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Trade and Sustainable Development News and Analysis on Africa

VOLUME 5, ISSUE 2 – MARCH 2016

Reflections on the WTO Nairobi outcome

POST-NAIROBI
How can LDCs move forward their interests at the WTO?

AGRICULTURE
Reviewing the MC10 agriculture outcome

MARKET ACCESS
Filling the US trade gap for LDCs

ICTSD
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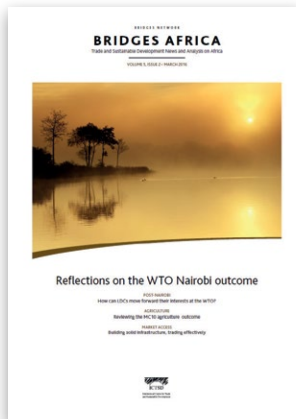
Reflections on the WTO Nairobi outcome



The Tenth WTO Ministerial Conference (MC10) meeting in Nairobi, Kenya was held in circumstances that left many members questioning the future of the WTO. The Doha Round has reached its cross roads with some members pushing for a change in the negotiating mandate and not reaffirming the round in its current form, while others prefer that the current mandate be exhausted before taking on any new issues.

The relevance of the Doha mandate in the changed trading architecture is a real issue for the WTO. WTO Members' attention has shifted to regional trade arrangements that are addressing these new issues. There has been a push for new approaches. New approaches are not about low hanging fruits anymore. There has also been a push for new issues, such as digital economy, regulatory coherence, global value chains, labour, environment, and competition policies. These issues have been floating around for some time and they have now been put clearly, squarely on the table but with no indications as to how to advance on them.

In the meantime the Doha round has not fully delivered on its development objectives. However, the least developed countries have had some beneficial decisions from Bali to Nairobi.

How to take forward the outcomes from the MC10 in the new context of the global economy which will be marked by the set of agreements reached in the course of last year? This includes financing for development, the adoption of the Sustainable Development Goals for 2030, the COP21 climate agreement, and the MC10 outcome. This new context is also marked by changes in the geography of trade and production, as new ways of organising production have taken a very prominent role in the international economy.

In an insightful analysis, Christophe Bellman, senior resident research fellow at ICTSD [the publishers' of Bridges Africa] reviews some of the key MC10 outcomes and assesses possible ways forward to advance the concerns of LDCs. This article is complemented by another assessment of the MC10 agricultural outcome by ICTSD's agriculture expert, Jonathan Hepburn, according to whom Nairobi was a step forward allowing LDCs to take a meaningful bite of trade in food and farm goods. This edition also features an article that looks at the opportunities and challenges as stakeholders move to the implementation the Paris climate change agreement.

As usual, we welcome your substantive feedback and contributions. Write to us at bridgesafrica@ictsd.ch.

LEAST DEVELOPED COUNTRIES

Advancing LDC concerns in the post-Nairobi context

Christophe Bellmann

As the dust from the tenth WTO Ministerial Conference held in Nairobi, Kenya settles and delegates resume their discussions in Geneva, this piece reviews some of the key MC10 outcomes and assesses possible ways forward to advance the concerns of least developed countries (LDCs).

The Nairobi Ministerial produced a set of specific decisions, including most significantly new rules on export competition providing for the gradual phase out of export subsidies and establishing initial disciplines on export credit and food aid. It also reiterated the Bali decision on public stockholding and achieved incremental progress on specific LDC issues such as market access for cotton, an updated timeframe for the services waiver, rules of origin and the right to use—under modalities to be determined—a special safeguard in agriculture (for further analysis of the Nairobi decisions see article page 8 in this issue).

Beyond these decisions, however, the real challenge in Nairobi consisted in overcoming persistent divergences on the future of the Doha Development Agenda (DDA) and in defining possible parameters for future negotiations. On this critical point, the declaration sheds little light on what exactly lies ahead, but makes it clear that the "post-Nairobi" landscape will look markedly different from the one preceding the ministerial. Four elements deserve specific attention here.

First, paragraph 31 reaffirms the strong commitment by all WTO Members to advance negotiations on the remaining Doha issues including agriculture, non-agricultural market access (NAMA), services, TRIPS, rules, and the broader notion of 'development.' At the same time, Members remained at odds over the reaffirmation of the DDA mandate, with paragraph 30 explicitly acknowledging opposing viewpoints without reconciling them. This controversy around the mandate essentially reflects a desire by some Members to review the terms of engagement in the DDA, not least to ensure higher levels of commitments from large emerging economies than what is currently envisaged. By extension it raises the broader question of differentiation among WTO Members beyond the current 'recognised categories' of developed, developing, and least developed countries.

Third, the declaration reflects a view held by some that new approaches need to be explored as a way to "achieve meaningful outcomes." Such approaches would probably include plurilateral negotiations whether they take the form of critical mass agreements applied on an MFN basis or more excluding initiatives following the government procurement agreement (GPA) model. At the Eighth Ministerial Conference, the final consensus statement already made reference to different negotiating options. At that time, Members privileged a step by step strategy, focusing on small packages of low hanging fruits. In parallel, however, several plurilateral initiatives where launched as illustrated by the trade in services agreement (TISA), the environmental goods agreement (EGA), or the information technology agreement (ITA II) concluded in Nairobi. Finally, paragraph 34 states that some Members "wish to identify and discuss other issues for negotiation," while others do not. The declaration doesn't specify what those issues are, but several topics have already been floated by proponents including investment, digital trade, global value chains, or regulatory coherence to list just a few.

Overall, these tensions over differentiation or the single undertaking are not new. Nor is the push for new issues, several of which are partially covered in existing agreements (e.g. investment or regulatory convergence) or already on the agenda (e.g. work programme on e-commerce). The main difference this time—besides the fact that Members' divisions

have been explicitly reflected in the declaration—is that Ministers fell short from agreeing on a possible way forward. In Bali, the declaration mandated the preparation of a clearly defined work programme on the 'remaining DDA issues.' This time, members came back to Geneva with no deadline, no clear parameters for future engagement, and persistent uncertainty about the overall negotiating framework. Even more worrying—and perhaps at the root of the current situation—is the fact that large developed players seem to have lost interest in the DDA negotiations.

Traditionally, trade issues among advanced countries, namely the EU, the US, and Japan were addressed through multilateral talks. In the course of the DDA, they reluctantly accepted to engage on issues such as agriculture domestic support pushed by the G20 and others, assuming that they could sell such reforms domestically in exchange for enhanced export opportunities—largely in their respective markets (e.g. the US would look at the EU beef market or the Japanese pork market). Since 2008 however, large players have found alternative pathways to deal with their trade issues as illustrated by the EU-Japan FTA; the conclusion of the Trans-Pacific Partnership (TPP); or the EU-US Transatlantic Trade and Investment Partnership (TTIP). Such negotiations not only tend to result in more ambitious liberalisation outcomes compared to Doha, they also conveniently exclude politically sensitive issues such as domestic support, while embracing a wider set of issues including investment or regulatory convergence. In short, with the mega-regionals, large players don't really need a DDA anymore, at least not under its current form. They have achieved most of their liberalisation objectives outside of the WTO, without losing any multilateral bargaining chip. Granted, this doesn't cover emerging economies but under the draft negotiating texts, the real market access gains they could have expected from China or India for example would have been very small anyway. For LDCs who essentially remain 'deal takers' in these negotiations, the fact that large trading powers lose interest in the DDA and that negotiating elements are removed from the Doha equation, will obviously result in fewer trade-off and less leverage opportunities to advance their concerns.

What prospects in the post-Nairobi context?

Based on the above, three combinable scenarios can be envisaged. First, members may spend time arguing about whether the DDA is dead or alive, re-interpret what was agreed in Nairobi, or simply engage in a blame game. Others may want to condition any further talks on prior reaffirmation of the DDA. For the reasons highlighted above, such an approach is unlikely to generate meaningful results. Second, large players may continue to disengage, and simply pursue their "competitive liberalisation strategy" through preferential agreements. They may even bet on the fact that several developing and emerging economies will ultimately express interest in joining such regional negotiations as already indicated after the conclusion of the TPP. Finally, members may decide to take some time off, engage in a period of reflection and identify which issues should be pursued either multilaterally or plurilaterally, taking advantage of the openings offered by the post-Nairobi landscape.

