



United Nations
Economic Commission for Africa

Statement by Carlos Lopes

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Meeting with African Ambassadors in Geneva

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Excellences,

Distinguished delegates,

Ladies and gentlemen,

It is an honour and a pleasure for me to be back in Geneva and to engage you once again on issues of critical importance to all of our countries and the continent as a whole. As you all know, the last part of this year will feature key global conferences that will shape the development agenda for the next decade or more: notably, the United Nations Summit to adopt the post-2015 development framework (25 to 27 September), the United Nations Conference on Climate Change (30 November to 11 December), and the 10th WTO Ministerial (15 to 18 December).

In all of these forthcoming conferences, it is imperative for Africa to articulate with a single and bold voice its own needs, concerns, and strategic priorities, and to make sure that they are adequately reflected in the global decision-making process. This is why today's meeting could not be timelier: we are just three months away from the 10th WTO Ministerial (MC10). Our meeting today complements the efforts that you are making here in Geneva and through the informal meetings of African ministers of trade to forge a bold and shared African position I was talking about.

Ladies and gentlemen, as Africans, I trust we all feel honoured by the fact that the forthcoming ministerial conference will be hosted, for the first time since the WTO was established, on African soil: in Nairobi, Kenya. Like all of you, I wish to express my full solidarity and support for the hosting country. We all know how daunting the task is, and what is at stake. Between now and December, negotiators need to find a viable way to break the current deadlock and achieve concrete results. This is crucial if the Doha Development Agenda is to contribute to the post-2015 development framework and if the multilateral trading system is to remain relevant. Although trade has been recognized in the new SDGs as a 'means of implementation', in the absence of progress to achieve meaningful outcomes from

the Doha Round, it is not clear what tangible contribution the WTO can make. This point has been largely unnoticed but the role of the WTO in the new post-2015 development era requires more discussion.

Our commitment as Africans to achieving a well-functioning, equitable and rules-based multilateral trading system is firm. However, we also need to stress that results cannot be achieved at any cost for Africa. Africa's WTO members have already displayed their constructive engagement, notably at the Ninth Ministerial Conference (MC 9) in Bali when they accepted binding commitments on trade facilitation (one of the Singapore's issues), although many of their own development priorities had remained unaddressed. Given this track record, the fact that MC10 will take place on our continent makes it all the more imperative for the international community to adequately tackle Africa's trade and development needs.

In this respect, as you all know, structural transformation lies at the core of Agenda 2063, of the Common African position on the Post-2015 Development Agenda, and ultimately of all continentally-agreed development strategies. Against this background, the African experience over the last 10-15 years is paradigmatic of the fact that, if inclusive and sustainable growth is to be achieved, trade should not be regarded as an end in itself, but rather as an instrument to support structural change.

Distinguished delegates, since the turn of the millennium Africa's trade flows have more than quadrupled, translating into an increase in the continent's share of world total trade from 2.1% to 3.3%... far from the level we are aspiring to, but still a significant progress over a span of 15 years. Despite these encouraging trends, it is sobering to note that the bulk of the expansion has stemmed from a price effect, rather than a volume one. If anything, in volume terms the growth of exports was increasingly outpaced by that of imports. Moreover, the boost in export revenues has been accompanied by a worsening of our reliance on primary commodities, which nowadays account for over three quarters of the continent's merchandise

exports. Such a heightened concentration on a narrow range of (mostly primary) products, in turn, exposes African countries to sudden terms of trade shocks as can be seen from the volatility of commodity markets in recent months.

As we have documented in the *Economic Report on Africa 2015*, our economies are increasingly inserted into global value chains; however, even in sectors where they display revealed comparative advantage – for instance agriculture or mining – African countries are too often confined to low-end activities. They play the role of mere suppliers of raw material or intermediate products embodying limited value addition. It is therefore clear that without structural transformation, African economies will benefit only limitedly from the opportunities opened up by the increasing fragmentation of global production chains. This will also imply reaping only minor gains from the demographic dividend if sufficient jobs are not generated for the cohorts of young entrants into the labour market.

When formal intra-African trade is brought into the equation, the good news, however, is that despite the relatively low level of these flows at around an average of 14 per cent, manufactured products account for about 46 per cent of this average. This indicates the huge potential for the development of supply chains across the continent with positive impacts on jobs, incomes and enhanced participation in global value chains. This is why the recent launch of the Tripartite Free Trade Area (TFTA, albeit that work to finalize the tariff schedules and the rules of origin is ongoing) and of negotiations for a Continental Free Trade Area (CFTA) that will include both goods and services are important developments. Along with efforts to reduce trade costs through improved infrastructure and trade facilitation measures, our research has shown that an ambitious outcome from the CFTA will generate a significant boost to intra-African trade.

