

tralac

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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

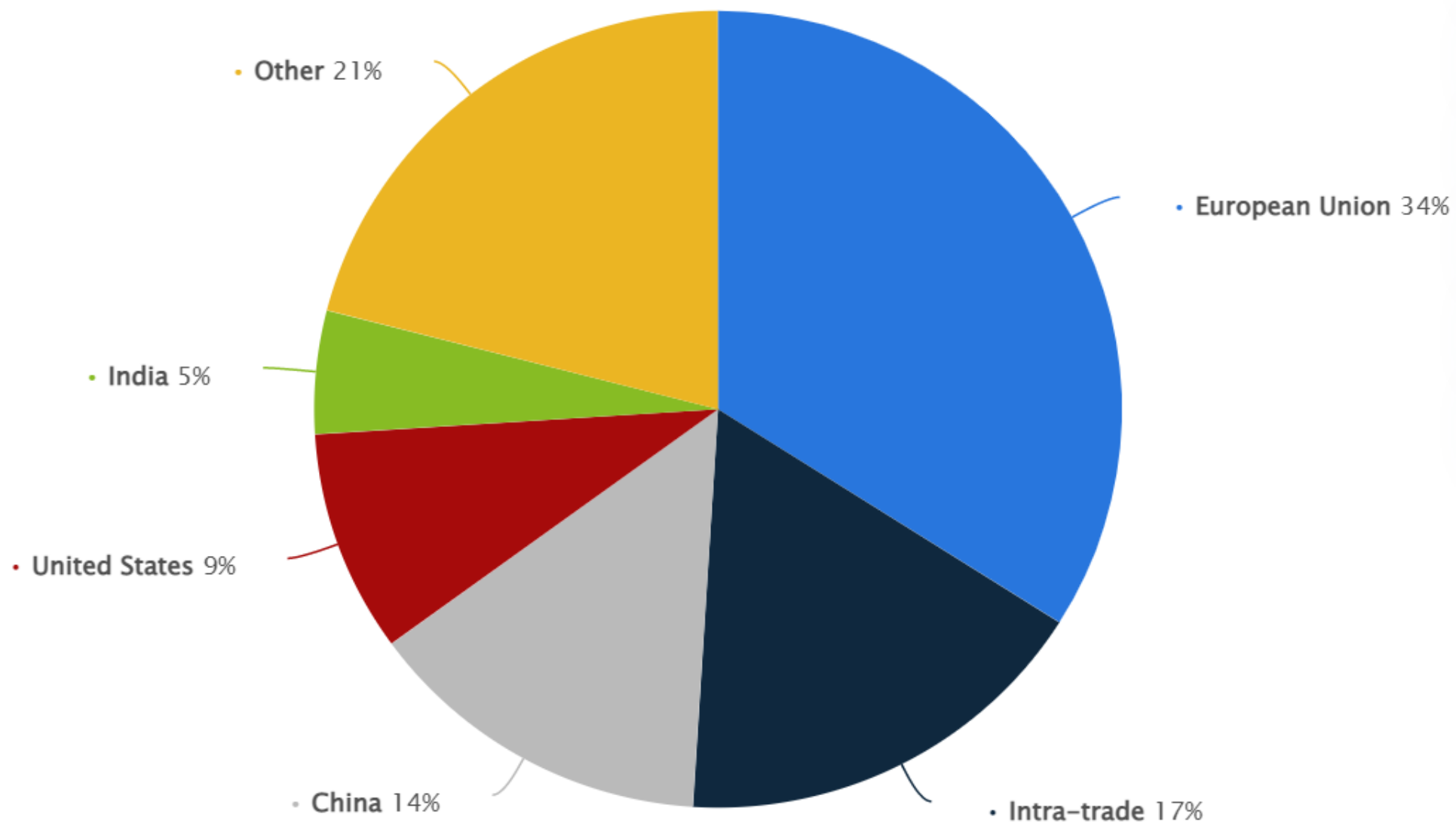
- Countries and regions that could fit into Africa's land mass:
 - China; USA; Western and Eastern Europe; Japan; India
- Africa accounts for 20 per cent of the world's land mass, a share only surpassed by Asia
- Significant demographic dividend
- Rich resource endowments
- Untapped markets
- Digital opportunities
- Challenges of development, diversification and growth