While all of the three scenarios highlighted above are possible, the third is probably the only one which would offer some prospects for LDCs. Under this scenario, the group would need to proactively articulate its priority interests as opposed to being only reactive. These interests have arguably been articulated before but they were framed under the overall DDA approach. Post-Nairobi, there might be a need to revisit longstanding LDC proposals, focusing on the underlying concerns behind them and devising specific strategies to advance them. Food security, special and differential treatment, fisheries subsidies, or non-tariff barriers will obviously be on the agenda, but such a reassessment should not be limited to the current DDA structure. From a development perspective, the main consideration should be whether an issue – "new" or "old"- helps address the structural handicaps affecting LDCs or not. In a similar vein, LDCs should consider ideas floated by others, looking at them either as leverage points or in their own merit, taking into account the fact that disciplines in those areas will be increasingly crafted outside of the WTO where LDCs are not represented. Based on this analysis LDCs could engage with other WTO members, test the waters, and find possible supporters. Only then should concerns of format and configuration come into play.

Christophe Bellmann
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WTO

WTO in Nairobi: Did realism win over ambition?

Isabelle Ramdoo

This article reviews the outcome of the tenth WTO Ministeiral Conference in NAirobi, Kenya which took place from 15-18 December 2015.

For the first time since its creation, WTO ministers convened in Africa for the tenth Ministerial Conference in Nairobi, Kenya. The ministers had a daunting task: salvage the Doha Development Agenda (DDA) that has suffered from a negotiating stasis for over a decade and most importantly, prevent the systemic collapse of the multilateral trade governance architecture, endangered by the proliferation of megaregional trade deals.

When the DDA was inked in Doha in 2001, the economic and political context was significant: two months after the horrific events of September 11, the world needed to give a strong signal that countries with various interests and realities were able to agree on a shared purpose: 'development.' Fourteen years later, economic realities, shaped by the financial crisis and the rise of emerging economies, as well as the changing nature of global trade, are spurs to action.

The 'development' endeavor, in itself, is not at stake. The real question is how to address the increasingly complex group of developing countries, which are not a homogeneous group and can no longer be treated as such. While by certain economic standards, India, China, and other large developing countries can legitimately claim development needs, on some specific issues, it is increasingly hard for them to argue for special and differential treatment (SDT), given their capacity to significantly influence the global trading system.

What did Nairobi achieve?
The outcome of the Nairobi conference can be celebrated for at least three reasons:

First, on the content, there are three areas in which Ministers managed to engineer a deal:

- Commitments to guarantee export competition in agriculture. This deal is seen as the WTO's most important negotiated outcome on agriculture in the last 20 years. It will see the end of export subsidies immediately for most products from developed countries and by 2018 for developing countries.

- A meaningful package on least developed country (LDC) and development issues. This includes an agreement on cotton for LDCs, duty-free and quota-free regimes for LDCs from more WTO members, multilateral guidelines on rules of origin, and the services waiver for LDCs.

- A landmark deal on information technology. Fifty-three WTO members will eliminate tariffs on 201 IT products, covering 90 percent of world trade on these products, for an approximate value of US$1.3 trillion a year.

Second, the world has witnessed a proliferation of parallel mega-regional negotiations, triggered by the fact that multilateral trade rules were not able to catch up with the needs of 21st century trade. A failure to address some issues of importance to developing countries (such as export competition in agriculture, rules of origin for LDCs, or granting preferential access to services), would have continued to deepen the gulf between developed and developing countries. While the multilateral system may not be perfect in its current state, it at least provides for a predictable system that prevents bilateral trade deals from creating their own sets or rules and setting those rules for others.

Third, Nairobi has made a step towards an alternative way of making decisions at the WTO. One of the strengths of the WTO is the principle of "single undertaking," which means that countries cannot pick and choose low hanging fruits and leave the difficult decisions for later. However, as the WTO membership increased (164 members to date), this strength became a major weakness. Two years ago, the Ministerial Conference in Bali made a step away from this principle with the standalone Trade Facilitation Agreement. Nairobi confirmed this trend with more deals in specific sectors and by making difficult decisions on agriculture.

What more needs to be done?

Significant efforts need to be made to complete the Doha Development Agenda. Some key questions for developing countries did not make their way to Nairobi. The SDT provision is still under contention. Not all WTO member countries, particularly the developed ones, have been able to agree on how this should be implemented, and the full range of issues, including market access negotiations on agriculture and industrial products, are far from finished.

Some key questions for developing countries did not make their way to Nairobi. The SDT provision is still under contention.

At the beginning of the meeting, some delegations were claiming that Doha was at the "end of the line," and that the WTO was in need of fundamental reform. There were major disagreements over the content and the timing of new issues, with developing countries favouring a conclusion of DDA prior to tackling other issues.

Finally, the parallel mega-regional negotiations remain a spectre to the WTO. At the end of the meeting, it was unclear to what extent the WTO and the mega-regionals would be complementary.

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AGRICULTURE

Evaluating agriculture in the Nairobi package

Jonathan Hepburn

This article analyses the main elements of the agriculture package from the Nairobi WTO Ministerial Conference and the related implications for developing and least developed countries.

Trade negotiators in Geneva are still trying to make sense of how farm markets will be affected by the package of measures that was agreed last December at the Tenth Ministerial Conference of the WTO in Nairobi, Kenya. The deal saw WTO members make progress on a number of long-standing questions on the global farm trade agenda—although many others remain to be resolved.

Eliminating export subsidies

Progress on agricultural export subsidies and other export competition measures with similar effects was one of the main outcomes from the ministerial. These types of policy instruments have long been blamed for harming farmers by artificially suppressing farm prices on global markets with ministers first vowing to eliminate them over an eight-year period when they met at the Sixth WTO Ministerial Conference in Hong Kong in 2005.

Reforms to farm policy since then have seen this type of subsidy tool become largely redundant in some of the wealthy countries that previously relied on them to dispose of surplus production on markets elsewhere. In particular, the dismantling of market price support schemes in the EU has made it easier for WTO members to reach the deal that was struck in December.

While the Nairobi package commits developed countries to end immediately all export subsidies, a footnote contains an exception allowing these payments to be made until 2020 for dairy products, swine meat, and processed products. Among other things, countries wishing to make use of this clause must agree not to increase the quantity of products benefiting from this support, nor to begin subsidising exports to new markets or for new products, and must also commit not to subsidise their exports to least-developed countries.

Developing countries would have to phase out their own use of export subsidies by the end of 2018, with an extra five years for certain export subsidies covering transport and marketing costs. With market price support schemes becoming more important in a few large developing countries, in the long term this clause could be important in protecting farmers in the world's poorest countries from the disposal of unwanted surplus farm products originating in other parts of the developing world.

Export credits and exporting state trading enterprises

The deal also saw the US agree to new disciplines on export credits, export credit guarantees, and insurance programmes, which effectively lock in Washington's current practice of providing an 18-month maximum repayment term for export financing. Cereals and oilseeds are among the products which have most benefited from this type of subsidy to date.

The Nairobi outcome also includes new disciplines on agricultural exporting state trading enterprises, which would require WTO members not to use them to circumvent disciplines on export subsidies or other commitments in the Nairobi decision. Data from the WTO secretariat suggests that while China and India seem to operate relatively large numbers of these state-run firms, they are also active on particular commodity markets in developed countries such as Australia and New Zealand.

Unpacking the WTO Nairobi outcome for LDCs

8 February 2016
The objective of this dialogue was twofold, to raise the understanding by the LDC group of the Nairobi outcomes and to discuss at a more political level the way forward for LDCs with regard to the negotiating mandate of Doha. See the presentations here.

International food aid: In-kind aid, monetisation disciplined
The ministerial conference also led to a ministerial decision on international food aid, setting out new principles that countries must follow.

The deal builds on previous efforts at the WTO to ensure that aid is available in humanitarian emergencies, but also does not effectively serve as a disguised export subsidy.

Food aid must be needs-driven; provided in fully grant form; and not "tied" to commercial exports of other goods and services, the deal says. It should also not be linked to market development, or be re-exported.

