

SADC-EU Trade Relations in a Post Lomé World

**Sheila Page
Peter Robinson¹
Henri-Bernard Solignac Lecomte
Maurizio Bussolo**

Overseas Development Institute

Prepared for the SADC Secretariat with financial assistance from the UK's Department for International Development. No part of this paper should be construed in any way as an expression of the SADC or HM Government policy.

¹ Zimconsult, Harare, Zimbabwe

A CIP Publication data record for this publication may be obtained from the British Library

ISBN: 0 85003 401 9

© Overseas Development Institute 1999

Published by the Overseas Development Institute
Portland House, Stag Place
London SW1E 5DP
Tel: +44 (0)20 7393 1600
Fax: +44 (0)20 7393 1699
Email: publications@odi.org.uk

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publisher.

Negotiating Guidelines and Summary

Acronyms

ACP	Africa, Caribbean, Pacific
ASEAN	Association of South East Asian Nations
ATA	Alternative Trading Arrangements (REPAs and other alternatives to Lomé)
BLNS	Botswana, Lesotho, Namibia, Swaziland
CAP	Common Agricultural Policy
CARICOM	Caribbean Common Market
CBI	Cross Border Initiative
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
EAC	East African Cooperation
EC	European Commission
ERA	Enhanced Regional Agreement
EU	European Union
FTA	Free Trade Area
GSP	Generalised System of Preferences
IOC	Indian Ocean Commission
LLDC	Least Developed Countries
MERCOSUR	Mercado Común del Sur
MFA	Multi-Fibre Arrangement
MFN	Most-Favoured Nation
NAFTA	North American Free Trade Area
NTB	Non-Tariff Barrier
REPA	Regional Economic Partnership Agreement
SAARC	South Asian Agreement on Regional Cooperation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIDS	Small Island Developing States
SPS	Sanitary and Phyto-sanitary
WCO	World Customs Organisation
WTO	World Trade Organization

Trade policy terms

Trade creation Increased trade in a region when lowering of tariffs leads to substitution of imports from regional partners for home production.

Trade deflection Imports from outside an FTA into a high-tariff member made through a low tariff member to evade the tariffs.

Trade diversion Increased trade in a region when lowering of internal tariffs relative to external tariffs leads to substitution of imports from within the region for imports from outside.

Box 1: To prepare for all negotiations

The first step is to identify what SADC and its members' objectives are, the priorities among them, how external trade policy can contribute to them, and then what needs to be achieved in each negotiation to produce an external trade regime at least consistent with, and where possible contributing to, development objectives.

An essential input to this is improving data on trade and making them regionally consistent, then extending this to services, and to subsidies and taxes and national regulations relevant to trade.

Mechanisms are needed in each country to ensure that all government departments involved in any of the areas now or potentially under international negotiation are aware of the issues, and that there is a coordinating mechanism (committee; centralised information) which will not only achieve the initial task of coordination, but provide a continuing process of adapting national positions and responses to new issues. Those involved include not only trade, foreign affairs, and customs, but (and this is not an exhaustive list) finance (revenue impacts of reduced tariffs), agriculture and industry (strategies to identify and take advantage of new opportunities emerging from trade negotiations and to assist the adjustment of sectors adversely affected), transport, communications, etc. (trade in services), law (intellectual property, competition policy, regulation of services), health or safety (standards, environmental concerns). Depending on the structure of national government, the group may include levels below the national if regulation or purchases are at state or local level.

Regular channels of communication with the private sector need to be established and maintained. This is needed to ensure that sectoral views and information pertinent to the negotiations are made known before SADC or the countries adopt positions or react to others' proposals, and then that sectoral views continually inform the negotiations.

Mechanisms parallel to these national structures are needed in SADC. It is difficult to think of any SADC offices which will not be involved: subjects that SADC has identified as needing regional coordination are likely also to be on the international agenda.

A network of SADC-country contacts is needed to coordinate the country positions where relevant and possible, and to ensure full information about all countries' positions.

Mechanisms are needed to keep the negotiators for SADC and the individual countries with SADC, other regional bodies, ACP, EU, WTO, and others, in touch with all the others. They need to know the main developments and also the technical issues (such as rules of origin) in order to identify where it would be advantageous to have harmonisation across agreements or where what is agreed in one forum will constrain what can be achieved in another.

For each negotiating objective and in each negotiating forum, SADC should identify potential allies, with similar interests. These can be similar groups (other ACP, other regions, other African), specific trade or other interests (other exporters of similar products or services, others with similar legal systems to adapt to WTO rules), or broader interests (developing countries, least developed countries). It should also seek support in some subjects from relevant international bodies outside the WTO: World Customs Organisation, World Intellectual Property Organisation, International Labour Office.

Box 2: To prepare for WTO negotiations

Negotiators need preparation on all issues and existing obligations; this may be particularly needed on the issues that go beyond trade in goods.

SADC has not been notified as a region under Article XXIV or under the Enabling Clause (because there is as yet no trade agreement to notify), but it does have observer status in the WTO. This gives it the opportunity to present policies jointly, when these exist, as well as acting as individual countries, or with other appropriate groups (agricultural exporters, clothing exporters, least developed countries, etc.).

SADC should establish a joint office in Geneva, providing a permanent point of information about negotiations and early notice of proposals that have not yet been formally introduced and economising on the scarce resources which individual countries can afford to commit to their Geneva embassies. It should also establish a network of economists, lawyers, etc., on which it could call for assistance as required (dealing with WTO obligations and disputes is increasingly becoming itself an international service industry). All this would be necessary even if SADC countries planned to undertake all negotiations individually to ensure that all countries have good sources of information, and to avoid developing a system where the two or three countries with large embassies acquire a representational role by default.

If some negotiations are undertaken jointly, the representation in Geneva needs to be at a higher level, and SADC and its members would have to establish protocols for how consultation before and during negotiations would be undertaken.

SADC countries should use and encourage any other initiatives to provide joint services for all developing countries, ACP countries, Commonwealth countries, etc., in Geneva.

Countries should coordinate with other developing countries on issues of special and differential treatment for developing and least developed countries and (especially on GSP) with UNCTAD.

It is important that SADC consider the implications of following the Uruguay Round (and earlier) precedent of the ACP countries relying heavily on the EU to inform them and to represent their interests in the WTO. The need for prompt and detailed information makes the information role inappropriate: countries cannot rely on receiving information through the prism of EU obligations and interests. The representational function could be used in some cases, e.g. if SADC decides on the REPA strategy and wants a joint approach on revising WTO rules to make this legitimate. In practice, however, the very different interests arising from different economic structures, different levels of income, and different approaches to development strategies mean that the EU should simply be considered along with other potential allies in each case.

