

WTO Nairobi ministerial: Implications for Africa

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The World Trade Organization's (WTO's) Tenth Ministerial Conference was the first event of its kind hosted by an African country. This is a remarkable fact in itself, but what do the outcomes mean for the African members of the leading global trade body? For the first time, the WTO was able to agree on extensive commitments on agricultural trade. This is a fairly technical package that did not attract much popular media coverage but it was a significant outcome for a multilateral process that has faced major challenges in recent years. Negotiators can be rightly proud of pulling together an outcome that did not appear possible even days before the Ministerial Conference began in December 2015.

Agriculture is generally held to account for approximately one third of the African continent's collective gross domestic product and employs nearly two-thirds of Africa's labour force. It holds huge potential for future growth and expansion that could make a significant contribution to the economic development of Africa. This includes growth through traditional farming as well as the increased participation of Africa in value chains for agro-processed products. Placing agricultural trade on a level playing field has long been one of the key ambitions of African members of the WTO and is viewed as a key developmental area for the organisation.

The Nairobi Package delivered this in some ways. The Ministerial Decision on Export Competition includes the long-awaited elimination of export subsidies for agriculture products as well as disciplines on other potentially trade distorting activities, such as the use of food aid and the engagement of state trading enterprises. It was accompanied by a commitment to find a permanent solution on public stockholding for food security purposes and the special safeguard mechanism for developing countries. Negotiations in

these two areas are still ongoing but did get a boost from the Nairobi discussions.

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The least-developed African countries also stand to benefit from the decisions taken on preferential rules of origin and the extension of the services waiver for LDCs until 31 December 2030. There was also a specific Ministerial Decision adopted on cotton, which has been an issue pursued strongly by African cotton producers who lobbied over many years for improved market access, the limitation of domestic support and the removal of export subsidies provided in this sector by developed countries.

The accession of Liberia (together with Afghanistan) shows that the WTO remains a club that African countries are keen to join. Algeria, Ethiopia and Sudan are among those still negotiating their entry. There is no doubt that a rules-based multilateral trading system remains critical for smaller countries that do not have the strength of massive commercial power behind them. Africa's share of global trade remains low at around 2%, with the concentration of exports being in minerals and commodities. Beneficial outcomes and commonly shared disciplines are therefore likely to be more easily achieved through a multilateral process like the WTO than in bilateral negotiations.

So from a rule-making perspective, the Nairobi Ministerial can be viewed as a success for Africa, especially those countries most closely involved in the negotiations, including Kenya as the host, South Africa (that reportedly played a key role in securing the

outcome on food aid) and Lesotho (a vocal proponent of the African LDC position). There is no doubt that some African members would have liked to have seen more achieved and there was disappointment about the failure to secure a strong recommitment to the objectives of the Doha Development Agenda. The South African Trade and Industry Minister, Dr Rob Davies, had warned against 'burying Doha' in Nairobi¹ and was a strong proponent of ensuring that any new negotiations in the organisation focus on the issues of priority interest to the developing world.

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This position was not shared by some of Africa's key trading partners, notably the European Union and the United States. USTR Michael Froman described the Nairobi Ministerial as "the close of an era" in an article for the Financial Times on 13 December 2015 that argued in favour of a new approach for the WTO that moves beyond the strictures of Doha². European Union Commissioners Malmstrom and Hogan were slightly more measured when they called for a new approach to the ongoing work on the outstanding Doha Development Agenda³. Both the US and EU juxtaposed the failure of the Doha negotiations with the success of other processes such as the plurilateral on environmental goods and services as well as the Trans Pacific Partnership.

It is hard to deny that the world has changed since the Doha Development Round was launched over 14 years ago. There is still the aftermath of the global financial crisis to contend with and more recently there have been economic shifts that have implications for trade, such as the slowdown in the Chinese economy, the

¹<http://allafrica.com/stories/201512161241.html>

²http://www.ft.com/intl/cms/s/4ccf5356-9eaa-11e5-8ce1-f6219b685d74,Authorised=false.html?siteedition=intl&_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F4ccf5356-9eaa-11e5-8ce1-

lowering of commodity prices and security challenges in the Middle East and North Africa that have spilled over into Europe and elsewhere. Trade is potentially becoming more concentrated in terms of the products that dominate as well as in terms of the key markets involved.

Africa is therefore going to require more than some stronger multilateral disciplines on agricultural support and preferential market access for LDCs if it is to move away from being a relatively marginalised participant in global trade. The WTO Ministerial Conference outcomes from Nairobi are to be welcomed but they must be seen as only one small part of the puzzle. A more level playing field and greater market access will only benefit those countries that are able to produce competitive exports that can be easily moved to the points of demand. The real value of the Nairobi Package will be seen in changes that are forthcoming in the economic, industrial and trade policies of African countries.

There are a number of messages from the WTO Ministerial Conference that may not have been given directly but which it would pay for African countries to listen to as work continues to develop the continent.

First, agriculture still matters and should be at the heart of the economic integration and development initiatives in Africa. There has been a focus of late on industrialisation at many of the high-level African political and economic events, at the level of the African Union and also within the regional economic communities. This tends to be based on a fairly limited conception of industrialisation that is largely about the growth of manufacturing as well as the greater addition of value to the mineral wealth of the continent. Agriculture can be overlooked in debates defined in this way but the Nairobi Ministerial demonstrated that even at a global level there is still much to be done to strengthen this important sector.

