

FINAL REPORT

Report on SADC/EPA Workshop on Non-Agricultural Market Access

May 24-25 2004, Maputo, Mozambique



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SUBMITTED TO
USAID Mozambique

SUBMITTED BY
Nathan Associates Inc.

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Introduction

In support of Mozambique's role as coordinator of the Non-Agricultural Market Access (NAMA) negotiations under the SADC/EU Economic Partnership Agreement (EPA), USAID Maputo and Nathan Associates, in cooperation with UTCOM and the Ministry of Foreign Trade, carried out a two day workshop focusing on the policy and technical elements of NAMA negotiations and NAMA's relationship with broader EPA issues. The Workshop participants represented a good cross-section of relevant ministries. Two officials from Swaziland also participated. The Workshop was conducted by Paul Moore and Mike Hathaway, both of whom have substantial negotiating experience. An abbreviated, three hour session was held on Friday May 28th with senior level GOM and private sector officials. Participant names are listed below in Appendix A.

The workshop reviewed the objectives of the EPA from the perspectives of the EU, SADC and Mozambique, explained the terms and principles involved in market access negotiations, examined the context and legal basis for the EPA (as a free trade agreement as opposed to a unilateral trade preference scheme), explored negotiating objectives and tactics for achieving them and examined the interagency and private sector participation process--which will be necessary for identifying export/import priorities and supporting negotiating positions. Finally, through a mock exercise, workshop participants assumed the roles of government agencies and two businesses with conflicting trade objectives. A critique followed the presentations.

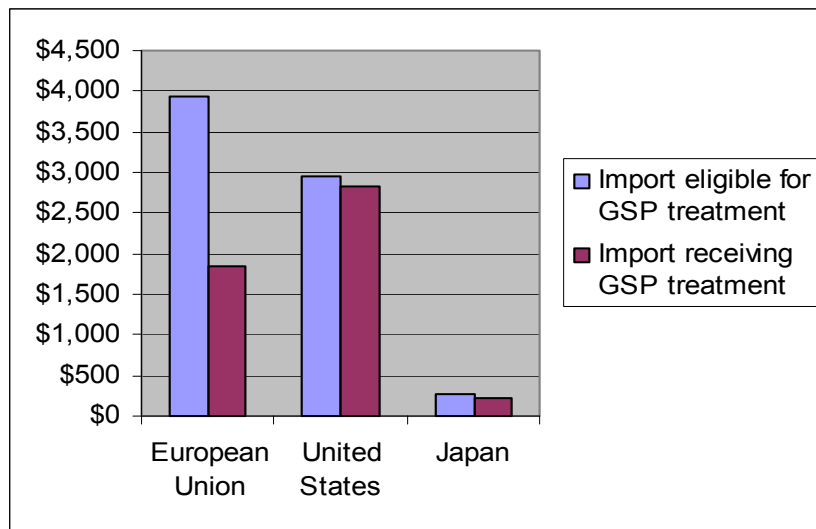
A more detailed description of the principle topics and discussion points follows. A copy of Workshop materials also is attached.

I. Objectives of the EPA

The introduction covered the basic tenets of the EPA, including the EU's stated priorities of improved regional integration, more targeted technical assistance and development finance, and "flexibility" within the negotiations. However, the reciprocal nature of the EPA on traditional trade matters, and the inclusion of other topics in the EPA such as, investment, competition, services and intellectual property, suggest that the objective of the EPA is not just a movement away from unilateral trade preference programs, but a negotiation in which the EU may seek to condition pre-existing unilateral free trade on the ACP countries' commitment to the full EPA agenda on a reciprocal basis. This means that Mozambique and its SADC partners need to begin negotiations with a well-prepared offensive and defensive strategy.

Offensive Strategies: SADC should secure binding rights to previous unilateral concessions of duty free and quota free trade. Furthermore, these new EU concessions

Table 1: Imports Eligible and Receiving GSP Treatment



Source: UNCTAD Trade and Development Board Geneva, Oct. 6-17, 2003

must ensure real access to EU markets by addressing non-tariff barriers, if NAMA negotiations are to be of any net benefit to Mozambique and SADC partners. Existing EU unilateral preferences have had a utilization rate of less than fifty percent (50%) as indicated in the graph. The poor utilization suggests that there are underlying non-tariff barriers facing SADC exports to the EU, which are likely to reoccur under the EPA, unless SADC negotiators effectively address them.

Theoretical duty free trade should not be accepted as the basis for a free trade agreement. ACP/SADC/Mozambique should insist that any concessions they consider should not be accepted until their exports to the EU are assured of being free in practice. Accordingly, their offensive strategy

should be to carefully examine impediments to duty free access for all trade, including rules of origin, to determine what is necessary for SADC and ACP integration as well as for successful exports to the EU, and then propose rules of origin or other solutions that will work. It can be expected that the EU will offer existing mechanisms of trade, including rules of origin, mechanisms that in practice have not resulted in duty free trade to the EU. In a free trade negotiation, proposals from the other side, the EU, cannot be accepted without careful examination. The terms of the agreement must be mutually acceptable, unlike the terms of a unilateral preference program. Therefore, an overriding objective for Mozambique and SADC partners must be to aggressively represent their interests and to negotiate workable solutions to market access impediments that will allow a near 100% utilization rate of duty free treatment under the EPA. This must be the starting point of the NAMA negotiations.

In other words, the EPA is a two-way negotiation. Even where opening the market in Mozambique to EU imports is also in Mozambique's economic development interest, SADC faces substantial barriers and has corresponding negotiating objectives concerning real access to the EU market. (See, for example, "AWAITING THE GRIM REPA? A Review fo the outcome of the first phase of the ACP-EU Negotiations"¹ This negotiating strategy should include the provision for the technical assistance that is necessary to take advantage of such access, and the provision for such technical assistance should be an integral part of the negotiation. Mozambique and its SADC partners have an obligation to negotiate in a way that produces concrete commitments by the EU to provide access and assistance, rather than receiving binding obligations of the unilateral trade preferences that have not yet come, and are not assured of coming in the future, to fruition.

Defensive Strategies

The EU likely will propose near immediate agreement to the general proposition of eventual reciprocal duty free trade and acceptance of EU proposed rules of origin. Acceptance of any such request will guarantee a failed negotiation from the perspective of ACP/ SADC countries or regional groups. Therefore, it is essential to prepare a defensive strategy to reject making any such initial concessions that will lock the developing country side into an unbalanced, unfair agreement. Reciprocal duty free treatment is not required by the WTO, which contains two layers of flexibility – one in GATT Article XXIV, and another in its interpretation and application in favor of least developed and developing countries. This should include provisions in the WTO Agreements, including GATT 1994's Article XXXVI. SADC negotiators should selectively utilize these provisions to their advantage.

Where market access concessions are requested of SADC, interagency and private sector information on the effects of liberalizing trade with the EU must be obtained, and included in the negotiation. Even if a concession is determined to be appropriate, accepting the transfer of resources from a non-competitive enterprise to another enterprise, or forcing adjustment for an enterprise to become competitive will be contingent upon an adjustment process that actually works. This may require

¹ The European Research Office & 11.11.11.-Coalition of the Flemish North-South Movement, December 2003.

technical assistance, training, education of workers, and the like, in addition to the availability of investment capital for modernization or new industrial activity. The EPA, as a more comprehensive agreement, must address these issues, and liberalization of developing country markets to EU exports must be conditioned on ensuring that the liberalization actually provides the potential benefits. The transition time may be predictable, or it may need to remain flexible, that is not bound to a specific date but to other milestones. These must become elements of the defensive strategy to ensure that the benefits of trade liberalization come into being.

II. Basic Market Access Terms and Principles

A good part of the first day was spent covering basic market access terminology through a review of key terms and negotiating concepts. These include fundamental GATT principles, such as GATT Article I (MFN) and GATT Article III (national treatment), tariff terms (applied vs. bound rates), and non-tariff barriers, such as standards and discriminatory internal taxes. As a reference tool, participants were given a 15 page glossary of trade terms. In addition, broader policy issues were discussed, including the distinction between non-tariff barriers and GATT/WTO consistent non-tariff measures, such as the TBT and Subsidies Agreements. Compliance with the former may be a real non-tariff issue for SADC, in which case it should take advantage of the technical support mechanisms outlined in Contonou. There also was extensive discussion on the difference between unilateral preferences and a Free Trade Agreement (FTA) vis-à-vis GATT rules, including Article XXIV, regulating FTAs and the “enabling clause,” which can also be applied to justify developing country preferential arrangements. Related to this issue and also discussed was Rules of Origin.

Defining an FTA

There was extensive discussion on the difference between unilateral preferences, such as the ACP, GSP and EBA, on the one hand, and a FTA on the other. The key difference is that a FTA includes the concept of reciprocity. In the WTO, FTAs are governed by substantive obligations under the GATT that address non-discrimination concerns, whereas preferences, which are seen as development oriented--receive waivers to those obligations. FTAs are permitted under GATT Article XXIV subject to conditions, including:

- Interim agreements (providing for the phased implementation of the FTA) must provide for the elimination of “substantially all customs duties and other restrictive regulations of commerce”
- between the constituent territories in products “originating in such territories”
- within a “reasonable length of time.”

- The WTO Understanding of the Interpretation of Art. XXIV provides that the “reasonable length of time” to phase-in a FTA should exceed 10 years only in “exceptional cases.”

Given these new conditions, moving from unilateral ACP preferences to a reciprocal FTA makes for a substantially more complex negotiation. Threshold issues include what is required of Mozambique (particularly as an LDC) and other participating SADC partners, what is optional as a negotiating concession (for example, what constitutes the elimination of “substantially all” customs duties and restrictions) and what time schedule is required or optional (that is, what flexibility is included in the provision that the customs duty elimination “should” exceed 10 years only in “exceptional cases”). The terms of Article XXIV do not require free access to Mozambique/SADC on all trade, and do not require it in 10 years since developing countries, and clearly least developed countries, have the benefit of a flexible interpretation of WTO rules, such as in GATT Article XXXVI and in the WTO Decision on Measure in Favor of Least-Developed Countries, paragraph 2.(iii), which provides for “flexible and supportive” application of the various agreements and instruments in the Uruguay Round, as well as “sympathetic consideration” of least-developed country concerns raised in various Councils and Committees.

Rules of Origin

Extensive discussion also took place regarding the rule, or rules, of origin that would be used for determining eligibility for the application of the FTA. Preferential programs, Customs Unions and FTAs have led to a proliferation in the number and complexity of origin rules. Origin can be determined on the basis of such criteria as: the degree of third country materials or components that may be used in production of an article that qualifies for FTA treatment; whether the article’s production affects a change of tariff heading; the content of FTA materials; the value-added; the use of particular processes or components or a combination of such factors. Significant examination also took place on the differing possibilities concerning “accumulation” of third country materials in satisfying a rule of origin. This may be of importance in not disrupting integration with other ACP members, or in precluding access to inputs necessary for competitive production. There was significant discussion on the high degree of evolution of the EU origin rules, and the need for carefully understanding Mozambique and SADC needs so that beneficial rules or appropriate deviations can be proposed and supported in the EPA negotiations.

III. Negotiating Strategies

This section focused primarily on tariff cutting and broader negotiating approaches and strategies for SADC countries to consider. Emphasis was placed on the importance of both an offensive and defensive tariff cutting strategy. Participants were encouraged to consider tariff liberalization as a potential benefit to overall economic development, particularly with respect to manufacturing inputs or products, such as computers and telephone equipment, which are important to the tourism and other services sectors. In that regard, the session reviewed the “zero-for-zero” or sectoral tariff elimination strategy used in the WTO in information technology and (though unsuccessful) fisheries, where there were cross cutting interests between trading partners. Also discussed was the U.S. proposal in the WTO NAMA negotiations that all Members eliminate all tariffs on all non-agricultural goods. The complexity of ROO and the regional negotiations supports such a global approach.

Defensive Strategies

Participants engaged in good discussion over the important subject of base rate and year (i.e., will SADC members cut tariffs from their individual schedules, the highest MFN rate among SADC members, the internal SADC rate in 2007, etc.?). For that matter should SADC’s LDCs have to cut their tariffs at all? On the flip side, it was pointed out that SADC should not assume that the EU will offer GSP or EBA tariffs as the starting point for eliminating its tariffs. These questions relate back to the GATT Article XXIV questions discussed earlier. The speaker also reviewed tariff cutting scenarios (straight line, sectoral, etc.) and illustrated the concept of staged tariff reductions, including “backloading” and the possible use of a tariff rate quota system to ease the effects of liberalization.

Offensive Strategies

Discussion focused primarily on identifying non-tariff barriers and rules of origin, where participants were strongly encouraged to take an aggressive stance. However, it also was noted that internal reforms and, where necessary, technical support should be a key component of this strategy. For example, on standards, many SADC members may not have the basic testing mechanisms or facilities to confirm simple weights and measures requirements. Accordingly, on a horizontal level, and for key products where SADC has export potential, SADC negotiators should include a standards development and technical assistance component in their negotiating strategy.

IV. Preparing for Negotiations

Throughout the training exercise, the speakers emphasized the importance of the tremendous preparations necessary for achieving a successful result in EPA market access negotiations. As mentioned, the EPA must provide a means to close the gap between “potentially eligible” and “actual” duty free trade. Identifying these problems will require substantial input from the private sector, and ongoing interagency cooperation. Creating workable solutions will determine whether the “binding” of EU duties under the EPA will have any advantage over the unilateral preference schemes. On the flip side, close coordination with industry and labor groups will be necessary to developing an agreement that fosters regional integration and provides adjustment mechanisms to offset the effects of liberalization.

Negotiating such complex issues concerning access to the EU market will require negotiators to have access to detailed information. Negotiators will be under tremendous pressure to make concessions to the EU that will compromise the ability to address market access issues other than tariffs. Therefore, the objectives of the EPA to improve good governance and the inclusion of civil society must be utilized to Mozambique’s interests by insisting on a process that allows for all SADC participants to create working interagency coordination and private sector participation in advance of making concessions. *The EU, which has such coordination and participation, should provide the technical assistance to ensure such coordination and participation as a down payment on their side of the agreement.*

Mozambique’s Strategy and Action Plan

Based on the previous discussion, the speaker reviewed the key objectives of Mozambique’s action plan for the SADC-EPA NAMA negotiations. Particular emphasis was placed on the importance of collecting and organizing tariff and trade data, both among SADC members and from the EU. Even more critical is the identification of non-tariff barriers, which can be achieved, in part, by studying key trade-related national and international trade-related websites but is done most effectively through consultations with the private sector. Accordingly, a number of websites were identified and suggestions for developing an interagency and private sector consultative mechanism were reviewed, including the creation of negotiating briefs, requesting input from civil society through public hearings or written testimony and conducting direct meetings with the private sector. The latter was the main focus of the group exercise.