A draft text circulated during the course of the ministerial had raised concerns among humanitarian agencies and other aid effectiveness proponents, who criticised the non-binding and 'aspirational' language in which the new commitments were framed. However, changes made to the text in the final stage of negotiations might have alleviated some of these concerns.

The agreement states that governments must not provide in-kind international food aid in situations where this would adversely affect local or regional production. It also states that food aid can be "monetised"—or sold to raise cash for development projects—"only where there is a demonstrable need," and also requires a market analysis to be completed before any food is sold in this way.

Cotton: Preferential market access for LDCs
A separate Nairobi decision set out negotiated outcomes on cotton, which in 2008 was famously described as a "litmus test" for WTO Members' commitment to the development dimension of talks on trade.

The agreement commits developed countries to provide duty-free and quota-free market access to least-developed countries for cotton and cotton products "to the extent provided for in their respective preferential trade arrangements." Developing countries declaring themselves in a position to do so, including China, would provide the same concession.

While a step forward for cotton producers in least-developed countries, the deal appears to leave open the possibility that this level of market access could also be revoked if preference-granting countries chose to do so.

The Nairobi cotton deal also requires developed countries to implement their cotton-related export competition commitments immediately, while developing countries would have until January 2017 to do so. Data from the WTO secretariat seems to indicate that countries have not notified the use of export subsidies on cotton, despite a ceiling of just over US$60 million for all members' combined budgetary outlays. However, delays in notifying agricultural export subsidies to the WTO could mean that the available data may not accurately reveal the full extent of support in this area.

The agreement is least specific on the one topic that cotton producing countries have consistently highlighted in recent years: the question of trade-distorting domestic support. Trade officials familiar with the talks in Nairobi have indicated that differences between developed countries and large developing countries prevented progress on the issue.

An ICTSD study in 2015 found that the US Farm Bill could depress world cotton prices by almost 7 percent, while support schemes in China have led to massive stocks accumulating, raising fears that a sudden release could also push down prices and penalise producers in poorer countries.

Public stockholding: A permanent solution?

The Nairobi conference also saw ministers reaffirm their commitment to negotiate a "permanent solution" on public stockholding for food security purposes, as well as previous decisions which commit members to refrain from bringing trade disputes under WTO rules on farm subsidies until a lasting agreement is reached.

Developing countries in the G33 coalition, coordinated by Indonesia but with strong support from New Delhi, have argued that the way in which farm subsidies are currently calculated at the WTO fails to take into account the impact of price inflation that has occurred since reference prices were set at the global trade body over two decades ago.

Exporting countries, meanwhile, have been reluctant to exclude food purchases made at administered prices from counting towards the WTO's 'amber box', fearing that doing so could open the way for countries to provide unlimited amounts of trade-distorting support to agriculture. The compromise has been an uneasy truce which in reality seems to satisfy none of the members concerned, and arguably does little to provide more equitable and predictable future basis for determining the extent to which subsidies can be said to distort trade and markets in agriculture.

The negotiations to date have sought to address this issue under a separate negotiating track, although so far without bearing any fruit.

Special safeguard mechanism

Another G33 demand—for a 'special safeguard mechanism' that developing countries could use to raise tariffs temporarily in the event of a sudden surge in import volumes or a price depression—also led to a commitment to further negotiations in dedicated negotiating sessions of the WTO committee on agriculture. G33 members recalled that, unlike many developed countries, they have faced difficulties in taking advantage of an existing safeguard under Article 5 of the WTO Agreement on Agriculture.

Agricultural exporting countries, on the other hand, insisted that a special safeguard mechanism could only be negotiated in the context of a broader deal on market access. Due to deep-seated differences between WTO members in this area, this was not on the table at Nairobi.

Since trade talks at the WTO hit a snag in 2008, many of the world's biggest trading nations have pursued market access primarily through preferential bilateral and regional talks, most recently in the so-called 'mega-regionals,' such as the Trans-Pacific Partnership (TPP) and Trans-Atlantic Partnership (TTIP). The nature of the market access concessions enshrined in these deals, as well as new regulatory norms, is likely to inform the parameters of future multilateral talks on trade, including potentially in areas such as safeguard provisions that poorer countries can invoke to protect domestic producers from volatility on global markets.

Conclusion

Arguably, the Nairobi conference allowed governments to take a meaningful bite out of the far bigger global trade agenda on food and agriculture, even though many issues remain unresolved. In particular, negotiators managed to obtain concrete concessions that could contribute towards more equitable and sustainable global markets for food and farm goods, including on long-standing farm trade issues such as export subsidies, food aid, and cotton. How governments now implement the commitments that have been made could be key to determining their actual impact around the world.

At the same time, WTO members have a large and growing agenda of unresolved issues that still need to be tackled, including on questions such as domestic support and market access. As trade officials seek to navigate their way forward in the new negotiating environment, a sound understanding of the evolving landscape of farm trade will be critical in helping them find their bearings.

Jonathan Hepburn
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MARKET ACCESS

Trade preferences for the LDCs: Opportunities not panaceas

Kimberly Ann Elliott

The US should implement a DFQF program for all LDCs that covers as close to 100 percent of products as possible, and more than the minimum 97 percent it promised at the Sixth Ministerial Conference in Hong Kong. All preference programs for LDCs should make rules of origin simple to use and flexible in meeting the needs of LDCs, including by incorporating cumulation zones that extend beyond narrow regional groupings to as much of the developing world as possible.

One of the main aims of trade is to enable consumers to choose from a wider variety of goods at lower prices and firms to grow and create more jobs by becoming more productive and accessing larger markets. However, these opportunities are often elusive for the least developed countries (LDCs). In 2000, the share of LDCs in world exports was under 1 percent, one-third of what it had been in 1970. In 2014, the LDC share of global exports had recovered modestly, to 1.2 percent.

There are many reasons for these patterns, but rich-country policies that discriminate against exports from poor countries play a key role. To promote LDC trade, WTO members agreed in Hong Kong in 2005 to provide duty-free and quota-free (DFQF) market access to those countries. Substantial progress has been made since then, but key gaps remain.

And it is even more important to address these gaps now that the global community has shifted to a new sustainable development agenda for the next 15 years. There is more attention to the need for economic growth and job creation as the foundation for sustainable development and poverty alleviation, and trade can help. After briefly reviewing where things stand and where the major gaps are, this article makes three recommendations for filling them.

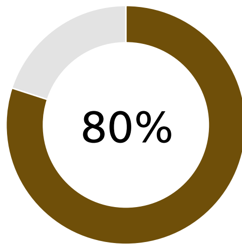
The current status of DFQF market access for LDCs

Over the course of the 2000s, advanced countries began to commit at the UN, as part of the Millennium Development Goals, and at the WTO ministerial in Hong Kong, to provide DFQF market access for LDCs. In 2000-01, the EU introduced the Everything But Arms (EBA) program for LDCs and the US implemented the African Growth and Opportunity Act (AGOA).

While average tariffs in high income countries are in the low single digits, the tariff peaks that remain are generally in sectors where poor countries have a comparative advantage: agricultural and food products, textiles and apparel, footwear, and other light manufactures. This is what makes trade preferences still of value.

Where the programs have comprehensive product coverage *and* reasonable rules of origin, LDC exports benefiting from these high preference margins responded. Imports of clothing from Bangladesh and Cambodia increased immediately after Canada implemented its DFQF program in 2003, when Japan did so in 2007, and when South Korea expanded access for LDCs in 2010.

Even under its most generous programs, US market access is not quota-free. There are still tariff-rate quotas for sensitive agricultural products, most notably sugar and confectionery, and there are caps on the volume of clothing that Haiti or AGOA beneficiaries can export to the US market without having to meet a costly rule of origin that would require the use of US fabrics. Moreover, unlike other advanced economies, the US has yet to provide meaningful preferential access for Asian LDCs.



US trade preferences for LDCs cover only about 80 percent of tariff lines and the program excludes key labour-intensive products, including footwear, textiles, and apparel. (Author)

A pragmatic proposal to improve US market access for LDCs

US trade preferences for LDCs cover only about 80 percent of tariff lines and the program excludes key labour-intensive products, including footwear, textiles, and apparel. The AGOA offers much better access, providing duty-free (but not quota-free) market access for 98 percent of tariff lines for less developed beneficiaries, not all of whom are LDCs.

