

Policy Brief

Outcome of the WTO 12th Ministerial Conference. What's in it for Africa and Morocco?

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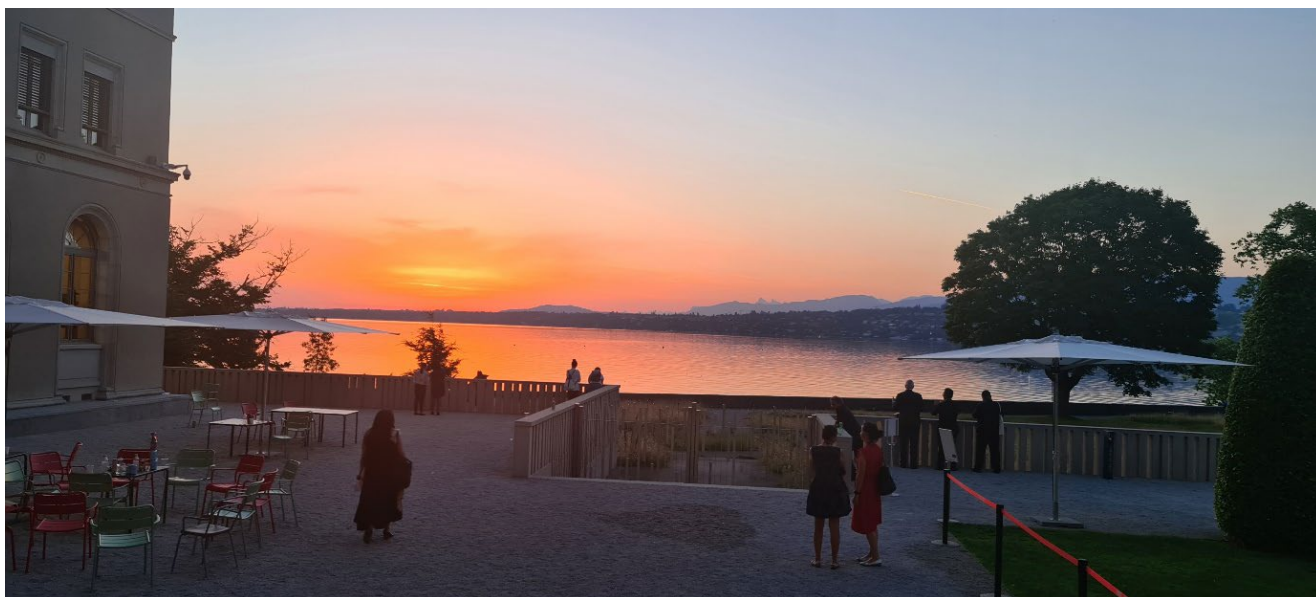
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Sleepless nights and the tireless search for compromise allowed WTO members to agree on concrete deliverables during the WTO 12th Ministerial Conference held last June. Those results reinforce Multilateralism. And this is a significant gain given the multiplicity of global crises that surround us. The Outcome include 6 Agreements, Declarations and Ministerial Decisions that respond to some of today's challenges, notably on Fisheries and Ocean Sustainability as well as responses to Pandemics or Food Security.

This paper analyses this outcome from the perspective of African & Moroccan interests in these negotiations. It concludes with potential synergies between WTO Agreements & negotiations and the AfCFTA.

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INTRODUCTION



WTO Headquarters early morning on Friday 17th June after the final meeting of MC12 and the adoption of the Geneva package- Credit photo Said El Hachimi

The 12th WTO Ministerial Conference was scheduled for June 12-15, 2022. More than a hundred Ministers led their delegations to Geneva and negotiated hard for the interests of their countries; so much so that the Ministerial was extended by a day and a half to finally end on Friday 17 June in the early morning.

Sleepless nights and the tireless search for compromise finally paid off. The WTO and Multilateralism were able to produce results. And this is a significant gain given the multiplicity of crises that surround us. To name but a few, there is the Covid pandemic of course, but also the global crises in food, energy and the environment.

Earlier this month the UN noted that 50 million more people will suffer from hunger in 2021, that is to say 828 million in total. Those who suffer from food insecurity are 2.3 billion and this figure has risen by more than 350 million since 2019.