Box 3: To prepare for ACP/EU negotiations

SADC must be aware that the EU faces the same problems of coordinating and representing interests that are not always identical across the region which SADC faces. SADC needs a variety of contacts among members as well as with the EC.

SADC needs clearer information about what the EU is proposing: The EU must clarify the nature of what would be included in REPAs. The current proposals on trade access are contradictory and inconsistent: can least developed countries be excluded from WTO-committed access if they join a region? How can the offer that no Lomé country will receive less than present access be consistent with WTO rules, unless the EU plans to offer Lomé terms to all WTO members on an MFN basis? Is acceptance of a REPA a precondition for aid?

There is no formal SADC representation in Brussels or within the ACP. If SADC is to negotiate jointly with the EC (whether on a REPA or an alternative trading arrangement) or with the ACP or other regions within the ACP, it will need an office in Brussels. Given current national representation in Brussels, the need for joint services may be less than in Geneva, although countries could consider whether there is potential for these, perhaps releasing resources to increase representation in Geneva.

The ACP has established expert groups to assist in the negotiations with the EU, one for the Caribbean and more recently for Africa. SADC should consider either strengthening and working with these or establishing its own advisors.

The negotiations facing SADC

Section 1.1, 2.1, 2.2²

The members of SADC face three sets of negotiations: in SADC, at the WTO and with the EU. These overlap in time and coverage.

There are three major types of interaction:

- the impact of combining them on the effective value added of each;
- the economic and administrative implications of trying to combine schemes;
- direct legal restrictions from one on using another.

The most obvious example is the interaction of advances at the multilateral MFN level with any EU-SADC arrangements. At the legal level, WTO rules restrict the form and coverage of the agreement. At the practical level, an agreement with a single trading partner requires that rules of origin be imposed which affect trade with other partners and that arrangements be made, formal or informal, for consultation on the effects of the agreement on existing or new multilateral obligations. Economically, any reduction in MFN tariffs or non-tariff barriers reduces the benefit, the 'effective preference', of any special scheme.

At multilateral level, the SADC countries face: the continuing implementation of the Uruguay Round agreements; the built-in agendas of subjects left for resolution: agriculture and services; the possibility of a new Millennium Round which could cover new subjects.

EU relations: these are now governed by: the EU agreement with South Africa; the position of the other SACU countries with respect to it; and Lomé. With Lomé expiring in 2000, negotiations start from the proposal by the EC that the EU establish a Regional Economic Partnership Agreement (REPA) with SADC, in which the current non-reciprocal access given to SADC, except South Africa, under Lomé would be replaced by reciprocal, but perhaps asymmetric access. The proposal is that ACP countries (divided into regional groups) could choose to sign REPAs with the EU or to remain outside, and have GSP access to the EU, under either the Least Developed or the other developing provisions.

Members of SADC also have access to *preferential arrangements* from other developed countries, both general under GSP and (potentially) under special schemes such as the US initiative for Africa. The evolution of preferential arrangements and the legal regime for them (including any changes at WTO level) will have implications for the value of an agreement between the EU and SADC. They affect the costs and benefits of retaining exceptional access to the EU, and could have implicit or explicit restrictions on any arrangements. Some SADC members have other bilateral and plurilateral arrangements with each other and with other African countries, through SACU, the Cross Border Initiative, the Common Market for Eastern and Southern Africa, the East African Cooperation, and a range of more limited agreements.

² The references at the beginning of each sub-division are guides to the relevant sections of the main report.

CBI, COMESA, and EAC (at least) are all evolving, and their possible changes in the future could be relevant.

As well as the negotiations in which it can participate, SADC's choices will be limited by changes over which it has little control:

- the EU agricultural policy and the consequences for the agricultural protocols;
- the evolution of other groups, including EAC, IOC, COMESA, CBI; and finally
- decisions made by individual SADC countries: unilateral changes, not only in their trading policies, but in tax, industrial or agricultural policies, regional or transport, and other national policies with international repercussions.

The SADC strategy must distinguish clearly between negotiations and issues on which it can decide, and those where it is necessarily dependent on others. GSP, as much as the CAP, is a matter which is legally entirely at the discretion of the importing country. This does not preclude attempts to influence the outcome (in either case), but the final choices, the details, and any subsequent changes need not be the subject even of consultation. This requires a different type of negotiation, a requesting not bargaining type of relationship. It creates uncertainties: of information about what is available, about how it is to be implemented, about its permanence. A trade agreement, with the WTO or the EU, is contractual in nature, although any agreement with the EU would suffer some legal uncertainty (the potential distinctive features of a REPA would almost certainly be tested by the WTO Article XXIV procedure).

But in looking at the interactions and balance among these negotiations, SADC cannot lose sight of broader issues of international strategy: should it be seeking greater access (or preservation of existing access) to current major trading partners or trying to broaden its markets? Should it be looking for a range of special arrangements with trading partners or a more comprehensive multilateral approach? How do different international strategies affect its development strategy?

The central conclusion is already known: the SADC countries face a set of negotiating problems that are complex in time and space, with too many possible variants in choice of trading partner, degree of liberalisation, and timing of liberalisation to permit a simple hierarchy of choices or a clear timetable for decisions. What is essential is to ensure that all elements of the negotiations are brought together; that all those involved in negotiation are aware of the other choices being made. This is important also because negotiating positions in one forum can have an impact on the strength of a position in others; simply the fact of having alternative trading strategies can be valuable.

With the Lomé negotiations and some WTO changes already under way, and a new Round scheduled to start later this year, the urgency is clear. But the number of uncertainties means that a very detailed study risks proving irrelevant; as the negotiations continue and choices are made or cut off, or new choices appear, analysing the situation will be an iterative process (a multidimensional chess game with a need to revise strategies as the pieces move).

The complexity and the range of changing opportunities call for:

- Understanding the current position, as a base for choosing among the different futures.
- Understanding the timing and planning the sequencing of negotiations.
- Clear definition of objectives (established through political leadership after wide consultation).
- Good preparation, mobilisation of allies, and careful deployment of scarce negotiating resources.

Priorities among negotiations

Figure 1 summarises what faces SADC. But its geographical logic does not correspond to the priorities: both SADC's obligations and the timing of decisions dictate a different order: SADC, WTO, then EU. SADC has committed itself to complete its own trade negotiations this year; all the members are also members (or applicants) to the WTO, and thus are obliged to follow its rules and participate in negotiations to change them; SADC's relations to the EU are a matter of choice.

