



## Key Messages from the Commonwealth Regional Consultation on Multilateral, Regional and Emerging Trade Issues for Africa

15 - 16 November 2018 - Mahé, Seychelles.

- The Commonwealth Regional Consultation on Multilateral, Regional and Emerging Trade Issues for Africa was held on 15<sup>th</sup> - 16<sup>th</sup> November 2018 in Mahé, Seychelles. The meeting, following the Second African Trade Negotiators Meeting on 14<sup>th</sup> November 2018, brought together over 40 participants, including trade policymakers from various African capitals, Geneva-based trade negotiators, eminent policy experts from the WTO, UNCTAD, AUC and prominent regional bodies such as COMESA.
- Importantly, SSA constitutes the largest geographical grouping in the Commonwealth, with 19 members, and includes a majority of the world's least-developed countries (LDCs). The objective of this meeting was to understand the major policy implications and potential effects of emerging multilateral and regional trade-related issues for Africa, in order to create an opportunity to explore possible policy responses and strategies, as well as identify key advocacy messages and common interests.
- In the opening session, welcome remarks were made by Teddy Soobramanien, Head of International Trade Policy and Hubs and Spokes (a.i) of the Commonwealth Secretariat, and Yonov Frederick Agah, Deputy Director-General, World Trade Organization. The keynote address was delivered by Ambassador Maurice Loustau Lanne, Minister for Finance, Trade, Investment and Economic Planning of Seychelles.

### **SESSION 1: Presentation of the 2018 Commonwealth Trade Review: Key Issues and Findings for Africa**

In this session, the Commonwealth Secretariat presented the main findings of the 2018 Commonwealth Trade Review. The report examines how to strengthen the Commonwealth advantage in trade and investment by harnessing new technologies and improving trade governance. This discussion was complemented by UNCTAD's presentation of its 2018 Trade and Development Report, focusing specifically on the prospects, pitfalls and policy options for economic development in a digital world, and the implications of rising protectionism and potential trade wars for the world economy.

- Participants recognised that while developing countries are increasingly important as drivers of the Commonwealth's world trade, the contribution of African members declined from 9% in 2011 and 2012, to 6.9 % in 2016. It is important to understand the reasons for this decline and to consider policies and strategies to boost Africa's world trade.
- Participants called for greater understanding of the composition of Africa's exports, in order to better inform trade and investment policymaking. Most African countries are still integrated at the lower end of GVCs as exporters of resources and primary commodities, where MNCs and lead firms capture the bulk of the value. However, it was noted that intra-African trade is more manufacturing-oriented and regional value



chains provide important opportunities for upgrading and value addition. Greater cooperation is needed among African countries to strengthen regional value chains.

- Participants recommended that further attention should be given to promoting trade facilitation, strengthening institutions, improving productive and supply capacity, and reducing non-tariff barriers.
- Participants discussed whether the private sector is adequately prepared for the new opportunities and challenges presented by the digital economy and Industry 4.0. They emphasized that structural economic transformation is Africa's overriding development priority. The key messages for Africa are to develop infrastructure and strengthen trade governance, with policies on industrialization, investment and competition.
- Participants recognized the potential benefits of the digital economy, especially how it can connect African producers and traders, including MSMEs, to the world market. However, the issue of data ownership and how data is used remains a challenge. The Global Data Protection Regulations (GDPR) issue was raised, and how best to address this at the regional or continental. It was agreed that African countries will need to design and implement the appropriate policies, institutions and regulations to engage with and benefit from the digital economy.

### **SESSION 2: WTO Issues of Interest to the Commonwealth African Countries**

This session examined WTO Issues pertaining to Commonwealth African countries, particularly in the wake of the 11th Ministerial Conference. Presentations were made by African representatives in Geneva on the current state of play in the WTO negotiations covering issues such as Agriculture, NAMA, Cotton, Fisheries Subsidies, and Development, Special and Differential Treatment and LDCs Issues, among others, and progress being made by the African Group.

- Participants noted that little progress has been made on the negotiating issues. Some issues in the Agriculture negotiations, especially domestic support and cotton, are vital for Africa and should be pursued. On services, participants raised the issue of domestic regulation and regulatory sovereignty at the WTO. On Fisheries Subsidies, they emphasised the importance of addressing illegal, unreported and unregulated fishing to protect small-scale fishers from subsidized industrialised fleets accessing territorial seas illegally. The importance of integrating SDT in fisheries subsidies negotiations was also noted. Overall, the meeting noted that the Doha Development Agenda (DDA) should remain a priority for Africa.
- Participants deliberated on the current discussions and proposals for WTO reform, noting that principles like consensus are central to the WTO. They recommended that African countries develop a common position on WTO reform in order to advance the continent's interests. The African Group is currently engaging on the subject of WTO reform, and called for greater coherence and alignment between the objectives of



the AfCFTA and the African Group's WTO priorities. Support from capitals also needs to be more timely to ensure progress can be made.

