



United Nations Economic Commission for Africa

Report on the Use of the Global Trade Analysis Project (GTAP) Tools For the period 2015-2016

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I. Introduction

As a major think-tank based in the African continent, the United Nations Economic Commission for Africa (ECA) is mandated to produce high quality research on Africa's key priorities. In that sense, the tools made available by the Global Trade Analysis Project (GTAP) to carry out various policy analyses are taken very seriously and repeatedly used by the ECA. These allow the organization to provide its member States as well as the African Regional Economic Communities (RECs), often on a demand-driven basis, with empirically-based policy recommendations. In fact, the use of GTAP tools can go a long way in influencing policy decisions across the continent, as attested by the recent official launch of the Continental Free Trade Area (CFTA) negotiations in June 2015 for which the ECA has been strongly advocating over the past few years; preparing and disseminating (using the Annual Global Economic Analysis Conference as one of the various platforms) a number of studies demonstrating the potential the CFTA reform could have on African economies and the positive perspectives it could offer to support Africa's much needed structural transformation.

GTAP tools are not just used by ECA, at its headquarter situated in Addis Ababa, but also in several of its sub-regional offices (SROs) located in Africa's five main regions.

ECA SROs have even launched their first country profiles earlier this year with the goal to continue producing them for a least four countries in each main region every year. Therefore, considerable efforts are being made by ECA to improve the availability and reliability of data for Africa. National data collected by ECA-SROs are then checked and compiled by ECA's African Centre for Statistics (ACS), working in close collaboration with national statistic offices throughout the Continent. As a consequence, ECA is committed to working closely with the GTAP network to make sure that better data for the 54 African countries can be made widely available for policy analysis on the issues that matter for Africa.

II. Research carried out by ECA using GTAP tools

For the period 2015-2016, through its Regional Integration and Trade Division (RITD), ECA has completed or started the following research papers (all submitted and accepted for presentation at the 19th Annual Global Economic Analysis Conference to be held in Washington DC, USA on 15-17 June 2016) on: 1) Emergence of the mega-regional trade agreements and the imperative for African economies to strategically enhance South-South trade-related cooperation; 2) Can a WTO agreement be reached on the Doha Round issues following MC10? : Finding a compromise which does not undermine Africa's key interests; 3) The Doha agenda: What's in it for Africa, and what next for secured development outcomes and fast integration imperatives?

Other ongoing efforts include a study led by ECA sub-regional office for North Africa, and jointly prepared with ATPC and ECA's Capacity Development Division as well as the United Nations Economic and Social Commission for Western Asia, on: "The New Tariff Reform in Tunisia: impacts and compatibility with the ongoing BIAT plan, Continental Free Trade Agreement negotiations, the GAFTA and Arab Custom Union discussions".

1) Emergence of the mega-regional trade agreements and the imperative for African economies to strategically enhance South-South trade-related cooperation

African ministers of trade mandated the African Union Commission (AUC) and ECA, through its African Trade Policy Centre (ATPC), to produce a short report on the expected economic impacts of the mega-regional trade agreements (MRTAs) on African economies their meeting which took place in Addis Ababa on 15 May 2015. Following completion and presentation of this report to the ministers, it was decided to deepen the analysis. Relying on Computable General Equilibrium (CGE) modelling this paper aims at not only assessing into greater details the trade impacts that MRTAs are expected to produce on African economies but most importantly exploring various trade arrangements that could help mitigating any possible negative effect on Africa which are expected to arise as a result of the formation of MRTAs. Findings from the analysis indicate that deepening continental trade integration—by establishing the Continental Free Trade Area (CFTA)—should be seen as a key priority for Africa; it would allow to offset harmful impacts MRTAs would cause on African economies and strongly stimulating intra-African trade and its industrial content. However, results suggest that Africa needs to also start looking beyond its own, and still relatively small, Continental market to expand its trade and possibly elevate its standing on the rapidly evolving global trade landscape. Explicitly, African countries should not wait until the CFTA is running up to speed to strategically enhance trade-related South-South Cooperation as the analysis demonstrates that it could clearly offer evident opportunities to support Africa's structural transformation agenda.

In addition to the technical paper for the Global Economic Analysis Conference, a non-technical and short version was prepared and published in ICTSD's Bridges Africa publication, volume 5, issues 3 dated April 2016. Translating technical studies into concise and easy to read pieces with key policy messages clearly coming out is essential for ECA to be able to make its research work most useful and accessible to policy makers from Africa's member States. Aiming at touching a broader public, a comprehensive

version of the Conference paper is also forthcoming as a chapter in a book on South-South cooperation.