Only South Africa and Tanzania have been regular active participants in WTO discussions and negotiations. Others have only limited representation in Geneva. Until the Uruguay Round, this could be justified because their principal exports were either duty free (as primary goods) or removed, by developed country action, from GATT negotiations (agriculture and clothing and textiles). Most of their remaining exports were covered by preference regimes, not GATT-negotiated tariffs. The Uruguay Round brought the excluded goods back into the system, reduced the value of preferences, and extended international regulation beyond trade to international and national rules (customs valuation and procedures, intellectual property, subsidies...) which directly concern developing countries. It also subdivided 'developing' countries into 'least developed', with increased preferences and other privileges, and 'developing' with reduced. It tightened the rules on regions with a direct effect on SADC itself as well as on a potential EU-SADC agreement. This made more precise the requirement that all sectors be included, put a limit on transition times, and established a mechanism to assess regions against the rules. Whatever the possible direct benefits of negotiations at multilateral level for the SADC countries, the need to comply with the results strongly suggests that they need to reconsider their policy of neglect of the WTO. Participation is particularly important because, unlike the international financial institutions which have the power to take their own initiatives to change their rules or assist members, the WTO is a 'member-driven' organisation: initiatives (and appraisal of others' initiatives) must be by members, not by the Secretariat.

The EU accounts for about one third of SADC exports and imports, less than for other African regions, although the share has been growing in the nineties, largely owing to increases by South Africa. In spite of this relatively low dependence on exports to the EU, SADC countries have put a heavy weight on their trade relations with it. South Africa made the negotiation a priority of its post-1994 trade programme. The Lomé scheme offers the others duty free access for all

manufactures and most agricultural goods, with preferences over other developing and all developed countries in the remaining agricultural goods. The protocols for sugar and beef and veal give free access to EU markets for goods which would otherwise be covered by the Common Agricultural Policy for a fixed quantity of exports, allocated among ACP countries. These give the countries a guaranteed high price as well as access. Changes in the CAP will not lead to any increase in the quotas, will bring a reduction in the guaranteed prices (expected to fall by about 20 percent), and could lead to the discontinuation of the protocols.

Timing of negotiations

Sections 3.1, 3.2, 3.3, 3.4

We assume that the negotiations for the SADC Trade Protocol will be successfully completed in 1999 and implementation will begin in 2000.

In the WTO, the Uruguay Round left some unfinished business, the ‘built-in agenda’, and some where it was clear that further review would be needed within a few years. The two most important trade areas were agriculture and services, in both of which WTO members were required to open new negotiations by 2000. The question remains (at least until the formal opening at the end of November 1999) whether there will be a limited Round, dealing only with these pending items (and possibly some relatively uncontroversial tariff changes), in order to secure some advantages, especially in agriculture, as soon as possible, or a full Round, with the possibility of re-opening all the subjects covered by the Uruguay Round plus a ‘new agenda’, extending the WTO’s competence into areas like trade in environmentally damaging (or friendly) goods, investment, competition and other company policy, labour, more extended control of national legislation with potential effects on trade, etc. The EC appears to be supporting a full round, while many developing countries believe that the unfinished business from the last Round (implementation of agreements such as the MFA, for example) should be completed before new subjects are introduced. For SADC’s long-term planning this may not change the outcome, although clearly it affects what it must treat as a priority. If there is only a limited round, then it would probably be followed by a full round relatively soon after, perhaps in the late 00s, certainly by our horizon of 2015. The regulatory issues introduced in the Uruguay Round could be raised again, as well as new ones. The rules for regions which were revised in the last Round could be made more explicit, as there will soon be some direct evidence of how they are working, although there are no current proposals for reform.

There is a view, certainly in the WTO, and possibly in some major countries, that the Round ‘will be mainly about development’, if only because the obvious tariff and sectoral reforms were made in the last Round. But against this is the fact that many of the items on the potential new agenda are more about regulation. This could help development, by increasing the security and predictability of systems, or hurt it, by reducing countries’ freedom to take their own initiatives, but the rationale for it is the increasing integration of the developed countries. Development will only be a priority if active intervention by developing countries achieves this.

EU negotiations with the ACP countries have already begun. SADC’s choice, to follow the EU proposal of a region-to-region FTA, to take the alternative offered of GSP status, or to try to

negotiate an alternative trading arrangement, must be made in the next year. SADC countries must, therefore, now be aware of the coverage and timetable of the general preferences available, to least developed countries and to other developing countries. Of the SADC countries, only South Africa in recent years has received GSP treatment from the EU, and this was in a period when it was negotiating a special deal with the EU. The current (post-1986) EU GSP now specifies the reduction on the MFN tariff as a percentage. This means that even if there is no change in GSP itself (and it has been drastically reformed at each renewal, with the next due in 2005), any results of a WTO round will alter (and reduce) its value. Two trends have been important, and may indicate the direction in which GSP may move in future reforms. The first is increasing differentiation by product in the degree of preference given. The current EU scheme has four levels of preference (according to the sensitivity of products), different treatment of industrial and agricultural goods, and the potential (not yet used) to offer additional degrees of preference for good environmental practice or observance of certain labour standards. The second is differentiation among countries. The more advanced or competitive countries can be graduated out; an extended regime exists for least developed countries; there are special arrangements for some countries exporting drugs in Latin America.

Proposals for reform have suggested some simplification in the number of levels of preference, but increased differentiation among countries. One proposal is to increase the number of income categories, thus allowing increased preferences for some countries just above Least Developed, with perhaps a reduced preference band for advanced countries not yet graduated. Another is to include additional indications of vulnerability, as well as income. There are proposals to add rewards for other criteria, as well as environment and labour. All of these introduce *de facto* much greater discretion for the developed country offering GSP. Therefore, while a move in the direction of increasing preferences or altering the structure to allow the EU, effectively, to try to recreate Lomé (by choosing the criteria appropriately), might preserve the current degree of access of ACP countries, it would do so at the cost not only of losing preference relative to non-ACP countries, but of increasing the uncertainty and vulnerability to decisions by the EU. (A REPA would be contractual, like Lomé.) It must also be questioned whether significant improvement in GSP is a realistic option. If the EC's proposal to move from Lomé to REPAs is not purely because of unwilling compliance with WTO rules, but for other reasons, in particular a desire to reduce preferences and increase access for EU exporters, there is no reason to believe it would improve GSP.

