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Annual Conference 2022
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Session 1

Patrick Low

• Africa in the global context
• Beyond COVID – elements of a resilience agenda
• Impact of the Climate Crisis on Africa – how to respond?
• Future of the World Trade Organization
Africa in the global context
Africa, its size, the present, and future opportunities and challenges

- Countries and regions that could fit into Africa’s land mass:
  - China; USA; Western and Eastern Europe; Japan; India

- Africa accounts for 20 per cent of the world’s land mass, a share only surpassed by Asia

- Significant demographic dividend

- Rich resource endowments

- Untapped markets

- Digital opportunities

- Challenges of development, diversification and growth
Africa in the world economy

• Africa’s share of world population ≈ 19%
  • Median age ≈ 20 years old
  • Africa’s entrants in the labour market in 2035 > RoW labour market entrants
    • How to prepare for a vast labour supply – the importance of training and education
    • Investment
    • Technology

• Africa’s share of current price global GDP 2021 ≈ 3%
• Africa’s share of world trade in goods and services ≈ 3%
  • China is Africa’s largest trading partner
• Intra-African trade as share of total African trade ≈ 20%
• Africa’s share of commercial services in its total exports ≈ 70%
  (Some 50% of this share is travel services)
Africa’s trading partners (Source: Statista 2022)

- European Union 34%
- Intra-trade 17%
- China 14%
- United States 9%
- India 5%
- Other 21%
Network of intra-SSA value-added exports
Africa’s exports and imports (av. 2016-18)

Exports

Imports

Source: UNCTAD
FDI inflows to the African continent and subregions, 2020-2021
(Billions of dollars)

<table>
<thead>
<tr>
<th>Region</th>
<th>2021</th>
<th>2020</th>
<th>Per cent</th>
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Source: World Investment Report 2022
Beyond COVID – A resilience agenda
External challenges facing Africa

• Political and economic frictions and fissures bedevil the world economy
  • Probability of recession in several leading economies
  • Geopolitical tensions
  • Weakened policy coordination
  • Digital economy fracturing
  • Growth of friend-shoring
  • Energy challenges
  • High inflation
  • Russia-Ukraine war

• These are challenging exogenous forces that Africa has to manage in terms of their impact and consequences
Post-COVID-19 challenges – building resilience

• African growth accelerated between 1994 and part of first decade of C20th, but was badly hit by 2007-8 financial crisis, declining commodity prices, and then COVID-19

• Africa has seen little transformation over the first two decades of C20th

• Resilience calls for transformative change – structural change and improved infrastructure, diversification in production, export competitiveness, technological upgrading, high quality investment

• This is all against the background of enhanced human capital endowments, productivity growth, and higher value-added (v-a) production

• Increased and increasingly higher v-a participation in value chains

• African integration and increased intercontinental integration must play a key role in building resilience, but not to the exclusion of global engagement
A focus on some policy areas to nurture resilience

• Coherent trade and industrial policy, neither too much nor too little
• Horizontal policies (business and regulatory environment) need fixing across all sectors
• Cooperation between business and government is important
• Fostering a supportive and enabling environment for MSMEs
• Investment in the digital economy and innovation
• State integrity essential – the political economy of governing, need for a competent, merit-based bureaucracy that is publicly accountable
A note on digital

- Engagement in the digital economy is indispensable for integrity, modernization, efficiency and competitiveness
- The digital economy can offer valuable opportunities to business, not least the MSMEs in terms of reach and access
- The digital divide is a threat to engagement and involvement, and requires international attention – it can accentuate inequalities rather than fostering catch-up and novel opportunities
- Establishing African regional digital agreements is a useful stepping-stone to global engagement, although African countries should already engage in the WTO exercise to build a multilateral digital agreement
- Africa is currently poorly supplied with the necessary infrastructure, although significant advances have been made in some countries
Impact of the Climate Crisis on Africa – how to respond

- Climate change impacts
- Who should carry the burden?
- What can Africa do?
Potential climate change impacts

• Importance of non-linearity sudden change (e.g. methane release)

• Melting glaciers, flood risk

• Rising sea levels affecting low-lying areas and coastal cities worldwide

• Drought, water shortages

• Declining crop yields, especially in tropical zones, and food crises

• Ocean acidification from rising CO₂ levels
Potential climate change impacts (cont.)

- Destruction of tropical forests, forest fires
- Malnutrition and heat stress
- Spread of vector-borne disease (malaria, dengue fever)
- Physical displacement of populations and risks of mass migrations
- Damage to ecosystems and species extinction
- Sudden shifts in weather patterns (monsoons, El Niño, La Niña)
## Countries Most Affected by Climate-Related Threats

<table>
<thead>
<tr>
<th>Droughts</th>
<th>Floods</th>
<th>Storms</th>
<th>Sea levels</th>
<th>Agriculture</th>
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<td>Philippines</td>
<td>Low-lying islands</td>
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<td>Iran</td>
<td>Rwanda</td>
<td>Fiji</td>
<td>Libya</td>
<td>Pakistan</td>
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Current Emitters of CO$_2$e (Our World in Data)
Per capita shares of emissions of CO$_2 e$
Historical production of CO$_2$e (1751 – present) (Our World in Data)
Sources of CO$_2$e emissions

(Centre for Climate and Energy Solutions)
Actions to address climate change

• An important distinction between *Abatement* (sometimes called Mitigation) and *Adaptation*

• Abatement actions are aimed at reducing emissions

• Adaptation is about reducing the impact of global warming

• Big emitters can pursue meaningful abatement policies, but this is less true of small emitters who are the most vulnerable

• Considering:
  • Historical overhang (CO₂ stays in the atmosphere > 100 years);
  • Disparate income and development levels
  • Vulnerabilities afflicting dozens of countries powerless to address them, even though everyone can play the appropriate part

• It is in all countries’ interest to act maximally, especially the major emitters on abatement and the richer countries also with finance for adaptation around the world
The history of international cooperation

• From Rio (1992) to Kyoto (2005) to Paris (2015 – COP21) and beyond, punctuated by regular cops since Kyoto.

