  

**RECOMMENDATIONS OF THE**

**ACP HIGH LEVEL FORUM ON EMERGING ISSUES AND**

**CHALLENGES IN THE MULTILATERAL TRADE SYSTEM**

***11-14 SEPT 2012. NAIROBI; KENYA***

1. INTRODUCTION

1 The ACP Group with Support from the ACP MTS Programme Management Unit held a H**igh Level Forum on Emerging Issues and Challenges in the Multilateral Trade System on** 11-14 September 2012 in Nairobi, Kenya. The main objective of the meeting was to review and analyse issues that arose during the 8th WTO Ministerial Conference held on 15-17 December 2011, in particular to have better understanding on the treatment of what was referred to as **21st century issues (trade and climate change, currency exchange issues, trade and job creation, global supply chains, energy, plurilateral agreements and others)** and their potential impact to the ACP economies and MTS. The meeting was attended by ACP trade officials from national capitals, Secretariats of ACP regional integration organizations and from ACP Brussels and Geneva based missions. Resources persons were private consultant experts in their respective fields. The list of participants is attached as Annex I

2 During the opening session the meeting was addressed by Mr Nelson Ndirangu PMU Director ACP MTS Programme who outlined the main objectives of the meetings **and the need to implement the outcome of the 8th WTO Ministerial Conference.** This was followed by welcome remarks by Mr Achille Bassilekin III, Assistant Secretary-General of ACP Secretariat who highlighted challenges ACP States face in the WTO negotiations especially now with the proposed inclusion of the so called ‘21st century issues. The Head of the EU Delegation in Kenya highlighted the key principles of the MTS (reciprocity, MFN, single undertaking and non discrimination) and that the MTS was among the best multilateral vehicles to support world economic development through facilitating free movement of goods and services. In this regard he highlighted some of the trade related assistance programs EU is supporting in ACP regions.

3 The guest of honour, Honourable Prof Sam Ongeri, Kenya’s Minister for Foreign Affairs in his keynote and opening speech welcomed all participants to Kenya and thanked the ACP MTS PMU for organising the meeting in Kenya. He noted the profound changes in the global context, realities and the various new issues that are not purely trade are having on landscape of the MTS of the WTO. More important new powerful players had emerged such that there is an irresistible shift of global economic power towards the east from the west. Accordingly, WTO prescriptions of yesterday can no longer be applied to today’s and tomorrow’s challenges. He called for serious changes of the MTS principles to take into account of the new realities and ensure that issues of sustainable development and poverty reduction are adequately incorporated. To take account of the evolving global dynamics Kenya is putting more effort in regional integration initiatives namely in EAC and COMESA region its major external markets. Finally he called upon the participants to seriously interrogate the implications of new emerging issues and define a common ACP strategy to pursue in the WTO.

II. ORGANISATION OF WORK

4 The meeting adopted the following agenda

* Session 1; Overview of emerging issues at the multilateral level
* Session 2; The nexus of trade, environment and climate change
* Session 3; Trade and food security
* Session 4; Trade and job creation
* Session 5; Trade and finance
* Session 6; Proliferation of plurilateral agreements
* Session 7; Global supply chains
* Session 8; Trade and development
* Closing session; Looking into the future

III. ACCOUNT OF PROCEEDINGS

**Session 1; Overview of emerging issues at the multilateral level**

5 This session was chaired by Mr B Katjipuka (Director Multilateral Trade Division Ministry of Trade and Industry, Namibia and a presentation was made by Mr Rashid Kaukab. The presentation covered the following main emerging issues and areas: (1) Politics of MTS -power balance and politics, emerging economies and RTAs; (2) Economics and finance - Euro debt crisis, exchange rates; (3) Resources gaps- food, water, and energy; (4) Interplay of issues - climate change; (5) Business and markets - global supply chains; (6) Driving force and opportunity- innovation and technology.