2) Can a WTO agreement be reached on the Doha Round issues following MC10?

Following a request from the African Group of ambassadors in Geneva, the African Trade Policy Centre of ECA started undertaking a joint-study with the International Food Policy Research Institute (IFPRI) looking at the implications of 2008 Agricultural Market Access (AMA) and Non-Agricultural Market Access (NAMA) modalities of the World Trade Organization (WTO) as far as magnitude of preference erosion and loss of policy space are concerned for WTO members, and particularly those from Africa. This was done putting Africa's regional integration Agenda into perspective with the World Trade Organization negotiations process. Findings indicate that current AMA/NAMA modalities of the WTO could undermine Africa's regional integration process by forcing the determination of African common external tariffs (CET) structure for the foreseen continental customs union (CCU; next step after the CFTA). Suggestion is made for Africa to explore alternative AMA/NAMA modalities to preserve sufficient policy space to not weaken its regional integration efforts, and avoid having to renegotiate a possible WTO agreement by the time Africa is ready to design the CET structure for its CCU. In fact, this is even more relevant in the context of post 10th Ministerial Conference of the WTO which took place in Nairobi, Kenya, on 15-19 December 2015. Indeed, the paragraph 30 of the Conference Declaration (WT/MIN(15)/DEC) states that "many Members reaffirm the Doha Development Agenda, and the Declarations and Decisions adopted at Doha and at the Ministerial Conferences held since then, and reaffirm their full commitment to conclude the DDA on that basis. Other Members do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations. Members have different views on how to address the negotiations. We acknowledge the strong legal structure of this Organization". In this context, it is relevant to analyze further what can be improved from the current proposals on AMA and NAMA to make it more aligned with Africa's integration objective and at the same time convince the most reluctant members of the WTO on those issues, as well

as domestic support measures. Therefore, as a next step for this research, and pending approval from the African Group of ambassadors in Geneva, ECA plans to assess the expected economic impacts from alternative formulas than those on the table which have failed to gather wide support from WTO members. This could be completed by a comparison of expected impacts of the different AMA and NAMA formulas on Africa but also the main players in the WTO using a CGE model analysis; in order to determine which formulas may be acceptable by enough WTO members to reach an agreement on Doha Round issues.

3) The Doha agenda: What's in it for Africa, and what next for secured development outcomes and fast integration imperatives?

The paper reviews Africa's priority issues and interests in ongoing WTO negotiations and re-asserts the findings that Doha trade liberalization agenda in agriculture will have a high positive impact on growth and welfare in Africa relative to the rest of the world, though they will not all gain given the heterogeneity of countries involved. This conclusion is drawn from a comprehensive study carried out to shed light on a number of critical trade related issues of relevance to Africa Union and its Members states.

Taking a twin track approach to investigate the issue of agricultural trade liberalization and its impact on African countries, a critical assessment of the rules governing agricultural trade at the multilateral level is carried out followed with an analysis of the offensive and defensive interests of African countries in the WTO negotiations using the Global Trade Analysis Project (GTAP) model and the GTAP 8.1 database. Some key findings among others include that: the Doha Development Round has to go beyond the Uruguay Round to make progress on three key issues: market access, agricultural support and S&D treatment; Estimates of welfare changes under the proposed Doha scenario for African regions are quite modest and are estimated at around US\$ 8.3 billion; the study reveals the relative importance of market access issues (namely tariffs) in improving the welfare of Africa; Net gain to Africa is estimated at US\$ 320 million under market access reforms only (i.e. tariff reductions) compared to US\$ 99 million gains under export subsidies and US\$ 4 million under domestic support. The inclusion of Trade Facilitation

and removal of NTBs in trade liberalization amplifies the gains from liberalization of goods only but the gains are not necessarily in terms of trade effects but also allocative efficiency. Using the export value of time and import value of time, it is found that the welfare gains are respectively estimated to be US\$ 44 million and US\$ 56 million. By estimating welfare gains using alternative proxies for NTBs, the welfare gain varies from US\$ 64 million to US\$ 18 billion.