It is in this difficult context that the WTO was able to conclude 6 Agreements, Declarations and Ministerial Decisions that respond to some of today's challenges, notably on Fisheries and Ocean Sustainability as well as the WTO's contribution in response to emergencies such as Pandemics or Food Security.

This has not happened at the WTO for almost a decade. The last multilateral agreement dates from 2013 and concerns Trade Facilitation.

Why is this important? The value of the WTO, created in Marrakech, Morocco in 1994, but which includes the GATT Agreements dating back to 1947, is above all the legal binding of its rules in international trade. It is the respect of these rules by all WTO members that contributes to the stability and predictability of the business environment throughout the world.

In fact, the WTO has lifted hundreds of millions of people out of poverty and international trade still has the potential to help many developing countries. WTO and World Bank economists noted in a 2018 joint research that exporting SMEs earned more than non-trading SMEs. Trading SMEs were also able to offer better paying jobs to their employees.

The Geneva Package resulting from this 12th ministerial conference covers a wide range of issues, but this paper will undertake to review only a few that are of relevance for Africa and Morocco.

I. THE AGREEMENT ON FISHERIES SUBSIDIES

The objective of this negotiation is to limit harmful fisheries subsidies to allow the maintenance and renewal of fish stocks and ensure the sustainability of oceans.

In fact, this agreement achieves the first of the UN Sustainable Development Goals or SDGs. Goal 14.6 is already being achieved by this WTO agreement on Fisheries well in advance of the 2030 deadline. Goal 14.6 calls for a ban on illegal, unregulated and unreported (IUU) fishing. IUU now accounts for almost 20% of the world's fishing. Therefore, this new WTO agreement gives the international community the legal means to tackle this illegal fishing.

The second objective of this new agreement is to discipline fishing subsidies which cost between 15 and 54 billion dollars per year. All this money is a serious threat to fish and oceans, but it also threatens the lives of the 260 million people who make their living from artisanal or subsistence fishing.

This cannot leave Africa indifferent. Africa represents about 6% of the global fish catch and has some of the most fish rich coasts in the Globe. Morocco ranks 15th worldwide and is the first in Africa with a share of about 1.8% of global captures. Atlantic Africa is very present in this ranking with Morocco, Mauritania, South Africa, Nigeria, Senegal, Angola, Ghana, Guinea, Cameroun and Sierra Leone amongst the top 50 in the world ranking.

This in turn explains the priority given to the issue of oceans and blue economy in the first meeting of Ministers of foreign Affairs of this important geostrategic space held earlier in June 2022 in Rabat. Minister Bourita rightly noted that the many challenges and opportunities of this space that accounts for 46% of the African population, 55% of the African domestic product, and 57% of African trade.

This initiative is very welcome and should probably integrate in its vision the synergies with WTO negotiations on fisheries. The Agreement achieved by the WTO 12th Ministerial Conference tackled many global issues as mentioned above but it has also some unfinished business. Negotiations will resume on other harmful fisheries subsidies that were left out of the scope for now. This is the case for rules to further discipline subsidies that contribute to overfishing and overcapacity for example.

GLOBAL CAPTURE PRODUCTION FOR ALL LIVING MARINE RESOURCES
IN ALL MARINE AREAS. AFRICAN COUNTRIES RANKINGS AND SHARES

TERRITORY	2017	2018	2019	2020
1 China	16.2%	15.0%	15.1%	14.9%
2 Indonesia	8.0%	7.9%	8.1%	8.1%
3 Peru	5.0%	8.4%	5.9%	7.0%
4 Russian Federation	5.5%	5.6%	5.8%	6.0%
5 United States	6.0%	5.5%	5.9%	5.3%
6 European Union	5.8%	5.4%	5.1%	4.8%
7 India	4.7%	4.2%	4.5%	4.6%
8 Viet Nam	3.8%	3.7%	4.0%	4.0%
15 Morocco	1.6%	1.6%	1.7%	1.7%
25 Mauritania	0.9%	1.1%	0.8%	0.8%
29 South Africa	0.6%	0.6%	0.5%	0.7%
31 Nigeria	0.6%	0.5%	0.5%	0.5%
32 Senegal	0.6%	0.5%	0.5%	0.5%
33 Angola	0.6%	0.4%	0.4%	0.4%
38 Namibia	0.6%	0.5%	0.5%	0.4%
39 Mozambique	0.2%	0.2%	0.3%	0.3%
40 Ghana	0.3%	0.3%	0.2%	0.3%
41 Guinea	0.3%	0.2%	0.3%	0.3%
43 Cameroon	0.2%	0.2%	0.3%	0.3%
48 Sierra Leone	0.2%	0.2%	0.2%	0.2%