V. Group Exercise in Preparing for Negotiations

During the afternoon of the last day, the participants were assigned roles in a mock negotiating exercise. The main group's participants were assigned roles of government agencies comprising trade, industry, finance, customs, standards and foreign relations. A second group was assigned roles in a domestic industry producing a low quality plastic pellets that were used as the primary input by the company represented by the third group, a manufacturer of plastic garbage bags. The final product was not of export quality because of the low quality of the domestic input and a high domestic customs duty on better quality like products. The businesses were asked to develop and present to the government their proposals for the EPA/NAMA negotiations. The interagency government group was assigned the task of preparing a negotiating position for the EPA. Each group was asked to describe the additional information that it lacked for a full analysis. The groups then presented their proposals, which were critiqued.

The exercise was undertaken enthusiastically and was well performed, and the participants demonstrated good progress in understanding the materials covered in the workshop. In spite of the fact that there is no regular interagency consultative mechanism in place in Mozambique, either in general or for the EPA, the participants engaged in interagency debate with enthusiasm, working through the coffee break, and developing a rather sophisticated proposal with back-loaded tariff reductions, financing for modernization of plant equipment, and a proposal for duty elimination on plant equipment needed for modernization. In short, the representatives took to interagency cooperation like "ducks to water," and in doing so recognized the benefits of such activity for the EPA negotiations.

However, it was clear from observing the exercise and discussion afterwards that the participants did not have experience in inter-agency coordination and debate or conducting hearings and consultations with the private sector in a transparent and organized manner. Moreover, they did not bear in mind the development and adjustment measures that might be necessary to assist both industries or support a situation where both could potentially survive in a more competitive environment. Despite this inexperience, the participants gained a useful appreciation of the benefits of internal coordination and private sector consultations, incorporating suggestions from each industry into the final governmental position. It is noteworthy that those participants who were reluctant to ask questions in the Workshop sessions were very active in the mock interagency and private sector discussions. This cooperative process is an untapped resource in Mozambique that could produce immeasurable benefits to not only to the negotiations, but to developing a more team oriented approach to governance.

A critique followed the presentations. The experience of the participants reaffirmed that the hardest negotiation is internal: balancing the expertise and priorities of multiple Ministries and civil society, together with often conflicting business interests. With the preparation of well-substantiated negotiating positions, the negotiation with a foreign entity, even one with the technical resources of the EU, becomes more effective and manageable. The exercise also touched on negotiating strategy and served as a reminder not to negotiate with yourself—meaning that you should get paid for all concessions. The mark of a good negotiation is making concessions that are in your own interest, and obtaining something of value in return.

VI. Conclusions/Recommendations

- NAMA negotiating preparations and decisions cannot be undertaken in a vacuum, as many of the key issues (e.g., level of reciprocity, technical assistance) are overarching. Accordingly, NAMA negotiations must be fully integrated into the broader negotiating strategy and a clear decision making and coordination mechanism must be established.
- The GOM and other SADC governments should be provided technical support and advice on developing a top-down interagency coordination process for trade-related issues. At the staff level, attention should focus on gathering information, conducting statistical analysis and developing recommendations or options for consideration by senior staff. At the political level, trade policy should be fully integrated with supporting economic and fiscal policies.
- As demonstrated in the simulation, the accurate identification of relevant NTB information requires a more formal public-private sector consultative mechanism. Further assistance in developing such a framework is highly recommended.
- Mozambique in coordinating the NAMA negotiations should ensure that its SADC partners understand the risks of negotiating a reciprocal EPA with the EU. The flexibility obtained in the agreement to negotiate an EPA, and WTO development provisions, must be translated into concrete negotiating objectives that ensure the SADC partners will realize the benefits of promised exports to the EU. At the same time, the SADC least developed partners must be prepared to assert their rights to the application of WTO rules, including those for a free trade agreement, in a flexible and supportive manner.
- There is a risk that SADC officials will not have fully analyzed the cost/benefits of an EPA, will be overwhelmed in early EPA negotiations and will accept EU proposals that will lock them into unfavorable structures. For example, the EU may overstate the GATT/WTO rules on FTAs regarding “substantially all trade” and the benefits of binding EU preferences, without addressing related NTBs. This will likely result in no improved access for SADC exports.
- The EU, in replacing preferences with reciprocal benefits should be put on the defensive by ACP countries to avoid putting themselves in a worse position. This will require analysis and technical support on legal, economic and business issues – which go beyond just NAMA and affect the entire

negotiation--to enable SADC governments to prepare an **offensive strategy** that addresses impediments to fully utilizing bound duty free access to the EU market.

- As least developed and developing countries, SADC must effectively utilize a **defensive strategy** that will preserve preferential market access among SADC and African countries that foster regional integration. This is consistent with EPA objectives, which should allow the negotiation of exceptions, special and differential treatment and longer phase in for EU exports to the SADC/EPA countries. Where liberalization is in the interest of Mozambique and its partners, they should receive full compensation in the EPA negotiations, including through technical and adjustment assistance.
 - Collection of tariff and import/export data will be critical to determining offensive and defensive priorities. Further technical assistance and training on organizing and analyzing the data is recommended.
 - Collecting accurate information on EU NTBs facing SADC exports will take time. Nevertheless, as a negotiating principle, SADC should establish up front that NTBs are equally important as tariffs and should be negotiated on a parallel basis. In doing so, however, SADC should realize that the EU may make the same demand. Accordingly, SADC members will need to identify and discuss its own internal NTBs (i.e., violations of WTO rules) vs. compliance or implementation issues (for example, improving the application of customs valuation) for which SADC should seek technical assistance.
 - In the short term, SADC may wish to consult with the RSA on NTBs, given its negotiating and trading experience with the EU. SADC also should review the ongoing identification of NTBs under the WTO NAMA negotiations (see WTO document series TN/MA/W/46).
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Appendix A: Participant List

UTCOM / DRI / MIC PRESENCAS

SEMINÁRIO : Non-Agricultural Market Access

DATA : 24 de Maio de 2004

CIDADE : Maputo

HORA : 09:00 Hrs

LOCAL : Hotel Avenida

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UTCOM / DRI / MIC
PRESENCAS

SEMINÁRIO : Non-Agricultural Market Access
DATA : 25 de Maio de 2004
CIDADE : Maputo

HORA : 09:00 Hrs

LOCAL : Hotel Avenida

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UTCOM / DRI / MIC
PRESENCAS

SEMINÁRIO : Non-Agricultural Market Access

DATA : 28 de Maio de 2004

HORA : 09:00 - 12:00 Hrs

LOCAL : Sala de Reuniões do 2°. andar

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Appendix B: Mock Exercise on NAMA Preparation of Negotiating Positions

Role: Bolsas S.A. (Manufacturer of Plastic Bags in Mozambique)

Position: (To be determined by participants in this group)

Background

Bolsas S.A. employs 1,000 people in the production of plastic garbage bags for the domestic market, using as the primary input locally produced plastic pellets from PPSA. However, PPSA's pellets are of lower quality and do not meet with international standards.

Imported, higher quality plastic pellets currently are subject to a 20% MFN duty in Mozambique. In 2007, Mozambique's tariff on plastic pellets among SADC members will be 10 percent. Mozambique's current MFN tariff on plastic garbage bags is 30% and its SADC rate will be 15% in 2007.

Your research indicates that if Bolsas S.A. can import quality plastic pellets free of duty, it could produce plastic garbage bags that are competitive in the EU market. However, the EU maintains a number of standards on plastic garbage bags:

- Must be able to hold 10 kilos without bursting;
- Must be biodegradable;
- Must be flame retardant; and,
- Packaging must provide labeling guaranteeing conformity with these standards in all official EU languages.

Assignment

You have twenty minutes to meet with your company colleagues to develop and present an industry position to the Government of Mozambique as it prepares for the EPA/NAMA negotiations. Bolsas S.A. can ask the coordinators two questions.

Role: PPSA (Manufacturer of Plastic Pellets)

Position: (To be determined by participants in this group)

Background

PPSA employs 2,000 people in the production of plastic pellets. Sixty five percent of PPSA's output goes to Bolsas S.A., a local company which produces plastic garbage bags for the domestic market. The remaining output goes to other local industries. PPSA pellets do not meet international quality standards and cannot be used to produce plastic bags for export to the EU. Installing modern machinery would allow your company to produce high quality plastic pellets for export quality plastic garbage bags. However, your company cannot afford such machinery, which must be imported and currently is PPSA subject to a 10 MFN tariff in Mozambique.

Imported plastic pellets currently are subject to a 20% MFN duty in Mozambique. In 2007, Mozambique's tariff among SADC members will be 10 percent. Mozambique's current MFN tariff on plastic garbage bags is 30% and its SADC rate will be 15% in 2007.

Assignment

You have twenty minutes to meet with your company colleagues to develop and present an industry position to the Government of Mozambique as it prepares for the EPA/NAMA negotiations. PPSA can ask the coordinators two questions.

Role: Government of Mozambique

Inter-Ministry Negotiating Position: (To be determined by participants in this group assigned to represent different Ministries and offices)

Background

Mozambique is home to a domestic manufacturer of plastic garbage bags, which sources its primary input (plastic pellets) from a local producer.

Imported plastic pellets currently are subject to a 20% MFN duty in Mozambique. In 2007, Mozambique's tariff among SADC members will be 10 percent. Mozambique's current MFN tariff on plastic garbage bags is 30% and its SADC rate will be 15% in 2007. Angola's current MFN tariffs are 30% on plastic pellets and 40% on plastic garbage bags.

Your embassy in Brussels reports that the European Union plastics industry is requesting that the EU seek the immediate elimination of tariffs on both plastic pellets and plastic garbage bags upon implementation of the SADC/EPA agreement. The EU has indicated it will offer development finance assistance for Mozambique industries in need of competitive adjustment assistance.

Assignment

You have 45 minutes to prepare a preliminary negotiating strategy in English on this issue, based on input from the private sector. Your strategy should include a proposed response to the anticipated EU request, which you should present to your local industry. Separately, you also should list any outstanding questions and information that is necessary to develop your government's final position. Your government may ask the coordinators two questions.

Appendix C: Terms of Reference

TERMS OF REFERENCE SUPPORTING MOZAMBIQUE AS LEAD COORDINATOR FOR EU ECONOMIC PARTNERSHIP AGREEMENTS *MARKET ACCESS AND FISHERIES*

Position:	International Trade Specialist
Approximate Time Period:	May 21, 2004 – June 19, 200
Total Days:	25 total person days, consisting of: 18 person days in country 3 person days of travel 4 preparation / report completion days in US

I. PURPOSE

The purpose of this task is to assist Mozambique in the lead coordination role for the non-agriculture market access (NAMA) and Fisheries part of the Southern Africa Development Community (SADC) Economic Partnership Agreement (EPA) negotiations.

II. BACKGROUND

The Cotonou Agreement provides for transitory trade arrangements, which entail continuation up to 1 January 2008 of the non-reciprocal preferences accorded under the Fourth (Lomé) ACP-EC Convention. During the period September 2002 – December 2007, the Africa, Caribbean and Pacific (ACP) Group of States and the European Union (EU) are expected to negotiate new WTO compatible trade regimes (Economic Partnership Agreements) providing for the progressive removal of barriers to trade between them and enhancing cooperation in all areas relevant to trade. According to Article 37 (5) of the Cotonou Agreement, these EPA negotiations will be undertaken with ACP Countries which consider themselves in a position to do so, at the level they consider appropriate and

in accordance with the procedures agreed by the ACP Group, taking into account regional integration processes within the ACP.

The objectives and principles for economic and trade cooperation in line with the convergence of views reached during Phase I of the EPA negotiations signify that EPAs will be instruments for development that contribute to foster “the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries”.

The Southern African Development Community (SADC) Council of Ministers formed, and notified the EU that 8 SADC countries – Angola, Botswana, Lesotho, Mozambique, Namibia, South Africa (although not a negotiator), Swaziland and Tanzania – had expressed their commitment to negotiate a SADC EPA. Council mandated the Ministers of Trade to meet as a matter of urgency to prepare negotiating guidelines and to initiate negotiations with EU. The SADC Summit endorsed this position.

The EPAs are to be negotiated in two phases. The first phase, which was at an all ACP EU level, was launched in September 2002. The second phase, which is to be conducted at regional level, began in October 2003 and must be concluded not later than 31st December 2007.

Mozambique as Lead Coordinator for NAMA and Fisheries

To facilitate SADC EPA countries in their preparation to negotiate EPA with the EU, it was agreed that Mozambique would serve as the Lead Coordinator for the NAMA and Fisheries aspect of the EPA negotiations. In this regards, Mozambique should assist other countries in identifying areas of importance to SADC when negotiating EPAs.

As part of this process, Mozambique has prepared a Strategy and Action Plan for the NAMA and Fisheries Negotiations (see Annex I). It is expected that the consultant assist Mozambique in analysing data relevant to the EPA negotiations on NAMA and Fisheries, provide guidance on what additional areas SADC should be thinking about in preparing for the negotiations, and provide training to SADC on negotiation of the EPAs.

III. SCOPE OF WORK AND TASKS

The consultant shall undertake the following tasks:

1. Review and provide comments on the Strategy and Action Plan;
2. Assist in defining areas of study and analysis in order to assist SADC prepare for EPA negotiations;
3. Assist in reviewing data and identifying a negotiation strategy for SADC for NAMA and Fisheries;

4. Assist in drafting a negotiation strategy for SADC for NAMA and Fisheries;
5. Conduct a 2-day training event on the EPA negotiations, on NAMA and on Fisheries – it is expected that participants will have a very basic knowledge of concepts related to the negotiations and therefore a brief review of these terms should be included in the training. The training should also review negotiation principals & strategy.

Expected Outputs and Deliverables

1. Preparation and presentation of a 2-day training course on EPAs, NAMA and fisheries.
2. A draft negotiation strategy for SADC for the EPA negotiations on NAMA and Fisheries.
3. A final report that provides an overview of key areas of important for Mozambique in managing the Lead Coordinator role and for SADC in negotiating the EPA.