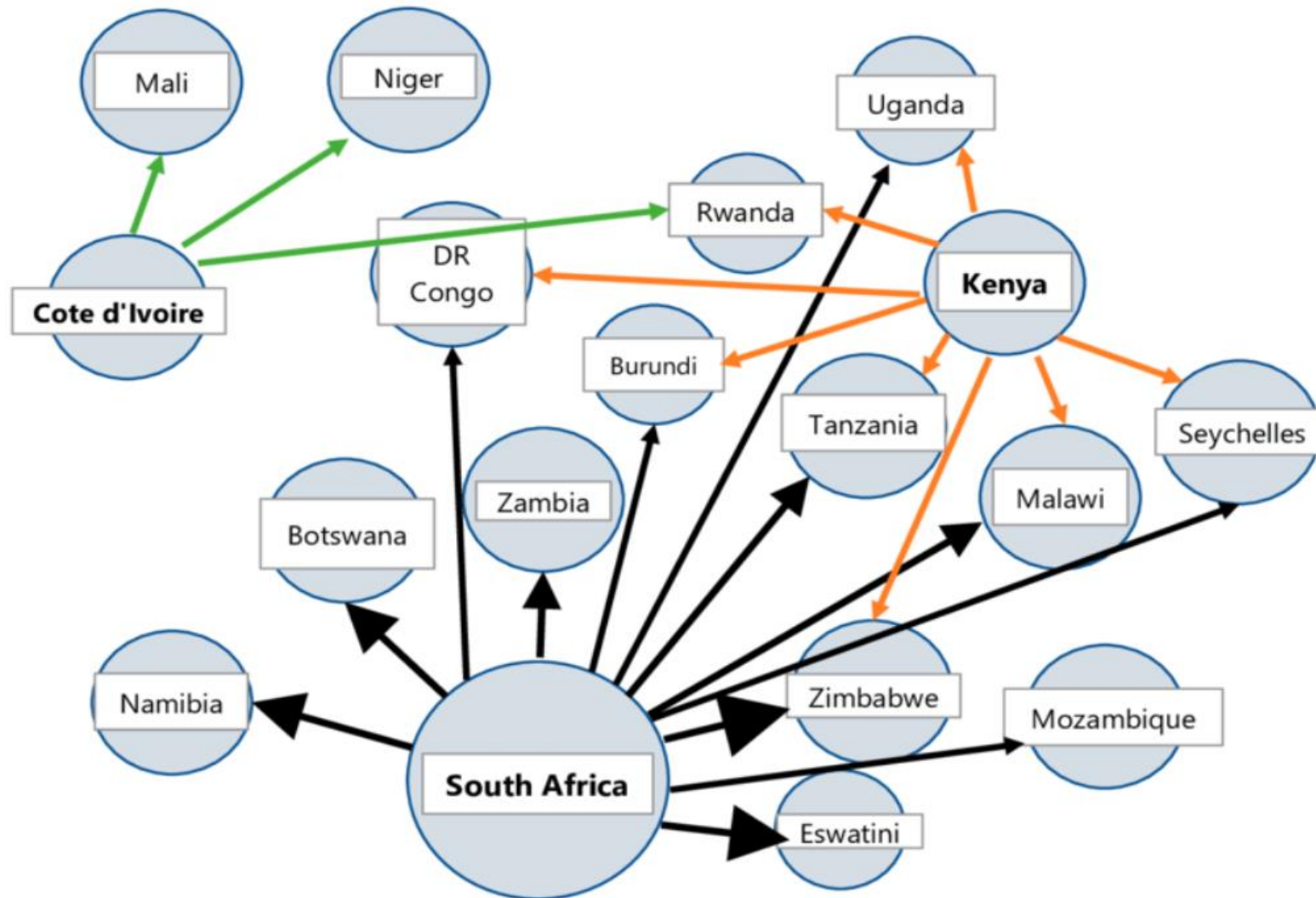
Africa in the world economy

- Africa's share of world population \approx 19%
 - Median age \approx 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 \approx 3%
- Africa's share of world trade in goods and services \approx 3%
 - China is Africa's largest trading partner
- Intra-African trade as share of total African trade \approx 20%
- Africa's share of commercial services in its total exports \approx 70%
(Some 50% of this share is travel services)

Africa's trading partners (Source: Statista 2022)