For the Asian LDCs that are outside of regional arrangements, including Afghanistan, Bangladesh, Cambodia, Nepal, and Yemen, less than 1 percent of their exports to the US entered under preferences in 2012. Opposition to the proposal from the textile and sugar industries in the US is echoed by African apparel exporters that are concerned about erosion of their preferences under the AGOA. However, detailed analysis of US trade data suggests that excluding just a few dozen tariff lines (at the 10-digit level) would shield most AGOA and Haitian clothing exports, while DFQF treatment on the other apparel tariff lines would lower barriers for half or more of Bangladeshi and Cambodian exports.

US preference programs, including the AGOA, also exclude sensitive agricultural products that are restricted under tariff-rate quotas (TRQs). Sub-Saharan African countries produce and export many of these products to other markets including the EU, yet they have little, if any, access in the US market. Expanding benefits for agricultural exporters would thus expand the number of African countries that benefit from AGOA preferences beyond the handful of apparel exporters that do so currently.

Current TRQ allocations, however, are based on historical trade patterns from several decades ago when US-Africa trade was minimal. For example, Malawi and Mozambique have small quotas to export sugar to the US market, but Zambia has none at all. Western African cocoa exporters have no specific quota access at all for chocolate or other confectionery that contains quota-restricted sugar or dairy products.

The pro-trade and pro-development approach would be to exempt LDC beneficiaries (and most would be African) from the TRQ restrictions, but that is not politically feasible. For TRQ products where there is unused and unallocated quota, the Obama administration could reserve a portion specifically for AGOA countries (or LDCs) with minimal, if any, objection from current quota-holders. For example, the "other" category under the chocolate TRQ is only about half filled in most years, leaving about 8000 metric tons that could be reserved for Africa to encourage job creation in downstream processing of cocoa.

Making rules of origin less burdensome

Preferential trade arrangements include rules of origin to protect against the possibility of trade deflection—whereby goods are simply transhipped through beneficiary countries in order to qualify for preferential market access. These rules require that any imported inputs used in the production of the good receiving preferences must be "substantially transformed" in the beneficiary country. The problem is that preference-giving countries define "substantially transformed" in a variety of ways with varying degrees of transparency and complexity.

When included, the general rule for apparel in most US trade agreements and preference programs requires that the inputs must undergo "triple transformation": clothing items must be produced from local fabric in the beneficiary country, or in the US using either local or US yarn, and then be cut and assembled in the beneficiary country. In the case of AGOA, however, the US has a single transformation rule for apparel exports from eligible beneficiaries. Researchers have estimated that the shift to a single transformation rule of origin for apparel under the AGOA led to a four-fold increase in exports for the top seven beneficiaries under that program.

The ministerial declaration on rules of origin for LDCs that was adopted in Nairobi last December offers useful principles for reducing the restrictive impact of these rules. It remains to be seen whether preference-giving countries will embrace it in practice or not. Mutual recognition of one another's rules across the rich countries might be one

alternative. In that case, preference givers would agree that an import that qualifies for preferential treatment in one market would be accepted as eligible in any other.

An even easier alternative is "extended cumulation," which the Nairobi declaration encourages. With cumulation, preference beneficiaries are allowed to source inputs from a defined group of countries, the "cumulation zone," and still have the final product be considered eligible for preferential treatment. In the case of apparel, extended cumulation is equivalent to the single transformation rule under the AGOA. If adopted with respect to countries in Africa, extended cumulation should be designed so as not to discourage regional integration in Sub-Saharan Africa and to encourage South-South trade liberalisation more broadly.

Preferences are not a panacea

The poorest countries face an array of other barriers besides market access that preference programs cannot directly address. Exporters in countries without paved roads, or where red tape and inefficient customs hold up trade for days or weeks, will find it difficult to take advantage of preference programs. Preference-giving countries should create mechanisms for dialogue and cooperation with LDC beneficiaries to address these other obstacles.

Targeted capacity-building assistance for LDCs should also be better coordinated with preference programs. Building adequate physical infrastructure in countries without it will take years and billions of dollars, but in many cases trade costs can be significantly lowered with far more modest investments in trade facilitation activities.

In delivering aid for trade, donors should also consider using more results-based mechanisms to help reinforce reform efforts in recipient countries. Another idea for stimulating private investment in developing countries involves donors helping to underwrite 'service guarantees' for businesses available to both local and foreign investors covering areas such as customs clearance, licensing, and power supply in export processing zones. By providing some assurance that reforms will be sustainable, these proposals would help draw private investors to Africa and reassure donors that their aid dollars are being used effectively.

A slow evolution towards progress

The Tenth WTO Ministerial Conference which took place in Nairobi at the end of 2015 delivered some modest outcomes, including decisions on agriculture, cotton, and issues related to LDCs. A commitment from the US to move on improved market access for all LDCs was not on the list.

The signing of the Trans-Pacific Partnership in February will leave Asian LDCs at a competitive disadvantage in the US market, which US policymakers could mitigate by improving access for those very poor countries. If the LDCs Group at the WTO could unite behind a compromise that expands preferences for Asian LDCs on all but a small number of apparel lines that are important to AGOA exporters, it would be difficult for US negotiators to continue to ignore the issue.

In light of measures in the Ministerial Decision to facilitate the global integration of LDCs, China and India should announce further improvements in product coverage under their DFQF initiatives and Brazil should, finally, begin to implement the program it announced years ago.

Trade preferences may be of less value than in the past, but they remain an important tool to address continued discrimination against LDC exports.

This article is an adaptation of a longer paper "Trade Preferences for the Least Developed Countries: Opportunities Not Panaceas", October 2015, E15 Initiative.

Kimberly Ann Elliott
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TRADE

The changing global trade landscape: Implications for African Commonwealth countries

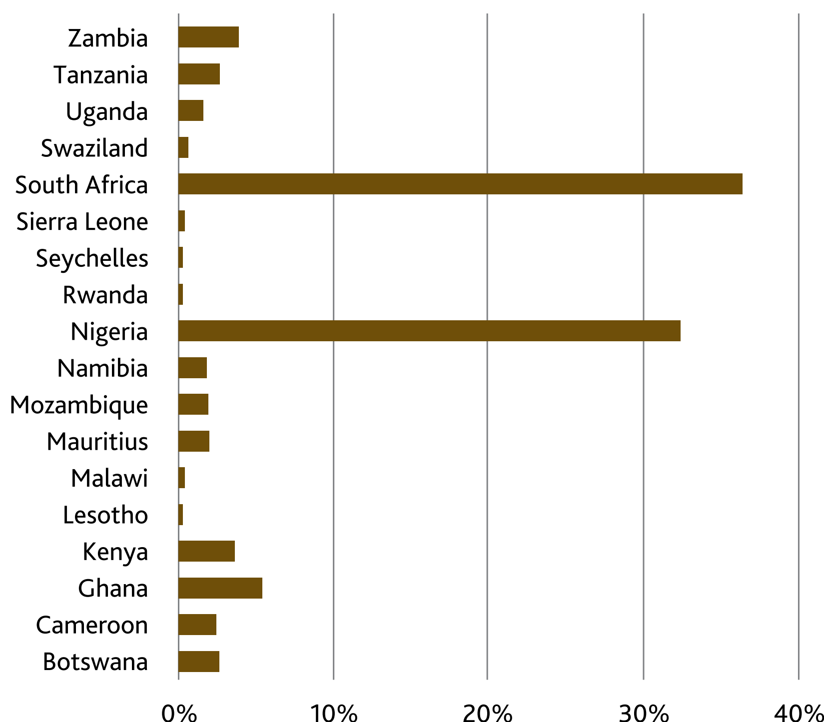
Salamat Ali

Although global trade landscape is continuously changing, a connection between Commonwealth countries makes a difference from a trade perspective.

The global trade landscape is continuously changing. Deeply scarred by the financial crisis of 2008, the world has seen the anemic economic recovery marked by a weakened trade–growth nexus. Along with this, the phenomenal rise of developing countries, the intensification of global value chains, the proliferation and deepening of regional trading arrangements, including the rise of mega-regionals, and climate change concerns are all having profound implications for global trade.