- Participants discussed the challenge of Aid-for-Trade in meeting its objective in building supply-side capacity. The African Group in WTO discussions is calling for improving and strengthening the Aid for Trade initiative and a review of its achievements; this has been rejected by donor countries.
- Participants discussed some of the challenges they face in the WTO, including enhanced notification requirements which form part of the WTO reform agenda. It was suggested that the focus should be on why countries have difficulties in notification and compliance, instead of introducing punitive measures and additional burdensome obligations.
- Participants noted the recent developments in emerging trade issues (or Joint Initiatives) in the WTO, such as e-commerce (including data protection), investment facilitation and MSMEs. Issues of priority interest to developing countries, particularly Doha Development Agenda issues, should remain a focus of multilateral negotiations.

### SESSION 3: Harnessing Digital Trade Opportunities for Africa

This session considered the various policy, regulatory and infrastructure requirements for African countries to harness digital trade opportunities. The main presentation outlined the challenges of e-readiness faced by African countries as well as the critical factors to successfully implement digital trade; these include: infrastructure and logistics, legal and regulatory regimes, payment systems, and the e-commerce ecosystem.

- Participants noted that some African countries, including Seychelles, are making good progress in extending broadband access for their citizens. However, many other African countries still face challenges that need to be addressed if they are to successfully harness digital trade opportunities.
- Participants were informed of some of the critical factors for the successful adoption of e-commerce, including political and administrative will, reliable and affordable access to high speed internet, skills and knowledge, social and cultural considerations, legal and regulatory environment, and cybercrime and cyber security. A regional approach to facilitate technology exchange was recommended to avoid duplication, reduce capital investments, and optimise the utilisation of scarce skilled resources.
- Participants discussed some of the practical logistics of using online platforms to sell goods and where the value is captured. They noted that online platforms often entail high costs and traders often lack the requisite knowledge to participate and benefit. For that reason, participants requested additional clarifications on blockchains.
- Participants noted that Business Process Reengineering is a critical prerequisite for a successful deployment of digital trade. Governments could offer incentives like duty and tax concessions on hardware and software, technology access centers and one lap top per child to increase the penetration of technology. It was recommended that African countries develop a National Technology Strategy to bring coherence, focus and a roadmap to optimise the return on technology investments.



- To overcome the digital gap and achieve sustainable economic growth, they noted that African countries require a supportive domestic environment and an enabling global framework in the WTO.

## SESSION 4: E-Commerce Discussions and the Development Dimension for African Countries

This session focused on the e-commerce discussions at the WTO and the moratorium on customs duties. The presentation provided an in-depth overview of the history and current state of discussions at the WTO.

- Participants noted that e-commerce is not a new issue at the WTO. Although there is a WTO Work Programme on E-Commerce dating from 1998, the launch of the Joint Initiative at Buenos Aires has raised the importance of this issue. In that regard, they noted that consumer protection, electronic payments, data flows, transparency and localisation requirements are key areas of interest for Africa in the discussions. They recognised that African countries need focused action in infrastructure, internet connectivity, online payments, regulatory frameworks and capacity building to develop their e-commerce.
- Participants proposed a broader more integrated understanding of e-commerce, which has implications for production, labour, human rights, consumers and tax and fiscal policies, among others. Given this broader understanding of e-commerce, it is important to reflect on the role of the WTO and the purpose of rule-making in this area.
- Participants discussed the digital divide and the sudden rush by developed countries to begin negotiations on e-commerce after little to no discussions were held following the Nairobi Ministerial Conference.
- To better position Africa in these discussions, participants recognised that African countries require legislation on data protection and e-commerce, which must be accompanied by enforcement. Participants also called for establishing a work agenda with other IGOs and ensuring that sufficient technical assistance is available to assist African countries in these discussions.
- In terms of what could constitute a work programme going forward, participants considered the following:
  - the need to intensify Member States' participation in multilateral discussions on e-commerce;
  - pronouncing on and adopting a set of principles to guide Member States' participation at the WTO, namely along the lines of digital openness, the enhancement of MSME participation in global digital commerce, and the enhancement of trust and confidence in global frameworks for e-commerce; and
  - assigning priority to achieving regional consensus on the underlying principles that concern e-commerce trade-related issues.



### SESSION 5: Improving African Micro-Small Medium Enterprises access to markets

This session examined the importance of MSMEs for African countries and the opportunities and challenges they confront, from standards requirements to the domestic and regional enabling environments. The presentation was followed by a discussion by panellists and participants.