• Paris important because:
  • It abandoned mandated targets that were not being met
  • Introduced Nationally Determined Targets, which all countries signed on to
  • Promises of financial support that have not materialized

• Climate scientists reckon we can only afford an increase in temperature of 1.5° or 2° at a pinch. Not enough is being done

• Will technology save the day?
Kenya’s Nationally Determined Contributions (NDCs)

**MITIGATION GOAL:** Kenya seeks to undertake an ambitious mitigation contribution towards the Paris Agreement. Kenya therefore seeks to abate her GHG emissions by 32% by 2030 relative to the BAU scenario of 143 MtCO$_2$eq; and in line with her sustainable development agenda. Subject to national circumstances, Kenya intends to bear 21% of the mitigation cost from domestic sources, while 79% of this is subject to international support in the form of finance, technology development and transfer, and capacity building.

**ADAPTATION GOAL:** Kenya aims to ensure a climate resilient society. This is to be achieved through mainstreaming climate change adaptation into the Medium-Term Plans (MTPs) and County Integrated Development Plans (CIDPs) and implementing adaptation actions. Subject to national circumstances, Kenya intends to mobilize domestic resources to cater for 10% of the adaptation cost, while 90% of the adaptation cost will require international support in form of finance, technology development and transfer, and capacity building.
MISSED TARGET
Rich countries promised developing nations US$100 billion a year in climate finance by 2020.

- Bilateral finance
- Multilateral finance*
- Export credits
- Private finance

2013
2014
2015
2016
2017
2018
2019
2020

US$ (billion)

No data for private finance in 2015

Target for 2020

*Including financing through multilateral development banks.
Is COP 27 in Egypt an opportunity for Africa?

• Prospects for a clear and untied African position? Maybe on some things. Bear in mind Africa’s population will double by 2050

• Africa’s challenge is not abatement, but rather mapping a sustainable growth trajectory

• Green growth will improve competitiveness and enhance access in big markets

• Support the development of a negotiated carbon price among major emitters and a market for carbon credits

• Keep up the pressure on financing

• Remind RoW that Africa is an important carbon sink
The Future of the World Trade Organization
Flaws in the functioning of the WTO

• It has become commonplace to say that the WTO is in need of reform

• The MC12 mandate: “We acknowledge the need to take advantage of available opportunities, address the challenges that the WTO is facing, and ensure the WTO's proper functioning. We commit to work towards necessary reform of the WTO”. (WT/MIN(22)/24, Para. 3)

• Challenges where the WTO is perceived to be falling short:
  • Capacity to negotiate
  • Enforcement of disciplines
  • Monitor policies
  • Ensure transparency
  • Dealing with development issues
# Specific issues in need of attention

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<td>Development</td>
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<td>Decision-making</td>
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<td>The role of markets in international trade</td>
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<td>Digital trade (e-commerce)</td>
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<td>MSMEs</td>
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Specific issues (1)

- **Dispute settlement** – collapse of the Appellate Body and cessation of a multilateral dispute settlement function

- **Development** - the special and differential treatment (SDT) debate, and the balance of rights and obligations among members (market access and regulatory issues)

- **Decision-making** – consensus perceived too often as veto; can non-consensus decision-making be consistent with non-discrimination?

- **Transparency** – the persistent failure of many members to notify to the WTO their policies and changes in them
Specific issues (2)

- The role of markets in international trade: how to deal with state-owned enterprises and state overrides of markets beyond public policy regulation
- Subsidies, including fisheries subsidies: addressing the pervasiveness of subsidies in light of their trade effects; desire of some to revisit basic rules; fisheries subsidies – a special problem with a fugitive resource (absence of property rights) and sustainability implications
- Environment and climate change: stalemate on trade in environmental products; emerging problem over border tax adjustments.
Specific issues (3)

• **Trade and health**: how the WTO should deal with situations such as COVID-19 to avoid protectionism and address the intellectual property issue relating to vaccines (TRIPS waiver)

• **Agriculture**: stalled negotiations on further market opening (import barriers and export support); public stockholding for food security and export subsidization issue

• **Digital trade (e-commerce)**: this is an ongoing joint initiative negotiation involving some 86 members accounting for the bulk of digital trade
Specific issues (4)

• **Investment facilitation for development**: This is an ongoing joint initiative involving 112 members.

• **Gender**: An Informal Working Group on Trade and Gender was established in 2020, arising from the 2017 Buenos Aires Declaration on Trade and Women’s Economic Empowerment.

• **Labour standards**: In 1996 WTO member governments agreed to a set of internationally recognized “core” standards — freedom of association, no forced labour, no child labour, and no discrimination at work (including gender discrimination). No work ongoing at the WTO.

• **MSMEs**: An Informal Working Group on Micro, Small and Medium Sized Enterprises was established in 2017.