Although not a trading bloc, the Commonwealth's favourable trading environment can be attributed to its unique nature, a diverse grouping of 53 countries of which 18 are located in Africa (Figure 1). These countries share historical ties, predominantly use English as one official language, have similar legal and administrative systems and large diaspora networks.

Figure 1: Distribution of exports from African Commonwealth countries (Total Exports= US$300 Billion in 2013)



Note: These figures shows the relative contribution of each country in the total exports of African Commonwealth countries.
Source: Commonwealth Secretariat's estimates using data from UNCTADStat

The continued effects of the global financial crisis

The global economic slowdown following the 2008 global financial crisis has had a significant impact on world trade. A simple trend projection suggests that had post-crisis growth rate of trade flows matched the growth rate achieved between 2000 and 2008, the volume of global exports of goods and services in 2014 could have been as much as

US$16 trillion higher than actually achieved. Commonwealth members have not been immune to this crisis. During the global financial crisis, their total exports fell by a massive US$600 billion: from US$2.9 trillion in 2008 to US$2.3 trillion in 2009. The exports of African Commonwealth countries dropped from US$246 billion in 2008 to US$190 billion in 2009 while their imports also dropped from $254 billion to $205 billion. The individual country experiences, however, differ widely.

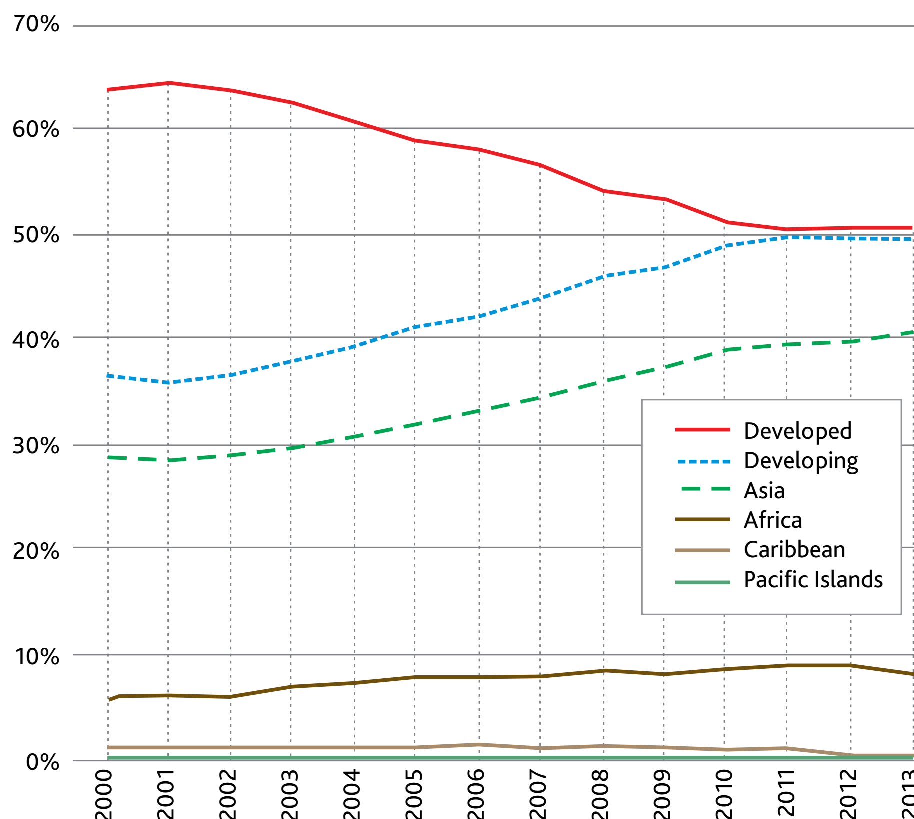
One very encouraging development since the 1990s is Sub-Saharan Africa's (SSA) impressive economic growth and trade performance, which, despite the global economic slowdown, remained steady. During the 2000s, SSA's combined GDP grew at an annual average rate of more than 5 percent. Eight SSA Commonwealth countries (out of total of 18) registered an average GDP growth of more than 5 percent. Indeed, for the first time in many decades, SSA has outpaced overall global economic performance during a period when the world economy has experienced a downturn.

Increasing south-south trade

The growing prominence of developing countries is another salient feature of the shifting global trade landscape. Over the past two decades, the share of these countries in global merchandise exports has increased from around 30 percent to 50 percent. Although this shift is mainly driven by Asian economies, the contribution of African countries has increased from 6 percent in 2000 to 9 percent in 2013 (Figure 2). This implies that, while traditional developed countries remain important markets, developing countries also provide enhanced trading opportunities.

However, one challenge of South-South trade lies in making it broad-based and more diversified, as primary commodities supplied by a handful of African countries currently dominate their exports to emerging economies. This has important implications for the economic and export diversification prospects of commodity-exporting African countries. For commodity-dependent exporters, one further concern relates to how the growth slowdown in China is going to unfold.

Figure 2: Changes in Relative Importance of Various Country Groups



Source: Commonwealth Secretariat's calculations based on UNCTADStat

612

612 Regional Trade Agreements have been notified to the WTO by april 2015, of which 406 are in force. (Author)

The unfolding global trade landscape

The proliferation of Preferential Trade Agreements (PTAs) transcending regional boundaries with widening coverage of policy areas is another factor reshaping the global trade landscape. When the WTO was established in 1995, the number of active PTAs was 150, but by April 2015, 612 RTAs have been notified to the WTO, of which 406 are in force.

Trading through regional arrangements is shaping the global trade landscape in an unprecedented way. An overwhelming majority of African developing countries are members of several RTAs. However, for many of them, realising the benefits of increased trade is yet to happen. Additionally, laying aside participating countries' limited capacity to negotiate and manage these overlapping arrangements, these RTAs can lead to adverse consequences for non-participating countries. This proliferation of RTAs, including those covering much broader ambits to generate trade rules and provisions in new areas, could weaken the multilateral trading system, especially in the absence of dynamism in the WTO led trade negotiations. A strong rules-based multilateral system is the best placed to protect small and poor countries, and promoting trade multilateralism while keeping up the momentum of RTA constitutes a challenge.

Global value chains (GVC) are fundamentally changing the traditional concept of an entire production process being undertaken by one firm located in one country. Because of the increasingly interconnected production processes, more trade is taking place in intermediate inputs. This geographic separation of production processes presents opportunities for African countries, since it requires specialisation in relatively limited number of tasks. It allows firms to enter into export market without developing the full range of vertical capabilities along the value chain. Unfortunately, these GVCs currently bypass most African countries, and North America, Europe, and East Asia are recognised as the three major global GVC hubs. The experience of other Commonwealth countries' participation in GVCs also varies enormously.

Global value chains (GVC) are fundamentally changing the traditional concept of an entire production process being undertaken by one firm located in one country.

An analysis of 43 Commonwealth countries shows that between 2000 and 2012 the Commonwealth's share of global trade in value added has remained steady around 16 percent, with the average share of domestic value added in Commonwealth members' total exports estimated to be 68 percent in 2012, close to, yet below the global average of 70 percent. While GVCs present export opportunities through specialisation in only a relatively limited number of tasks, most Commonwealth African countries being predominantly commodity exporters, are at a disadvantageous position in terms of linking into these chains. They lie at the bottom of the integration stage in GVCs, with limited capacity to upgrade. For small African states in particular, participation in GVCs is constrained by their inherent characteristics and associated trade challenges, for example their small market size, their lack of competitiveness, and so forth.

Climate change is one of the greatest challenges facing the international community with important implications for trade, growth and sustainable development. While climate change will impact all countries, the economic, social and environmental impacts of climate change will be most severe for the world's poorest and most vulnerable economies, especially SSA, LDCs, and SIDS. These economies have high export concentrations in a range of climate-sensitive sectors, including agriculture, resource extraction, fisheries, and tourism. Over the medium to long term, climate change will significantly affect their trading capacity and competitiveness. Measures to deal with climate challenges will involve significant costs and pose a development challenge to weaker developing countries, especially LDCs. These countries have contributed the least to the causes of climate change and also have the least capacity to manage and adapt to it.