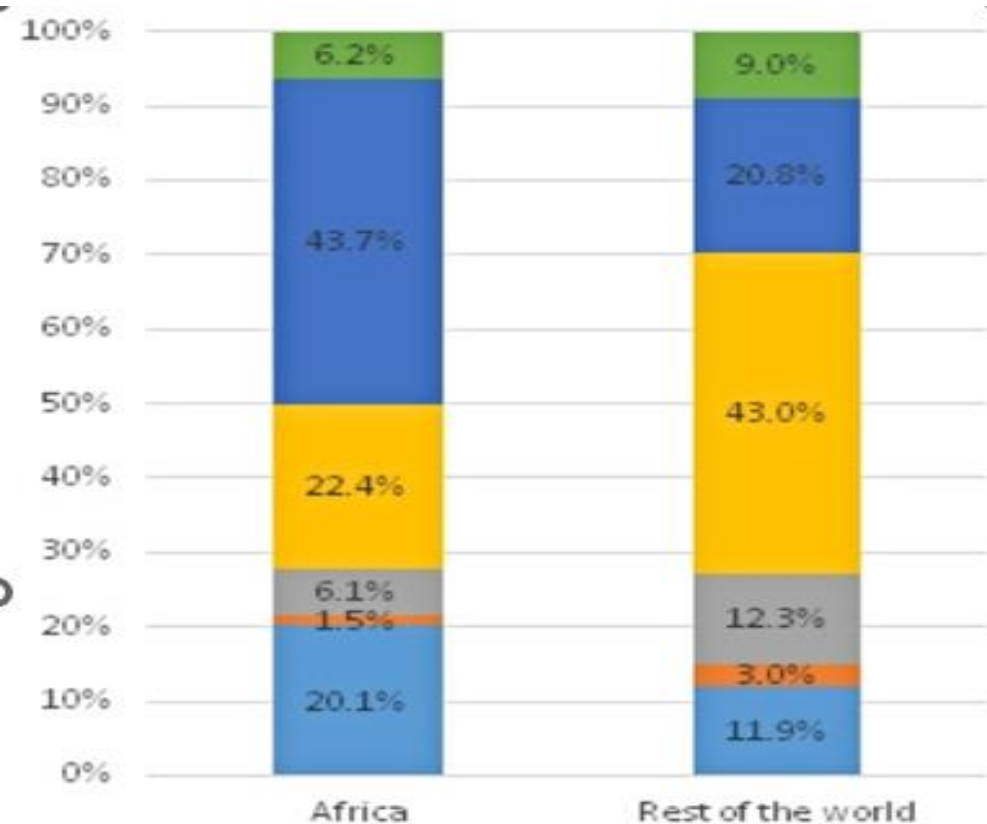


Network of intra-SSA value-added exports



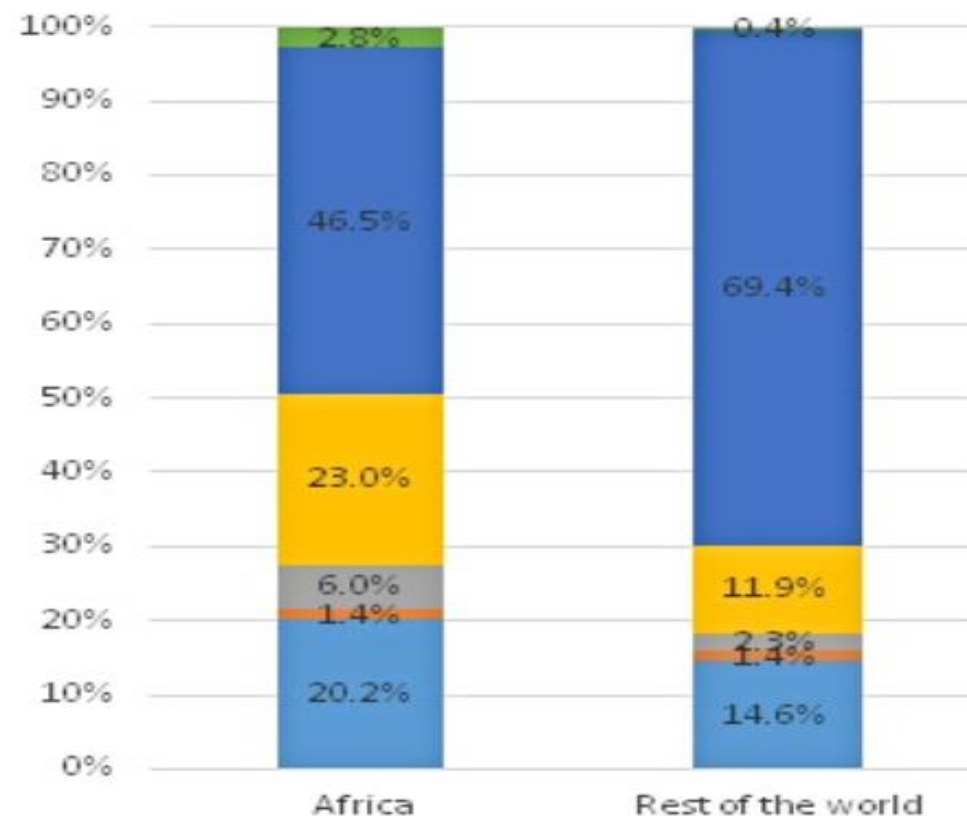
Africa's exports and imports (av. 2016-18) Source: UNCTAD