**Considerations/Recommendations**

* ACP states are invited to take advantage of -the rise of emerging economies which provide opportunities for and alternative markets for ACP, new sources of finance, technology and markets for value added products and bring more equitable distribution of power in the WTO
* ACP states are encouraged to foster closer regional trade integration as it provides them with opportunities of larger economic spaces for smaller developing countries, testing new rules and new issues, building negotiating experience and skills and basis for alliances in the MTS and on the other hand RTAs result into WTO+ outcomes and sets precedents for MTS.
* Resource-rich ACP countries need to use gains from commodity/resource price boom for diversification and structural transformation of their economies while ensuring sustainable management of natural resources.
* ACP States are encouraged not to impose export restrictions/taxes on intra ACP trade
* ACP States need to encourage and promote innovation and technological development at national and regional levels and build competitiveness and productivity, facilitate inflow of technology to bridge the current gap as well as negotiate for built in flexibilities in the MTS for appropriate technology diffusion and to adapt to technological developments to maximise their contribution to trade and development
* ACP countries need to push for an equitable and well functioning system of global economic governance and a development-oriented MTS. As part of system of global economic governance, MTS should let specialised institutions deal with issues under their respective mandates/competences while collaborating as appropriate.
* **To deal with emerging issues ACP states need action at three levels;**
* at national level, there is need to build technical, human and institutional capacity, ensure effective coordination and multi-stakeholder consultations, develop strategic relationships with regional/ACP partners, emerging economies, and developed countries and ensure sustainable management of natural resources, including through better negotiations.
* at the regional level, there is need to enlarge regional economic spaces through own FRTAs, develop common strategies to deal with emerging issues, develop new and development-friendly rules to deal with emerging issues and prepare for better participation in the MTS.
* at the MTS level, there is need to preserve useful gains of Doha Round (SP and SSM, mandatory technical assistance, situation based approaches to commitments), improving participation in Regular Bodies (CTG, CTE, CTD, CTS, TRIPS SPS, TBT, TPRB) and all bodies on monitoring for the implementation of the existing commitments by trading partners, safeguarding their interests through DSU monitoring developments, strategic participation and reform of DSU of which Africa submitted some proposals.

**Session 2; The nexus between trade, environment, climate change and natural resources**

6 This session was chaired by H.E Roy Mickey Joy ambassador of Vanuatu to the EU and Kingdom of Belgium and the resource person was Mr. David Vivas. On trade and climate change (CC), issues covered include; outcomes from the Rio + 20 Summit, some climate change trends, main targets and commitments, climate change vs. trade principles, general impact of climate change over trade, Impact of climate change policies over trade, impact of trade negotiations and rules over climate change policies. On trade and environmental agreements, the issues covered in the include; Doha mandate on the subject, relations between WTO and MEA including sources of conflict, key issues to be addressed, content and mechanisms possible options for ACP. On trade and natural resources debate, the focus was on trends, key concerns and issues for ACP countries.