The increasing differentiation in country GSP schemes was reinforced by the initiative by the WTO to provide secure special treatment for the Least Developed (proposed at the Singapore Ministerial meeting, 1996, and introduced following a High Level Meeting in 1997). Under this initiative, all developed (and some advanced developing) countries were asked to guarantee better access to the least developed. The EU improved the existing provisions for the least developed in its GSP to equal full Lomé access for industrial goods and for some agricultural goods (not those under the CAP), although non-ACP least developed countries must still use GSP rules of origin, not the more generous Lomé rules. This very recent initiative, unlike GSP, is not time-bound, so the secure position of the Least Developed countries can be assumed to continue through the period we are studying. GSP access for developing countries may improve in absolute terms (if any of the proposals for reform are accepted), but could simultaneously decline in relative terms (if MFN rates fall). If the WTO continues to stress the position of the

least developed, the main differences in treatment in any future Round may also be concentrated there, with relatively little or no special access for other developing.

The EU-South Africa agreement has now been signed and approved (although not yet ratified). It will come into effect from 1 January 2000, and be completed within 10 years for the EU's obligations and 12 for South Africa. This places a direct new constraint on SADC negotiations: any new agreement must be compatible with it, whether through SADC's relations with the EU following it exactly or by designing rules of origin or other ways of ensuring that there is no trade deflection (goods seeking the lowest available tariff).

Figure 2 indicates how the SADC, WTO, and EU negotiations will evolve in parallel, along with other fixed points in the trade policy calendar. It shows clearly that there will be a period of intense activity in all three in the next year, and that there will be another peak in about 2004-6, the nature and exact timing depending on the outcome of the first (Boxes 4 and 5).

Box 4: The 1999-2000 negotiations

SADC:	Negotiation and ratification of the SADC Trade Protocol (Trade Negotiating Forum to complete negotiations by June; ratification during second half of 1999; implementation from January 2000).
SADC role:	Only SADC is directly involved, subject to existing obligations to other partners.
WTO:	Start of WTO Millennium Round (summit November 1999; start expected 2000).
SADC role:	Individual SADC countries (SACU as one country) must take positions. SADC may have coordinating or negotiating role. consultation with other developing countries on scale and coverage of Round.
EU:	Negotiation leading to decision on whether to agree in principle to REPAs (by 29 February 2000)
SADC role:	With other ACP countries, to clarify the choices offered by the EU. Individually, collectively as SADC, and in consultation with other ACP regions: make decision on REPAs.

Box 5: The 2004-6 negotiations

SADC:	Negotiation of final stages of sensitive product liberalisation in SADC; completion of FTA in 2008; decision on how to go forward (e.g. CU).
WTO:	Either: completion of 'limited' Round (2003-4); planning of 'full' Round to follow. Or: completion of 'full' Round (2005-6).
EU:	Either: finalisation of REPA negotiations (by February 2005, if EU proposal to extend Lomé to 2005 is adopted; 2010 under ACP proposal); if WTO negotiations still in progress, could try to secure extension to WTO + 5. Or: lobbying EU to improve GSP as alternative to REPA and joint negotiation with other developing to secure 'binding' of GSP under WTO and improved treatment for least developed.

Choice of timing

Figure 2 should not suggest that timing is entirely fixed; it should itself be part of SADC's negotiating strategy.

The outcome of WTO subsidy and agricultural reform negotiations is clearly crucial to the nature of any agreement with the EU on a REPA. If there is a prospect of a short WTO round, this might suggest deferring EU negotiations or making them conditional on the outcome. It is clear that the likely outcome of the round will still be very uncertain by early 2000, so SADC (and the rest of the ACP) might find it unreasonable to commit themselves on their policy towards the EU by then. There are also important connections in other areas, in standards (where progress at WTO level could make any EU-SADC agreement redundant), on rules of origin (where there is a strong SADC interest in common and liberal rules in a REPA), and in services (where the WTO is likely to make progress, and which may be excluded from REPAs).

If SADC creates risks of trade diversion, and EU-SADC arrangements could reduce these, then reducing any delay between the two settlements is clearly desirable. But if there is an intention to go for greater general liberalisation by the SADC countries (in particular a leveling down of tariffs to a common external tariff) then any policy which might cause diversion to the EU should be postponed.

If the trade creation effects of the EU-South Africa agreement cause some industries in South Africa to be badly affected by competition from the EU, then SADC (in the absence of a SADC-EU agreement) could provide alternative markets. Alternatively, SACU could see an advantage in adjusting simultaneously to a more general liberalisation to the world.

Choice of objectives

Sections 3.2, 3.4, 3.5, 4.6, 4.8, 4.9, 4.10, 5.1, 5.2

SADC

While we assume that the SADC FTA negotiations are completed, SADC may have objectives beyond this, in particular moving to a customs union (or common market or alternative models like joint economic or industrial strategies). If any of these are on the table, its objectives in negotiations with the WTO and with the EU must take into account not only compatibility of present agreements, but potential changes. We have not assumed any further negotiations within SADC here.

WTO

In WTO negotiations, there are two aspects: the possible changes in the WTO's policies sought by others which could affect SADC, and what SADC itself could try to do to influence the agenda.

There are many possible objectives within the agenda of the WTO. As agricultural producers,

SADC countries could seek both better access and a reduction in the developed countries' subsidised production. They could lose, however, in the protocol goods; beef and sugar.

Services are an obvious interest for countries with low labour costs, and as members of a region the SADC countries have an interest in easing the treatment of regional preferences for services. Except for minor provisions on timing and technical assistance, there are no special provisions for developing countries in the services agreement and no provision for offering preferences. On the other hand, it is expected that developing countries will be strongly encouraged to increase their participation, by offering more liberalisation of more services. This offers scope for negotiations.

They could look at where MFN rates need to be lowered (agriculture and clothing are likely to be issues where they will find allies in the next Round). Any progress here would not only recoup any losses in access to the EU, but improve access to the rest of the world.

With the possible exception of South Africa, all the members have an interest in preserving the special treatment for developing countries. For the least developed countries, there is an interest in preserving and improving the initiatives to give them special access. For other developing, the squeeze between lower MFN and higher least developed access leaves little space for improving GSP, but it could be made less discretionary.

The Least Developed programme offers a model for improving GSP. It was the result of a general WTO negotiation, rather than individual bilateral offers; the principle of WTO supervision could be taken further to make the agreements enforceable under the WTO, by 'binding' the preferences in the same way MFN tariffs are bound. The differentiation of least developed countries from other developing also offers a precedent for negotiating the right to a much more differentiated GSP (and not necessarily only by income).