My reading of this mixed narrative is that international and intra-regional trade are related and can indeed support inclusive growth and spur structural transformation, but this process is not automatic. It requires an appropriate policy framework. I could not therefore agree more with the call to reaffirm in the strongest possible

terms the “centrality of development” not just as a pillar of the Doha Development agenda, but more broadly of all WTO activities.

Ladies and gentlemen, considering that roughly two thirds of WTO members are developing and LDC countries, the “centrality of development” also implies that due consideration should be paid to the need for adequate policy space to pursue robust policies aimed at building and strengthening productive capacities. Rather than “kicking away the ladder by which they climbed” – as Ha-Joon Chang (and earlier than him Friedrich List) eloquently puts it – developed countries should recognize in good faith that the situation of developing and LDC countries warrants more precise, effective and operational provisions for special and differential treatment. In other words, these countries should be granted sufficient flexibilities to do exactly what developed countries did to become the economic powers they are today: adopt an adequate industrial policy framework, and align their trade policies with structural transformation objectives. This specific point refers – just to take a few examples related to the 25 provisions for special and differential treatment proposed by the Africa, ACP, and LDC groups – to infant industry protection where and when needed, to the possibility of adopting local content requirements, to more flexible intellectual property regimes, and so on...

A related consideration attains to the vulnerabilities of the LDC countries, and the specific support measures that they should be granted. In this respect, the LDC package agreed in Bali was meant to constitute a starting point; but I regret to observe that since December 2013 very little has been done to translate the non-binding language of MC 9 into operational and commercially meaningful concessions. The Bali declaration stated that [quote] “Issues in the Bali Package where legally binding outcomes could not be achieved will be prioritized” [End of quote]. In line with this commitment, I would urge all WTO members to find concrete solutions for the operationalization of the LDC services waiver, improvements to duty-free and quota-free market access, preferential rules of origin, and a decisive solution for the cotton issue.

Distinguished delegates, if development is at the heart of the Doha Round, agriculture provides the legs on which the Round will stand or fall. Achieving concrete results in agriculture is critical not only to fulfil the Doha mandate and unlock this main “gateway issue”, but more fundamentally because the development of African economies cannot overlook a sector which employs two thirds of our labour force, and plays a pivotal role for food security, and poverty eradication.

Twenty years after the entry into force of the Agreement on Agriculture, international agricultural markets remain heavily distorted, and characterized by relatively high protection. “Box-shifting” meant that, whilst taking advantage of the WTO environment-friendly green box in questionable ways, developed countries have continued to subsidize (mainly large) producers, ultimately at the expense of small-holder farmers in the developing world. At the same time, whilst some emerging economy countries have been able to exploit the flexibilities in the agreement and adopt their own forms of domestic support, other developing countries including most African countries have so far been unable to do the same, and end up being disadvantaged twice. New challenges have also emerged since the Agreement on Agriculture was signed: from market concentration among a few large TNCs (notably on products of immediate interest to Africa such as coffee or cocoa), to the financialization of commodity markets which has failed to redress the volatility in international prices; from the impact of climate change, to the increasing weight of non-tariff barriers.

Against this background, if it is recognized that MC10 is unlikely to deliver a solution to the issue of domestic support, we need to push at least for concrete outcomes on export competition, as well as market access and cotton. Given the importance of agriculture in the structure of African economies and in their specialization pattern, it is imperative to deal with tariff peaks, tariff escalation, and preference erosion. In the same vein, the establishment of transparent and easily applicable special safeguard mechanisms, as well as a permanent solution to public

stockholding for food security purposes, are critical measures that address the sensitivities and needs of many developing and LDC countries.

Even while accepting the idea of focusing on “doables” in the run-up to MC 10, I believe that progress in agriculture is central to Africa’s strategic interests and to the balanced outcome of the Doha round. It is therefore in Africa’s interest to keep reform of trade distorting domestic support on the WTO’s agenda. These subsidies also distort global incentives to invest in Africa’s agricultural sector and therefore continue to impede the realization of Africa’s vast agricultural development potential.

Ladies and gentlemen, I have already elaborated on the imperative for Africa to pursue policies that foster a shift from low-productivity activities to higher value-added ones. It is therefore straightforward to see that negotiations in non-agricultural market access (NAMA) need to be sensitive to Africa’s industrialization needs and strategies, and to adequately preserve the necessary policy space for developing and LDC countries. It should be equally clear that a scaling down of ambitions in relation to agriculture will inevitably entail a recalibration in NAMA and services.

The fact that the African Group was not an original demandeur of NAMA does not necessarily mean that we have nothing to gain from it. On the contrary, it is in Africa’s offensive interest to address tariff peaks (notably in textiles), tariff escalation, and non-tariff barriers, as well as preference erosion. However, in view of the development needs of Africa’s industrial sector, I think the priority in relation to NAMA is in terms of defensive interests, namely to preserve adequate policy space in order to adopt and implement bold industrial policies.