**Recommendations/considerations.**

* ACP states need to explore a positive agenda on trade and CC which should seek among others to
  + introduce and give effect to the principle of common but differentiated responsibility,
  + identify ACP offensive/defensive interests in EGS,
  + explore intra ACP EGS liberalisation,
  + advance the creation of regulatory framework for private participation in Environmental Services,
  + create a support facility for the fulfilment of CC standards and
  + create synergies between A4T projects and UNFCCC Funds adaptation.
* Emphasis should be given to sectors of interest to ACP States such as energy security, infrastructure and agriculture.
* There is need to prepare a list of environmental products and services of interests to ACP which will be used in WTO and EPA negotiations
* Climate change affects ACP countries more yet they are the least responsible for emitting GHG. Accordingly the ACP states should together with other developing countries in similar situations put pressure on those countries especially developed countries that emit more GHG to take more responsibility and measures to address the effects of climate change.
* Taking into account that climate change issues fall under the responsibility of UNFCCC it is advisable for ACP countries to coordinate climate change issues with UNFCCC as the competent international body in order not to over burden the WTO agenda and lose focus.
* There is need for strengthening the coordination between UNFCC ACP regional bodies dealing with CC and DDA/EPA negotiations/processes on CC issues.
* There is need to clarify when a trade measure consistent with MEA constitutes or not an unjustifiable discrimination or disguised obstacle to trade and clarify MFN obligations in relation to non Parties to an MEA since many ACP countries do not participate in many MEAs.
* ACP States have a rich natural resource endowment that needs to be carefully managed given that there is a strong political push to access ACP natural resources by both developed and emerging economies.
* In addition to using export taxes on raw material exports to 3rd countries and to promote value addition, resource rich ACP States need to consider using other tools such as use of domestic regulation, concessions contracts and risk management tools. They should not lock-in existing flexibilities regarding export duties (e.g. a prohibition of export duties).
* The three presentations on trade and climate change, trade and natural resources and on trade and MEA should be taken to the next ACP Ministerial Meeting in Brussels to ensure that these issues are accorded the highest political attention.
* ACP States are encouraged to consider taking positions in favour of the promotion of environmentally friendly technology at concessional rates.
* ACP States need to develop a strategy on the green economy.

**Session 3; Trade and food security**

7 The session was chaired by Mr Fidelis Ugbo, Secretary, National Planning Commission of Nigeria and the presenter was Ms Aileen Kwa of South Centre. The presentation covered the following subjects; recent trends in food prices, food price volatilities and impact on some ACP countries, trends in Africa’s food imports, new policy directions on food security, implications for WTO, use of export restrictions/bans for food security considerations, proposals by Africa, LDCs and main developed country food exporters and for NFIDCs.

**Recommendations;**

* ACP States need to promote domestic food production by, *inter alia*, providing incentives to producers, maintaining national/regional emergency grain reserves, supporting marketing boards, regulating food prices and ensuring access to food for the poor.
* ACP States need to check/regulate/address dumping and grain speculation which is partly responsible for volatilities in food prices.
* Climate change effects such as droughts or floods in major food producing countries (Russia, USA and others) and the rural to urban demographic shifts, bio fuels initiatives and surging incomes in emerging economies will continue to cause a widening gap between demand and supply of food which will compound issues of liberalising trade in food.
* To balance ACP States’ interests of ensuring domestic food self sufficiency and food trade liberalisation, it is recommended that ACP States adopt a combination of trade liberalisation efficient production methods and regulation measures, as appropriate, taking into account that food security is a sensitive issue.
* ACP NFIC together with those with abundant and underutilised agricultural land need to seek innovative ways of attracting new investment in agriculture and enhance regional free trade in food products.
* To address the dangers sometimes associated with “land grabbing” arising from new land deals and accompanying political consequences, there is need for a model/template of an agricultural investment agreement and policy that can be used by ACP States.
* No industrialised country has developed by bypassing its agriculture; hence to achieve economic transformation and ensure food security in ACP States, there is need to transform ACP agriculture from being predominantly subsistence farming to commercial agriculture, and to decentralise marketing and distribution of food.
* ACP Regional organisations also need to consider the deep causes of food crisis as these have serious socio economic consequences

**Session 4; Trade and job creation**

8 The session was chaired by Mrs Naffie Barry Permanent Secretary, Ministry of Trade Industry Regional Integration and Employment, The Gambia and the resource person was Dr Wambui Wamuthenya. The presentation covered the link between globalisation and labour productivity, the transmission mechanism between trade liberalisation and productivity growth, evidence of productivity fostering from exports and imports, issues of how trade creates or destroys jobs and wages, productivity matters in LDCs and policies in support of productivity and trade policy.