A more general objective would be general liberalisation so that SADC would preserve its access to the EU, but on the basis of a world wide reduction in barriers, secured in the WTO, not by means of a special agreement with the EU. This would secure all the access of the proposed REPAs (in both directions), plus improved access to the rest of the world, without the risks of trade diversion.

The relationship between trading and environmental objectives and regulation will be on the WTO agenda. Rules on the environment (and labour) have up to now been treated by separate conventions outside the WTO, but regional groups (NAFTA and the EU) have set the precedent of treating them within a trading arrangement. There are also proposals to use the balance of environmental damage as an argument in trade liberalisation negotiations. If goods can be identified which are produced in a more 'environmentally friendly' way in developing countries than in developed, removing barriers could benefit both development and the environment. The products which have been identified include several of interest to SADC, including horticultural products, non-timber forest products, fish, cotton and leather. For SADC, there is some interest in improving access to developed countries other than the EU (although most are already open under GSP). The interests with respect to the EU, however, are mixed: if SADC retains preferential access, under a REPA or new Lomé, extending this to other developing countries

would damage their interests; if they do not, they would themselves benefit from better GSP or MFN access. At a minimum, they must be aware of such negotiations.

As a region, SADC has an interest in any change in the regulation of regions. At present this is not on the table, but SADC countries could join with other developing countries to press for reforms in the position of regions in the WTO and the rules for timing and asymmetry. At least, they must be involved in the negotiations.

EU

In EU negotiations, the proposal of the EC was that SADC (and the other ACP regions, or potential regions) sign a reciprocal agreement which would come under the WTO's rules for regions; alternatively, the members could accept separately the normal GSP arrangements. While legally there is no need for SADC to make a choice of strategy on this (or to coordinate what it may decide with what other ACP regions may do), if SADC is a coherent region with common interests, its members will want to consider these options together. Even as a practical matter, it may gain negotiating strength by considering them together, and also with the other ACP countries. We have assumed SADC countries coordinate. This would not necessarily mean they all have the same outcome, in or out. An alternative, suggested in Imani, 1998, would be for the least developed countries to remain outside, while Mauritius, Zimbabwe, and the Seychelles signed a REPA, and SACU either joined the REPA or kept to the EU-South Africa agreement. The least developed countries may be reaching the stage where preferences are useful; they might not want to lose the possibility of benefiting from them by entering a binding FTA.

The developing countries might be able to have indirect access to the EU without joining a REPA by, for example, investing in the least developed and using those countries' access to the EU (and to other developed countries). This would not apply to all products or countries, but it offers an additional choice. It provides an interesting counter-example to the assumption that an FTA will necessarily want the same relations with external partners for all its members.

The EC position is that least developed countries in a REPA would have to lose their (WTO-agreed) rights to access without reciprocity. But if there is to be differentiation among its agreements with SADC members, then there are no practical or legal reasons for not allowing least developed differentiation. If negotiations could preserve the least developed's rights, this would increase the possibility of securing some agreed strategy between the least developed and the developing.

How an EU-SADC REPA would actually work is unclear, with different precedents in the EU's own existing relationships and a range of other FTAs for developed, developing, and developed-developing country groups. The existence of the South Africa-EU agreement means that there is a strong probability that the EU would expect an EU-SADC agreement, negotiated jointly or in a coordinated way, to follow that model. But SADC could look at other models, if it chose the REPA path: the greater coverage of the EU agreements with the Mediterranean countries, but also the great difficulty they have had in negotiating improved agricultural access; much greater coverage with the Eastern European or Turkey; NAFTA, with more asymmetry in timing but less in outcome; the much looser and more staggered model of ASEAN; SADC's own informal

relationships with other regional groups, including MERCOSUR and ASEAN.

The EU-South Africa precedent and the proposals of the EC both suggest that any arrangement(s) would be permanently asymmetric, with more exemptions for sensitive products on the SADC side than the EU. These, again, could be the same across the countries or different. In an FTA, however, each country's choice will affect its trading partners. Even if rules of origin prevent trade deflection, the imports by the low tariff country may mean substitution of EU goods for a SADC good.

The combining of EU and multilateral strategies offers another possibility to SADC. It could agree a REPA, to secure its guaranteed access to the EU, and then liberalise to the rest of the world (even if it could not obtain reciprocal liberalisation at the WTO). This would preserve its access to the EU, and obtain greater advantages of liberalisation of imports than liberalisation to just one developed trading partner could give (because there would no longer be risks of trade diversion).

Choices and criteria

Given these negotiating agendas, SADC (or the countries or other groups; see next section) must choose objectives, and decide which should have priority, on the basis of three types of criteria:

The advantages of liberalisation against the advantages of policy freedom.

The choice can be over-simplified as between certain short-term income and efficiency gains and potential long-term gains from industrial strategy or infant industry protection.

The advantages of reciprocal liberalisation against the advantages of broader liberalisation.

The choice among: bargaining country-by-country for bilateral access; a general bargaining of liberalisation for access at the WTO; or a strategy of unilateral liberalisation to secure immediate advantages.

The advantages of preferences for greater access against their uncertainty, because they are discretionary.

SADC must also then choose:

Which is to be its principal negotiating forum, the WTO or ACP/EU negotiations (or neither if it wants an independent trade policy). This must depend on:

- its objectives.**
- the expected outcome in each negotiation.**
- the positions of other countries and groups.**

Once it has chosen it should try to:

**defer negotiations with the EU (if it chooses the WTO).
or defer a ‘full’ Round and secure exemptions for preference areas (if it chooses the EU).**

We must, however, remember, that decisions are not immutable. The choices should be reassessed over the course of parallel negotiations as different alliances and possibilities emerge.

At regular intervals (at least: before and after the 1999-2000 negotiations, and again before and after the 2004-6 negotiations) it must reassess:

**its principal negotiating objectives, and therefore forums and allies.
its fall-back position.**

This approach is incorporated into tables 1 and 2 which outline three possible strategies, presented in the options section (below).