Annex I – Draft Strategy and Action Plan for NAMA & Fisheries EPA Negotiations

Strategy and Action Paper

Non-Agriculture Market Access and Fisheries for the EPA Negotiations

The first meeting of Southern Africa Development Community (SADC) coordinators for the Economic Partnership Agreements (EPA) negotiations, held in Gabarone on 29th March 2004 at Ministerial level, decided that Mozambique would be the lead coordinator for non-agriculture market access (NAMA) and Fisheries aspects of the EPA negotiations. It was further decided that each coordinator would submit a strategy and action paper on how the negotiations and preparation for negotiations will be approached.

Mozambique proposes that countries carefully consider the following points as a strategy and action plan for EPA NAMA and Fisheries negotiations. For each of the items listed below, we kindly request countries to submit thoughts and answers to Mozambique in accordance with the timeline outlined below.

I. Objectives

The objective of the strategy and work plan for the NAMA and Fisheries negotiations is to think strategically about the trade-related interests of the SADC region and to craft a negotiation strategy that will assist negotiators in achieving the following SADC EPA negotiation objectives:

1. To contribute to poverty eradication;
2. To ensure smooth and gradual integration into global markets;
3. To further the regional integration process in the SADC region;
4. To preserve and improve market access for SADC exports to the EU;
5. To increase productivity and competitiveness of SADC producers; and
6. To build capacity for enhanced growth and sustainable development in the SADC region.

II. Strategy and Work Plan

The proposed strategy and work plan is designed to guide participants obtain necessary information that will be used by negotiators during the SADC EPA negotiations. It is important that all countries respond accurately and quickly to the items proposed below:

1. **Identify NAMA National Focal Points** (NNFPs) – NNFPs in each country should be appointed to coordinate the collection and sharing of data, draft negotiation strategies, and facilitate other work necessary to design a SADC EPA negotiation approach to NAMA and Fisheries.

The National Focal Point for Mozambique is: [provide name and contact details]

Action & Timeframe: Countries are requested to submit names, email addresses, telephone and fax numbers, and addresses for all NNFPs no later than 7 May 2004. Mozambique shall compile names of all focal points and distribute electronically. The NNFPs shall form the NAMA and Fisheries Working Group (NFWG). Terms of reference for this Working Group shall be provided to NNFPs no later than 6 May 2004.

2. **Identify Training and Technical Assistance Requirements for the Negotiations** – Because training and technical assistance might be necessary to undertake the work load outlined in this document, Mozambique will organize a 2 day training event on the EPA negotiations and on NAMA and Fisheries. The training shall be in Pemba, Mozambique on 13-14 June 2004 (details and an agenda shall be provide to all NNFPs). A strategy for obtaining funding for attending this training and for other training requirements should also be addressed by NNFPs. In addition to this training event, countries are requested to outline additional training and technical assistance that might be required during the course of the EPA negotiations.

Action & Timeframe: Countries are requested to provide training and technical assistance requirements no later than 14 May 2004. Details on the training event to be held in Mozambique 13-14 June 2004 shall be provided to NNFPs. Please note that Mozambique cannot provide funding for participants to attend the workshop, funding should be obtained separately.

3. **Inventory Research Reports and Identify Additional Research Requirements** – In order to prepare and negotiate the SADC EPA, counties might benefit from research and reports that have already been conducted. For this reason, Mozambique requests that countries compile an inventory of research/reports that have been conducted and make available these reports for the SADC EPA countries. It is also possible that some countries will require, and therefore commission, research on areas related to NAMA and Fisheries. To the extent possible, research requirements should be identified and discussed. Where possible, countries might be able to draw on research that has already been conducted, both nationally and regionally.

Action & Timeframe: Countries are requested to provide an inventory of all national and regional reports that may be relevant to NAMA and Fisheries negotiations no later than 14 May 2004. At the same time, countries are requested to provide a list of additional reports or studies that they are considering undertaking that are related to the NAMA and Fisheries negotiations .

4. **Obtain Data Imports, Exports and Industrial/Fishery Products** – It will be important for countries to provide data on activity in the industrial and fishery sectors as well as on exports to and imports from the European Union. This data should identify products (where possible at a HS 6 or 8 digit level) of importance to each country that should be included in the EPA. Wherever possible, data should be from the 2000 through 2004 period. Countries should also identify potentially sensitive products and sectors in each country that might want excluded from EPAs, reasons for exclusions and length of exclusions. This information will be used to formulate our offensive and defensive negotiation strategy. As Lesotho is responsible for maintenance of the database, we will coordinate closely with Lesotho to ensure consistency and accuracy of data.

Action & Timeframe: Countries are requested to provide import and export statistics (to/from the EU) no later than 21 May 2004.

5. **Obtain Tariff and Non-tariff Barriers in the EU** – Once products of importance to each country are identified, it will be important for each country to then identify EU tariff and non-tariff barriers for each product in the format provided below. Mozambique believes that countries will need to coordinate closely with exporters to identify tariff and non-tariff barriers in the EU.

Country (where barrier is found)	HS Number	Product Description	Tariff	Description of NTB
				Possible NTBs: <ul style="list-style-type: none"> • Licensing requirements • Standards (SPS/NTBs) • Visa requirements • Specific regulations

Action & Timeframe: Countries are requested to provide information on tariff and non-tariff barriers no later than 11 June 2004.

6. **Obtain Information about Domestic Support Programs** – Countries will need to identify and share information on domestic support programs (if any) for each industry in each country. Once such information is collected, we shall formulate strategies and positions for countering and EU opposition to these programs. To the extent possible, countries are requested to provide information on domestic support programs for industrial and fishery sectors in the European Union.

Action & Timeframe: Countries are requested to provide information on domestic support programs no later than 11 June 2004.

7. **Identify Development Positions on Policy Issues** – it will be important for each country to define and share their positions on key policy issues of importance to each country. These development positions shall be incorporated into the negotiations briefs. For example, countries are requested to think critically and prepare position papers on issues such as Rules of Origin, Standards (Sanitary and Phytosanitary and Technical Barriers to Trade), Competition Policy, Labor Standards, Asymmetry of the EPA, Supply Capacity as well as other issues of importance to countries.

Action & Timeframe: Countries are requested to identify development positions on policy issues no later than 18 June 2004.

8. **Technical Assistance for Implementation of the EPA** – Countries should think critically about any challenges they may face in implementing NAMA and Fisheries agreements reached throughout the course of the negotiations and identify necessary technical assistance to meet these challenges.
9. **Hold Regional Meetings on NAMA/Fisheries** – We will hold 2 regional meetings per year on NAMA and Fisheries to share information on progress made to date, share data and recommendations, and coordinate on-going work. Details of follow-on meetings shall be discussed with NNFPs.
10. **Prepare Recommendations and Draft Negotiating Briefs** – Once all information and recommendations have been collected, Mozambique shall incorporate information and prepare a draft negotiation brief. A final negotiation brief shall be produced before the launch of the NAMA and Fisheries part of the EPA negotiations.

III. Cross Cutting Issues

Two issues that relate not only to the NAMA and Fisheries negotiations, but also the rest of the negotiations, should be addressed.

1. **Identify Linkages and Coordinate with Other Negotiating Groups** – It is important that we link the work being done in this group with the work being done in other negotiation groups that are linked. Some of the issues that should be discussed with other negotiating groups include:
 - a. Investment (FDI)
 - b. Technology transfers/ technology diffusion (Intellectual Property Rights)
 - c. Financing
 - d. Services – as a supplier of inputs to industry
 - e. Business environment (cross cutting)
2. **Ensure National Dialogue** – Mozambique believes that it will be important for each country to coordinate with relevant ministries, the private sector and non-governmental organizations

(NGOs) in their respective countries. This dialogue can be useful in identifying products of export and import interest to the country, in ensuring that commitments undertaken during the negotiation can be implemented, in identifying development positions on policy issues, and in obtaining other information that shall be important to NAMA and fisheries negotiators.

Appendix D: Trade Terms Defined

I. General Market Access and Trade-Related Terms

AGOA. The African Growth and Opportunity Act. AGOA is a US government initiative aimed at assisting the 48 eligible Sub-Saharan Countries toward achieving sustained long-term economic growth and development, through its provisions on preferential trade and investment policy as contained in the Act. This is to be implemented through the renewal of the generalized system of preferences and the reauthorization of trade assistance programs, for the eight-year period beginning October 1, 2000 ending September 30, 2008.

Balance of Payments. The composite record of international transactions --i.e., trading, borrowing, and lending --in which a country is involved during a given time period, such as a calendar year or quarter. The balance of payments includes commercial and government transactions for goods and services, international direct investment and bank transactions, and sales or purchases of foreign currencies (or "official reserves"). The two main components of the balance of payments are the *current account* and the *capital account*.

Circumvention. Measures taken by exporting companies to forestall or evade the payment of penalty charges in an importing country such as *countervailing* or *antidumping duties*. Examples include false labeling, *transshipment*, and *screwdriver assemblies*. See also *diversionary dumping* and *downstream dumping*.

Common Agricultural Policy (CAP). The system of production targets and marketing mechanisms maintained by the European Community to manage farm trade within the EC and with the rest of the world. Article 39 of the *Treaty of Rome* established the CAP as a mechanism merging the individual member states' agricultural policies into a unified program to promote regional agricultural development, fair and rising standards of living for the farm population, stable agricultural markets, increased agricultural productivity, and methods of dealing with security of food supply.

Common Market. A group of countries formally committed to the unrestricted movement of goods, services, and factors of production traded among themselves. Features of a common market include elimination of tariffs and other barriers to internal trade, including harmonization of national standards that regulate the sale and distribution of goods; establishment of a common external tariff; and abolition of capital controls and restrictions on labor mobility among members. A common market may seek to harmonize macroeconomic policies or promote political unification, but this is not a necessary feature. See also *customs union* and *economic union*.

Comparative Advantage. Relative efficiency in production of one particular product or class of goods over another class of goods. Differences in comparative advantage among countries are the basis for mutually beneficial specialization and trade. In principle, an international trading system organized

around the concept of comparative advantage should increase worldwide efficiency and standards of living. In this sense, it is the basis for viewing international trade as a "win-win proposition" rather than the "winners and losers" model assumed by *mercantilism*.

Competitive Advantage. (Not the same as *comparative advantage*.) A market position established either by providing comparable buyer value more efficiently than competitors, or by performing activities at comparable cost but in unique ways that create more buyer value through *differentiation*.

Commercial Competitiveness --reflecting the vigor, creativity, and effectiveness of firms' entrepreneurial activities, including marketing and distribution and the provision of associated services that increase buyer value. Apart from such fundamental aspects of competitiveness, firms and governments sometimes try to manipulate competitive outcomes by engaging in *competitive policies and practices*, or in *unfair trade practice*. See also *competitive performance* and *terms of trade*.

Computable general equilibrium (CGE) models. Mathematical characterizations of the economy, used to predict the impact of policy changes taking into account both direct effects as well as indirect effects that work through labor and other markets.

Cotonou Agreement. Partnership agreement between the EU and the ACP countries signed in June 2000 in Cotonou, Benin. Replaces the Lomé Convention. Its main objective is poverty reduction, "to be achieved through political dialogue, development aid and closer economic and trade cooperation."

Current Account. The portion of a country's *balance of payments* that records "visible" trade (exports and imports of goods), "invisible" trade (income and expenditures for services), interest payments, and transfer payments such as foreign aid. A current account deficit is essentially offset and financed by a *capital account* surplus -- representing a net inflow of investment funds --and conversely, a current account surplus will be matched by a capital account deficit. Any gap remaining between the current and capital accounts is bridged by changes in official reserves (recorded in the official settlements balance).

Customs Harmonization. International efforts to increase the uniformity of customs procedures such as valuation, nomenclature, and enforcement by participating countries. See *Harmonized System*.

Customs Territory. The geographical area within which a country's customs authority is empowered to impose duties and controls upon foreign merchandise entering the territory. The customs territory does not necessarily encompass all the territory over which the nation asserts sovereignty.

Customs Union. A group of countries that have agreed to eliminate barriers to trade among themselves while harmonizing their tariffs on imports from nonmember countries into a *common external tariff*. A customs union represents a level of economic cooperation intermediate between a *free trade area* and a more closely integrated *common market*. Unlike a common market, it does not provide for free movement of capital and labor among members.

Deindustrialization. A term denoting a negative impact of international competition on the overall size of a country's manufacturing sector. Generally refers to an absolute decline in industrial output or employment rather than simply a decline relative to other sectors of the economy (i.e., *structural change*).

Economic Union. The highest level of economic integration between sovereign countries, in which members proceed beyond the requirements of a *common market* to unify their fiscal, monetary, and socioeconomic policies. Belgium and Luxembourg, for example, have been joined in an economic union since 1921.

Enabling Clause. Part of the 1979 *Framework Agreement* providing a legal basis in GATT for industrial countries to grant tariff preferences to LDCs. The enabling clause amounted to a permanent waiver of

the GA TT *most favored-nation* provision for the *Generalized System of Preferences (GSP)*. LDCs sought agreement on the enabling clause as a key objective in the *Tokyo Round*, but were obliged to accept inclusion of language in the agreement that also recognized the *graduation* principle.

Everything But Arms (EBA). A 2001 EU initiative to grant least-developed countries duty- and quota-free access for their exports.

Export Processing Zone. A special form of *free trade zone* in which certain exemptions from duties and regulations are granted as an inducement to export-oriented manufacturing. Usually a manufacturer within the zone may import equipment and raw materials free of duty for goods that are ultimately exported as finished products. Other inducements may include abatement of taxes on profits derived from export sales or relaxation of minimum wage regulations. Also known as "special economic zones," "enterprise zones," and "industrial free zones."

Free Trade Area (FTA). A group of two or more countries that agree to remove barriers affecting substantially all trade with each other, while each maintains its own schedule of tariffs and other regulations on imports from non-member countries. Because some goods --such as farm products -- may not be traded in significant quantities between partners in an FTA, coverage of "substantially all" of their trade does not necessarily mean trade barriers are eliminated in all sectors. Indeed, agriculture is exempted from coverage in many FTAs.

Free Trade Zone. (Not to be confused with a *free trade area* or *FTA*.) A designated area within a country in which goods can be imported, stored, or processed without being subject to customs duties and taxes. Also known as a "foreign trade zone," a "free port," or a "bonded warehouse." See also *transit lone* and *export processing zone.* *d Development; the Textile Surveillance Board; and various the GATT Code Committees.*

Graduation. The principle that an individual *developing country* --as it advances economically and becomes more developed, such as through industrialization, increased production and export earnings, and rising living standards --should assume greater responsibilities and obligations within GATT. As enunciated by the GATT *enabling clause*, graduation specifically implies that donor countries will remove or "graduate" the more advanced developing countries from eligibility for preferential treatment under the *Generalized System of Preferences (GSP)*.