Exports



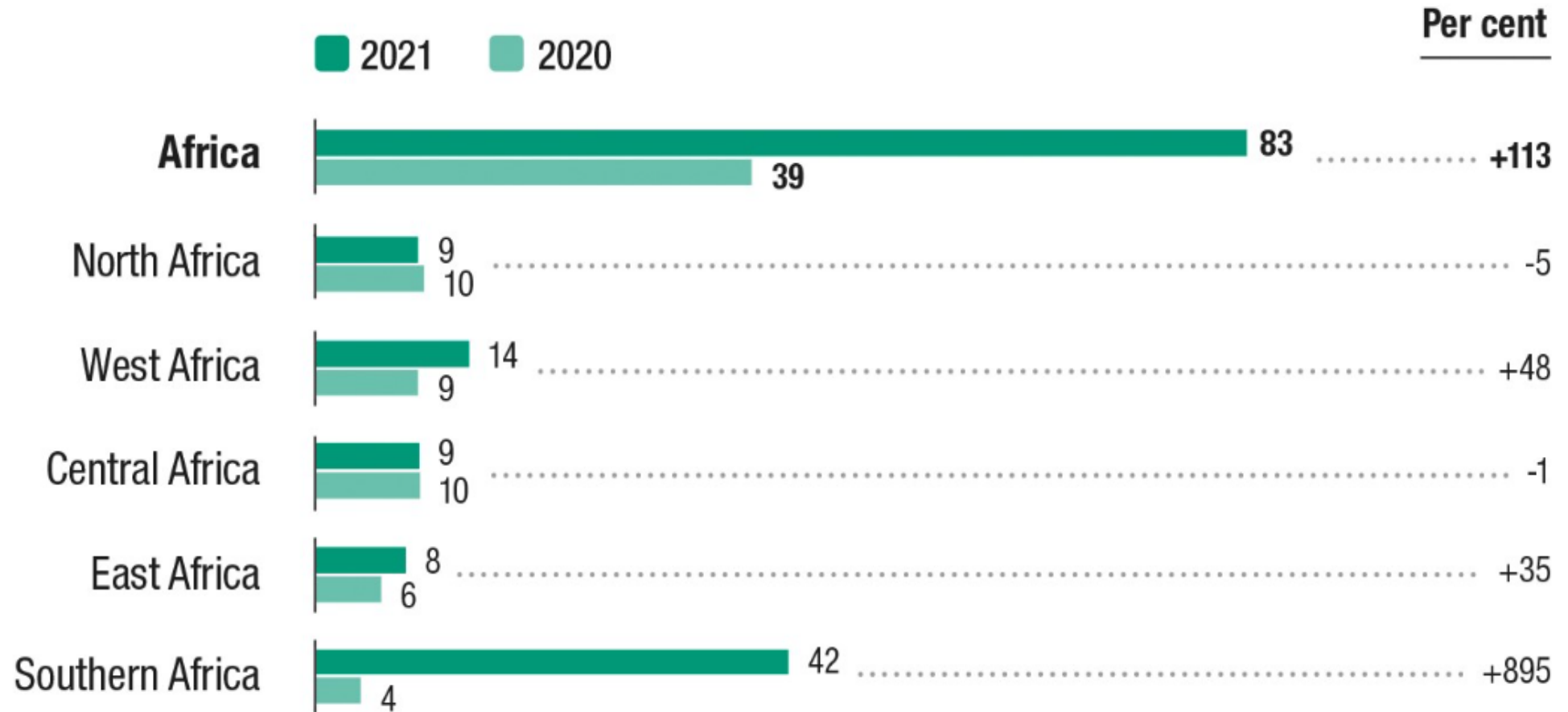
- All food items (SITC 0 + 1 + 22 + 4)
- Agricultural raw materials (SITC 2 less 22, 27 and 28)
- Ores and metals (SITC 27 + 28 + 68)
- Fuels (SITC 3)
- Manufactured goods (SITC 5 to 8 less 667 and 68)
- Others

Imports



- All food items (SITC 0 + 1 + 22 + 4)
- Agricultural raw materials (SITC 2 less 22, 27 and 28)
- Ores and metals (SITC 27 + 28 + 68)
- Fuels (SITC 3)
- Manufactured goods (SITC 5 to 8 less 667 and 68)
- Others

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



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

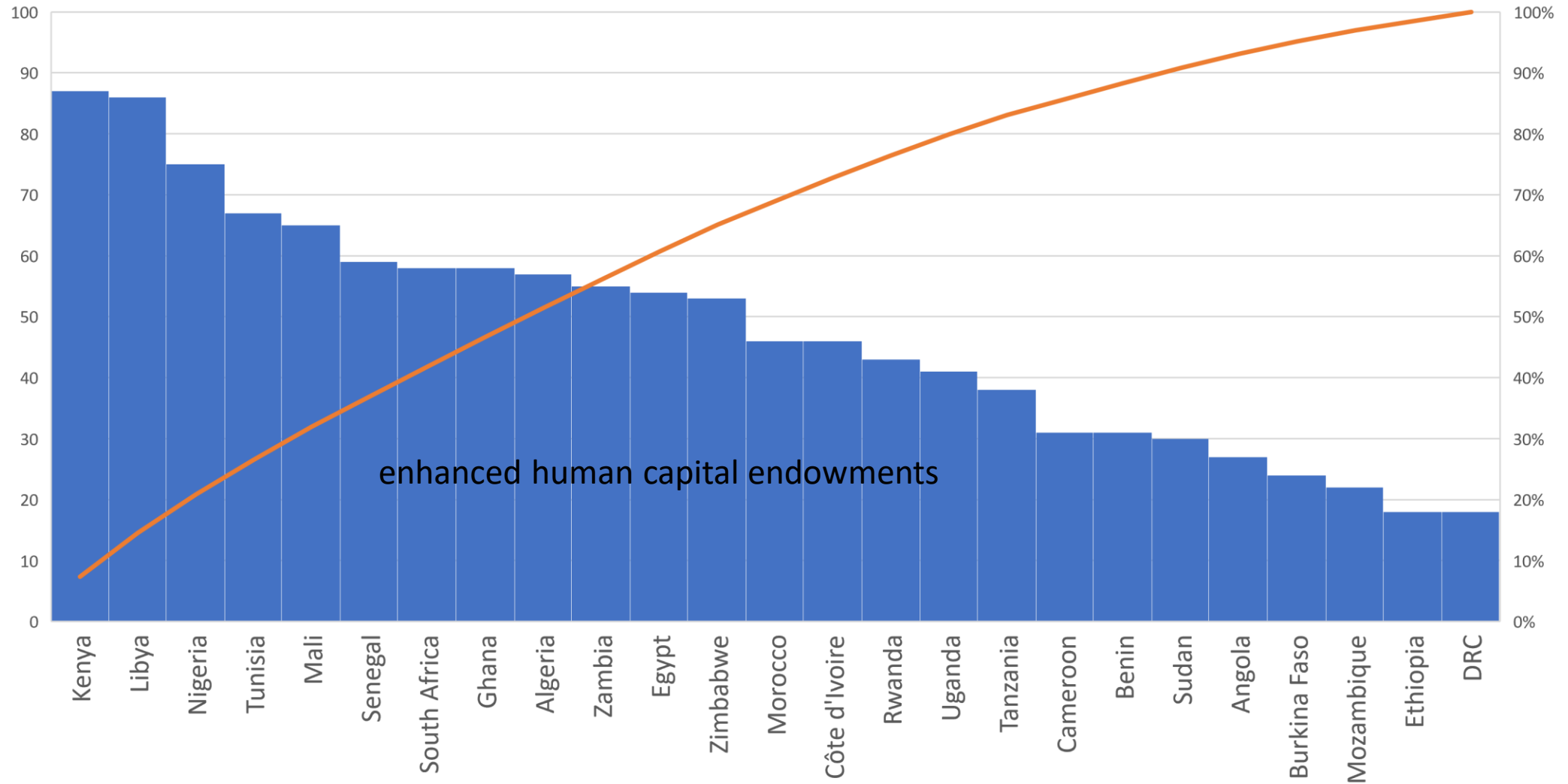
- Coherent trade and industrial policy, neither too much nor too little
- Horizontal policies (business and regulatory environment) need fixing across all sectors
- Cooperation between business and government is important
- Fostering a supportive and enabling environment for MSMEs
- Investment in the 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