Source FAO

The Agreement concluded during the 12th WTO Ministerial on fisheries subsidies also has two other important objectives; one which relates to transparency provisions mandated by the Agreement regarding the amounts of subsidies and the management systems for fisheries resources. The other objective or achievement of this Agreement is the establishment of a fund/financing mechanism for fisheries and technical assistance in favour of developing countries and LDCs.

The scope of the Agreement obviously goes beyond the simple fisheries subsidy; as the Chairman of this negotiation at the WTO, Ambassador Santiago Wills of Colombia, recounted that the fisheries agreement is an agreement of many firsts.

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- the first UN SDG target met;
 - the first environmental agreement at the WTO; and
 - the first and largest legally binding and enforceable multilateral agreement, focusing specifically on ocean sustainability.
 - But most of all, it is a big step forward to redirect government funds towards supporting environmental sustainability instead of undermining it.

The scope of this agreement, future negotiations under its auspices as well as any discussions on the environment and the blue economy, whether underway now or in a future WTO framework, deserves the full attention of African countries.

II. FOOD SECURITY

At the 12th WTO Ministerial Conference, Ministers adopted two important declarations, firstly on Food Security and secondly on facilitating the work of the World Food Programme (WFP) on humanitarian food aid.

The United Nations estimates that 278 million people on the continent – over a fifth of the population – were undernourished in 2021, even before the recent price increases. Food Prices are rising sharply in Africa with great impact as food represents roughly 40% of household consumption in sub-Saharan Africa. While local circumstances, import dependence and data vary considerably, global price rises get passed through to people, both for heavily imported products like wheat and locally grown alternatives like millet.

While it is true that these two Ministerial Declarations will not solve all the problems, they do represent a first attempt of the collective and multilateral will of WTO Members to tackle these extremely sensitive issues. For instance, the declaration encouraged members with surplus stocks to release them on international markets. Ministers highlighted also the importance of refraining from export restrictions and ensuring that trade in food and fertilizer flows smoothly.

In practice, this could mean having the WTO and other international organizations collaborate to make sure supply chains for fertilizer, better seeds, and other key inputs are working smoothly.

In the current poly-crisis environment this is of paramount importance for the continent: 35 countries in Africa import food and 22 import fertilizer from Ukraine, Russia or both. This is also a time of greater responsibility for Morocco as a key player in the Fertilizer industry worldwide. In 2020, Morocco exported \$3.42B Fertilizers globally and is a substantial supplier to Ethiopia (\$253M), Djibouti (\$242M), Nigeria (\$136M) as well as a dozen other Sub-Saharan African countries.

Agriculture in Africa can hold one of the lifetime promises that the African Continental Free Trade Area (AFCTA) can bring to the people of Africa. The low levels of Intra African trade can be boosted by targeted, coordinated Trade and Investment initiatives across the Agri-Food business across Africa. We have seen examples of this led by Morocco both in Nigeria and Ethiopia and these are extremely welcomed initiatives to reach shared prosperity.

According to UNCTAD the current share of Intra-African exports of all African merchandise exports stands at about 18%. This share needs probably to be upgraded to around 25%, to narrow the gap with more integrated regions like Europe and Southeast Asia.

III. ELECTRONIC COMMERCE

In their Ministerial Decision on the Work Programme on Electronic Commerce, WTO Members agreed to maintain their current practice of not imposing tariffs on electronic transmissions and to intensify their discussions on tariffs, including on the scope, definition and impact of the moratorium on electronic transmissions. WTO Director-General Dr. Okonjo-Iweala welcomed the decision, noting that the moratorium, which has been renewed at every ministerial conference since its adoption in 1998, will help preserve the enabling environment that the WTO provides for the global digital economy and the millions of businesses and jobs that depend on it.

