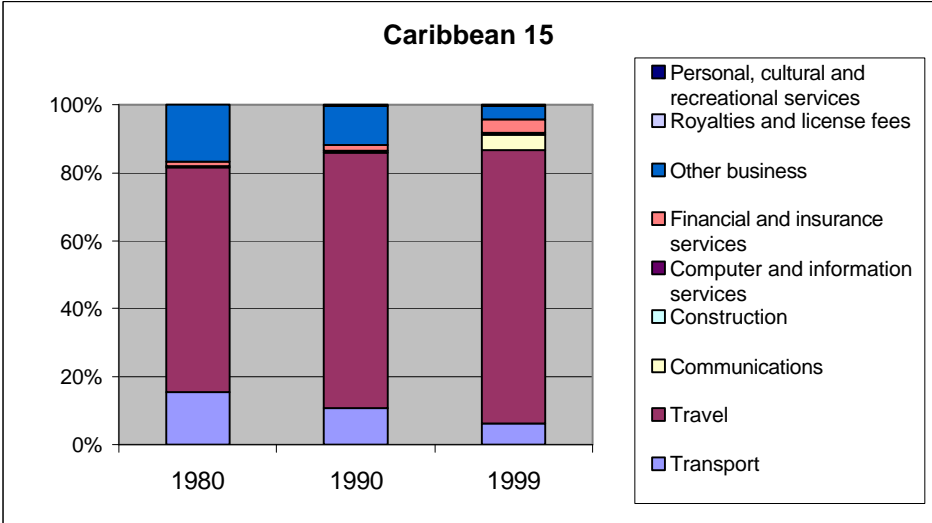
Annex 1: Composition of merchandise exports by commodity group





Annex 2: Composition of exports of services by sector





Annex 3: Direction of exports 1980-2000