Integrated Framework for Trade-related Technical Assistance (IF). Joint activity and donor-financed trust fund managed by six agencies (IMF, ITC, UNCTAD, UNDP, World Bank and WTO) to work with LDCs to undertake diagnostic studies aimed at assisting countries to identify key constraints to better integration into the world economy and to provide follow-up trade-related technical and financial assistance.

Intellectual Property Rights (IPRs). The right to possess and use intellectual property, conferred by means of patents, trademarks, and copyrights. Even though IPR laws are enacted and enforced on a strictly national basis, once a patent or copyright has been granted in one country and disclosure of an invention or creative work has been made, information technology makes it available throughout the world. As a result, cross- country differences in patent and copyright laws can result in inadequate IPR protection. In the *Uruguay Round*, negotiations on trade-related intellectual property rights (referred to as *TRIPs*) seek to balance goals of facilitating technology diffusion with the objective of promoting innovation through more effective IPR protection.

Kyoto Convention. Formal name is the International Convention on the Simplification and Harmonization of Customs Procedures. An international agreement sponsored in 1973 by the *Customs Cooperation Council* to harmonize the methods and procedures of national customs authorities. The convention consists of a set of principles, which apply to all signatories, together with 30 individual annexes dealing with various aspects of *customs and administrative entry procedures, rules of origin,*

transshipment, duty drawback, and free trade zones. A signatory may accept or reject any of the annexes, but must adopt at least one of them and must endeavor to implement all of the annexes as soon as feasible.

Lomé Convention. A series of preferential trade and economic assistance agreements -- the first of which was signed in 1975 in Lomé, Togo --between the European Community and 69 former colonies of the EC member states (the *ACP countries*). Superseded the Yaounde Conventions of 1963 and 1969.

Most-Favored-Nation (MFN). The principle according to which each signatory of a trade agreement will apply its trade restrictions or concessions equally among all other signatories. MFN is the fundamental principle of the GATT; all *Contracting Parties* agree to apply MFN treatment to one another, although exceptions exist --for example, in granting preferential treatment to developing countries, or for members of a customs union or free trade area (see *waiver*). When a country agrees to reduce tariffs on a particular product imported from one country, the tariff reduction automatically applies to imports of that product from any other country eligible for MFN treatment. Because of this, MFN serves as a powerful inducement for countries to join GATT, as well as a facilitator of trade liberalization generally.

National Treatment. The principle that foreign goods, services, or investment are to be treated "no less favorably" within a nation's domestic markets than competing products or services produced locally, once import duties have been paid and applicable customs regulations are satisfied. National treatment is one of the fundamental principles of the GATT.

Partial Equilibrium Analysis. The study of one market in isolation, assuming that anything that happens in it does not materially affect any other market.

Reciprocity. The principle traditionally underlying GATT negotiations, according to which trading partners exchange comparable concessions by negotiating mutually advantageous reductions in import barriers. GATT rules specify that LDC Contracting Parties are not expected to offer fully reciprocal concessions in negotiations with industrial countries. The term "relative reciprocity" is sometimes used to characterize the practice by industrial countries to seek less than full reciprocity from LDCs in trade negotiations.

Special and Differential Treatment (S&D). Preferential treatment given to industrial countries in a trade agreement, such as providing better access to developed countries' markets, accelerating implementation of tariff cuts on products exported by LDCs, or allowing LDCs longer time periods to phase in trade reforms.

Textiles. Historically, one of the most politically sensitive and contentious sectors of international trade. As defined in the *Multifiber Arrangement*, textiles encompass "yarns, piece goods, made-up articles, garments, and other textile manufactured products (being products that derive the chief characteristics from their textile components) of cotton, wool, man-made fibers or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product."

Trade Barrier. Any governmentally-imposed constraint upon the international exchange of goods or services. Such constraints can take the form of *tariffs, quotas, exchange controls, or nontariff barriers*. Trade barriers usually are applied in order to meet an economic objective such as protecting domestic industries, reducing unemployment, or preserving foreign exchange, although they may also arise from political disputes among countries or in retaliation for barriers maintained by trading partners.

Trade Creation. International trade flows that are generated in response to formation of a *customs union* or *free trade area* as member countries reallocate resources more efficiently, achieving greater economic growth and consequently trading more with the outside world. Formation of such blocs can benefit nonmember countries if trade creation exceeds *trade diversion*.

Trade Diversion. A switch in sourcing of imports that results from a country's joining a *customs union* or *free trade area*, in favor of bloc partners and at the expense of nonmember trading partners.

Trade Integration. Process of reducing barriers to trade and increasing participation in the international economy through trade. Also used to describe efforts to integrate trade policy and strengthening of trade-related institutions into a country's overall development strategy.

Transition. A term referring to the period of time during which provisions of a trade agreement will be implemented (including, in some cases, phasing out existing trade restrictions) by signatories
Transit Zone. A port of entry in a coastal country that is established as a storage and distribution center for a neighboring country lacking adequate port facilities or access to, the sea. Goods in transit to and from the neighboring country are exempt from customs duties, import controls, and many of the entry and exit formalities of the host country. A transit zone is a more limited type of facility than a *free trade zone*.

Transparency. Openness, clarity, and predictability of a country's trade laws and regulations. Transparency --especially as it connotes freedom from capricious bureaucratic action or manipulation of rules for protectionist purposes --is one of the fundamental tenets of the GATT. *Tariffication* is regarded by many GATT members as a key to promoting transparency.

Vertical Integration. The combination within one firm of two or more different stages in the production process of a particular good or service.

II. Tariff Related Terms

Ad Valorem Duty. An ad valorem duty (tariff, charge, and so on) is based on the value of the dutiable item and expressed in percentage terms: for example, a duty of 20 percent on the value of automobiles.

Ad Valorem Equivalent (AVE). A *specific duty* expressed in terms of a percentage of the value of the product in question. For example, a duty of \$5 per ton on a product valued at \$50 per ton has an AVE of 10 percent. When tariff negotiations are conducted on a percentage-reduction basis, AVEs must be calculated in order to permit proportional cuts in specific duties.

Antidumping Duty. A penalty charge on imports to protect domestic industry against disruptive pricing practices by foreign firms (see *dumping*). An antidumping duty is supposed to be set equal to the margin of dumping, defined as the difference *between fair value* and the actual sales price. GATT Article 6 permits members to levy antidumping duties, while the GATT *Antidumping Code* attempts to standardize and discipline importing governments' activities in this area. See also *circumvention* and *injury test*.

Applied Tariff Rate. The tariff rate actually used to determine the amount of duty owed on a particular import transaction. Applied rates may differ from *bound rates*.

Basket Approach. A tariff reduction method often used in FTA negotiations in which a certain percentage or basket of products are negotiated downward at differing stages or periods of time (e.g., immediate, five years, ten years).

Binding. A formal commitment specifying maximum levels at which a GATT member's tariffs on a given product will be set. Tariff bindings provide a major element of stability to international trade by limiting large, unpredictable changes in tariff levels, since other GATT members may be entitled to *compensation* if a country raises a tariff above the *bound rate*. Many LDC members of GATT have bound few of their tariffs, however, and others --applying "ceiling bindings" at rates much higher than prevailing tariff levels -- retain considerable leeway to change tariffs at will.

Bound Rates. *Most favored-nation* tariff rates resulting from GATT negotiations and thereafter incorporated as integral provisions of a country's *tariff schedule*. The bound rate may represent either a tariff reduction or a commitment not to raise an existing tariff rate (see *binding*).

C.I.F. An abbreviation for "cost, insurance, and freight" used in trade statistics and sometimes the assessment of duties. Until recently most trade statistics have been reported with in c.i.f. terms; increasingly they are being reported in f.o.b. terms.

Civil Aircraft Agreement. Formally known as the Agreement on Trade in Civil Aircraft. The only sectoral agreement covering manufactures to result from the *Tokyo Round* negotiations. Under the agreement, signatory countries eliminated tariffs on civil (i.e., nonmilitary) aircraft, engines, and components; established rules covering governments' involvement in civil aircraft purchases; and applied the GA TT *Standards Code* and *Subsidies Code* to the aircraft sector. Code signatories are proscribed from pressuring airlines to buy from particular suppliers, and may not grant or deny landing rights in attempts to influence aircraft purchases.

Common External Tariff. A uniform tariff schedule applied by members of a *customs & union* or *common market* to imports from nonmember countries.

Compound Tariff. A combination of a *specific duty* and an *ad valorem* tariff on the same imported item (e.g., \$100 per unit plus 5 percent of the assessed value). Sometimes called a "mixed tariff."

Concertina approach. Method of reducing tariffs by lowering the highest rates first, then the next highest, etc.

Countervailing Duty (CVD). A special duty levied on imports to enable domestic producers to compete on an equal footing with subsidized foreign producers. CVDs are levied in addition to normal tariffs, in an amount necessary to offset government subsidies in the exporting country. GATT Article 6 permits and regulates the use of CVDs; additionally, signatories to the GATT *Subsidies Code* are required to meet an *injury test* before levying CVDs on imports from another signatory nation.

Customs Classification. The determination of the appropriate category in which a traded product is classified for tariff purposes. Also refers to the coding system or "nomenclature" used by customs officials as a guide in determining which tariff rate applies to a particular item. See *dutiable status*.

Customs Duty (also referred to as *Duty or Tariff*). Charge levied on imports and listed in importing country's tariff schedules. Duties may be specific or ad valorem or a combination of the two (ad valorem with a specific minimum, or the greater of the two).

Discrimination. Inequality in trade treatment accorded by an importing country to one or more exporting countries. Some forms of discrimination may be sanctioned by GATT, such as preferential tariff rates for imports from LDCs or from partners in a *free-trade area*. Discrimination may also involve trade restrictions that apply to the exports of certain countries but not to similar goods from other countries. The opposite of discrimination is *most-favored-nation (MFN)* treatment.

Duty Suspension. A temporary, unilateral reduction in tariffs. Duties are sometimes suspended to ease shortages of needed imports, or "to lower the cost of products not available domestically.

Exceptions. Products specifically exempted from an international agreement to liberalize trade through multi-product duty reductions or other commitments. Exceptions are usually made by importing countries to protect workers and firms engaged in production of *sensitive products*.

Free on board (f.o.b.). The price of a traded good including its value and the costs associated with loading it on a ship or aircraft, but excluding international transportation (freight) costs, insurance and payments for other services involved in moving the good to the point of final consumption. See also *f.o.b.*

Formula Approach. A tariff negotiating procedure in which a general formula for calculating tariff reductions on all products is agreed by the participants, with limited exceptions allowed for sensitive items. The most straightforward formula approach is a *linear reduction*, although more complicated formulas have been used. Negotiations based on a formula approach tend to achieve tariff cuts across a broader range of products than item-by-item negotiations, but are vulnerable to becoming bogged down by demands for exceptions. See also *harmonization*.

Harmonization. Cutting tariffs in a way that results in greater uniformity in rates applied to most items within each country's tariff schedule. Most harmonization negotiations have employed a *formula approach* for achieving relatively large cuts in high "tariff peaks" and smaller cuts in lower tariffs. This approach contrasts with *linear reduction* formulas, which call for equal percentage cuts in all tariffs.

Harmonized System (HS). A system of tariff nomenclature for *customs classification* negotiated within the *Customs Cooperation Council*. Participating countries classify goods for customs purposes on the HS basis up to a level of product specificity denoted by six-digit codes. Countries are free to introduce national distinctions --for tariff or statistical purposes --for more detailed product breakdowns beyond the six-digit level. The Harmonized System superseded the Brussels Tariff Nomenclature (BTN) classification system.

Information Technology Agreement (ITA). The Ministerial Declaration on Trade in Information Technology Products (ITA) was concluded by 29 participants at the Singapore Ministerial Conference in December 1996. The ITA provided for participants to completely eliminate duties on IT products covered by the Agreement by 1 January 2000. Developing country participants have been granted extended periods for some products.

Item-by-Item (or Line-by-Line) Negotiations. A method of tariff negotiations in which the expected trade effects of each proposed tariff cut are evaluated separately. At the end of the negotiations, participants are expected to have achieved approximate balance in the total effect of tariff cuts offered and received. The first five *GATT Rounds* used the item-by-item approach, but by the mid-1960s it had become too cumbersome for multilateral negotiations with increasing numbers of participating countries. See *formula approach*.

Linear Reduction. A tariff negotiating procedure based on reduction of tariffs by a specified percentage on an entire range of goods (also known as *horizontal reduction*). A linear reduction in tariff negotiations is the simplest form of a *formula approach*, and is far broader than an *item-by-item approach*.

Margin of Preference. The difference between the duty paid under a system of tariff preferences and the duty payable on an *MFN* basis. Some LDCs have complained that as average tariff levels in the industrial countries have been lowered through successive *GATT Rounds*, the margin of preference enjoyed by *GSP* beneficiaries has been eroded.

Nominal rate of protection. The proportion by which the (tariff-inclusive) internal price of an import exceeds the border or world price. Also referred to as *Effective Rate of Protection*.

Offer List. Concessions or tariff reductions offered by a country in trade negotiations, or a list of selected commodities on which a country proposes to make concessions.

Preferences. Special trade advantages granted by an importing country to certain trading partners, in contrast to nondiscriminatory treatment conforming to the *most-favored-nation* principle. Most preferences are granted to LDCs by industrial countries to promote export growth and development (see *GSP*). In addition to preferential tariff rates, preferential application of other measures such as licensing practices, quotas, or taxes may also be granted. The term is not normally applied to special trade treatment granted by a country to its partners in a *free trade area*, *customs union*, or *common market*.

Prohibitive Duty. A tariff rate that is sufficiently high that it effectively precludes most or all imports. Prohibitive duties are usually intended to protect infant or ailing industries from foreign competition or to retaliate against another country's trade practices.

Sectoral Reciprocity. The objective of equalizing levels of protection applying to international trade in a particular class of products through trade negotiations conducted on a sector-by-sector basis. Sectoral reciprocity contrasts with the customary, across-the-board approach to negotiations aimed at achieving mutually beneficial agreements comprising concessions in one sector exchanged for gains in another. See also *selective reciprocity* and *zero-for-zero*.

Request/Offer Approach. A tariff negotiating procedure whereby specific requests (e.g., cuts of a specified amount in the tariff on particular products) are submitted to a trading partner identifying the concessions sought and those proposed to be given in return. In contrast with *the formula approach*, the request/offer approach tends to concentrate negotiating efforts in areas of primary commercial interest to participating countries. A potential drawback is that it may forego opportunities to achieve broad, across-the-board trade liberalization.