Again, beyond the Ministerial decision and the likely perception of its narrow scope lies the bigger issue of how to deal with digital commerce and not only E-commerce. Obviously, we've known E-commerce for over two decades now and everyone is familiar with ordering something on the internet and physically receiving its ordered goods. In Digital trade, data itself becomes part of the equation and cost structure. Data value increases as it is being processed. This obviously creates a whole new environment that might create some preoccupation within some African countries.

It is true that for Africa some barriers seem extremely high: 600 million Africans do not have access to electricity and only 40% have access to the Internet. This at a time when the world average is 60%. However, the digital economy and/or platform economy and the empowerment potential it has for African women, youth and SMEs deserves further engagement and more African seats at all the tables of negotiation and discussions surrounding digital economy and trade.

Digital trade is the wave of the future. Digitizing trade documents would help Africa lower the world's highest trade costs and realise more of the potential of the African Continental Free Trade Area. The WTO estimates that African countries on average faced trade costs equivalent to a tariff of over the 300% mark. These costs are at least 50% higher than those faced by competitors in high-income countries. But only six of the 86 participants in the ongoing e-commerce negotiations are from Africa (Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Kenya, Nigeria). These are the kinds of rules the WTO should be making – and it is certain that a majority of the 43 African countries that are WTO members, could be part of making those rules.

Morocco has improved its policy in this issue with many trade e-facilitating measures. The Country also enjoys high internet penetration (around 82%). Morocco could lead on this front both at the WTO and in AfCTA as far as its negotiations on the E-Commerce and digital trade protocol are concerned.

IV. WTO RESPONSE TO PANDEMICS AND VACCINE PRODUCTION CAPACITY BUILDING

Ministers adopted a Ministerial Declaration on the WTO's response to the COVID-19 pandemic and preparedness for future pandemics. They also took an important Ministerial Decision on the

Agreement on Trade-Related Aspects of Intellectual Property (TRIPS). This Ministerial Decision facilitates increased production of vaccines, particularly in developing countries, by providing important flexibilities in relation to the TRIPS Agreement. The So-Called TRIPs Waiver.

Again, this is a crucial negotiation for Africa. We are seeing substantial efforts in several African countries to build vaccine production capacity. In line with the widespread believe in many quarters of the international community of the need to ensure Health Sovereignty through increasing domestic capacity to manufacture vaccines. So in a way, this MC12 decision is a good step forward and further discussions on the matter have already resumed in Geneva. Notably to see whether the flexibilities can go beyond increased manufacturing capacity for Covid 19 vaccines and cover diagnostics and therapeutics for example.

Many African countries including Morocco, Rwanda, Nigeria and South Africa etc are implementing voluntary investment towards increasing their capacities to manufacture vaccines and secure their national needs in times of Pandemics. These negotiations at the WTO fall squarely within this framework. Similar motivation is also at the root of demanding the extension of WTO MC12 decisions to cover diagnostics and therapeutics.

South Africa has been, along with India, the main force behind the Ministerial Decision on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The engagement of African countries has been significant on both issues of increased vaccine production and the WTO's response to Covid 19 and potential future pandemics. This engagement continues as talks resumed on the issue in Geneva as indicated earlier.

However, to be complete on how the agreement on the so-called IP waiver was reached. Both China and The United States managed to have a compromise by which China basically refrain from claiming its developing country status at the WTO and engages in not using the flexibilities granted by this Ministerial decision. This is in itself, good news for the multilateral trading system given the state of affairs between these two Trade Giants. It does obviously give us cause for hope and an indication of the likely flexibilities to get around the difficult issue of who can be qualified as a developing country in WTO Agreements and negotiations. A major stumbling block in any WTO negotiating issue for the last decade or so.

V. WTO REFORM

The 12th WTO Ministerial Conference launched an important forward-looking process of WTO reform. This is about improving WTO's core functions of negotiation, monitoring, and dispute settlement. Ministers also agreed to talks on addressing concerns with respect to the WTO's dispute settlements system with the view to securing a fully functioning system by 2024.

The idea of WTO reform is not new; over the past few years members or groups of members have put forward proposals which, in addition to dispute settlement, address issues such as improving transparency, reviewing special and differential treatment for developing countries, and reinvigorating the negotiating function and deliberative capacity of the WTO.