Negotiating groups

Sections 5.1, 5.2

The premise of this paper is that ‘SADC’ is a unit capable of having trade relations, whether with the EU or with the rest of the world. But this is also a choice for SADC and its members; the decision by the EC that SADC and the other groups among the ACP countries are the best negotiating counterparts does not bind SADC. FTAs do not normally act as a unit within the WTO or in negotiations with other countries (or customs unions), although if they have a strong relationship and common interests, it is normal for them at least to inform each other about their positions and coordinate them where possible. And SADC must consider not only the choice between SADC and the individual countries, but within SADC whether the interests of sub-groups (e.g. SACU, least developed, and the non-least developed countries), need to be differentiated, and outside SADC how it should coordinate with COMESA, EAC, CBI, IOC; the ACP, all developing countries, sectoral interests. If SADC is a coherent region with common interests, it will want to consider these options together.

EAC, COMESA, IOC, and CBI all include an objective of harmonised CETs: it would be possible, therefore, for the non-SACU members of SADC to negotiate together under one or more of those headings, but this could weaken SADC by moving the primary negotiating responsibility to COMESA and by encouraging a negotiation for all COMESA (certainly to include the EAC). This could lead to an FTA of customs unions: EU, SACU, and COMESA.

There is no previous example of a customs union signing an FTA with an FTA.

- If SADC had a firm intention of becoming a CU, it could defer external arrangements until it was sufficiently advanced to behave as one; this would be well beyond the EU's 2005 deadline for ending Lomé, so it might prove equivalent to choosing the GSP option, and then

restarting negotiations later.

- It could offer an alternative model, of a new FTA including the two customs unions, EU and SACU, and all the other SADC members as the partners. This would reduce the costs of separate FTAs, both administratively and economically, and provide a coherent legal structure.
- SADC could simply coordinate negotiations in some way, so that at least the timings of all the members' agreements with the EU (and of any staged tariff reductions, perhaps) were the same, and perhaps ensure the same lists of sensitive products, thus minimising the need for increased rules of origin.
- The members could follow South Africa's example and negotiate completely independently, as is their right under SADC Trade Protocol rules. In this case, some might choose not to sign. This last format would follow what seems to be the norm for FTA members signing with other countries or CUs (c.f. the various deals by members of NAFTA).

SADC must consider its position within the ACP, whose negotiations with the EU have already begun. The ACP negotiating position is to concentrate on preserving the Lomé conditions as much as possible, for as long as possible, with pressure for a 10 year transition period instead of 5 before any post-Lomé arrangement begins. The key phrase is Alternative Trading Arrangements (ATAs), which includes REPAs, but is definitely not restricted to them. The ACP position does support differentiation among the ACP countries, but not just by region or by least developed and other, but introducing 'small landlocked and island' as separate category. This brings out the contradiction implicit in the Green Paper, which supported differentiation among the ACP countries on the grounds of different needs and levels of development, but then proposed regional arrangements, each of which would take in developing and least developed countries (and two of which, SADC and CARICOM, include developed countries).

How to choose the negotiating group

The first criterion is whether negotiating objectives are sufficiently close for strength from unity to outweigh compromise on details. There are clear differences between the interests of the least developed and the developing (exacerbated by the different alternatives offered to these by the EU), between different types of economies, perhaps between different sizes of country. But for SADC, the strength of a common approach may be more important. A vital second criterion is whether SADC (or any of the other potential groups) is so politically or historically or socially committed to joint action that this outweighs purely economic differences or costs of joint action. This is the essence of all permanent regions.

The same two criteria will govern SADC's choice of allies outside itself.

Options for SADC

SADC countries must choose their trade strategy in a context of unknown outcomes to multilateral negotiations and other bilateral negotiations and with uncertainty over the details of

its own negotiations. The aggregate effects on trade and therefore the calculable effects on output and welfare show only small differences for the different scenarios here, and other studies have found similar results. The large effects come in particular sectors or on areas like the fiscal balance. The implications of these will depend on the policy choices of the region and the member countries. They also come in less tangible forms: on SADC's own regional integration and perhaps on others' perceptions of SADC's performance. If we keep to the economically calculable results, we obtain the conventional answer that full liberalisation by SADC is the best scenario, even if the rest of the world does not respond. Liberalisation to just part of the world, the EU, is inferior, but possibly beneficial on balance, if there are additional costs to not liberalising to the EU, whether from loss of trade access, direct penalties in cutting aid or more nebulous loss of confidence, and if the costs of discriminatory liberalisation in terms of both administrative costs and pressures from excluded countries are not too high.

SADC countries also must ensure that any agreements are enforceable. With the WTO, there are clear ways of obtaining interpretations of the rules, through precedents or at the limit through the dispute procedure. Lomé, although contractual in theory, had no system for enforcing the contract on the EU nor any dispute system.

Economic consequences of different outcomes

Section 8

The paper presents estimates of the results of 'success' in the three negotiating strands (SADC, WTO, SADC/EU), plus a unilateral strategy. In practice, SADC's negotiating strategy will be a combination of these. The four 'scenarios' which are then compared to the 'base' (which included the EU-South Africa agreement) therefore are:

Completion of SADC FTA.

A WTO round, with major outcomes on services (not included in the model) and agriculture, and some concessions on industrial good tariffs. We assume this can be represented by a 50% cut in tariffs (which would be major for agriculture and minor for industrial goods).

A SADC-EU REPA.

Unilateral complete liberalisation of trade by all SADC countries.

One direct relationship unambiguously appears: the more liberal the trade regime, the higher the welfare gains for SADC countries. The only exception is that for SACU a WTO Round is better than unilateral liberalisation because it depends more on access to the rest of the world. The REPA results are inferior for all SADC countries largely because of the harmful effects of trade diversion: switching to EU products from other more competitive ones. This is supported by other studies showing the risks of the REPA option. Despite the strong trade ties between SADC countries and the EU, therefore, the REPA option should not be the exclusive or even predominant focus of attention. There is a great deal to be gained for particular SADC countries

and the group as a whole from negotiating in the WTO forum for MFN tariff reductions from all trading partners. The least developed will be able to choose whether to reciprocate with cuts in their own tariffs, whereas the non-least developed will be required to make reciprocal cuts, albeit perhaps on an asymmetrical timetable.

For a SADC country to make strides towards achieving broad socio-economic goals, such as rising standards of living and high levels of employment, substantial levels of investment will be required to expand and diversify the productive base. Preferential or liberalised trading arrangements could open up new opportunities. The most dramatic impact would arise from countries starting new industries (eg through exploiting a new mineral resource or starting an export-oriented labour-intensive industry, as Mauritius did so successfully in the 1980s), but even within particular sectors, altering the production mix to take advantage of the faster growing markets could improve export prospects from decline to expansion. The comparative static analysis shows large differences for the same product from one country to another because of different markets.