Ways forward

This shifting nature of the trade landscape implies a need to provide more intensive attention to broad priorities for improved trade performance of developing economies in general and African countries in particular. The achievement of a coherent, accountable, effective, and enabling global trading environment represents an overarching issue to many Commonwealth developing members. Central to this will be greater coherence and accountability among international support mechanisms and regimes.

The Commonwealth Trade Review – a report that was launched by the Commonwealth Heads of Government Meeting in Malta in November 2015 – highlights five of these priorities: building productive capacity; effectively managing trade policy and negotiations; addressing implementation gaps; promoting private sector development; and securing a trade-supporting global architecture. Since these determinants of trade success are interlinked, concerted efforts are required to generate the desired impact.

Aid for trade remains important. However, there remains much scope to make this even more effective. Resource availability as against needs is extremely limited. One particular objective of AfT – that is, helping countries with their trade-related adjustment needs – has hardly been utilised, even though it could be used to help develop productive capacity. Predictability of AfT has also been a major issue, with resources disbursements falling short of commitments on a regular basis. Therefore, more targeted and sustained AfT support is needed to promote export sector development.

African countries should make the most of them [trade preferences] before they disappear completely.

For other emerging regions, trade preferences have played an important role in helping to develop trading capacity. Over time however, these mechanisms have largely been eroded. African countries should make the most of them before they disappear completely. This should be pursued together with trade promotion policies to attract investment and diversify exports. The first Commonwealth Trade Review also highlights important ways in which the "Commonwealth effect" could be more effectively harnessed.

This article is based the Commonwealth Trade Review, November 2015. The Review provides a detailed assessment of the changing international trade landscape and offers new perspectives on Commonwealth trade in a global context. It demonstrates that a Commonwealth connection makes a difference from a trade perspective. http://bit.ly/1NQuwCg

The Commonwealth is an association of 53 independent states, comprising large and small, developed and developing, landlocked and island economies. As the main intergovernmental body of the association, the Commonwealth Secretariat works with member governments to deliver on priorities agreed by Commonwealth Heads of Government. It provides technical assistance and advisory services to members, helping governments achieve sustainable, inclusive and equitable development.

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CLIMATE CHANGE

What role for trade and investment in the new climate regime?

Ingrid Jegou, Sonja Hawkins, and Kimberley Botwright

A landmark universal emissions-cutting deal offers both hope and challenges as stakeholders move to implementation.

In a historic move, parties to the UN Framework Convention on Climate Change (UNFCCC) successfully landed the first multilateral climate treaty since the 1997 Kyoto Protocol during the Twenty-first Conference of the Parties (COP21) held in Paris, France, last December. However, while the adoption of the Paris Agreement and the decisions giving it effect mark a significant achievement for the climate community, the world must now get to the business of implementation.

The Paris Agreement charts a path towards a climate regime capable of moving the global economy off a carbon intensive growth model that is responsible for driving planetary warming. Parties agreed to hold the increase in global average temperature to "well below 2 °C above pre-industrial levels" and to "pursue efforts" for a 1.5 degrees Celsius limit. The aim is to peak global emissions "as soon as possible" and to achieve net-zero emissions in the second half of the century. In order to do so, the deal requires parties to submit so-called "nationally determined contributions" (NDCs) every five years, which should at the minimum outline best-effort mitigation pledges, with increasing ambition over time.

The new deal represents a significant break from previous UN climate arrangements. It provides for universal participation through bottom-up climate action, on the basis of "common but differentiated responsibilities and respective capabilities" (CBDR-RC), in contrast to previous top-down mandated emissions cuts for developed countries only. Under a binding transparency framework, all parties will have to monitor and report on emissions and track progress on achieving their NDCs regularly, which will be subject to a technical expert review and a facilitative, multilateral consideration of progress.

A series of principles, arrangements, and guidelines need to be developed in order to operationalise the Paris Agreement, and these will govern international cooperation across many climate policy areas for decades to come. Deadlines for implementing various features of the Paris deal vary, ranging from consideration at the first meeting of the parties to the Agreement – to be held at the relevant UNFCCC COP following the deal's entry into force – to specific dates, such as a one-off facilitative dialogue on progress in 2018 to inform the 2020 NDC submissions; the 2023 start of a binding five-yearly "global stocktake" to assess progress towards achieving the Agreement's objective and targets; and the establishment of a new collective quantified climate finance goal from a floor of US$100 billion per year prior to 2025.

Building the new climate regime will undoubtedly face many technical, financial, and political challenges. Among the more systemic concerns is whether the deal does enough to galvanise the action needed to avoid the worst impacts of climate change. This will ultimately depend on whether political will is maintained and supportive policies are put in place.

Among these, trade and investment both directly relate to various parts of the Paris deal, and need to be harnessed for the much-needed low-carbon economic transition. The remainder of this article will focus on key details and next steps that matter from a trade and investment perspective.

Carbon pricing

According to the World Bank, the number of carbon pricing instruments already implemented or scheduled for implementation has almost doubled, jumping from 20 to 38 since January 2012.

A boost for carbon markets

COP21 has sent a clear and strong message that carbon pricing will be an integral part of the global mitigation effort under the new climate regime. The Carbon Pricing Leadership Coalition (CPLC) – launched by 21 governments and over 70 businesses and organisations in December – will undoubtedly contribute to the uptake of carbon pricing policies.

In addition to an expansion of domestic carbon pricing, such as the planned introduction of China's national carbon market next year, international cooperation in this area will be of significant interest as countries will likely find themselves in an increasingly ambitious and asymmetric climate regime. Linking carbon markets creates a more harmonised carbon price, thus lowering concerns around competitiveness distortions and fears industry may relocate to countries with less stringent climate regulations, referred to as "carbon leakage." Linking can also incentivise the uptake of new carbon markets and encourage the reduction of potentially trade-distortive and often sub-optimal support measures in existing schemes. The first carbon market linkages have already been formed by California and Québec, by the EU and Switzerland, and more may soon join rank with interest signalled for EU-China, EU-Korea, and China-Korea linkages.

Article 6 in the Paris Agreement lays the multilateral foundation for such cooperation. Paragraph 1 broadly recognises voluntary cooperation between parties in the implementation of their NDCs, while paragraph two specifically refers to cooperation involving "internationally transferred mitigation outcomes." It gives countries flexibility to work out different cooperation arrangements outside, yet in parallel to, the multilateral process. Article 6 simply recognises countries' ability to engage in transfers but does not impose COP procedures to this end beyond applying emissions accounting rules that are consistent with those developed under the Paris Agreement.

Through this language the deal provides a hook for the formation of carbon market clubs, an arrangement where groups of countries agree to rules and standards, in exchange for the exclusive right to trade emissions units between themselves. The club's value lies in its ability to scale up climate action by increasing ambition among members and incentivising the adoption of markets by non-members.

New Zealand, supported by seventeen countries, also released a ministerial declaration after the COP stating the signatories' intention to develop standards and guidelines for international market mechanisms in the post-2020 regime and inviting others to support and apply these. This could provide an additional stepping stone for the formation of carbon market clubs.

Another promising avenue is the Carbon Market Platform, launched by Germany on behalf of the Group of Seven (G7) industrialised countries, with the aim of supporting the spread of carbon pricing policies. The initiative was opened to non-G7 countries during COP21. Together with the CPLC, these processes create significant impetus for the increasing mobilisation of market mechanisms, and sends important signals to business and investor communities.

Article 6 also creates a new UNFCCC mechanism to generate tradeable offset credits. Contrary to the Kyoto Protocol's Clean Development Mechanism (CDM), it will be universal in nature, meaning that all countries will be able to generate credits and use these to meet their NDCs.

Gearing up for a massive energy shift

One of the most discussed elements of the Paris deal is its global temperature goals, with the aspirational 1.5 degrees Celsius warming ceiling representing a considerable increase in ambition, compared to the previous two degrees Celsius target that has alone guided climate policy thus far. Long advocated for by those most vulnerable to the impacts of climate change, the lower temperature reference was incorporated into the text after receiving support from a "High Ambition Coalition" of countries formed in secrecy six

months prior to the COP, including almost 80 African, Caribbean, and Pacific countries, all EU members, and the US.