Keeping the WTO fit for purpose is also about doing more to enable developing countries to break into regional and global value chains for value-added goods and services. This objective can be attained by digitizing trade or leveraging trade to build greener and more inclusive economies. However, African countries are similarly, to what we described for digital trade, underrepresented in ongoing talks on making the WTO more supportive of small businesses and climate goals.

Of the 74 participants in structured discussions on trade and environmental sustainability, only four are from the continent: Cabo Verde; Chad; the Gambia; Senegal. The picture is a bit better in the talks on using trade to fight plastics pollution. Seven of the 72 members participating are from Africa: Angola, Cabo Verde; Cameroon; Central African Republic; Chad; Gambia; Morocco.

Only 4 African countries - Côte d'Ivoire, The Gambia, Kenya, and Nigeria - are among the 94 members in the WTO's informal working group on micro, small, and medium-sized enterprises. Mali, Mauritius, and Togo also signed on in 2020 to a set of actions aimed at helping MSMEs. But given that small businesses are the backbone of African economies, these numbers could be higher.

Finally, there are 30 African countries among the 131 members and 7 observers that are working in the WTO's Informal Working Group on Trade and Gender to increase women's participation in global trade - a key step for making trade more inclusive.

Even though all initiatives mentioned above cannot be formally linked to WTO reform. These are plurilateral discussions (meaning not involving all 164 WTO members) bringing fresher ideas and are greatly supported by the private sector in different configurations and from all regions. Africa needs to have a larger share in the seats around the table and shape the rules of the future for the WTO.

CONCLUSION

In concluding, my take home messages are twofold. Firstly, MC12 has re-instilled confidence that the WTO can deliver. The specific outcomes reached there will make a material difference for people and promise to amplify the impacts of some domestic policies across African countries. Leveraging the full potential of trade and greater regional and global integration to drive value addition, diversification, and job creation is a top priority for WTO and for Africa.

Secondly, WTO's relationship with Africa is not limited to recent or future negotiations but is rather deeply embedded in the organization's day to day work, in support of African countries' goals. For example, providing technical support for the AfCFTA negotiations to the AU Commission, as well as to AU member states that requested such support. This support touches on many fronts such as the preparation of goods and services tariff schedules for the new agreement or capacity building on the important issue of rules of origin, a necessary part of giving the AfCFTA full effect.

African universities account for 13 of the 36 academic institutions in the WTO chairs programme network –five of them are in LDCs. In addition to capacity building, applied research aimed at improving trade policy decisions and expanding businesses opportunities, the chairs conduct training and outreach to support evidenced based research and contribute to develop interactions between academics and policy makers in charge of trade policy formulation.

This rich relationship with Africa can be deepened further thanks to the excellent vehicle that AfCFTA represents. Working on MC12 Outcomes or on more technical issues such as schedules or rules of origin is just an eyeopener on the large-scale synergies that exist between the WTO Multilateral System and the AfCFTA. Morocco and the other 42 AU

Members that are part of the WTO can shape this agenda and drive up the share of African trade globally.

This is badly needed. Based on WTO latest estimates for the first quarter of 2022, while global merchandise trade volumes were 6% higher than in the final quarter of 2019, before the pandemic struck, African trade is more than 4% below where it was back then. In the first quarter of this year, Africa's exports fell compared to the previous quarter, while global trade remained flat. In other words, the continent's low share of world trade – around 2.4% - is decreasing, instead of increasing. Quick and robust action is needed!!

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About the Policy Center for the New South

The Policy Center for the New South: A public good for strengthening public policy. The Policy Center for the New South (PCNS) is a Moroccan think tank tasked with the mission of contributing to the improvement of international, economic and social public policies that challenge Morocco and Africa as integral parts of the Global South.

The PCNS advocates the concept of an open, responsible and proactive « new South »; a South that defines its own narratives, as well as the mental maps around the Mediterranean and South Atlantic basins, within the framework of an open relationship with the rest of the world. Through its work, the think tank aims to support the development of public policies in Africa and to give experts from the South a voice in the geopolitical developments that concern them. This positioning, based on dialogue and partnerships, consists in cultivating African expertise and excellence, capable of contributing to the diagnosis and solutions to African challenges.

The views expressed in this publication are those of the author.

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