- Participants noted the significant contribution of MSMEs towards employment, GDP and its potential for inclusion of various demographic groups, rural communities and the informal sector. They noted that the private sector needs greater support on a sustainable basis, and highlighted some of the limitations of existing international support mechanisms.
- Participants outlined some of the measures to help tackle the challenges faced by African MSMEs, including fiscal harmonisation, standardised regulation, guidance for MSME operations, a harmonised e-commerce platform and a comprehensive trade policy that takes into account challenges such as illicit trade flows and counterfeit and substandard products. MSMEs should be better informed and educated about the latter.
- Participants discussed the need to inspire greater consumer confidence in African products (e.g. proposals for a 'Made in COMESA'). This requires an improvement in production capabilities and building regulatory capacities for competitiveness, standards and cost-reduction.
- Participants highlighted the importance of regional integration for building a bigger market for MSMEs, supporting and formalising cross-border trade, and triggering regional value chains for specific products (e.g. cocoa in West Africa). Participants recommended the development of harmonised regional policy frameworks that capture the definition of MSMEs, standardise import/export and certification procedures and address insurance and enforcement of contracts. Business also needs to take better advantage of the market access opportunities created by the RECs and the AfCFTA.
- Participants recommended that multinational corporations should develop supply chains with local producers in order to contribute to the host economy. It was also recommended that government should provide support to MSMEs to supply retailers by meeting their quantity, quality and price demands in a sustainable manner.
- Participants requested that the private sector should be involved in capacity building and knowledge sharing at the national level to assure their needs are met. It was recommended that the Commonwealth African Trade Negotiators Network should also include private sector perspectives.

### SESSION 6: Implications of Investment Facilitation and Services Facilitation for Africa.

This session focused primarily on the growing role of service in trade and the linkages between trade and investment in the global economy, especially in light of the Joint Initiative on Investment Facilitation for Development launched at the 11<sup>th</sup> Ministerial Conference of the WTO, the presentation focused on agreements such as the Agreements on Trade-Related Investment Measures (TRIMS Agreement) and the General Agreement on



Trade in Services (GATS) and unpacked the role of domestic regulations. The presentation was followed by a discussion by panellists and participants.

- Participants noted that investment facilitation is important as a broad concept and good policy practice to attract and retain investment. However, they questioned whether binding and enforceable trade agreements are the best way to achieve this objective. It is also unclear how investment facilitation disciplines could address the SDG-investment gap for developing countries, which UNCTAD estimates to be US\$2.5 trillion.
- Participants considered both the UNCTAD and WTO approaches to investment issues. UNCTAD's Global Action Menu is based on cooperation, capacity-building and technical assistance, whereas the Joint Initiative in the WTO is likely to lead to binding and enforceable commitments, as is true of other WTO Agreements. Participants questioned whether any binding mechanism could hinder the ability of members to regulate.
- Participants recognised a need to discuss investment facilitation at the WTO. In those discussions, African countries were encouraged to ensure that issues of interest to the continent are placed on the Agenda. Participants also considered whether a regional approach would be helpful in advancing the African agenda.
- Participants highlighted the importance of political and administrative will to increase investor confidence and create the appropriate regulatory and legal frameworks.

### **SESSION 7: Strengthening Regional Integration in Africa.**

This session outlined the negotiations, outcomes and way forward of the African Continental Free Trade Area (AfCFTA). The presentation discussed the potential of the AfCFTA to boost trade and employment on the African continent and unpacked the outcomes of the negotiations and institutional framework. The presentation was followed by a discussion by panellists and participants.

- Participants noted that out of the 49 signatories of the AfCFTA, 7 member states have deposited ratifications with the AU Commission. Participants further noted there are three protocols on Trade in Goods, Trade in Services and Rules and Procedures for the Settlement of Disputes and 12 annexes in total.
- There was some discussion on the appropriate model to underpin African economic integration, especially the importance of adopting a 'developmental regionalism' approach that concurrently prioritises market integration, infrastructure investment and industrial development. Participants recognised that there is a need for capacity building at the national level in areas of industrial policy, production and trade capabilities, infrastructure and energy, technical skills, and finance and resource mobilisation.
- Participants affirmed that investment is key for successful integration and should come from within the continent including the private sector. Benefits of the CFTA were noted to include greater market access for member states and increased FDI.



- Participants recognised that integration of RECs will need to be considered. In assessing the Abuja Treaty and Agenda 2063, it was noted the both provided a foundation for the AfCFTA, the AfCFTA is a more progressive approach.
- Participants highlighted the importance of in-depth national level consultations to bring greater reflection of how to address regional issues and adapt policies and frameworks for a more cohesive integration.

## OVERALL

Participants commended the Commonwealth Secretariat for bringing together distinguished representatives from across the region and distinguished trade policy experts.

Participants called for greater continuity in these regional consultations and for the Commonwealth Secretariat and partners to regularly organize such meetings to build greater awareness and understanding of key trade issues and developments, and their implications for the continent's trade.