Keeping the temperature rise to well below two degrees Celsius will require tremendous efforts by all nations to scale up emissions mitigation efforts and to do so fast. A massive energy shift away from climate-warming fossil fuels and to clean energy will be key in this respect. In addition, negative emissions technologies like carbon capture and storage (CCS) will play an increasingly important role, given that all scientific scenarios under the 1.5 degrees Celsius limit reviewed by the Intergovernmental Panel on Climate Change (IPCC) to date include assumptions about the use of such technologies.

The role of clean energy and energy efficiency are clearly recognised in many of the current NDCs as key areas for climate action. Although the Paris Agreement itself does not include any energy-related provisions, the decisions contain a noteworthy reference acknowledging "the need to promote universal access to sustainable energy in developing countries, in particular in Africa, through the enhanced deployment of renewable energy."

Trade and investment both directly relate to various parts of the Paris deal and will be critical to harness for the much-needed low-carbon economic transition.

Trade policy has an important role to play in securing the necessary energy shift and thus helping countries achieve their mitigation pledges. Removing traditional trade barriers like tariffs and restrictions to trade in services would help decrease the cost of clean energy technologies, thereby making them more affordable for all, and a viable alternative to fossil fuels. Border obstacle reductions can largely be done on a unilateral basis. This option should also be particularly considered by African countries to help enhance access to renewable energy technologies.

Collaboration between countries is, however, needed to address more complex issues such as cumbersome and uncoordinated standards and their associated testing and certification requirements, or various energy subsidy schemes, many of which are far more trade restrictive than tariffs. The trade talks for an Environmental Goods Agreement (EGA) by 17 WTO members could play a role on this front, despite current limitations in scope and ambition.

Regional trade agreements (RTAs) offer another promising avenue to tackle these issues. Whereas the recently concluded Trans-Pacific Partnership (TPP) could have done more to promote clean energy, other agreements such as the EU-Singapore free trade agreement are more proactive on this matter, and could serve as an inspiration for future RTAs. Ongoing negotiations like the one for the Transatlantic Trade and Investment Partnership (TTIP) have the opportunity to make a big difference, not only by facilitating trade in climate-friendly technologies between the US and the EU, but also by strengthening environmental laws and enforcement, or promoting additional opportunities for collaboration on climate related issues like fossil-fuel subsidy reform, which can inform future multilateral trade policymaking.

Technology for climate action

Technology development and transfer is a key building block for effective climate action in the context of sustainable development. Technologies for mitigation include those related to energy efficiency, clean energy, carbon capture and storage, hybrid vehicles, or animal waste management, while examples of adaptation technologies include those needed to tackle sea-level rise such as improved drainage; crop varieties resistant to drought or heat; and improved irrigation systems.

Technology development and transfer is enshrined in Article 4.5 of the 1992 UNFCCC founding document as a tool to enable climate action. To this end, a Technology Mechanism (TM) was established in 2010 at COP16, with the task of enhancing climate technology development and transfer. However, as is well documented, technology development and transfer can prove difficult to harness in practice due to a range of challenges, including access, finance, institutional, and innovation constraints.

It is nevertheless an encouraging sign that COP21 decided to strengthen the TM to serve the Paris Agreement's aims, and provided it with instructions to undertake further work on technology research, development and demonstration, as well as the development and enhancement of endogenous capacities and technologies.

The UNFCCC's subsidiary bodies will additionally elaborate a new "technology framework" to provide "overarching guidance" on the TM's work in the new climate regime. This framework should facilitate the updating of technology needs assessments and the enhanced implementation of their results; the provision of enhanced financial and technical support in this context; the assessment of technologies that are ready for transfer; and the enhancement of enabling environments for and the addressing of barriers to the development and transfer of socially and environmentally sound technologies.

There will also be a periodic assessment to evaluate the effectiveness and adequacy of the support provided to the TM following modalities to be developed and adopted by 2019. The Paris Agreement further creates a link between the TM and the UNFCCC's financial instruments, responding to concerns that technology-based activities have so far been restrained by insufficient funds.

While technology development, diffusion, commercialisation, and transfer ultimately remains a complex and multifaceted process, getting trade and investment policy settings right is an important, although not an easy task. For example, lowering tariffs on clean energy goods, as discussed above, would likely increase their competitiveness and uptake in the global market place.

More generally, trade liberalisation can help to boost the supply of intermediate goods needed for technology innovation in any given economy, and competition in an open market should spur innovation. Indeed, a key feature of the TM is its focus on domestic innovation capacities, although the role of intellectual property rights (IPRs) will likely continue to be a tricky subject in the climate talks. The TM has identified the need for further clarity on IPRs in relation to climate technology development and transfer. Earlier draft versions of the Paris Agreement had included several options on this front, but the final text does not directly address the subject.

Climate action in a global economy

Implementing the Paris Agreement will have effects beyond the climate world due its fundamental ties with economic activity. Under a climate regime marked by universal action on the one hand, driven by self-determined and increasingly ambitious domestic measures on the other, mitigation efforts and policies will vary greatly between countries.

This asymmetry can have impacts on the global economy beyond emissions, both positive and negative, intended and unintended. Carbon pricing instruments or subsidies for low-carbon technologies may, for example, affect relative prices and competitiveness; alter demand and supply; and ultimately impact trade. The link between trade – itself a key driver of growth and development – and climate change will therefore be of increasing relevance. A good understanding and careful consideration of the impacts of so-called climate "response measures" will be crucial to ensure that climate action contributes to, rather than undermines, sustainable development.

Building on some existing general references in the Convention, the Paris Agreement and decisions refer to the impact of response measures in several places. COP21 also decided to continue a response measures forum, formerly initiated at COP17 in an attempt to

host a more substantive discussion on the issue, but which had become largely paralysed following the expiry of its two year mandate in 2013. Parties agreed to improve the forum and adopted a work programme and technical modalities to this end. The forum will continue once the Paris Agreement takes over from the current regime, though for this purpose the modalities, work programme, and functions remain to be developed by the UNFCCC's subsidiary bodies over the coming years.

These developments are a positive sign for an issue where a more specific conceptual discussion has long proven difficult due to its sensitivity and controversy, not least the perception that it serves the interests of fossil fuel-dependent economies, and may raise compensation obligations. Parties now have an opportunity to pick up and deepen much-needed dialogue and exchange on response measures, including on trade and climate change interactions. However, discussions should also take place within the trade world, as well as between the climate and trade communities.

International transport emissions

The final Paris Agreement contains no references to tackling emissions from international aviation and shipping. Given that these together account for around five percent of global emissions, and are forecast to grow by two to five percent per year if no further abatement actions are taken, this decision was criticised by many stakeholders. The close link between trade and international transport means that, from a trade policy perspective, tackling transport emissions will be key to making trade more sustainable.

Work on international transport emissions is on the docket for other multilateral bodies. Members of the International Civil Aviation Organization (ICAO) have pledged to develop a proposal for the first-ever global market-based measure (MBM) for aviation emissions by September, to come into effect at the end of the decade, as part of an aspirational goal to achieve carbon neutral growth from that time onwards.

Meanwhile, the International Maritime Organization (IMO) is in the process of elaborating a global data collection system to analyse energy efficiency, including guidelines on fuel use information. This will be considered at a meeting in April along with revisiting last year's proposal from the Marshall Islands for a sector-wide emissions reduction target.

The Paris outcome could provide important stimulus for action in both arenas. Failure to make meaningful progress might, meanwhile, see parties such as the EU resort to unilateral solutions to address international transport emissions.

Opportunities and challenges

The new climate regime presents both opportunities and challenges. Through the universal commitment to ambitious targets there is unprecedented momentum to transition from our current high-emission trajectory to a truly low-carbon society. In addition to avoiding the worst impacts of global warming, this could result in a host of other benefits, from new economic opportunities to improved health. At the same time, the transition will not be simple. The bottom-up nature of the new climate regime raises doubts about countries' ability to collectively achieve the necessary level of ambition, while the absence of a strong enforcement mechanism poses a challenge for ensuring compliance.