Sensitive Products. Goods produced by a domestic industry employing large numbers of workers, for which the costs of production are such that any reduction in import protection would render the industry vulnerable to *injury*. Products deemed sensitive are most likely to be excepted from tariff

reduction formulas in trade negotiations --or subjected to *export restraints* -- since changes in the competitive position of such industries could cause major economic and social dislocations in the importing country.

Specific tariff. A specific duty (tariff, import tax) expressed in terms of a fixed amount per unit of the dutiable item. For example, \$1,000 on each imported vehicle or \$50 on each ton of wheat.

Tariff. A tax or duty levied upon goods imported into a country or customs area. (The term also refers to a list or "schedule" of articles of merchandise, specifying the rate of duty to be paid to the government of the importing country.) A "protective tariff" is one which is designed to discourage foreign import competition; a "revenue tariff" is primarily intended to raise money for the government of the importing country. Tariffs increase prices paid by domestic purchasers while reducing the total amount imported; domestic producers of the product and the importing country's government gain, but not by as much as domestic purchasers lose.

Tariff Escalation. The application of tariff rates on raw materials that are lower than on processed versions of the same or derivative products. Exporters of primary commodities argue that tariff escalation in importing countries impedes their efforts to move "upstream" to higher-value-added processing and manufacturing activities.

Tariff Peaks. Tariffs that are particularly high, often defined as rates that exceed the average nominal tariff by a factor of more than three or above 15 percent *ad valorem*.

Tariff Rate Quota (TRQ). A two-stage tariff, providing a base tariff rate that applies to goods up to a specified quantity imported during a certain period --usually a calendar year --and a higher tariff rate that "kicks in" once the quota threshold is reached. Because tariff quotas focus their protective effects on import surges, they tend to provide selective protection against highly competitive suppliers. Alternative term for *tariff quota*.

Tariff Schedule. A comprehensive list of the goods, which a country imports, and the import duties applicable to each product. See *tariff*.

Zero-For-Zero. A term used in the *market access* negotiations in the *Uruguay Round* to denote a sectoral free-trade initiative that would essentially eliminate tariffs on an entire category of goods. Meeting in Tokyo in July 1993, the *Quad* trade ministers announced plans to negotiate zero-for-zero agreements in eight industrial areas including pharmaceuticals, medical equipment, steel, construction equipment, farm equipment, furniture, beer, and distilled spirits.

III. Terms Relating to Non-Tariff Barriers or Non-Tariff Measures

Nontariff Barriers (NTBs). Measures other than tariffs that burden or restrict international trade. NTBs may be financial (e.g., internal taxes and customs fees) or nonfinancial (e.g., quantitative restrictions and excessive documentation requirements). The term is sometimes used in reference to nongovernmental actions or impediments to trade, such as internal distribution systems that discourage imports, but in GATT contexts the term refers to measures imposed by governments. Negotiations involving reduction of NTBs are generally more difficult than tariff negotiations since NTBs are almost always closely linked to other national policies or programs.

Nontariff Measures (NTMs). A broader term than *NTBs*, including not only import-restricting barriers but also measures that distort trade by stimulating exports. See *GATT Codes*.

Appellations of Origin. (Also referred to as "geographic indications of origin.") The name of a country, region, or locality designating a product's origin --such as Champagne or Camembert --and having the same function as a trademark or brand name. International negotiations on protection of *intellectual property rights* seek to resolve differences among countries' eligibility requirements (or lack thereof) for use of appellations or origin.

Border Tax Adjustments. The remission of taxes on exported goods, including sales taxes and *value added taxes* in order to ensure that national tax systems do not impede exports. The GATT permits such adjustments for indirect taxes --based on the economic assumption that such taxes are largely passed on to consumers --but not for direct taxes (e.g., income taxes assessed on producing firms). The United States makes little use of border tax adjustments since the federal government relies more heavily on income (or direct) taxes than do most other countries.

Compensatory Tax. An import levy applied by the European Community to certain agricultural products when the import price is below a reference (*or* minimum target) price and reflects an export subsidy. Not the same as a *variable levy*.

Competitive Policies and Practices. Actions by governments or firms to affect their *competitive performance* in international markets. Such actions can be legal (e.g., government-to-government lobbying or export promotion) or illicit (e.g., bribery or deceptive trade practices), and some are subject to multilateral agreements (e.g., tied aid or concessional trade finance). Such practices may be undertaken by nations or firms to compensate for or bolster their underlying *competitiveness*. Illicit practices on the part of individual firms are usually termed "unfair business practices," as distinguished from *unfair trade practices* which are actionable under multilateral trade rules.

Consular Fees and Formalities. Special charges and procedures --such as documents that must be approved by a designated official--required by importing countries as a prerequisite for permission to import merchandise. Cumbersome consular formalities are especially widespread among developing countries and, because substantial fees are often charged for required authorizations, they can function as a significant *nontariff barrier* to trade. See also *customs and administrative entry procedures*.

Content, Domestic or Local. Rules establishing a minimum proportion (by value or volume) of a product that has must be domestically or locally produced in order to obtain a benefit (e.g., a tariff concession or permission to be offered for sale).

Countervailing Charge. A charge in addition to normal import duties that may be imposed under the European Community's *Common Agricultural Policy* on imports of certain fishery products, fruits and

vegetables, and wine, to match the difference between the reference price and the entry price (for fishery products and fruits and vegetables) or the free-at frontier price plus customs duty (for wine).

Country of Origin. For purposes of customs administration, the country in which an imported product was manufactured, produced, or grown. When goods pass through more than one country in the manufacturing process, the country of origin does not change unless the product has been substantially transformed. In general, a product is considered to have originated in the country in which at least 50 percent of its final value was derived, although higher percentage thresholds are sometimes used. See *rules of origin*.

Customs and Administrative Entry Procedures. Formalities applying to customs clearance of imported goods at national ports of entry, including health and sanitary certificates, certificates of origin disclosing the name and location of the manufacturer, and consular invoices. Such procedures can result in increased import costs that inhibit trade even when not intended to do so. See also *consular formalities and documentation* and *Kyoto Convention*.

Customs Valuation. The process of appraising the value of imported goods on which duties are to be assessed, according to the *tariff schedule* of the importing country.

Customs Valuation Code. Formally known as the Agreement on Implementation of Article VII of the GATT. A *GAIT Code* establishing rules for the determination of value for customs purposes, designed to provide a fair, uniform, and neutral system of valuation, and to preclude use of arbitrary or fictitious values as a disguised form of protectionism. The cornerstone of the Code is the presumption that the actual sale price - -or *transaction value* --will be used whenever possible for valuation purposes; the *deductive value* or the *computed value* methods may be used in cases where the transaction value cannot be determined.

Customs Value. A method of valuing imported goods which excludes shipping costs from the final price.

Direct Taxes. Taxes on all forms of income including wages, profits, interest, rents, and royalties, or on the ownership of real property. Under GATT Article 6 and the *Subsidies Code*, the rebate of direct taxes on exported products --but not of *indirect taxes* --can be considered an *export subsidy* and be penalized by a *countervailing duty*. The direct tax/indirect tax distinction in GATT creates a disadvantage for US firms, since other countries tend to rely on indirect taxes while the United States relies more on direct taxes for revenue purposes.

Domestic Content Requirement. A requirement that foreign firms selling a particular product must use goods produced within the importing country as a specified minimum percentage of their inputs. Similar measures relating to inward direct investments are referred to as *local-content requirements*.

Domestic Subsidy. Government aid to a domestic manufacturer, grower, or producer to "maintain or increase production". Common incentives include direct payments, tax relief, and low-interest loans. As distinguished from an *export subsidy*, a domestic subsidy is not explicitly or solely directed at exports, although it may nonetheless have a significant trade impact. GATT Article 16 establishes substantive obligations or disciplines only regarding the use of export subsidies, not domestic subsidies. The *GATT Subsidies Code* recognized that domestic subsidies are widely used for the promotion of social and economic policy objectives, but requires signatories applying them to "seek to avoid" creating adverse affects on the trade interests of other signatories.

Drawback. Also known as duty drawback. The partial or total reimbursement of import duties by a government when the imported goods are re-exported or used in the manufacture of exported goods. Drawback can also refer to the refund of a domestic tax upon exportation of an article, which has been subjected to it. Drawbacks may be, considered *export subsidies*. See also *duty remission*.

Dual Pricing. The selling of identical products in different countries for different prices. When not based on factors such as differences in shipping costs or exchange rates, dual pricing is often presumed to reflect *export subsidies* or *dumping* practices. See also *price discrimination*.

Dual-Use Goods (or Technology). Refers to products or the technology embodied in those products that are intended primarily for use as civilian goods but which may be used or adapted for military purposes.

Duty Remission. A system allowing a firm to import goods into a country for processing and, when exported to a third country, to receive a repayment of duties paid at the time of the original importation. Unlike *drawbacks*, duty remissions do not require that the exported products contain elements of the imported product. Duty remissions may be considered *export subsidies*.

Eco-labeling. Government or privately-sponsored labels or markings (also known as eco-seals or green seals) signifying that products or packaging are "environment- friendly," allowing consumers to discriminate among products in terms of their environmental impact. Labels signifying "dolphin safe" tuna are an example. See also *eco-packaging*.

Eco-packaging. Refers to national regulations and programs to encourage recycling or reuse of product packaging and containers, together with associated labeling designed to promote use of "environment-friendly" packaging. Discussions in the GA TT *Group on Environmental Measures and International Trade* have addressed application of eco-packaging and labeling requirements in ways that do not discriminate against foreign products.

Effective Rate of Protection. The overall effect of a nation's tariff system on a specific domestic product, after taking into account the impact of trade restrictions on the industry's inputs. The effective rate of protection is the proportionate increase in value- added in an industry that is possible as a result of the whole structure of protection, on both the output and the inputs of the industry.

Export Credits. Deferred payment arrangements provided by exporters for goods or services sold internationally. Official export credits are deferred payment arrangements financed or underwritten by an exporter's government, and can have the same effect as an outright export subsidy.

Export Credits Arrangement. Formal title is the Arrangement on Guidelines for Officially Supported Export Credits. An international understanding negotiated under the auspices of the OECD, providing the institutional framework for an orderly *export credit* market. Its purpose is to prevent an "export credit race" in which exporting countries compete for sales to third-country markets on the basis of their financing terms rather than on the basis of providing competitively priced goods.

Export Guarantees. Assurances by an exporter's government that financing provided by a private lender will be repaid with official funds if a buyer defaults.

Environmental Trade Measures. Trade measures applied by importing or exporting countries in conjunction with environmental policies. In 1987, parties to the *Montreal Protocol* enacted a series of restrictions to curtail trade in products employing ozone- damaging chemicals.

Export promotion. A strategy for economic development that emphasizes support for exports through removal of antiexport biases created by policy. May be associated with policies such as duty drawbacks, export subsidies, marketing support or matching grants for exporters.

Export Subsidy. Any form of government payment or other benefit provided to domestic producers of goods destined for sale in foreign markets. Examples include preferential government financing, income tax holidays, and rebates of *direct taxes* on exported products. Reflecting the belief among the founders of GA TT that export subsidies can distort normal trading patterns, GATT Article 16 proscribes export subsidies on non-primary products that result in lower prices in foreign markets.

than prices charged for the "like product" in the domestic market. The *Tokyo Round* yielded an agreement that extended Article 16 by banning all export subsidies by industrial countries on manufactured and semi-manufactured goods (see *Subsidies Code*). See also *domestic subsidy* and *countervailing duty*.

Generalized System of Preferences (GSP). A system of tariff preferences applied by industrial countries to selected manufactured and semi-manufactured goods from developing countries, in order to facilitate LDC exports and economic development. GSP was originally propounded by UNCTAD, and was sanctioned by GATT in 1971 despite contravening the *most-favored-nation principle* of equal treatment for all GATT members. GSP was given permanent standing in GATT by the 1979 *Framework Agreement*. GSP tariff treatment is not subject to either *binding* or *reciprocity*, and thus represents an autonomous, unilateral grant by the preference-giving country. In accordance with the *graduation principle*, GSP treatment is also intended to be temporary, with individual LDCs expected to relinquish benefits as they develop.

Import Licensing. Procedures requiring the submission of an application or other documentation (other than those normally required for customs purposes) to an administrative body for approval as a prior condition for importation into the customs territory of a country. See also *prior deposits*.

Import Licensing Code. Formally known as the Agreement on Import Licensing Procedures. A GATT Code negotiated during the *Tokyo Round* to simplify and harmonize *import licensing* procedures of signatory governments, and to ensure that they do not in themselves restrict imports. Signatories are required to submit details of their licensing procedures and laws for examination by the Committee on Import Licensing.

Import Quota. A means of restricting or controlling imports by specifying the quantity or value of a commodity, which may be imported during a specified period. Such restrictions may take the form of "global" or "basket quotas" --limiting total imports from all sources, without differentiating among originating countries --or of country-specific, "allocated quotas" in which producing countries may be assigned a portion of the total quantity permitted to be imported. Some global quotas contain sub-quotas designating individual limits for various supplier countries. Import quotas result in protection that tends to be more predictable than with a *tariff*, and can thus be "fine-tuned" by governments.

Import Restrictions. Measures to limit or control the volume of imports by means of *tariffs* or *nontariff barriers* --including *import quotas*, *exchange controls*, *import licensing*, requirements for *prior deposits*, levies of *import surcharges*, or prohibitions of various categories of imports.

Import Surcharge. A temporary tax on imports over and above established tariffs, usually enacted in times of economic crisis. The *Tokyo Round Framework Agreement* legitimized use of surcharges for balance-of-payments purposes, provided they do not provide special protection for particular products and do not discriminate among individual exporting countries.

Indirect Tax. A tax levied on expenditures --such as a sales tax, excise tax, or value-added tax --rather than a *direct tax* on individual or corporate earnings. GATT rules permit countries to rebate indirect taxes on goods destined for export, but not direct taxes.

Infant Industry Protection. Temporary import protection intended to help an industry that is not fully developed become established and competitive in world markets. The economic justification for infant industry protection is the prospect of decreasing costs as output expands and experience in production is acquired, which puts start-up firms at a competitive disadvantage vis-à-vis established world producers in the industry. Article 18 of the GATT permits LDCs to protect infant industries, but the restricting country may be required to compensate other GATT members that are adversely affected.

Labeling. Requirement, either mandatory or voluntary, to specify whether a product satisfies certain conditions relating to the process by which it was produced.

