



The role of African-European trade relationships and Aid for Trade in a climate-constrained world

Event summary

October 2023

APPG roundtable explores the future of African-European trade

On October 23, the All-Party Parliamentary Group for Trade Out of Poverty (APPG TOP), in collaboration with ODI, convened a thought-provoking roundtable discussion on the evolving trading dynamics between African countries and Europe. The event, titled “***The role of African-European trade relationships and Aid for Trade in a climate-constrained world***”, took place at the House of Commons in London. It aimed to explore the challenges and opportunities presented by climate-related policies and emerging technological advances through the lens of a “climate-constrained world” as well as future prospects as policies continue to develop.

During the roundtable, participants delved into timely issues such as the European Union’s Carbon Border Adjustment Mechanism (CBAM), supply chain regulations and private sector sustainability standards, including restrictions on airfreighted products. These measures have significant implications for vital sectors such as the horticulture sector in Africa. The discussions emphasised the need to address these challenges and find sustainable solutions that promote trade while addressing climate concerns.

The following agreements were reached among the participants:

- There is an urgent need to give greater consideration to the green trade measures affecting African exporters, both directly through trade policy measures and indirectly through changes in value chain organisation (such as reduced air freight).
- The new measures create an impetus for conventional aid for trade support, particularly in terms of supporting logistics and time to export. However, new and additional support and expertise are needed.
- There are new demands for compliance infrastructure. Increasing transparency and traceability within supply chains has the potential to benefit smallholders, but it requires investment to avoid exclusionary forces.
- Some African exporters are already adapting, with support, and valuable lessons can be learned and transferred to support adjustment, including the utilisation of digital platforms and shifting supply methods.
- Building the sustainability of value chains should be considered within the broader context of resilience, which involves maintaining relationships with suppliers. The developmental aspect of new green trade measures must be given greater consideration.

Roundtable summary

Chaired by MP Theo Clarke, Co-Chair of the APPG, the discussion featured insightful perspectives from participants including TradeMark Africa CEO David Beer, ODI Research Fellow Dr. Jodie Keane, University of Sussex Professor L. Alan Winters, WTO Aid for Trade Unit Head Michael Roberts, and Firoz Lalji Institute for Africa Strategic Director Professor David Luke.

One key aspect of the roundtable was the exploration of technological innovations that have the potential to transform African-European trade. Participants recognised the emerging opportunities presented by low-carbon routes and advancements in trade efficiency. These innovations not only mitigate the environmental impact of trade but also unlock new avenues for economic growth and development. The discussion emphasised the importance of leveraging technology to foster sustainable trade relationships and improve the overall resilience of economies.

A crucial topic of discussion was Aid for Trade and its role in supporting the poorest countries in adapting to new regulations and identifying areas of specialisation in a climate-changed world. Participants highlighted the significance of targeted support to enhance the capacity of African nations to navigate the complexities of international trade and seize opportunities emerging from global market dynamics. Aid for Trade and the role of the AfCFTA were recognised as vital tools for fostering inclusive and sustainable trade relationships across the continent.

Key themes and discussion points from panellists

David Beer of TradeMark Africa emphasised the need to address challenges posed by climate change response while ensuring that African countries can benefit from green and digitally-driven trade, ultimately promoting sustainable economic development.

- Africa is experiencing flourishing economic growth, with an average growth rate of 4% since COVID-19, led by East Africa at nearly 5%. African exports have been steadily growing, and the trade relationship with the UK is valued at £27 billion.
- However, sub-Saharan Africa is the region most at risk if global trade is disrupted, with half of its international trade vulnerable, according to the IMF.
- Climate change response poses risks to African trade, including "green protectionism" and "pre-cautionism" driven by consumer preferences. LSE has reported for example that the EU's CBAM, could result in a GDP drop of up to \$25 billion in Africa and reduce African exports by almost 6% if applied to all imports. This is only one of many climate-related trade restrictions globally.

- The need to help poorer countries adapt to green trade policies and avoid the narrative of "green imperialism". Solutions discussed included shifting from airfreight to sea freight, reducing compliance costs, and promoting digital logistics platforms.
- Pascal Lamy has made the argument that trade and environmental concerns must be considered in a triangle with development if we are to make progress. These linkages are currently weak.
- Green rules could potentially lead to growth in African agricultural exports, but only if countries and businesses are supported to adapt.

Jodie Keane, ODI, highlighted the potential impact of CBAM and deforestation regulations on African exports. She discussed challenges in the implementation and classification of countries.

