TRADE POLICY BRIEF

A YEAR IN REVIEW
2021

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Introduction

In this final Afreximbank Trade Policy Brief for 2021, we review an extraordinary year and major developments in African and global trade policy. While African countries forged ahead with the African Continental Free Trade Area (AfCFTA), the global trade policy space remained contentious with divisions between developed and developing economies at the multilateral level exacerbated by the socio-economic effects of the COVID-19 pandemic and approaches to addressing climate change. This was evidenced by challenges in securing a temporary waiver of certain obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and differing views on energy transition and adaptation to address climate change.

African Continental Free Trade Area

In accordance with the decision of the Thirteenth Extraordinary Session of the African Union Assembly on the AfCFTA which held on 5 and 6 December 2020, start of trading under the AfCFTA was launched on 1 January 2021. While it was envisaged that trading would commence on the basis of legally implementable and reciprocal Tariff Schedules and Concessions, with agreed Rules of Origin, and Customs Documentation, the complexity of negotiations and protracted negotiations on Rules of Origin meant that meaningful trade under the AfCFTA was delayed.

Notwithstanding, significant progress was achieved with over 87 percent of Rules of Origin agreed. In addition, preparatory work for negotiations on Trade in Services, Intellectual Property, Investment, and Digital Trade commenced. 42 countries have also submitted their initial tariff offers, and 43 countries have submitted their initial Services Offers. 2021 also witnessed 8 additional African countries complying with their domestic requirements for the ratification of the AfCFTA Agreement with 6 countries depositing their instruments of ratification and becoming State Parties to the Agreement. The number of State Parties now stands at 38.

2022 promises to be a busy year with the commencement of tariff phase downs and an increase in trade under the AfCFTA as the last remaining issues on Rules of Origin are resolved. Negotiations on Trade in Services are also expected to pick up pace as State Parties prepare for phase II negotiations. The roll out of the Pan-African Payments and Settlements System (PAPSS)—which will facilitate payments using local currencies under the AfCFTA—is expected to gain momentum with the commercial launch scheduled for January 2022.

The World Trade Organisation and MC12

2021 marked a historic year for Africa in the multilateral trade system when Dr. Ngozi Okonjo-Iweala of Nigeria was confirmed as Director General of the World Trade Organization (WTO)—the first woman and first African to hold the position in the seventy-three year history of the General Agreement on Tariff and Trade (GATT) and the WTO. The confirmation of Dr. Okonjo-Iweala breathed new life into the multilateral system despite the challenges posed by the COVID-19 pandemic. Among others, the priorities set out by the new DG included: intensifying cooperation to ensure equitable and affordable access to vaccines, therapeutics, and diagnostics; reaching an agreement on fishing subsidies, advancing WTO reform and addressing the stalemate on the dispute settlement mechanism; addressing long standing issues central to development such as Agriculture; and moving the WTO into the 21st century by examining issues such as e-commerce and digital trade.

These issues were expected to be addressed at the 12th WTO Ministerial Conference (MC12), which was scheduled to hold from 30 November to 3 December 2021 in Geneva. However, following the announcement of travel restrictions and quarantine requirements in Switzerland and other European countries that were prompted by the identification of the Omicron variant of the COVID-19 virus, the WTO General Council announced the indefinite postponement of MC12. This was the second postponement of MC12 due to COVID-19 and means that no WTO Ministerial Conference has been convened since 2017. The postponement also means the indefinite delay in discussions on a number of critical issues for African economies.
In the area of agriculture, African economies and other developing economies continue to push for the elimination of harmful domestic subsidies provided to farmers in developed countries. In addition to distorting trade and restricting access to global markets for African agricultural exports, subsidies in developed countries also contribute to large surpluses in production which are eventually exported to African markets displacing local production.