Maximum (Minimum) Price System (for imports) Price(s) decreed by the authorities of the importing country and above (below) which price(s) imports may not enter the domestic market. Actual import prices below the decreed minimums trigger a protective action, such as the imposition of additional duties or of a quantitative restriction. Different terms are used in different countries and different sectors: basic import price, minimum import price, reference price, and trigger price.

Mutual Recognition. The acceptance by one country of another country's certification that a product has satisfied a product standard. Often based on formal agreements between countries if the standards are mandatory.

Origin Rule. Criterion for establishing the country of origin of a product. Often based on whether production (processing) leads to a change in tariff heading (classification) or on the level of value added in the country where the good was last processed.

Packaging, Labeling, and Marking Regulations. National requirements that importers must package their goods in certain kinds of containers or identify the contents in a particular way. Such measures are normally intended to meet domestic policy objectives, such as consumer protection, but may be regarded as a *nontariff barrier* to the extent that they pose more problems for producers of imported goods than for domestic producers.

Para Tariff. Charges on imports that act as a tariff but are not included in country's tariff schedule. Examples include a statistical tax, stamp fees, etc.

Performance Requirements. Government-imposed rules or conditions requiring foreign investors to serve particular national objectives. Trade-related performance requirements --such as commitments to export a specified amount of the output of a new plant, or to incorporate a minimum share of local content in its production --can have the same effect as export-stimulating or import-restricting *nontariff measures*, but without being subject to GA TT rules. See *Trade Related Investment Measures*.

Preshipment inspection (PSI). Mechanism under which goods are inspected and certified in the country of origin by specialized inspection agencies or firms. Often used by importing governments to combat over- or under-invoicing of imports by having the value of consignments determined by independent, foreign entities.

Production and processing method (PPM). Used in instances where trade policy action by a country is motivated by a desire to ensure that imports have been produced in a way that satisfies a national or international production or process norm. Often these norms will be environmental in nature.

Quantitative Restriction (QR). A term that applies to a *quota* or other administratively determined ceiling on imports or exports, usually expressed in volume terms, and sometimes specifying the amount that may be imported from each supplying country. QRs are distinguished from trade restrictions that operate through the price mechanism, such as a *tariff* or *surcharge*. GATT Article 11 generally prohibits QRs, although several exceptions are made.

Rules of Origin. The laws, regulations, and administrative practices that are applied to ascribe a *country of origin* to goods in international trade. Rules of origin include those applicable for administering country-based quotas and for establishing eligibility for preferential tariff programs, as well as for statistical reporting

Safeguards. Import restrictions to prevent commercial injury to a domestic industry from a sudden surge in imports, providing temporary protection while workers and firms in the importing country adjust to the increased foreign competition. Safeguards can take the form of tariffs or quotas. Unlike *antidumping duties* or *countervailing duties*, safeguard measures are not based on a claim of unfair trade actions on the part of exporters; their economic effects are similar, however. Article 19 of the GATT

sets important limits on the use of safeguards --especially that they must be temporary, *degressive*, and applied equally to imports from all sources --and requires the country imposing safeguard measures to extend compensatory trade benefits to exporting countries adversely affected by the action.

Safeguard (Action): Emergency protection to safeguard domestic producers of a specific good from an unforeseen surge in imports (GATT Art. XIX), to protect a country's external financial position and balance-of-payments (GATT Art. XII, XVIII:B), or to protect an infant industry in a developing country (GATT Art. XVIII:A or C). See also *Escape Clause*.

Snapback. Provisions in a trade agreement that allow a signatory to temporarily rescind concessions under specified circumstances, such as an *import surge* or unanticipated balance-of-payments disequilibria.

State Trading Enterprises (STE). Entities established by governments to import, export, or produce certain products. State trading does not necessarily involve a monopoly or quantitative restriction of trade and does not require state ownership (GATT Art. XVII). GATT Article 17 requires members to operate such entities on the basis of commercial considerations.

Subsidy. A payment or economic benefit conferred by a government on a specific industry or enterprise in order to advance an economic objective deemed to be in the public interest. Although escalating use of subsidies may be displacing tariffs as the principal distortion of international trade --as some trade experts assert --there is still no precise definition of the term "subsidy" in the GATT.

Tariff Equivalent. Measure of the protective effect of a *non-tariff barrier* (NTB) --the *tariff* that would have the exact same effect on imports as the NTB.

Technical Barriers to Trade (also referred to as Standards). Government-established specifications of product characteristics --such as levels of quality or purity, performance, safety, environmental impact, or physical dimensions --that must be met in order to receive permission to import the product. The specifications may cover testing and test methods, terminology, symbols, packaging, marking, or labeling requirements. Standards normally reflect policy criteria not purposely established to impede imports, but some standards systems clearly function as disguised trade barriers.

Temporary Admission. Customs regime under which firms may import intermediates duty free if use in export production, and are required to document *ex post* that imports have been used for this purpose. See also *Duty Drawback*.

Trade-Related Investment Measures (TRIMs). Designation for a Uruguay Round " negotiating group examining the adequacy of current GATT rules with respect to investment measures that restrict or distort trade --such as *local content* and *export performance requirements* --and negotiating new rules to limit their adverse trade effects.

Transaction Value. The cornerstone of the GATT *Customs Valuation Code*, which obligates signatory governments to use transaction value, or the price actually paid or payable for goods when sold for export (subject to certain adjustments for costs or charges not reflected in the price), as the principal basis for valuing goods for customs purposes. In cases where the transaction value cannot be used --for example, shipments between corporate affiliates or related entities --the primary alternative method is the transaction value of identical merchandise shipped from the same country of origin; a secondary alternative is the transaction value of similar goods sold from the country of origin. If none of the foregoing methods can be used, the *deductive value* or the *computed value* may be employed.

User Fee. A fee for a service --such as the provision of customs operations by the government of the importing country -- assessed on imported goods. GATT Article 8 requires user fees to be assessed on the basis of the estimated or computed cost of the service.

Value Added Tax (VAT). An indirect tax, assessed on increments in the value of a product from the raw-material stage through the production process to final sale. At each stage, the tax is levied on the amount by which inputs purchased from the preceding stage have been augmented in value. The final sale price will incorporate all of the V A T payments made along the production chain.

Appendix E: Power Point Presentation on the EPA Agreement

The EPA Agreement: SADC NAMA & Fisheries Workshop

Paul Moore and Mike Hathaway

Maputo, Mozambique

24-25 May 2004

EPA Objectives

Political Dialogue and Good Governance

- Cooperation on government, environment, migration, gender
- Supporting democracy and rule of law through institutional development and capacity building
- Sanctions
- Improve Role of Civil Society



EPA Objectives

Economic Integration

- Exploitation of Economies of Scale
- Increased Specialization and Competitiveness
- More Attractive to Foreign Investors
- Increased, intra-regional, bilateral (with EU), and global trade



EPA Objectives

Development Finance

- Accountability: More performance based and efficiently tailored
- Greater Role of the Private Sector
- EIB Investment Facility to Replace Lome Interest Rate Subsidies
- Funds to be Made Available for:: business financing, public-private cooperation, skills development, privatization, institutional development, and modern mediation/arbitration systems.



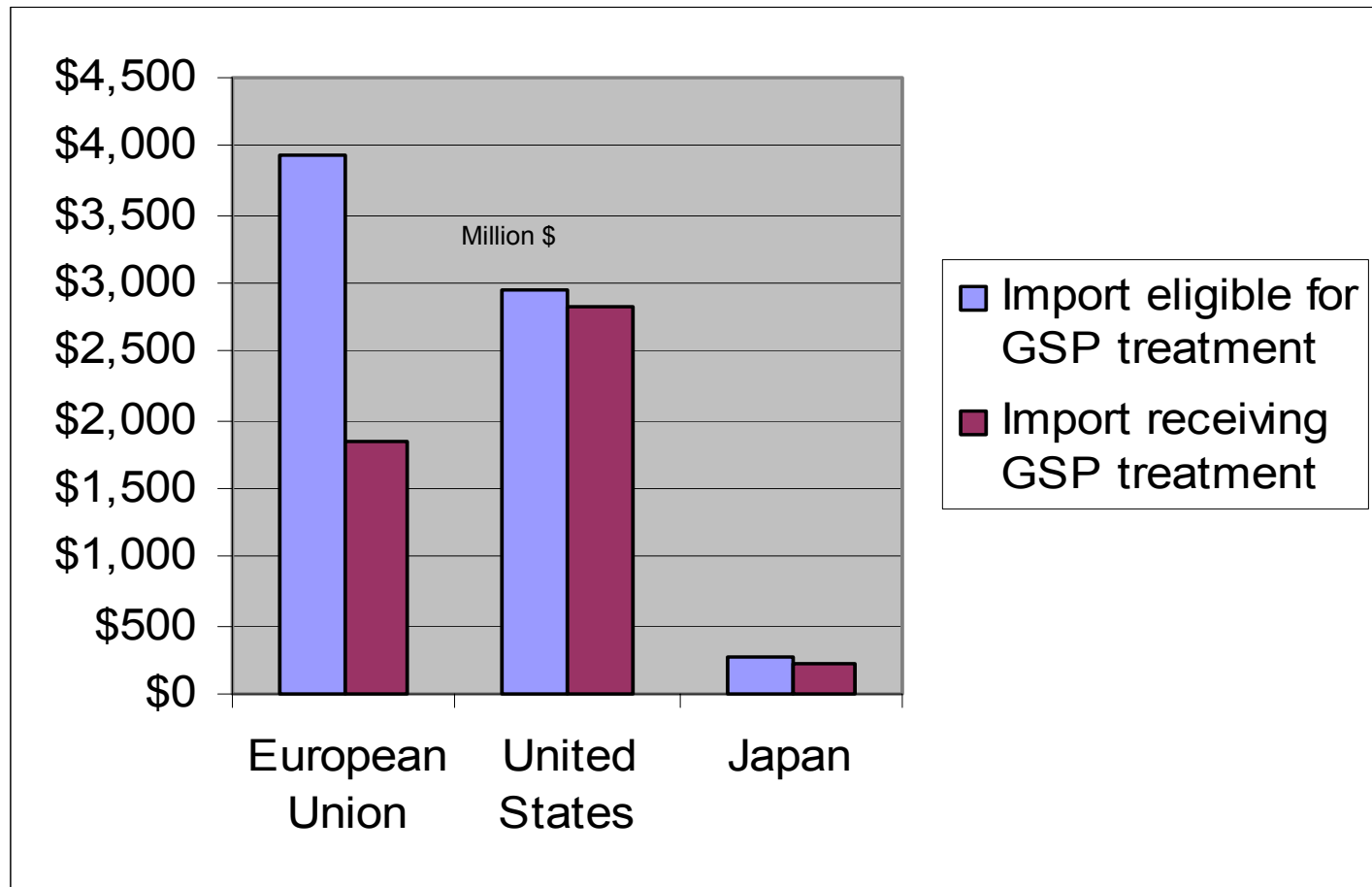
EPA Objectives

WTO Compatibility

- Based on GATT/WTO Principles
- WTO Plus
- Consistency between WTO rules on Regional Trade Agreement and “flexibility” objectives of Cotonou

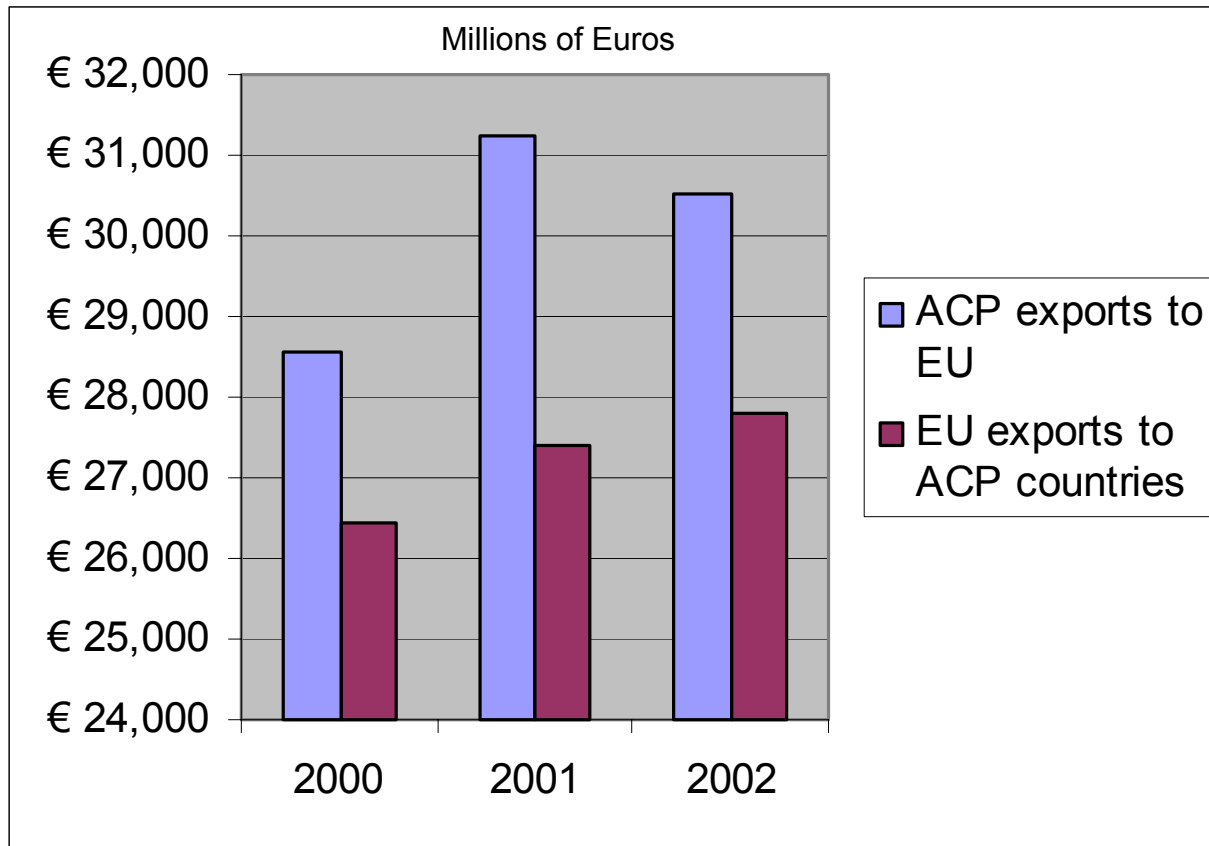


Examples of market access of GSP products in the EU, US, Japan



ACP trade surplus with the EU

- ACP countries have collectively had a trade surplus with the EU since 1999
- In 2002, the EU reported that the ACP countries had a 2.7 billion trade surplus with the EU