**Recommendations/considerations**

* Given the importance of trade for development, ACP States are encouraged to pursue a progressive and well sequenced liberalization process with a view to improve trade competitiveness and create employment
* To ensure that trade contributes to growth, raising incomes and creation of jobs, it is important for ACP States to undertake complementary and supportive macroeconomic and industrial policies.
* A main channel through which trade increases income is productivity growth. In cases where there is growth without concomitant job and income creation, it is important for ACP States to take conscious policies to cushion adjustment costs and encourage labour intensive activities.
* A key priority for ACP States should be to pursue policies that are complementary, such as education, efficient infrastructure and measures to reduce entry barriers for local firms into new activities.
* In responding to shifts of relative prices in favour of tradable exporting sectors, employment gains often lag or do not fully compensate for employment losses in import-competing sectors. This can create periods of higher unemployment. Therefore, ACP States should pursue policies that support flexible movement of capital and labour into the new sectors so as to minimize these costs.

**Session 5; Trade and finance**

9 The session was chaired Mr Harrison Thompson –Permanent Secretary Ministry of Financial Services, The Bahamas and the resource person was Mr Sam Laird. The presentation covered drivers for exports changes as driven by foreign income and prices in foreign markets, important changes as driven by demand and prices in home market, how demand change under income and price changes, interaction of nominal, real and effective exchanges rates and some country specific examples, whether exchange rates can be manipulated, international exchange rate issue and the spat between USA and China, WTO rules and discussions including the coherence mandate and elements for a way forward for the ACP States.

**Recommendations/considerations**

* A number of ACP economies have been negatively affected by fluctuations and ‘manipulation’ of exchanges rates in the larger economies to which their currencies are pegged. ACP Group initiative to establish an ACP Trade, Investment and Development Bank is a welcome development as it would among others provide trade finance for intra ACP trade and reduce ACP vulnerability. Further ACP States concerned are encouraged to establish national development banks to support trade finance
* ACP States need to maintain a watching brief on the exchange rate and broader trade and finance issues within the WTO Working Group on Trade, Debt and Finance.
* ACP States need to consider supporting proposals for further study of these issues to better understand their implications on their economies and develop appropriate responses.
* ACP States should consider monitoring more closely how the coherence mandate is being implemented in relation to the link between trade and exchange rate.

**Session 6; Proliferation of plurilateral agreements considerations for ACP States**

10 This session was chaired by Dr Sunil Boodhoo; Deputy Director of Trade Policy, Mauritius and the resource person was Ms Alicia Greenidge. The main issues covered in the presentation included: scope of plurilateral agreements as compared to multilateral agreements, WTO plurilateral regimes, strengths of WTO legal incorporation, objectives of plurilateral in the WTO, key issues in WTO plurilateral agreements such as government procurement agreement (GPA) and the expanded GPA, telecommunication services, ITA, extra WTO plurilaterals; new WTO Doha or non Doha plurilaterals; new services trade, international or plurilateral agreements within or outside of WTO; options for a services accord in relation to WTO, other potential WTO plurilateral being rumoured. More important the presentation provided elements for ACP consideration and conclusions.

**Recommendations**

* The impasse in WTO DDA has lead to resurgence of plurilaterism. Any agreement negotiated outside WTO including RTAs and plurilaterals are WTO plus. Accordingly. ACP States are encouraged to actively follow developments and negotiations in plurilaterals as some end up being multilaterised.
* ACP Group positions in these agreements (bilateral, plurilaterals and multilateral) need to be formulated on the basis of submissions and interests of the stakeholders,particularly the private sector.
* The key concern of the ACP Group is how to secure development, hence there is need for the ACP States to continue accentuating the role of development in plurilaterals issues of S&D provisions.
* Not all plurilaterals are bad as some of them benefit developing countries. It is therefore advisable to take up the opportunity to participate as observers without necessarily having an intention to join. So it is critical to be on board as an observer to be aware of the developments that shape the eventual agreement.
* There could be a potential price to pay if a state does not participate in negotiations –in that standards set under plurilaterals may still impact the trade or access of the outsider.
* ACP states should continue to reiterate that the multilateral process remains the principal vehicle for negotiations.