A major effect found here and in other studies of SADC liberalisation is on tax revenues; other studies have also found that tax policy is already a weakness in SADC countries. A full liberalisation would remove all tariff revenue, and even a REPA would cost a very high share of it. With tariffs about 8% of SACU government revenue and 20% for the other SADC countries, this requires a major increase in other taxes. Finding effective ways of compensating for the loss of tariff revenue and perhaps restructuring tax systems will be an essential pre-condition for any trade strategy. There is another link: if there are going to be pressures on tax revenue, it is particularly important that the economies grow as rapidly as possible to alleviate at least some of the pressure. This makes finding efficient trade solutions important.

The sectoral effects are important for their effects on countries' patterns of development, and also because those who are affected may have a voice in setting trade policy. Those found here are of course more important for the non-SACU countries, because the SACU countries' liberalisation to its major trading partner, the EU, is assumed to have happened. Because the method used requires equilibrium between exports and imports, the contraction of some sectors in competition with imports is balanced by increased exports, with specialisation leading to increased production and exports of some traditional products, especially clothing and textiles, leather and footwear. (The country results vary widely; see section 8 and the individual country appendices.) In general, none of the liberalisation scenarios seems to indicate a significant contribution to development.

Replacement of Lomé by GSP

Section 3.2

Under the proposed alternative to REPAs, integrating the SADC Lomé countries into GSP, all the non-least developed countries would face a reduction in access, and even the least developed would have some disadvantages (different rules of origin, for example). Some of the impacts are potentially very substantial, and they would be highly concentrated in certain sectors and certain countries. The SADC countries would be particularly badly hit (among the ACP countries),

especially those benefiting from the sugar protocol (two thirds of SADC's loss), followed by those exporting beef, clothing, fish, and tobacco, and some losses for non-ferrous metals and horticultural products. Even if GSP access were made equivalent to Lomé, there would be a relative loss by the SADC countries because of the loss of preference, with the same sectors affected. The countries most affected would be Mauritius, Namibia, Swaziland, and Zimbabwe.

Three strategies

SADC must choose strategies to maximise its benefits from the negotiations, but must always have a 'fall back' position because no participant in bargaining is likely to have complete success. Any strategy must be robust in the face of uncertainty about the outcome of other negotiations and about others' objectives and change in external conditions. As SADC must participate in the WTO negotiations, table 1 presents a single set of objectives and negotiating tactics.

It should use the WTO agriculture and services agenda to obtain better access for products in which it has an advantage, particularly in non-EU markets where it does not yet have access. It must balance the advantages of ensuring its access to the EU through negotiating improvements on an MFN basis (e.g. clothing tariffs, environmental goods) against the cost of losing its preferences there relative to other suppliers. Given the uncertainty about what it will achieve in direct negotiations with the EU and the long-term erosion of preferences because of general liberalisation, the choice should usually go towards improving access generally, but clearly these areas will not be its priorities, and this will be as difference in interests from non-ACP developing countries. Binding the present commitments on GSP and access for the least developed countries does not lose any preferences and does give it a safer fall-back for its EU negotiations, and should be a priority. It should use allies, as appropriate.

With respect to the EU, however, SADC has three choices, presented in table 2:

- **to demand (perhaps jointly with the rest of ACP) an alternative trading arrangement (more favourable than MFN or GSP) to the REPAs as the successor to Lomé, and refuse to accept an FTA or full reciprocal obligations with the EU;**
- **to accept the REPA proposal in principle, and try to gain the maximum benefit at minimum cost from it; or**
- **to give up the possibility of special treatment from the EU, and concentrate efforts on multinational negotiations.**

The first of these is clearly the one to choose first, because it leaves either of the others as potential fall backs. The second similarly offers the possibility of securing at least the present, and possibly improved, access to a major trading partner, provided sufficient protection can be included for sectors of developmental importance, again with moving to the third available if the outcome is not satisfactory. For both, the risks to this approach would come from either diverting too much negotiating effort from the multilateral arena and failing to secure the best possible 'fall back' or from accepting constraints on SADC policy, internal or to partners other than the

EU, which could constrain it from taking full advantage of multilateral opportunities. SADC should retain the freedom to extend to all trading partners any arrangement it signs with the EU. This will allow it to avoid the risks of trade diversion (from offering preferential access only to the EU) and maximise the benefits from trade liberalisation and creation (once it has at least partially renounced the potential benefits from an independent trade policy).

An alternative arrangement with the EU should try to ensure continuance of SADC countries current access to the EU, improvements on non-trade areas where the EU is not bound by WTO requirements of MFN (and where the EU has experience, as a region itself, in designing preferential terms), and financial compensation for any loss of preferences, especially from reforms to the protocols or the consequences of CAP reform.

A REPA should try to secure better access to the EU for all SADC countries (a bargain that required reciprocity from the ACP members and offered nothing more than Lomé would be one-sided), equal access for all SADC countries (to avoid disrupting SADC's integration with rules of origin), staged liberalisation to the EU, by SADC countries at different levels of development, coordination of liberalisation with reform of the CAP, and simple and liberal rules of origin.

With neither of these, SADC should try to improve the access under the EU GSP to as near as possible equivalent to Lomé, if necessary with tiered access for different levels of development, and financial compensation to ease adjustment to loss of preferences.

Table 3 presents a possible combination of the WTO strategy with an alternative trading arrangement with the EU, called here an Enhanced Regional Agreement (ERA). SADC could accept the principle of reciprocity, while maintaining the principles of differential treatment for developing and least developed countries and avoiding trade diversion.

SADC could ask that its members' liberalisation be staged not by fixed periods, but by reference to each country's readiness to liberalise, measured by level of development or achievement of poverty reduction targets. Liberalisation would also need to be conditional on reform of EU export subsidies to agriculture. SADC would need to negotiate appropriate amendments to the WTO rules on regions to permit this version of staging the implementation of the region. If the liberalisation were then extended to all SADC's trading partners, this would remove the risk of trade diversion. Aid and enforcement mechanisms could support this.

Preparations required

Sections 4.2, 4.3, 4.4, 4.5, 4.11, 5.1, 5.2, 6, 7, 9

Two types of preparation have been considered, gathering information about all the subjects of negotiation, and where these will occur, and watching the timing. A third element is the range of regulatory issues within the WTO, on some of which some SADC countries are lagging behind even their existing obligations to the WTO: customs practices and valuation, anti-dumping rules, intellectual property protection, transparent and internationally defensible standards (and for all of these, reconciling international obligations with the most useful forms for national efficiency

and development). SADC countries will be required to have a position on how these rules should evolve, which should not always be a simple reaction to others' proposals. Because of the complexity of its regional obligations and preference entitlements, SADC has an even greater interest than other countries in encouraging international agreement on common, simplified, and if possible more liberal rules of origin.