Internet Penetration Rates (selected countries, 2020)

(Sources: Statista.com; Internet Users World Stats/ITU)



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

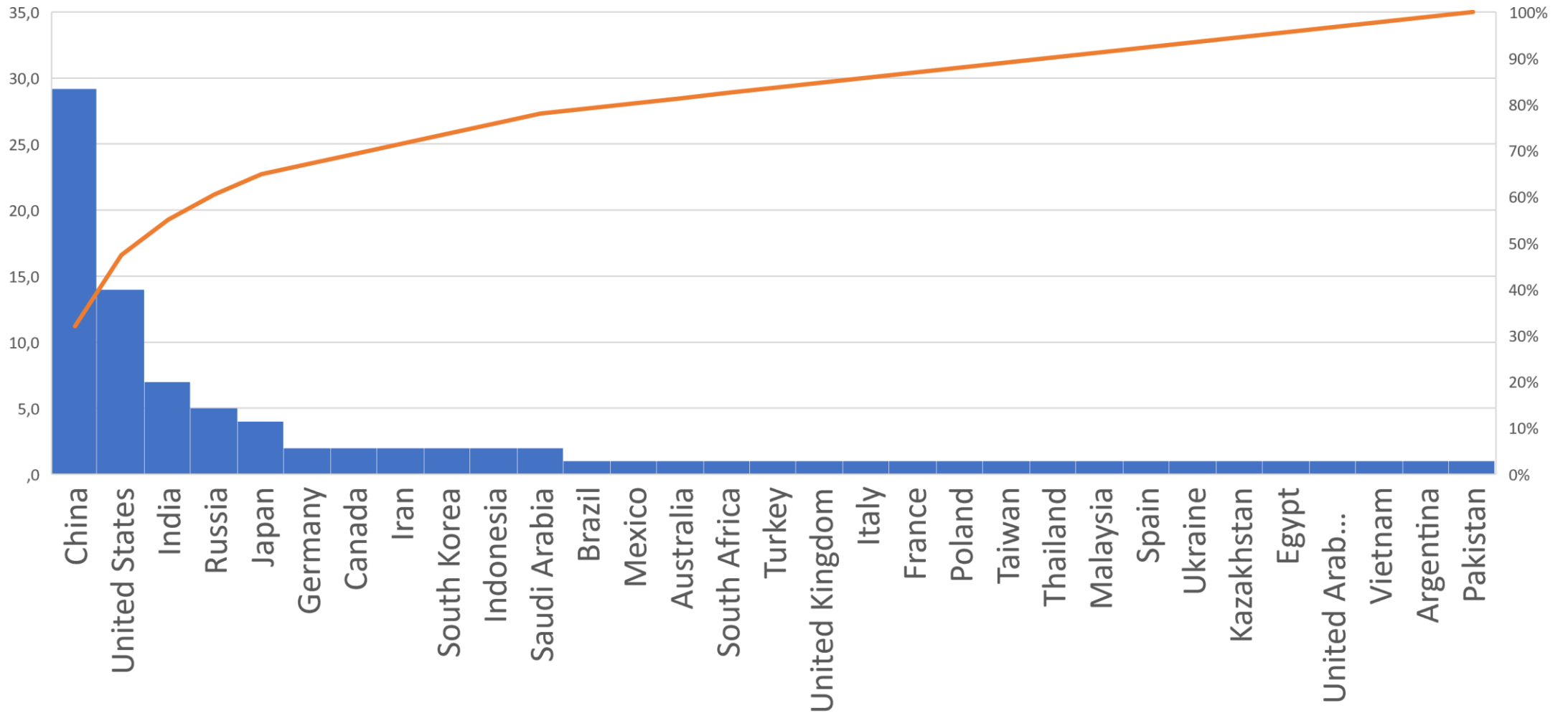
Potential climate change impacts (cont.)