With fish providing an important source of food and nutrition for over 400 million Africans, Africa’s vast coastland and inland fish resources and the important role fishing plays in employment, concluding negotiations on fishing subsidies at the WTO are especially important for Africa. The main issue of contention emanates from fishing subsidies by developed economies that not only distort trade but also promote unsustainable fishing practices and the depletion of fish stocks. Africa, Caribbean and Pacific (ACP) States have argued that given that subsidised foreign fleets capture most of the fish for export it is important to limit capacity-enhancing subsidies but at the same time provide policy space for ACP countries to develop their own fisheries sectors and benefit from their fish resources.

MC12 was also expected to advance discussions related to the continuation of subsidies for food security referred to as public stockholding (PSH). African economies have advanced the view that supporting low-income resource-poor farmers is a prerequisite for achieving food security given their important contribution to the national food supply and widespread food insecurity among farmers, and have called for a balanced, improved and permanent solution that covers all programmes and all products.

On Intellectual Property Rights (IPRs), MC12 was expected to consider a proposed waiver of certain aspects of Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), which developing countries argue would facilitate vaccine manufacturing and access and help ensure vaccine equity. Progress has been slow in this area despite the United States expressing support for the waiver with several developed economies continuing to oppose it.

African economies also have a vested interest in advancing discussions on the review of the Special and Differential Treatment (SDT) provisions in WTO Agreements to ensure they are accessible and can be utilised more easily. SDT provisions in the WTO Agreements are intended to provide a measure of balance and equity by affording developing and least developed countries a degree of flexibility in implementing their commitments, including longer implementation periods, the provision of technical assistance and capacity-building, and ensuring that governments have the policy space to pursue policies to meet their development objectives.

**United Nations Climate Change Conference-COP26**

In November 2021 Glasgow hosted the 26th United Nations Climate Change Conference-COP26. The COP26 summit brought countries together to accelerate action towards the goals of the Paris Agreement and the United Nations Framework Convention on Climate Change. The Summit was important for Africa for several reasons. First, climate change issues are likely to impact African countries the most despite Africa being the least responsible for driving climate change. Second, given Africa’s energy deficit and wealth of oil and gas resources, the debate on achieving a green transition and adaptation holds important implications for Africa’s development ambitions. Finally, COP26 also examined climate financing, technology transfer and capacity building to assist African countries achieve effective climate adaptation, mitigation and transition.

The Paris Agreement calls on countries to deliver new Nationally Determined Contributions (NDCs) every five years that are informed by the latest advances in technology, science and shifting economic trends. By the end of COP26, 152 countries—including 40 African countries—had submitted new or updated climate plans or Nationally Determined Contributions (NDCs), 92—including 19 African countries—submitted new or updated NDCs with reduced total emissions compared to their previous NDC. The United Nations estimates that these commitments would put the world on track for 2.5 degrees C of warming by the end of the century—better than the 4 degrees C trajectory the world was on before the Paris Agreement, but below the 1.5 degrees C that was targeted.
COP26 delivered some progress on climate adaptation. In 2009, developed countries committed to channel US$100 billion a year to developing countries to help them adapt to climate change and mitigate further rises in temperature by 2020. This annual commitment to support adaptation and mitigation was not met with the total climate finance estimated at US$79.6 billion in 2019. The Glasgow Climate Pact, saw developed countries commit to at least double their collective provision of climate finance for adaptation to developing countries by 2025, estimated at US$40 billion. However, no progress was achieved on establishing liability and compensation for vulnerable and developing countries as developed countries continued to refuse to take any historical responsibility for the cost of losses and damages arising from climate change.

Debate also continues to rage on what a green transition means for Africa and the equity of asking African countries—who account for only 4 percent of the world’s total emissions—to implement energy transition policies while desperately in need of energy. The wealth of oil and gas resources hold enormous potential for Africa’s development, and it is imperative that Africa retain the right to exploit and utilise these resources to support its development ambitions. Striking a balance between development needs and a green transition is likely to feature strongly at COP27 which is due to be hosted in Africa by Egypt in 2022.
References


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