But there is also an immediate need for administrative and organisational preparation. The multiplicity of negotiating subjects and arenas is matched, even within countries, by a multiplicity of participants (and potential participants). The new subjects require representatives not only from commercial, but from sectoral departments (agricultural, industrial, mining, services) and financial and legal experts. This means informing and coordinating the positions of all these. In some cases (in the EU and also in some SADC countries) relations with different external partners are dealt with separately (DGVIII for the ACP, DGI for the others; in SADC countries divisions between Lomé and SADC negotiators are common, and the WTO may be a separate responsibility). A coordinated strategy must bring these together.

In the countries which are most successful in international negotiations, this coordination goes beyond the public sector. This is not only to ensure that private sector interests are protected, but because, particularly in new areas like services, the only expertise in a country's interests and needs may be found in the private sector.

SADC itself faces two problems: its own cross-sectoral division and the division of responsibilities between countries and centre faced by all regions. As a Free Trade Area, there is no legal need to have a 'SADC' track negotiating unit, because any negotiations with the rest of the world will be about what each country will concede, but there is probably a practical need, because perpetual referring back and consultation would obstruct any strategy, and the arguments for joint action are powerful. If there is an intention of moving to a common external tariff, or common regional policies on other developmental questions, there will be a formal need to find the institutions and the relationships to deal with this.

What are the possibilities? SADC's sectoral division of responsibilities makes finding a consistent position across all the topics now facing trade negotiators particularly difficult. At present, there is no mechanism for coordinating country positions, and on trade it would not be clear if this should be at the initiative of the Secretariat or the SITCD, with all the other relevant sectoral divisions. SADC can observe the two extremes: the EU with a centralised organisation, with legal competence to negotiate (although actual power is still partly in the ministerial consultations which lie behind Commission initiatives) and SACU which has no secretariat or central organisation. Even FTAs normally have these. What will work, however, depends not only on the legal structures, but the nature of the region. The EU is a collection of middle sized and small countries, with no single dominant member. Agreement will always be a matter of bargaining, and there is no permanent 'winner'. SACU has one dominant member. It will always be unwilling to be outvoted by the others, while they resent not having a real influence, however much agreement and confidence may exist among the members. SADC falls between these two extremes, so it will be difficult, but not impossible to create a structure to balance the members' interests. But to allow any delegated group or secretariat to negotiate requires strong common interests and trust, in the central body and also among the member countries. The alternative

remains of leaving the negotiations to the countries (with strong efforts to exchange information) as is done in other FTAs, but this needs careful planning.

If informal coordination is not considered sufficient, the existence of one powerful member makes it more necessary, as well as more difficult, to have a strong central secretariat or council to balance it. It also means that it is important for all countries to inform other members when they take initiatives. An FTA can tolerate different external relationships, but it cannot survive inadequate information about these because they affect all members.

In international negotiations, the EU is the only region which acts always as one group on the matters which are under EU competence, speaking through only one voice. (MERCOSUR has the intention, but not yet the habit.) NAFTA, Central America, SAARC (South Asia) and ASEAN (South East Asia) all coordinate and inform each other in WTO negotiations, and occasionally one country will speak stating that it is representing the group, but (unlike the EU) they are not themselves members of the WTO or any other international organisation. This form of coordination has been proposed for SADC, and there is a framework for ambassadors in Geneva to meet each other before WTO meetings, under the coordination of the Tanzanian Ambassador (who is himself active in WTO negotiations), but lack of time and awareness of the issues has prevented this from being effective. There are also some sectors (for example fish) where there may be only one or a limited number of countries with an interest, and they will want to represent themselves.

If SADC starts to take initiatives, this will ensure that it is seen as region by others. In the past, the ACP countries, have tended to use the EU as their representative in the WTO, and to rely on the EU for information about WTO requirements. Clearly this could not support an alternative strategy which tried to reduce emphasis on EU relations.

If there is to be joint action with the rest of the ACP, this raises all the same questions of how to do it, with additional practical ones: the ACP southern Africa group is not the same as SADC, because regions have never had any formal standing within the ACP. Reorganising the ACP now to take account of regions could weaken its stance against the EU in the Lomé negotiations (by implying acceptance of the regional division proposed by the EU).

SADC cannot expect to resolve these questions more quickly than have other regions (and the EU still has not succeeded, as illustrated by countries' different approaches to the Lomé negotiations). It will need to secure at least some cooperation on major issues if it is to have any strategy, not just respond to EU or WTO initiatives.

Boxes 1-3 summarise the immediate administrative needs for SADC to be able to negotiate effectively.

Sources of assistance for this

A distinction must be made between assistance in understanding, complying with, and adjusting to international obligations, which can involve technical or financial assistance, and assistance in identifying priorities for negotiations, devising negotiating strategies, and implementing these.

For the first, the conventional donors, including the EU and (for technical assistance) the WTO can be approached. But for the second there is a potential contradiction between the EU's role as one region negotiating with another (SADC) for trade advantages and the EC's (and member countries') role in providing financial and technical assistance for SADC (and the rest of the ACP) in their negotiations. The EC and EU members cannot advise 'the other side' about which parts of the EC position are firm and which are negotiable; whether there is a realistic possibility of improved GSP or other alternative trading arrangements; and which commitments cannot be relied on. From the SADC point of view, it is necessary to be aware of the dual position of donors.

The WTO offers technical assistance in understanding and complying with its rules, and can do research on possible policies. It also offers opportunities in its training programmes and seminars for establishing contacts and promoting coordination within and between countries.

The 1997 Programme for the Least Developed countries encourages and potentially provides finance for the provision of 'WTO document centres'. All the least developed countries could benefit from this, and the programme has been extended to other poor African countries. It also can respond to other needs, including legal training in trade law and its interpretation, assistance in designing fiscal reform to find substitutes for tariff revenue, and assistance on developing the institutions necessary to develop national (or regional) standards as well as comply with international standards.

For assistance in negotiation, there are some donors without a direct interest (e.g. the Commonwealth Secretariat which is starting to develop a programme of assistance for the next Round). In some areas, the best form of assistance may be information from or coordination with other developing countries and regions, which need to make the same strategic decisions about domestic and regional policies, and about how to use international negotiations to achieve these.