- 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)

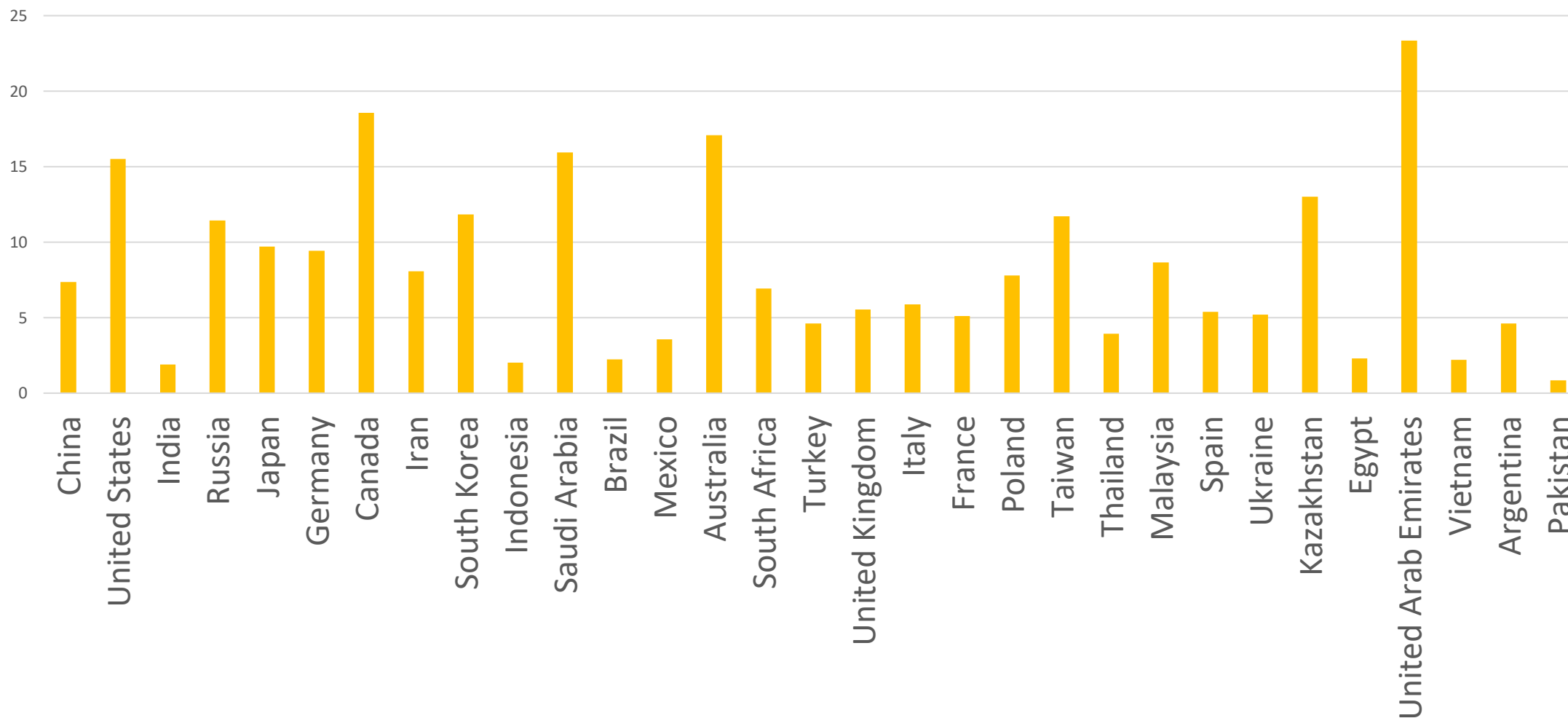
Countries Most Affected by Climate-Related Threats

Droughts	Floods	Storms	Sea levels	Agriculture
Malawi	Bangladesh	Philippines	Low-lying islands	Sudan
Ethiopia	China	Bangladesh	Vietnam	Senegal
Zimbabwe	India	Madagascar	Egypt	Zimbabwe
India	Cambodia	Vietnam	Tunisia	Mali
Mozambique	Mozambique	Moldova	Indonesia	Zambia
Niger	Laos	Mongolia	Mauritania	Morocco
Mauritania	Pakistan	Haiti	China	Niger
Eritrea	Sri Lanka	Samoa	Mexico	India
Sudan	Thailand	Tonga	Myanmar	Malawi
Chad	Vietnam	China	Bangladesh	Algeria
Kenya	Benin	Honduras	Senegal	Ethiopia
Iran	Rwanda	Fiji	Libya	Pakistan

Current Emitters of CO₂e (Our World in Data)