Implementing the Paris Agreement must also look to increase interactions between the climate and trade regimes. Climate measures under the asymmetric regime will likely test the limits of existing trade rules, something that policymakers will need to consider and deal with.

However, more than anything, climate efforts should actively mobilise trade policy, including liberalising trade in clean energy technologies, fostering innovation and technology transfer, as well as informing and facilitating club-like governance arrangements in the area of carbon markets. A proactive use of trade and trade policy can help the world achieve our low-carbon transformation imperative.

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The newsroom

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TTIP negotiators reaffirm 2016 goal

Negotiators for a bilateral EU-US trade and investment pact reaffirmed last Friday that they hope to conclude their talks this year, so long as this does not involve a compromise on quality.

Notable from the 22-26 February round, was the fact that both sides now have on the table their proposals for the investment protection terms of the pact, as well as for a sustainable development chapter. Officials from both sides say that the discussions on investment protection and sustainable development are still in the early stages.

Given the goal of reaching a deal this year, officials outlined last Friday a series of milestones toward meeting this goal. This will entail two additional negotiating rounds between now and summer, with continued contact between teams and top officials in between, according to EU Chief Negotiator Ignacio García Bercero.

US and AGOA trade continues to decline

Total trade between the US and countries supported under the African Growth and Opportunity Act (AGOA) showed another decrease in 2015, according to data published by the AGOA.info website. Combined trade, which came to US$50 billion in 2014, only reached US$36 billion in 2015.

Trade between the US and AGOA countries has now been declining for four years in a row. The reduction of trade in 2016 was caused by a lowering of trade from both sides.

AGOA, which is considered to be the central pillar of economic relations between the US and Sub-Saharan Africa, provides duty-free and quota-free access to the US market for over 6,000 products. However, there is no agreement regarding the scale of benefits that African countries have been able to gain from AGOA to date.

CFTA negotiators establish their launch pad

The first meeting of the Continental Free Trade Area Negotiating Forum (CFTA-NF) laid the groundwork for upcoming substantive negotiations on Africa's largest free trade area. This meeting was the first negotiating session since the establishment of the Tripartite Free Trade Area (TFTA).

The meeting kicked off on 22 February with a two-day workshop for Member States and other stakeholders in order to strengthen the capacity of chief negotiators on how to support trade negotiations. Experts later discussed post-launch preparatory issues, essential process issues, and technical documents that will enable the procedure of negotiations.

The CFTA is a complex institutional and legal structure and the first CFTA-NF meeting is important in relation to the technical preparations for the CFTA negotiations.

WTO members eye new negotiating landscape

The WTO Director-General Roberto Azevêdo told ambassadors that they need to "acknowledge their differences," during the first informal meeting on 10 February of top Geneva-based negotiators since the global trade body's ministerial conference last December.

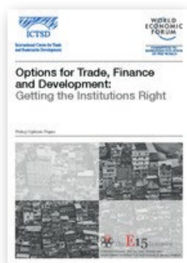
Trade sources said that several officials at the meeting had expressed disappointment that the negotiating process in Nairobi was not more inclusive. Negotiators told Bridges that African countries in particular felt that the final stage of talks had been dominated by five major trading powers—Brazil, China, India, the EU, and the US.

Sources told Bridges that unresolved issues on agricultural domestic support and market access were likely to remain high on the WTO agenda. Meanwhile, the progress at Nairobi on export competition could mean that this topic receives less attention in the months ahead.

Publications and resources

Trade, Finance & Development: Overview of Challenges and Opportunities – E15 – February 2016

This paper reviews recent work, including by the author, on the relationship between geography, institutions, trade, finance, economic growth, and development. It argues that high levels of financial depth, measured by credit as a fraction of GDP, is associated with less, rather than more, economic growth. http://bit.ly/1o9auxt

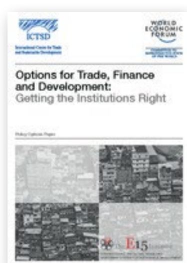


Options for Trade, Finance and Development: Getting the Institutions Right – E15 – January 2016

The basic tenet of this policy paper is that economic institutions are the key determinant of economic growth and development, and that policy-makers and developing countries' governments dealing with trade and finance must concentrate on "getting the institutions right." The paper concludes with a recommendation on measuring progress on these policy options through the construction of an aggregate index of "institutional readiness." http://bit.ly/21MgoDb

Post-2015 International Development Agenda in the Context of Interlocking Trade and Financing in the LDCs – E15 – January 2016

The adoption of the ambitious post-2015 agenda centring on the Sustainable Development Goals at the UN in September marks an opportune moment to suggest development policy solutions for the least-developed countries (LDCs). The objective of this paper is to explore the compatibility of the financing instruments and modalities mentioned across the major documents of the UN and other international organisations related to the post-2015 agenda with LDCs' trade interests and concerns. http://bit.ly/22K5Ohr



Trade and Investment Frameworks in Extractive Industries: Challenges and Options– E15 – January 2016

As a contribution to the debate on the international governance of extractive industries, E15 started by identifying major sustainable development challenges and opportunities in the sector that could be effectively addressed through trade and investment frameworks. http://bit.ly/21MgoDb

Addressing Barriers to Digital Trade – E15 – December 2015

This paper addresses the question of whether it is possible to balance the need for a free flow of information across borders with legitimate government concerns related to public order, consumer privacy, and security. The authors argue that specific binding trade language promoting cross-border flows—combined with continued international cooperation—will enhance, rather than undermine, public order, national security, and privacy. http://bit.ly/1IlhAYC

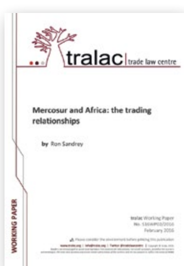
National Agricultural Policies, Trade and the New Multilateral Agenda – ICTSD – December 2015
Policies on food and agriculture in a handful of key countries have played a significant role in shaping today's global farm trade landscape. This note and the following seven country briefs review some of the main factors affecting global trade and markets in this area, as well as analysing the main instruments that countries are using to pursue their underlying policy goals. http://bit.ly/1Y2DDKX

Export Restrictions in Relation to Extractive Industries – E15 – November 2015
The use of export restrictions in relation to extractive industries at the multilateral level has gained prominence in the international trade debate in the last few years due to their proliferating use of non-fuel minerals and metals and, to a lesser extent, energy commodities. The paper explores some avenues for improving multilateral disciplines on export restrictions in the direction of greater transparency, predictability, and flexibility. http://bit.ly/1NHuocE

The Agriculture Negotiations at the World Trade Organization: An update after the Nairobi Ministerial Conference – Tralac – February 2016
The Nairobi Package made some remarkable progress in agriculture even though it did not result in the conclusion of the Doha round of negotiations. This paper reviews the progress made in the negotiations under agriculture from the Uruguay Round Targets under the Doha Development agenda up to the Nairobi Ministerial Conference (MC10). http://bit.ly/21G5rmH

How Tech Hubs are Helping to Drive Economic Growth in Africa – World Bank Group – February 2016
This paper tracks some 117 Tech Hubs across Africa, many of which have been created in the last few years and looks at the patterns of origin by which Tech Hubs are created, why they have a high failure rate, and what makes for success. http://bit.ly/1Rj99LH

Is the Doha Round Over? The WTO's Negotiating Agenda for 2016 and Beyond – Cato Institute – February 2016
The World Trade Organization's (WTO) most recent Ministerial Conference took place last December in Nairobi, Kenya. Opinions vary on how much was achieved, and, perhaps more importantly, where the WTO goes from here. This paper reviews the current WTO negotiating agenda and the Nairobi outcomes, discusses possibilities for new directions, and makes suggestions for the WTO going forward. http://bit.ly/1OV25D2



Mercosur and Africa: The trading relationships – Tralac – February 2016
South Africa's economic and trading relationships with BRICs (Brazil, Russia, India, and China); China's relationships with Africa; and the integration of Africa into free trade areas have moved to the forefront of public attention. The objective of this paper is to examine the sometimes overlooked profile of trade between the core group of Mercosur and Africa. http://bit.ly/1Rj5H3z

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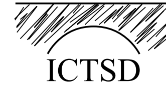

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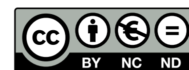

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