**Session 7; Global supply chains (GVCs)**

11 This session was chaired by Mr Paul Batibonak of the Cameroon Geneva Mission and the presenter was Ms Aileen Kwa. The presentations covered the history of GVC, agenda of GVA demandeurs, components of value chain, current position regarding GVC and regional value chains (RVCs) and the regional hubs, share in GVC income by major trading blocs, dynamics and share of manufacturing value added, Africa’s position in GVCs, example of leading firms in GVCs, main actors in GVC in Africa and ACP, factors hindering the entry of lower income countries into GVCs, developing countries, supply chains and an assessment of SSA’s manufactured goods primarily imported from SSA as well as EACs manufactured exports and elements for ACP strategy to capture a larger share of the GVCs

**Recommendations/considerations**

* ACP States need to engage in GVCs and try to capture a larger share of the value among others through (1) commodity agreements (2) export restrictions (3) imposing conditions on investors (4) technology transfer and diffusion.
* For ACP countries, to capture larger share of the value chain, and to move up the value chain, production for regional and domestic markets can be an important first step.
* There is need for strategic use of trade and industrial policy instruments for some sectors to develop these national and regional value chains to capture higher share of value.
* ACP should maintain policy space including use of export taxes for value addition objectives.
* There is need for strategies to capture bigger shares of the value chain through measures and polices such as on technology transfer, local content requirements, and disciplines on dumping. ACP States may also need to use trade remedies more frequently to support own national, regional level value chains.

1. The ultimate objective for ACP on GVCs is to grow the ‘product trees’ at the domestic level; have backward and forward linkages with domestic economy, upgrade production structures of the domestic economy. Eventually the ideal is to develop multiple centres of production i.e. ‘headquarter economies’ and not always remain ‘factory economies’
2. There is need for strong national industrial policy that encourages higher levels of investment.

**Session 8; Trade and development**

12 This session was chaired by Mr. Ricardo JAMES, Head of the OECS Technical Mission in Geneva and the presenter was Moses Tekere. The main issues covered in the presentation included, tracing the original basic assumptions of GATT in relation to development, challenges to the status quo, varying definition of development dimension of DDA and EPAs from ACP perspective, changing global context and implications on the Doha Development Agenda and elements of an ACP Strategy for pursuing development in DDA and EPAs

**Recommendations/Considerations.**

* The pursuit of ACP development remains the core objective and in that regard there is need to ensure coherence between the WTO and outcomes of RTAs including EPA negotiations on that issue.
* To pursue its development agenda in both the DDA and EPA negotiations, the ACP should think long term namely construct a platform for engaging global markets: identify the strength and weaknesses of small economies, redefine the role of trade agreements in development to reinforce the productive and trade capabilities of ACP countries, prioritise issues of interest
* ACP Group should define a new agenda focusing on ensuring greater coherence between domestic policies, economic governance and approaches with international trade negotiations, defining progressive SDT and proposals of developmental review of the MTS.
* There is need to develop a strategy for engaging emerging markets: focused on insertion of ACP enterprises into emerging markets global value chains and develop a differentiated view of emerging economies as each one of them has distinct sets of interests and offers different opportunities
* ACP need to constantly review their negotiating positions in view of changing global dynamics and context. More importantly ACP countries should use their new strength arising from the raw material race to influence trade negotiations outcomes designed to achieve their development objective.
* Focus and more effort should be put on enhancing regional, ACP and continental market integration as launch pads to achieving international competitiveness and development.
* The ACP should come up with concrete proposals on how to operationalise the MC8 particularly as it relates to the CTD and specifically the pursuit of ACP proposal of the development component including audit of the MTS.
* The ACP states need to prepare for the upcoming global A4T review, *inter alia,* through developing specific proposals based on some case studies
* The ACP Group should consider convening another high level meeting involving Geneva, Brussels and capital based officials to prepare for the A4T review and the upcoming MC9.