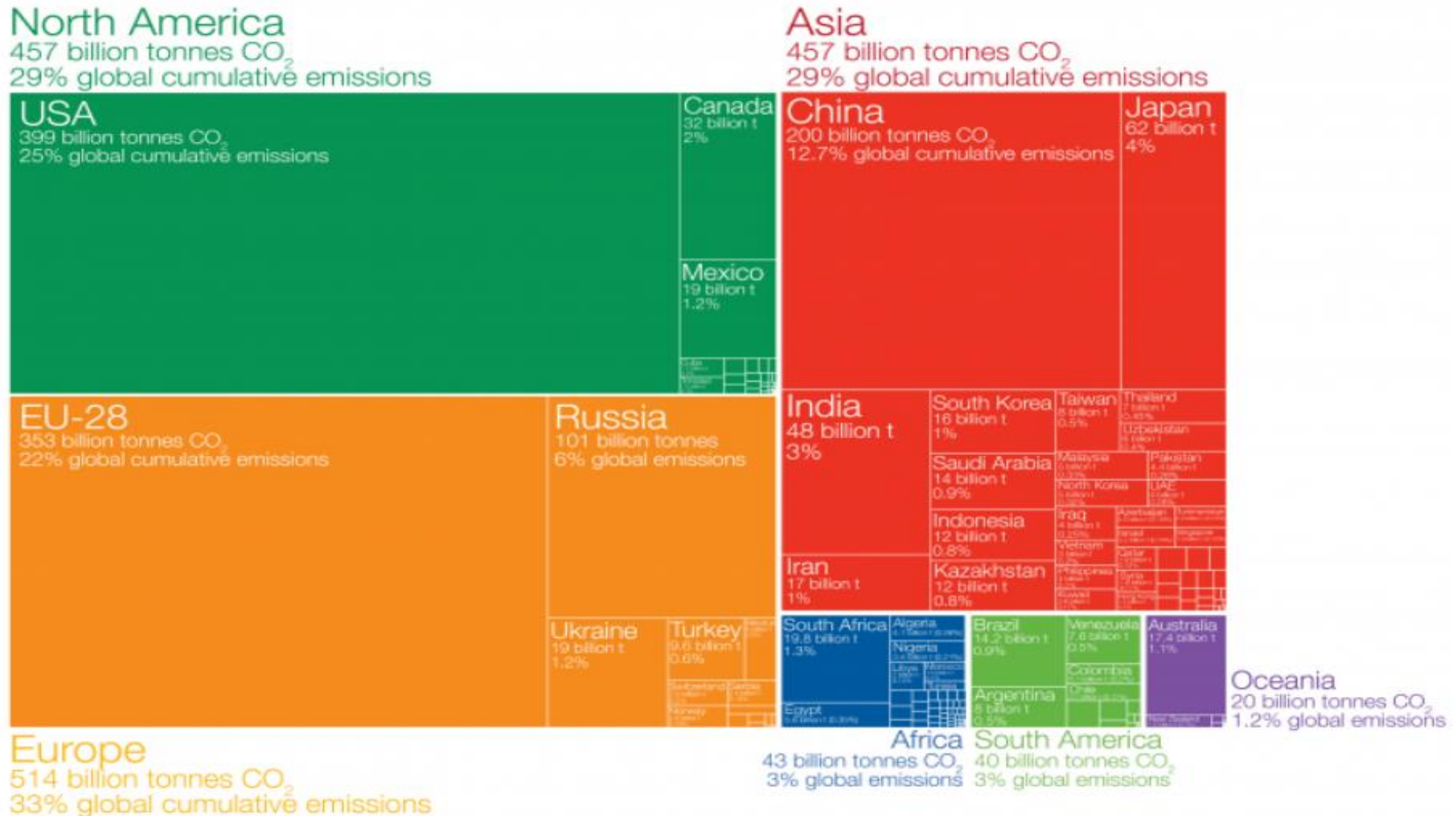


Per capita shares of emissions of CO₂e

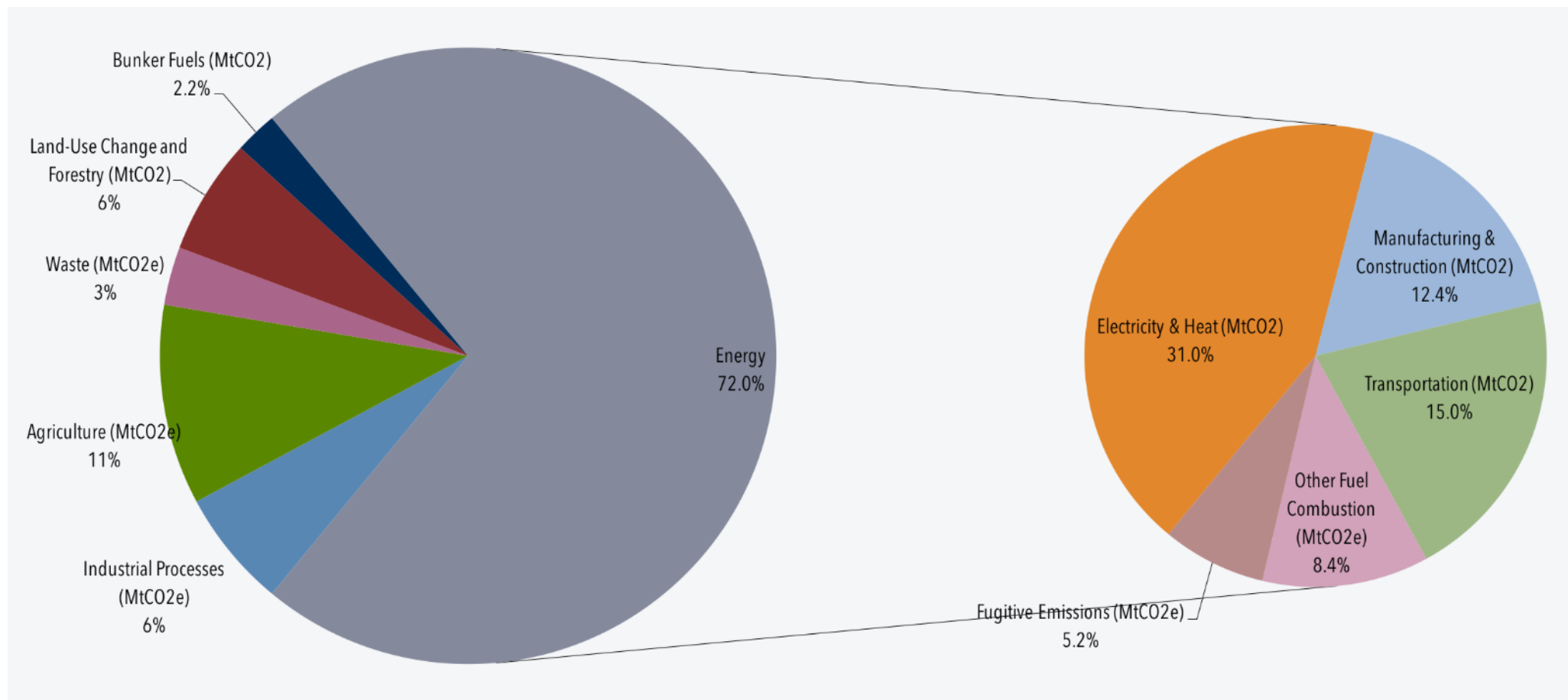


Historical production of CO₂e (1751 – present)

(Our World in Data)



Sources of CO₂e 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)

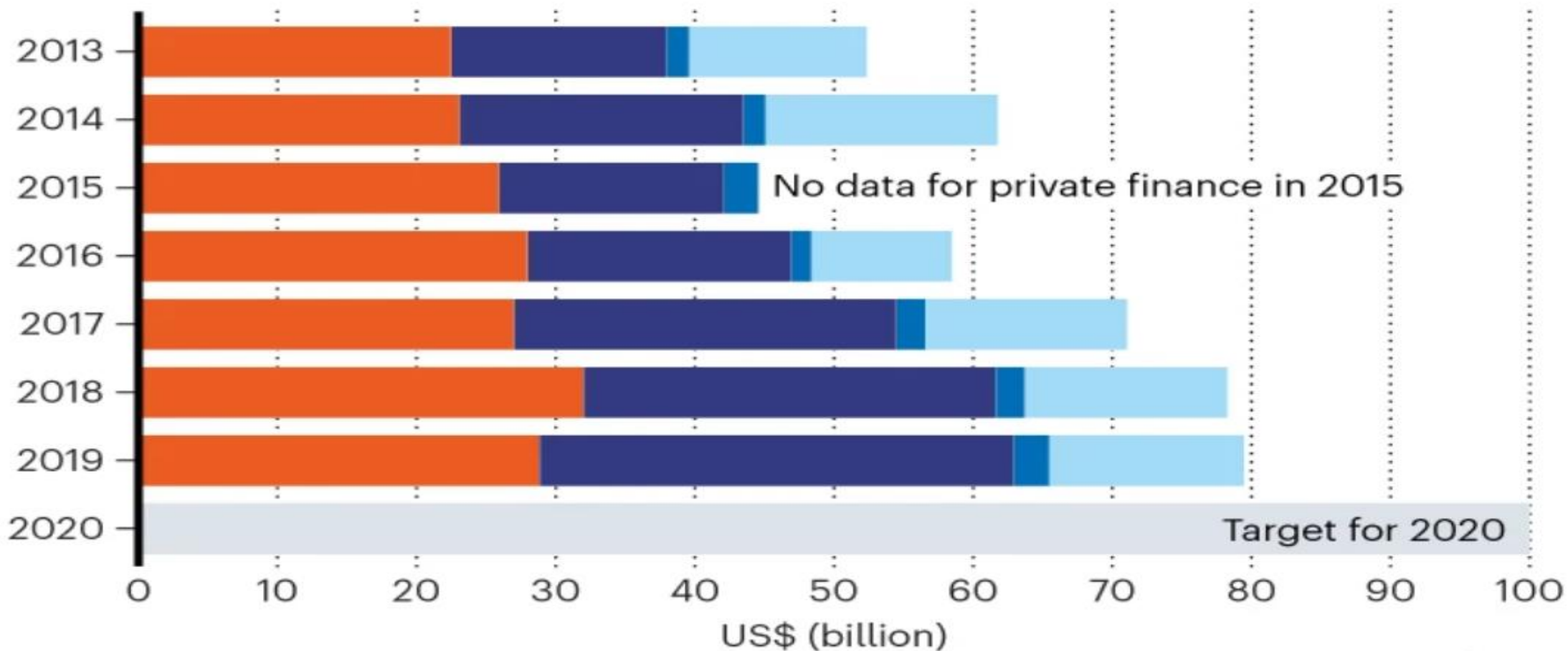
MITIGATION GOAL: Kenya seeks to undertake an ambitious mitigation contribution towards the Paris Agreement. Kenya therefore seeks to abate her GHG emissions by 32% by 2030 relative to the BAU scenario of 143 MtCO₂eq; and in line with her sustainable development agenda. Subject to national circumstances, 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



*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

Issue	Systemic	Extensive margin	Intensive margin
Dispute settlement	X		X
Development	X		X
Decision-making	X		X
Transparency	X		X
The role of markets in international trade	X		X
Subsidies, including fisheries subsidies	X		X
Environment and climate change	X	X	X
Trade and health			X
Agriculture			X
Digital trade (e-commerce)		X	X
Investment facilitation		X	
Gender		X	
Labour standards		X	
MSMEs		X	

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