Source: EU-ACP Trade Relations key facts and figures Brussels Oct. 2, 2004



General Market Access Terms and Principles

- **Most Favored Nation (MFN)**
 - Fundamental Principle of GATT/WTO
- **National Treatment**
 - Non-Discrimination
- **Trade Barrier**
 - Tariffs
 - Non-Tariff Barriers
 - ✓ Not to be confused with Non-Tariff Measures



General Market Access Terms and Principles

- **Common Market vs. Free Trade Agreement**

- Trade Creation
- Common External Tariff

- **Unilateral Trade vs. Reciprocal Trade Arrangements**

- Generalized System of Preferences
 - ✓ Graduation
- Everything But Arms
- Africa Growth and Opportunities Act



Tariff-Related Terms and Principles

- **Tariff, Customs Duty or Duty**
- **Applied Tariff vs. Bound Tariff**
- **Types of Tariffs**
 - Ad Valorem (5% x base price)
 - Specific (.25 Euros/Kilo)
 - Compound (.25 Euros/Kilo + 5%)

Ad Valorem Equivalent (AVE)



Tariff-Related Terms and Principles

Harmonized Tariff System (Nomenclature)

- Customs Classification – same out to six digits
- Statistics
- Breakouts or Ex Outs
- HS 1996 vs. HS 2002
- Tariff Schedule



Tariff-Related Terms and Principles

Other Tariff Terms:

- Tariff Escalation
- Sectoral (e.g., fish, minerals, textiles & apparel)
- “Peak” Tariffs (vs. Prohibitive)
- “Nuisance” Tariffs
- Discriminatory Tariffs
- Suspended Duties
- Tariff Rate Quota (TRQ)
- CIF vs. FOB



Non-Tariff Terms and Principles

Non-Tariff Barriers vs. Non-Tariff Measures

- National Treatment
- GATT/WTO Disciplines
- Transparency

Tariff Equivalent



Non-Tariff Terms and Principles

Other Duties and Charges

- Direct vs. Indirect Taxes
 - ✓ Taxes on Income (e.g., wages, profits, royalties)
 - ✓ Taxes on Expenditures (VAT, sales, excise)
 - ✓ Rebates of Direct Taxes = Prohibitive Subsidy
- Trade Remedies
 - ✓ Antidumping or Countervailing Duties
 - ✓ Safeguard Duties (Snapback)



Non-Tariff Terms and Principles

Border Taxes and Consular Fees

- User Fee = Cost of Services (GATT Article VIII)
- Consular Fees
- Stamp Taxes
- Statistical Tax



Non-Tariff Terms and Principles

Customs Procedures: Rules of Origin

1. **Wholly Obtained**
2. **HTS Heading Change**
 - Substantial Transformation
 - % Value
 - Processes
 - Materials
 - Cummulation



Non-Tariff Terms and Principles

Customs Procedures → 5-15% added cost

- Documentation
- Certification
- Clearance
- Valuation (reference pricing)
- Consular Formalities
- Pre-Shipment Inspection



Non-Tariff Terms and Principles

Quotas

Compensatory Tax

Import Licensing

Standards

- TBT Agreement
- Mutual Recognition
- Production Processing Methods (PPMs)

Labeling

- Eco-Labeling



EPA: Issues to Consider

- **Elimination of Tariff Protection on EU Exports**
 - Limitations on Exemptions
 - Domestic Implications
 - Loss of Revenue
- **Changes in Access to EU Market**
 - GSP vs. EBA Preferences
 - Rules of Origin
- **Acceleration of Regional Integration**
 - Tariffs
 - Consistent NTMs or Rules (standards, investment)



EPA: Issues to Consider

The WTO Negotiations

- Timing and Resources
- Erosion of Preferences (e.g. textiles, fish)
- Agriculture
 - Tariffs
 - Domestic Support, Export Subsidies and Credits
- Review of GATT Article XXIV
 - Meaning of the Term “Significantly All Trade”
 - Staging (generally no more than 10)



EPA: Issues to Consider

Examining the EU Market

- Internal Dynamics/Expansion
- Erosion of Preferences (other FTAs, EuroMed)
- CAP Reform and Improved Access to Agriculture Markets
- Renewal of GSP
- Identifying and Improving Non-Tariff Barriers
- Risk of Trade Diversion



EPA: Questions

- Is an EPA better than the status quo or a post DDA global trading system?
- Should SADC focus on improving regional integration first?
- How can EPA improve conditions for SADC non-ag products, including non-tariff barriers?
- What will be the effect on SADC industries?
- What is SADC doing to diversify or strengthen exports?
- Will an EPA offer better Rules of Origin? Under What Conditions (i.e., level of integration)?



Negotiating Strategies

Base Rate:

- What is the base year?
- Is it the MFN Rate for the EU or EBA
- For SADC will it be the MFN rate in each country?
- How will SADC manage exceptions?



Negotiating Strategies

Request/Offer Approach. A tariff negotiating procedure whereby specific requests (e.g., cuts of a specified amount in the tariff on particular products) are submitted to a trading partner identifying the concessions sought and those proposed to be given in return. In contrast with *the formula approach*, the request/offer approach tends to concentrate negotiating efforts in areas of primary commercial interest to participating countries.



Negotiating Strategies

Formula Approach. A tariff negotiating procedure in which a general formula for calculating tariff reductions on all products is agreed by the participants, with limited exceptions allowed for sensitive items. The most straightforward formula approach is a *linear reduction*, although more complicated formulas have been used in GATT negotiations. Negotiations based on a formula approach tend to achieve tariff cuts across a broader range of products than item-by-item negotiations, but are vulnerable to becoming bogged down by demands for exceptions.



Negotiating Strategies

Sectoral Approach The objective of equalizing levels of protection applying to international trade in a particular class of products through trade negotiations conducted on a sector-by-sector basis. Sectoral reciprocity contrasts with the customary, across-the-board approach to negotiations aimed at achieving mutually beneficial agreements comprising concessions in one sector exchanged for gains in another. Also referred to as *zero-for-zero*. *(In the WTO sectoral agreements were reached on products such as construction and medical equipment, paper, distilled spirits, and information technology.*



Negotiating Strategies

Basket Approach: A tariff reduction method often used in FTA negotiations in which a certain percentage or basket of products are negotiated downward at differing stages or periods of time (e.g., immediate, five years, ten years).

EU: 90% (including all GSP) = immediate zero
 5% = five year
 5% = ten year

SADC: 70% = immediate
 20% = five year
 10% = ten year

} Form of Special & Differential



Negotiating Strategies

Staging

Duration of Tariff Phase Out – Under GATT Rules, generally considered to be no more than 10-12 years, with limited exception on a few sensitive products.

- Equal Annual Increments
- Backloading (no reductions until the fifth or seventh year)
- TRQ phase out (zero under quota, quota expansion, longer reductions of over quota rate)



Negotiating Strategies Staging: Examples

Description	Base Rate	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Linear/ Annual Increments	40	36	32	28	24	20	16	12	8	4	0
Backload	40	40	40	40	40	40	32	24	16	8	0
TRQ	0/40	0/36	0/32	0/28	0/24	0/20	0/16	0/12	0/8	0/4	0/0



Negotiating Strategies

Offense

- What are my trade priorities (incl. tariffs, NTBs)?
- How sensitive are those priorities in the EU market?
- What leverage can we use to argue for better ROO?

Defense

- What are the EU's priorities?
- What are my sensitivities and how can I illustrate them?
- What NTBs may be raised and should they be addressed in a bilateral negotiation or in the WTO?
- How can we use S&D provisions to our advantage?



NAMA Strategy Action Plan: Part I

Obtain Data Imports, Exports and Industrial/Fishery Products

Action & Timeframe: Countries are requested to provide import and export statistics (to/from the EU) no later than 21 May 2004.

Obtain Tariff and Non-tariff Barriers in the EU

Action & Timeframe: Countries are requested to provide information on tariff and non-tariff barriers no later than 11 June 2004.



NAMA Strategy Action Plan: Part I

Obtain Data Imports, Exports and Industrial/Fishery Products

HS Number	Description	MFN Rate	Anticipated SADC Rate (2007)	Imports from EU	Imports from World	Sensitivity	Proposed Staging
						A=low B=moderate C=High	%cut/yr.# of years

* Add Column with Imports from SADC



NAMA Strategy Action Plan: Part I

Obtain Data Imports, Exports and Industrial/Fishery Products

HS Number	Description	MFN Rate	Anticipated SADC Rate (2007)	Imports from EU	Imports from World	Sensitivity	Proposed Staging
						A=low B=moderate C=High	%cut/yr.# of years
8517.21	Fax Machines	10%	5%	\$1.2 million	\$2 million		
3401.11	Bar Soap	20% ad val	10%	\$120,000	\$400,000		

NAMA Strategy Action Plan: Part I

Obtain Tariff and Non-tariff Barriers in the EU

EU HS Number	Description	MFN Tariff	EBA Tariff	Lome Tariff	EU Imports	Exports to EU	Description of NTB	Country Where NTB is Found	
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***Add Columns with EBA, GSP and MFN Imports**



NAMA Strategy Action Plan: Part I

Obtain Tariff and Non-tariff Barriers in the EU

EU HS Number	Description	MFN Tariff	EBA Tariff	Lome Tariff	EU Imports	Exports to EU	Description of NTB	Country Where NTB is Found	Req.
6205.20	Men's cotton shirts	12.5%	0	12.5%	\$10,000	\$15,000	ROO	All	
0302.32	Yellow Tuna	22%	0	0	0	0	Standards Vessel Min. Pricing	All	
9007.11	Film Cameras	0%	0	0	0	0	N/A		



NAMA Strategy Action Plan: Part II

- ***Obtain Information about Domestic Support Programs***

- ✓ *GATT Violations*
- ✓ *Are there S&D Provisions*
- ✓ *Also look at the EU (fisheries)*

Action & Timeframe: Countries are requested to provide information on domestic support programs no later than 11 June 2004.

- ***Ensuring a National Dialogue***

- How is this being done?
- What are the coordination mechanisms among SADC?
- Is there a standard protocol?



NAMA Strategy Action Plan: Part II

Preparations: Internal

- **Create an inter-governmental negotiating team; assess needs and appoint lead agencies on various issues including:**
 - ✓ **Sectoral Issues (e.g., fisheries trade – external and internal constraints)**
 - ✓ **Adjustment**
 - ✓ **Export Diversification and Improving Competitiveness**
- **Develop and continually update a timeline that integrates these issues, policies and deadlines.**
- **Prepare two preliminary databases with each trading partners' tariff, trade and additional information. The database should be supplemented with official data from the trading partner.**



NAMA Strategy Action Plan: Part II

Preparations: Internal

- Working with this team, develop an initial profile/briefing book of the EU. The document WTO documentation, the EU website (www.europa.eu), and websites of other major trading partners and trade-related organizations.
- As necessary, formally notify national legislature of intent to enter into a negotiation, citing rationale and economic benefits.
- Initiate an economic impact study--using import data, tariffs, labor and industrial production statistics--that analyzes the effect of eliminating or reducing tariffs on domestic producers. Consideration also should be given to the effect on customs revenue, labor and industrialization, with a view to developing appropriate adjustment policies and programs.



NAMA Strategy Action Plan: Part II

Preparations: Requesting Information

- **Announce in the Official Gazette public hearings and/or an invitation for testimony from the private sector or NGOs regarding the anticipated negotiation. Particular comments in the following should be requested:**
 - **Economic costs and benefits to consumers and producers of removing tariffs bilaterally or suggestions on staging tariff elimination.**
 - **Existing non-tariff barriers in the partner country and the costs and benefits of their removal to consumers and producers.**
 - **Existing investment restrictions and the costs and benefits to investors and consumers of their removal.**
 - **Other matters that should be addressed in the negotiations, such as effects on the environment or living standards.**



NAMA Strategy Action Plan: Part II

Preparations: Preliminary Round

- **Meet with local embassy officials/and or partner's negotiation coordinator to develop an agenda for a formal or informal preliminary bilateral meeting to set the agenda, negotiating structure, timeframe, etc.**
- **As information from internal research and information exchange with the trading partner is accumulated, update and expand briefing book.**



Trade Research

- TradeMap (International Trade Centre): <http://www.trademap.net>)
- United Nations Conference on Trade and Development (trade statistics databases) <http://www.unctad.org>
- EU export help desk for developing countries <http://export-help.cec.eu.int/>
- European Union (customs databases, including tariffs and quota data) http://europa.eu.int/comm/taxation_customs/databases/database.htm
- European Union (textiles quotas database) <http://sigl.cec.eu.int/>
- Common Market for Eastern and Southern Africa – COMESA (click on customs and tariffs) <http://www.comesa.int/>
- Food and Agricultural Organization of the U.N. – FAO (statistics)
http://www.fao.org/waicent/portal/statistics_en.asp
- World Bank development gateway (trade and statistics)
<http://www.developmentgateway.org/node/244175/>
- World Trade Organization (trade statistics)
http://www.wto.org/english/res_e/statis_e/statis_e.htm



Trade-Related Links

- Codex Alimentarius www.codexalimentarius.net
- Common Market for Eastern and Southern Africa (COMESA) www.comesa.int
- Development Gateway (trade) www.developmentgateway.org/node/137197
- European Union Online europa.eu.int
- European Union Trade Information www.trade-info.cec.eu.int/europa/index_en.php
- Food and Agricultural Organization of the U.N. www.fao.org
- Foreign Agricultural Service (U.S. Department of Agriculture) www.fas.usda.gov
- Free Trade Area of the Americas (FTAA) www.ftaa-alca.org
- Gulf Cooperation Council www.gcc-sg.org
- International Food Policy Research Institute www.ifpri.org
- International Organization for Standardization www.iso.ch/iso/en/ISOOnline.openerpage
- International Trade Centre www.intracen.org
- North America Free Trade Agreement (NAFTA) Secretariat www.nafta-sec-alena.org
- Office of the U.S. Trade Representative www.ustr.gov
- U.S. International Trade Commission www.usitc.gov
- United Nations Conference on Trade and Development www.unctad.org
- World Bank Trade website www.worldbank.org/trade
- World Customs Organization www.wcoomd.org/ie
- World Trade Organization www.wto.org



NAMA Strategy Action Plan: Part III

Inventory Research Reports and Identify Additional Research

Action & Timeframe: Countries are requested to provide an inventory of all national and regional reports that may be relevant to NAMA and Fisheries negotiations no later than 14 May 2004. At the same time, countries are requested to provide a list of additional reports or studies that they are considering undertaking that are related to the NAMA and Fisheries negotiations.