- For example, the EU deforestation regulation will identify countries based on different types of risk. This is based on the EU's assessment of legal frameworks and enforcement mechanisms. This can be daunting for countries that lack satellite imagery and monitoring systems.
- There are new demands for compliance infrastructure. Increasing transparency and traceability within supply chains has the potential to be beneficial to smallholders, but it requires investment.
- Turning the "green squeeze" into a "green seize" by scaling up successful models and finding effective approaches to maximise the benefits of sustainability initiatives within the broader context of international trade discussions is crucial.
- However, the future of aid for trade for Least Developed Countries (LDCs) (more than 70% are located in sub-Saharan Africa) at the multilateral level remains uncertain.

Prof. Alan Winters, University of Sussex, emphasised the importance of supporting developing countries and explored the possibilities and challenges related to exempting countries from CBAM regulations within the WTO framework.

- The objectives of halting deforestation and carbon emissions are important, and policies should not unconditionally exclude developing countries.
- Support and assistance should be provided to developing countries to make the transition feasible for them.
- Traditional aid for trade-related logistics and regulations should not be neglected.
- Work has been done to explore the possibility of exempting LDCs and middle-income countries from CBAM regulations.
- Exemptions for certain countries or groups of countries have a small impact on overall trade and environmental objectives.

- There are three possible routes through the WTO for addressing CBAM, but each has its challenges and limitations.
- Diplomacy and collaboration among WTO members are needed to find a balanced and effective solution.

Michael Roberts, WTO, said there is a case for initiatives to assist countries in understanding and navigating the complex trade measures related to climate objectives.

- The WTO monitors measures taken by countries that affect trade, and there are diverse members implementing climate-related measures.
- Developing country exporters need to understand the landscape of measures to reach more markets. Measures include technical standards, performance assessments, subsidies, tax concessions, and industrial policy.
- There is a pervasive narrative surrounding trade frictions arising from environmental measures, with developing countries feeling pressured beyond their climate objectives.
- Subsidies can diminish comparative advantages for developing countries in establishing meaningful trade relationships.
- The UK is part of joint initiatives on environment, plastics, and phasing out fossil fuels that also include some developing country participation.
- Close to 50% of Aid for Trade reported has a climate purpose attached, indicating a shift toward compliance.
- There is a need for conscious efforts to promote sustainable trade and support countries in navigating this fast-evolving landscape.

David Luke, Firoz Lalji Institute for Africa, highlighted the need for a differentiated approach, capacity building, and consideration of regional dynamics in implementing the CBAM and related sustainability requirements.

- A UN study shows that CBAM has a limited impact on global carbon emissions. CBAM affects employment, tax revenues, and social contracts in countries with weak institutions.
- A differentiated approach is needed, focusing on greenhouse gas reduction targets rather than pricing mechanisms, with support for achieving targets.
- African countries face capacity challenges in meeting product standards and emissions certification.
- Implementing CBAM and meeting sustainability requirements present challenges for African countries due to limitations in their technical capacities. Furthermore, the EU's deforestation regulations impact commodities in which certain African countries possess a competitive advantage.

Q&A and comments

During the Q&A session, participants raised concerns about supermarket practices regarding imported flowers and their potential impacts on African imports and supply chains. They highlighted the issue of deforestation in Africa and emphasised the need to promote greener technologies and discourage tree-cutting.

They acknowledged the importance of engaging with African states and discussed the idea of digital carbon offsetting exchanges as an opportunity for Africa. Efforts in this regard, including trade and investment negotiations, the importance of materials, aid, and regeneration were also brought up. Participants expressed concerns about unilateral decisions by supermarkets and their potential impact on supply chains and value-based structures. The benefits of digital exchanges in Africa for carbon trading were recognised, with an emphasis on trust and security. Further exploration and involvement in this topic were encouraged.

Research on international trade was presented, focusing on issues such as access to electricity, deforestation measures, and the potential challenges and opportunities for Africa. Participants raised concerns about potentially discriminatory trade-related measures aimed at addressing climate change and environmental challenges. They emphasised the need for support in energy transition, compliance requirements, and bridging the digital divide through Aid for Trade, particularly for smaller economies and SMEs.

Within the context of the AfCFTA, participants discussed the integration of digital technology in trade training, considering the significant disparities among countries. They recognised the potential of digital technology in trade and emphasised the need for intentional measures in workforce development and financing to realise this potential.