[f6219b685d74.html%3Fsiteedition%3Dintl&_i_referer=&classification=conditional_standard&iab=barrier-app#axzz40pZ4aABr](http://www.ft.com/intl/cms/s/4ccf5356-9eaa-11e5-8ce1-f6219b685d74.html%3Fsiteedition%3Dintl&_i_referer=&classification=conditional_standard&iab=barrier-app#axzz40pZ4aABr)

³http://europa.eu/rapid/press-release_STATEMENT-15-6302_en.htm

The second lesson from Nairobi is that trade policy cannot be developed in isolation from a wide range of other factors. The WTO has always been a political space but traditionally its work has been pursued by an elite group of specialist trade negotiators. This does not translate however into the domestic context of member states, including those in Africa. It is important to ensure that trade is seen as one part of a broader economic development agenda that also needs to address issues related to investment, competition policy and other regulatory concerns.

A number of African countries have resisted the global value chains narrative for fear that it is simply a new way to pursue broad-based trade liberalisation across a wide range of issues that are of interest to developed countries. A degree of wariness might well be justified but what this position has done has tended to stifle real engagement on why Africa remains excluded from global value chains and is struggling to create regional ones on the continent. For example, it is critical for African trade policymakers to make a strong commitment to the implementation of the WTO Trade Facilitation Agreement in order to address the high transport costs and connectivity challenges of the continent. Deepening the understanding of trade in services is also fundamental for many African countries that are becoming increasingly reliant on this part of the economy for growth and employment – not to mention that services are key for both the agriculture and manufacturing sectors.

To date the African approach to regional economic integration has tended to focus on the removal of tariffs on traded goods. Even in negotiations of the African ‘mega-regionals’, of the Tripartite Free Trade Area (TFTA) and the Continental Free Trade Area (CFTA), a traditional goods agenda is being pursued in the first instance. This is starkly juxtaposed with the trend in other parts of the world that is seeing a strong emphasis on issues of services, investment and regulatory harmonisation in the Trans-Pacific Partnership (TPP) and the negotiations of the Trans-Atlantic Trade and Investment Partnership (TTIP). While little analysis has yet been done of the impact of the TPP and TTIP on third parties, it is safe to say that excluded regions like Africa cannot afford to ignore these mega-regional agreements. Even if the implications at a bilateral level are limited then the

development of WTO-plus and WTO-extra rules will have multilateral repercussions.

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This is a good time for African countries to rethink the objectives, processes and structures for regional economic integration. The WTO Nairobi Ministerial showed that it is possible to reach some multilateral agreements on trade issues but these were largely in one area (agriculture) that had been on the agenda for decades. It now seems less likely that the WTO will be able to either expand its agenda into new areas or to resolve some of the unresolved issues of the Doha Round. Efforts will continue in the area of mega-regionals and Africa could streamline the negotiations of the TFTA and CFTA to ensure that they are able to meet the ambitions of the continent as well as the realities of the current trading environment. For example, tariffs on goods have been the predominant focus of the TFTA to date but for the private sector they are but one of a range of trade, investment and regulatory measures that impact on decisions about trade. For many tariffs are in fact not among the most important measures in light of the relatively low levels in many countries now. One way to ensure that the mega-regionals do not affect Africa negatively is that the partners not only agree on mutual recognition agreements (MRAs) for standards but also extend these to LDCs from Africa and other continents.

Ensuring that Africa’s new trade arrangements will make a real impact on the levels of intra-African trade (currently around 10%) and contribute to the economic development of the continent could be more easily achieved if the relations between governments and the private sector were strengthened. While most African countries do have some form of structure in place to facilitate public-private dialogue these tend to face significant challenges and remain largely focused on domestic economic issues. Business associations tend to face major resource constraints and do not necessarily have the capacity (either in terms of time and knowledge) to engage in trade negotiations. Some of the African regional economic communities have

established their own platforms with varying degrees of success.

There is still much that can be done to involve the private sector more directly in the formulation and implementation of trade policy, including as part of trade negotiation teams. In the multilateral space, South Africa provides a good example of this by continuing to include a wide range of stakeholder representatives in their delegations to WTO Ministerial Conferences. Unfortunately, this practice is not also used for regional meetings and discussions.

In conclusion, the WTO remains an important organisation for Africa to pursue some of its trade interests. The multilateral rules-based system has strengths that are critical for smaller countries, including the creation of a level playing field and the provision of certainty. The WTO continues to also provide one of the most effective international dispute settlement systems to enforce global trade rules. To date this has not been used widely by African countries but it is always an option and should not be underestimated as a useful safety net that exists if it is not possible to resolve issues through other means such as diplomatic engagements. As Africa's

participation in trade increases then the value of a strong dispute resolution process will also grow and this is a real strength of the WTO that is not likely to change despite the challenges faced in concluding another round of negotiations.

With these positives in mind, there are obvious weaknesses of the WTO that have been well canvassed in recent years. It has its limitations as an organisation that can create development for Africa and should not be overloaded with unrealistic expectations. As outlined above, the WTO can be used to achieve a clear multilateral rules framework that can be enforced through the dispute settlement mechanism. Beyond that the responsibility for increasing Africa's participation in global trade and the levels of intra-continental trade is in the hands of national policymakers working in partnership with the private sector. The focus of negotiations in the short-term will be on regional economic integration agreements in both Africa and the rest of the world. Africa should seek to find its own path in this regard but to engage and learn from others who are moving ahead with ambitious and expansive trade arrangements.

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“Nach der WTO Konferenz von Nairobi: Wie geht es weiter mit der Welthandelsorganisation?”