- ✓ ***What's Available ? See WTO Document TN/MA/S/1/Add.1***
- ✓ ***Are there S&D Provisions***
- ✓ ***Also look at the EU (fisheries)***



NAMA Strategy Action Plan: Part III

Identify Training and Technical Assistance Requirements

In addition to this training event, countries are requested to outline additional training and technical assistance that might be required during the course of the EPA negotiations.

- ✓ ***Skills and capabilities?***
- ✓ ***Technical Capacity?***
- ✓ ***Exposure to Trade Negotiations***
- ✓ ***Understanding of the EU Trading System***



NAMA Strategy Action Plan: Part III

Identify Linkages and Coordinate with Other Negotiating Groups:

- ✓ ***Agriculture***
- ✓ ***Rules of Origin/Customs***
- ✓ ***Investment***
- ✓ ***Standards***



GSP : Yes

ACP : Yes

LDC : Yes

15-mars-04

Trade C-1 (BS)

EU imports rs4 from	Angola	% total of country	cumul. % of total	1000 euro	Share of Extra-EU	tons
2709	Petroleum oils and oils obtained from bituminous minerals, crude	76,3%	76,3%	866.828	1,0%	4.266.584
7102	Diamonds, whether or not worked, but not mounted or set (excl. unmou	20,0%	96,3%	226.719	1,8%	0
2710	Petroleum oils and oils obtained from bituminous minerals (excl. crude)	0,7%	97,0%	7.759	0,0%	24.833
2516	Granite, porphyry, basalt, sandstone and other monumental or building	0,6%	97,6%	7.029	1,3%	38.428
9015	Surveying, incl. photogrammetrical surveying, hydrographic, oceanogra	0,6%	98,2%	6.703	0,8%	276
Total imports from Angola		100%		1.135.733	0,12%	



GSP : Yes

ACP : Yes

LDC : Yes

15-mars-04

Trade C-1 (BS)

EU imports rs4 from	Mozambique	% total of country	cumul. % of total	1000 euro	Share of Extra-EU	tons
7601	Unwrought aluminium	80,5%	80,5%	469.064	8,5%	363.514
0306	Crustaceans, fit for human consumption, whether in shell or not, live, fr	10,0%	90,5%	58.017	2,4%	6.888
2401	Unmanufactured tobacco; tobacco refuse	3,5%	94,0%	20.348	1,1%	7.494
5201	Cotton, neither carded nor combed	2,0%	96,0%	11.750	1,9%	11.288
2516	Granite, porphyry, basalt, sandstone and other monumental or building	1,0%	97,0%	6.076	1,1%	28.691
1701	Cane or beet sugar and chemically pure sucrose, in solid form	0,9%	98,0%	5.275	0,5%	11.023
Total imports from Mozambique		100%		582.445	0,06%	



c

ACP : Yes

LDC : No

15-mars-04

Trade C-1 (BS)

EU imports rs4 from	Swaziland	% total of country	cumul. % of total	1000 euro	Share of Extra-EU	tons
1701	Cane or beet sugar and chemically pure sucrose, in solid form	58,2%	58,2%	69.351	6,3%	134.100
2008	Fruits, nuts and other edible parts of plants, prepared or preserved, whet	11,0%	69,2%	13.112	1,5%	14.810
0805	Citrus fruit, fresh or dried	10,2%	79,5%	12.189	1,2%	24.712
5402	Synthetic filament yarn, incl. synthetic monofilaments of < 67 decitex (6,0%	85,4%	7.095	0,6%	954
0201	Meat of bovine animals, fresh or chilled	2,6%	88,0%	3.068	0,5%	780
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of >= 80	2,3%	90,4%	2.791	3,2%	7.669
4703	Chemical wood pulp, soda or sulphate (excl. dissolving grades)	1,4%	91,8%	1.683	0,1%	4.743
2009	Fruit juices, incl. grape must, and vegetable juices, unfermented, not co	1,0%	92,8%	1.244	0,1%	1.402
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fr	0,6%	93,4%	721	0,1%	405
8411	Turbo-jets, turbo-propellers and other gas turbines	0,6%	94,0%	709	0,0%	0
0710	Vegetables, uncooked or cooked by steaming or boiling in water, frozen	0,6%	94,6%	686	0,2%	137
0709	Other vegetables, fresh or chilled (excl. potatoes, tomatoes, alliaceous v	0,5%	95,1%	652	0,1%	104
8529	Parts suitable for use solely or principally with transmission and recepti	0,5%	95,7%	623	0,0%	0
9014	Direction finding compasses; other navigational instruments and applia	0,5%	96,2%	603	0,0%	0
Total imports from Swaziland		100%		119.093	0,01%	



NAMA/SADC Workshop

Questions/Discussion

What information do you need to further develop your position?

- **What is the position of other SADC members?**
- **Does Bolsas S.A. currently export?**
- **What is the potential to use PPSA pellets as inputs for other products?**
- **What are the other production inputs? Where do they come from?**
- **How could the standards be addressed (waiver, technical assistance)?**
- **Are these standards the same for European producers?**
- **Has Bolsas S.A. discussed its position with PPSA or vice versa?**



Appendix F: Strategy and Action Paper



Strategy and Action Paper Non-Agriculture Market Access and Fisheries for the EPA Negotiations

**Submission by Mozambique – Ministry of Industry and Trade
12 May 2004**

The first meeting of Southern Africa Development Community (SADC) coordinators for the Economic Partnership Agreements (EPA) negotiations, held in Gaborone on 29th March 2004 at Ministerial level, decided that Mozambique would be the lead coordinator for non-agriculture market access (NAMA) and Fisheries aspects of the EPA negotiations. It was further decided that each coordinator would submit a strategy and action paper on how the negotiations and preparation for negotiations will be approached.

Mozambique proposes that countries carefully consider the following points as a strategy and action plan for EPA NAMA and Fisheries negotiations. For each of the items listed below, we kindly request countries to submit thoughts and answers to Mozambique in accordance with the timeline outlined below.

I. Objectives

The objective of the strategy and work plan for the NAMA and Fisheries negotiations is to think strategically about the trade-related interests of the SADC region and to craft a negotiation strategy that will assist negotiators in achieving the following SADC EPA negotiation objectives:

1. To contribute to poverty eradication;
2. To ensure smooth and gradual integration into global markets;
3. To further the regional integration process in the SADC region;
4. To preserve and improve market access for SADC exports to the EU;
5. To increase productivity and competitiveness of SADC producers; and,
6. To build capacity for enhanced growth and sustainable development in the SADC region.

II. Strategy and Work Plan

The proposed strategy and work plan is designed to guide participants obtain necessary information that will be used by negotiators during the SADC EPA negotiations. It is important that all countries respond accurately and quickly to the items proposed below:

1. **Identify NAMA National Focal Points (NNFPs)** – NNFPs in each country should be appointed to coordinate the collection and sharing of data, draft negotiation strategies, and facilitate other work necessary to design a SADC EPA negotiation approach to NAMA and Fisheries.

The National Focal Point for Mozambique is:

Dr. Luis Siteo
National Director for International Relations
Ministry of Industry and Trade
Pr. 25 de Junho, 27, 8th Floor
Mozambique, Maputo
Tel: +258.1.352.608
Fax: +258.1.431.206
E-mail: Lsiteo@mic.gov.mz

Please also copy all correspondences relating to the SADC EPA NAMA & Fisheries negotiations to the other Ministry of Industry and Trade staff at the following e-mail addresses:

Roberto Junot – Rjunot@mic.gov.mz
Jorge Salvador – Salvador@virconn.com
Ashok Menon – Amenon@nathaninc.com
Enrique Blanco – Eblanco@mic.gov.mz
Helder Magaia – Hmagaia@mic.gov.mz

Action & Timeframe: Countries are requested to submit names, email addresses, telephone and fax numbers, and addresses for all NNFPs no later than 7 May 2004. Mozambique shall compile names of all focal points and distribute electronically. The NNFPs shall form the NAMA and Fisheries Regional Working Group (NFRWG). Terms of reference for this NFRWG shall be provided to NNFPs no later than 6 May 2004.

2. **Identify Training and Technical Assistance Requirements for the Negotiations** – Because training and technical assistance might be necessary to undertake the work load outlined in this document, Mozambique will organize a 2 day training event on the EPA negotiations and

on NAMA and Fisheries. The training shall be in Maputo, Mozambique on 24-25 May 2004 (details and an agenda shall be provide to all NNFPs). A strategy for obtaining funding for attending this training and for other training requirements should also be addressed by NNFPs. In addition to this training event, countries are requested to outline additional training and technical assistance that might be required during the course of the EPA negotiations.

Action & Timeframe: Countries are requested to provide training and technical assistance requirements no later than 14 May 2004. Details on the training event to be held in Maputo, Mozambique 24-25 May 2004 shall be provided to NNFPs. Please note that Mozambique cannot provide funding for participants to attend the workshop (airfare, hotel and per diem), funding should be obtained separately. Lunch shall be provided at the workshop and a special rate of US\$ 84/day has been secured at the Avenida Hotel (Tel. +258.1.492.000, Fax: +258.1.499.600, E-mail: Bookings@hotelavenida.co.mz) and breakfast is included in the room rate.

3. **Inventory Research Reports and Identify Additional Research Requirements** - In order to prepare and negotiate the SADC EPA, countries might benefit from research and reports that have already been conducted (A good resource is the WTO/NAMA selected bibliography: Doc no. TN/MA/S/1/Add.1. This includes research on the multilateral and regional level.). For this reason, Mozambique requests that countries inventory research/reports that have been conducted and make available these reports for the SADC EPA countries. It is also possible that some countries will require, and therefore commission, research on areas related to NAMA and Fisheries. To the extent possible, research requirements should be identified and discussed. Where possible, countries might be able to draw on research that has already been conducted, both nationally and regionally.

Action & Timeframe: Countries are requested to provide an inventory of all national and regional reports that may be relevant to NAMA and Fisheries negotiations no later than 14 May 2004. At the same time, countries are requested to provide a list of additional reports or studies that they are considering undertaking that are related to the NAMA and Fisheries negotiations .

4. **Obtain Data Imports, Exports and Industrial/Fishery Products** - It will be important for countries to provide tariff and trade data on all industrial and fishery tariff lines as well as corresponding exports to and imports from the European Union. This data should identify products (where possible at a HS 6 or 8 digit level) using the HS 2002 nomenclature. Wherever possible, data, including imports, should be from the 2000 through 2004 period. Countries should also identify potentially import sensitive products and sectors in each country that it might want excluded from EPAs, reasons for exclusions and length of exclusions. This information will be used to formulate our offensive and defensive negotiation strategy. As Lesotho is responsible for maintenance of the database, we will coordinate closely with Lesotho to ensure consistency and accuracy of data. The information should be provided using the following spreadsheet in MS Excel. Low sensitive ("A") sectors should be no less than [65] percent of total imports; moderate ("B") up to [25] percent and high ("C") no more than [10] percent of total trade.

HS Number	Description	MFN Tariff	Anticipated SADC FTA tariff (2007)	Imports from EU	Imports from World	Sensitivity	Proposed Staging
				Should be requested from the EU		A=low B=moderate C=High	%cut/yr. # of years

Action & Timeframe: Countries are requested to provide import and export statistics (to/from the EU) no later than 21 May 2004.

5. **Obtain Tariff and Non-tariff Barriers in the EU** – Once products of importance to each country are identified, it will be important for each country to then identify EU tariff and non-tariff barriers for each product in the format provided below. Mozambique believes that countries will need to coordinate closely with exporters to identify tariff and non-tariff barriers in the EU.

EU HS Number	Product Description	MFN Tariff	EBA Preference	Lome Preference	Imports from the EU	Exports to the EU	Description of NTB	Country (where barrier is found)
							Possible NTBs: <ul style="list-style-type: none"> • Licensing requirements • Standards (SPS/NTBs) • Visa requirements • Specific regulations 	

Action & Timeframe: Countries are requested to provide information on tariff and non-tariff barriers no later than 11 June 2004.

6. **Obtain Information about Domestic Support Programs** – Countries will need to identify and share information on domestic support programs (if any) for each industry in each country. Once such information is collected, we shall formulate strategies and positions for countering and EU opposition to these programs. To the extent possible, countries are requested to provide information on domestic support programs for industrial and fishery sectors in the European Union.

Action & Timeframe: Countries are requested to provide information on domestic support programs no later than 11 June 2004.

7. **Identify Development Positions on Policy Issues** – it will be important for each country to define and share their positions on key policy issues of importance to each country. These development positions shall be incorporated into the negotiations briefs. For example, countries are requested to think critically and prepare position papers on issues such as Rules of Origin, Standards (Sanitary and Phytosanitary and Technical Barriers to Trade), Competition Policy, Labor Standards, Asymmetry of the EPA, Supply Capacity as well as other issues of importance to countries.

Action & Timeframe: Countries are requested to identify development positions on policy issues no later than 18 June 2004.

8. **Technical Assistance for Implementation of the EPA** – Countries should think critically about any challenges they may face in implementing NAMA and Fisheries agreements reached throughout the course of the negotiations and identify necessary technical assistance to meet these challenges.
9. **Hold Regional Meetings on NAMA/Fisheries** – We will hold 2 regional meetings per year on NAMA and Fisheries to share information on progress made to date, share data and recommendations, and coordinate on-going work. Details of follow-on meetings shall be discussed with NNFPs.
10. **Prepare Recommendations and Draft Negotiating Briefs** – Once all information and recommendations have been collected, Mozambique shall incorporate information and

prepare a draft negotiation brief. A final negotiation brief shall be produced before the launch of the NAMA and Fisheries part of the EPA negotiations.

III. Cross Cutting Issues

Two issues that relate not only to the NAMA and Fisheries negotiations, but also the rest of the negotiations, should be addressed.

1. *Identify Linkages and Coordinate with Other Negotiating Groups* - It is important that we link the work being done in this group with the work being done in other negotiation groups that are linked. Some of the issues that should be discussed with other negotiating groups include:
 - a. Agriculture;
 - b. Investment (FDI);
 - c. Technology transfers/ technology diffusion (Intellectual Property Rights);
 - d. Financing;
 - e. Services - as a supplier of inputs to industry; and,
 - f. Business environment (cross cutting).
2. *Ensure National Dialogue* - Mozambique believes that it will be important for each country to coordinate with relevant ministries, the private sector and non-governmental organizations (NGOs) in their respective countries. This dialogue can be useful in identifying products of export and import interest to the country, in ensuring that commitments undertaken during the negotiation can be implemented, in identifying development positions on policy issues, and in obtaining other information that shall be important to NAMA and fisheries negotiators.