Worldwide evidence shows that the level of protection in non-agricultural markets already tends to be reasonably low. In light of this, any NAMA proposal should take into account the fact that we cannot afford further cuts to bound tariffs on non-agricultural products to wipe out domestic producers. This recognition should

orientate the choice of the specific formula to be applied, as well as the flexibilities granted to LDCs and Small and Vulnerable Economies.

Given the presence of 34 LDCs within our continent, we are also rightly mindful of the need for consistency between the regional integration agenda and the multilateral process. In this respect, specific provision should discipline the case of custom unions between LDCs and non-LDCs, ensuring that the former are not negatively affected by the reductions in the common external tariff, stemming from the obligations of the latter under the NAMA.

Moving on to services, our research for the 2015 *Economic Report on Africa* and elsewhere have documented their importance not just in terms of employment generation, but also of contribution to the process of value addition and of reducing trade costs. African policy-makers have recognized these points and a proof of this is their commitment to liberalize trade in services – in parallel with trade in goods – at the regional level, notably in the context of the CFTA. Accordingly, we should stress the importance of an adequate sequencing in the process of services liberalization, thereby allowing services suppliers to gradually acquire the necessary capacities and capabilities including to regulate service industries domestically and regionally. Overall, a balanced outcome will require services to be viewed in conjunction with development, agriculture and NAMA issues. Accordingly, it should also be clear that a scaling down of ambitions in relation to agriculture will inevitably entail a recalibration, and possibly a roll-back vis-à-vis the 2008 services signalling conference.

Maintaining key flexibilities under TRIPS and disciplining fisheries' subsidies are also important issues for Africa at MC10.

Distinguished delegates, before concluding, I would like – if you allow me – to spend a couple of minutes looking at these issues not just from a WTO point of view, but from a broader perspective. Through the research we carried out at ECA we

have come to realize that there are three levels of challenges with regard to trade policy in Africa:

- First, there is little evidence of strategic consistency between the trade policy framework and industrial policy objectives. Various countries have adopted a swathe of incentives to industrialize, yet they often lack focus, ushering in opaque discretionary and arbitrary practices. In this respect, there is a growing recognition that regional integration and gradual liberalization are the most promising avenues to harness trade for structural transformation. Accordingly, “Africa first” should be the polar star in the process of reconciling trade policy and industrial policy.
- Secondly, all too often, there is lack of policy coherence at the different level of trade negotiations, namely bilateral, regional and multilateral. This is also an issue that the 2015 *Economic Report on Africa* discusses in detail. Let me take a couple of examples: in Geneva you fought hard to obtain the decision on preferential rules of origin for LDCs in Bali... Now, how many African countries have called for the implementation of those preferential criteria in their bilateral negotiations with the EU under the EPAs or the US under AGOA and other partners? Or again, what is the use of hard-fought flexibilities at the WTO, if we forgo the same flexibilities vis-à-vis large trading partners at the bilateral level?
- Thirdly, no matter how well they are designed, trade policies have little value unless we strategically make use of them. In 2013, LDCs obtained an extension of the transition period for the implementation of the agreement on Trade-Related Intellectual Property Rights. What have we done to leverage this window of opportunity, and aggressively foster innovation, technology transfer and acquisition? We will soon publish the seventh edition of the *Assessing Regional Integration in Africa* report with innovation and competitiveness as the main theme. The evidence we have gathered so

far clearly demonstrates that there is ample scope for technological acquisition, adaptation and leap-frogging underpinned by appropriate policies at national and regional levels. In the twenty-first century, an ecosystem that supports innovation and competitiveness provides a pathway for achieving significant productivity gains, boosting sectoral diversification, strengthening regional supply chains and moving up global value chains.

I am raising these issues because I am deeply convinced that we need to change gear in the way we conceive trade and industrial policies, and – even more importantly – in the way we implement them. The international environment and the “rules of the game” definitely have to take into account Africa’s needs and development priorities; and we trust you will do your utmost and best to achieve this result. But that is only the start... Fostering structural transformation requires us to leverage existing flexibilities on the ground in order to support domestic value addition and promote innovative enterprises. And in this respect, I would argue that we have ample room for improvement in our own trade policy-making and its alignment with industrial and other development strategies regardless of the WTO process.

The challenge ahead of us is to be at the same time a team of bold and strategic trade negotiators, well-prepared and creative policy-makers, and meticulous executors. Let us all walk in this direction, starting from forging a common African negotiating strategy.

I wish you fruitful deliberations as you engage in the MC 10 discussions here in Geneva and as you support the informal meetings of African trade ministers to prepare for MC 10.