4) The New Tariff Reform in Tunisia: impacts and compatibility with the ongoing BIAT plan, Continental Free Trade Agreement negotiations, the GAFTA and Arab Custom Union discussions

Tunisia has just implemented a new tariff band structure, and is seeking to analyze what the implications of this will be for its trade patterns, government revenue and for the economy as a whole. This project is upon request from the Republic of Tunisia for advisory services regarding integration and economic development. The ultimate objective is to provide a suggestion on how the new simplified tariff lines could be improved to facilitate trade and fight informal trade. In addition to assessing the economic impacts of the last reform, this project aims also to analyze in what extent this new reform is aligned with the current trade negotiations on the two linked regional agreements Tunisia is involved in: CFTA and GAFTA (and the current discussions on the Arab custom union), and at a more global level the current negotiations on the MRTAs (i.e. TTIP, TTP, RCEP) and accordingly suggest actions to achieve the government's goals of facilitating trade, improving custom revenues, and accelerate its integration with its main partners.

III. ECA's involvement in the 19th Annual Global Economic Analysis Conference

ECA staff members from Headquarter and sub-regional offices are expected to attend this year's Conference. They will be actively engaged by presenting papers (see II.), chairing sessions, taking part in the newly launched mentoring programme (by providing a mentor and sponsoring participation of a mentee from the Africa region), organizing joint session

with WTO through ECA's African Trade Policy Centre and sub-regional office for North Africa, and sponsoring participants for those sessions. The joint ECA-WTO session is scheduled for the second day of the Conference and will be on the theme "Multidimensional trade related challenges in Africa and Arab regions under regional (CFTA, GAFTA,...) and multilateral trade agreements".

IV. Capacity building activities

A one full-week training on trade policy analysis with a focus on CGE modelling was facilitated by ECA for COMESA Secretariat and member States as well as representatives from Kenya's treasury. Among others, participants were sensitized to the GTAP database (coverage, structure, etc.) and its use as a global social accounting matrix for CGE models. References were also made to the GTAP models (which were obviously not covered during ECA's training) and GTAP courses for the participants to be aware of opportunities in enhancing their skills on other tools. Feedback from participants attending the training, COMESA Secretariat and Kenya's Treasury were very positive and calling for the training to be taken a step forward (i.e. advanced level) in the near future and for such activity to be extended to other African regions.

ECA did not just provide training with sensitization to GTAP tools but ECA staff members actually took part in various GTAP courses (i.e. GTAP 101 course and GTAP short course) with more staff to continue in the future to enhance their knowledge and skills on GTAP network and tools.

V. Looking forward

ECA is already planning work for 2016 and beyond which could considerably contribute to enhance the use of GTAP tools by African researchers and policy makers; with potential to significantly improve policy making, with a strong focus placed in the area of trade, through the use of GTAP tools.

1) Scaling-up capacity building activities

ATPC and the African Institute for Economic Development and Planning (IDEP; which is ECA's training arm, based in Dakar, Senegal) are in the process of setting-up courses on trade policy analysis with a focus on CGE modelling for African government officials, representatives of RECs and academia at all levels (i.e. basic, intermediate and advanced). Collaboration with other partners (such as WTO and IFPRI/Agrodep is envisaged) for the planning and delivery of the courses.

2) Modelling liberalization of trade services and investment in the African context

ECA has been a pioneer to assess the expected outcomes from the envisaged CFTA reforms on African economies. Findings which have then been corroborated by recent work undertaken by the trade law centre (TRALAC). However, studies so far have not considered possible liberalization of trade in services within the African continent as envisaged under a CFTA reform. The importance of investment (especially foreign direct investment services mode 3) have also been generally neglected. It is against this background that ATPC at ECA, invited TRALAC and other partners, from 16 to 20 May 2016, for brainstorming and working sessions on the issue of modelling liberalization of trade in services in the African context. During the week, discussion permitted to make considerable progress in terms of the model as well as data to be possibly used for such analysis and liberalization shocks which could be envisioned. Looking forward, ECA is committed to continue efforts towards filling the gap in these areas of modelling building on the outcomes from the working week organized last May 2016.

3) Contributions to improving Africa's coverage in the GTAP database

ATPC is considering to devote a share of its budget towards supporting the development of input-output tables to offer the possibility to: 1) Update information for African countries for which input-output tables used for the construction of the GTAP database

are old; 2) Expand coverage of African countries in the GTAP database. The envisioned effort is for about 2-3 input-output tables per year for the next 4 -5 years.