

International Trade and Investment & Mineral-Based Linkages

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twN-Africa colloquium

OPTIMISING MINING LINKAGES & ECONOMIC DIVERSIFICATION

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Intro: a question of policy

- Linkages (backward or forward, state or market-driven) need to be promoted.
 - Left to themselves, they'll develop unpredictably or slow
- Policy is a key instrument
 - Coherent policies and policy framework
 - Policy flexibility – learning by doing, correcting – and Policy Space
 - Domestic Policy Capacity; and Enabling International Environment
- Approach
 - examples of linkage related policies in select areas
 - trade, finance, technology
 - the international trade and investment regime
 - exchange of goods
 - (de-)regulation of (financial) services
 - intellectual property regime

A Model of Linkages and Domesticity

ALL LOCAL MANUFACTURING

EXTENT OF LOCAL VALUE ADDED

<p>SUPPLIER NUMBER 4</p> <p>LOCALLY BASED FOREIGN MANUFACTURER/ SERVICE PROVIDER</p>	<p>SUPPLIER NUMBER 5</p> <p>LOCALLY BASED FOREIGN MANUFACTURER/ PROVIDER</p> <p>WITH SOME LOCAL PARTICIPATION</p>	<p>SUPPLIER NUMBER 6</p> <p>LOCAL MANUFACTURER/ PROVIDER</p>
<p>FOREIGN EXPORTER</p> <p>SUPPLIER NUMBER 1</p>	<p>FOREIGN EXPORTER / WITH SOME LOCAL PARTICIPATION</p> <p>SUPPLIER NUMBER 2</p>	<p>LOCAL IMPORTER</p> <p>SUPPLIER NUMBER 3</p>

NO LOCAL MANUFACTURING

LOCAL PARTICIPATION, OWNERSHIP, MANAGEMENT AND EMPLOYMENT

Example: Activated Carbon

- **Used for** : Absorbing Gold in Cyanide bleach solution.
Wider use: To remove mercury vapour from water and air
- **Total Global Imports:** 2009: US \$1.08 billion: Japan (13%); US (12%) Germany (8%)
- **West Africa imports:** Ghana: (\$3.8m (2008) -- from Philippines (62%), Netherlands (24%) and India (6%)
Burkina Faso \$2.3 million in (2010) -- from Philippines (76%), India (15%), and Ghana (4.8%)
– Guinea-\$251,000 (2008); from India (54%); Netherlands (34%)
Indonesia (12%)
- **Raw Materials:** Coconut Shell, (Corncobs)

From Import to Domestic Production

- Status Quo:
 - foreign companies in control, sometimes with domestic firms in minor role of retailers
- Options:
 - Encourage the importers to source locally; in link up with establishing domestic production
 - Encourage a foreign producer/company to set up locally (policy about components, and inputs)
 - Set up a state trading enterprise to import and channel share of resources and support into domestic production
 - Establishing domestic production aggressively but systematically over time
- Side by side current situation of import

Trade Policies

- Target :Imports
 - finished product (activated carbon)
 - Intermediate products/inputs –even techn.
 - raw materials – coconuts shells
- Policies: non-price - e.g. quotas, restrictions
 - Now disallowed or severely restricted
- Policies: price based
 - Import Duties; Export Taxes
- Important Judicious mix

Finance Policies

- Different stages, different players different needs
 - Trade finance
 - Production:
 - Manufactures
 - Raw materials: coconut shells? SMEs?
- Sources: Public/private
 - Banks, Non-bank finance, Stock-markets?
 - Financial system – and ability to generated affordable and targeted credit

Technology Policies

- Purchase? Licencing
- Acquisition, adaptation, diffusion
- Local manufacture, repairs, etc – a vibrant capital goods sector?

International Trade and Investment Regime

- No more cross-border; but behind the border
- Not so much about promoting trade – but promoting/maintaining (national) advantage in trade – so a combination of liberalisation and protectionism
- Combination of Multilateral (WTO); plurilateral – regional/FTA; Bilaterals–
- Rules about goods; rules of IP; rules about services

Trade in Goods

- WTO
 - Domestic Content and TRIMs
 - Export Taxes
 - Import Duties
- Economic Partnership Agreements (EPA)
 - Import Duties– Zero for 80% imports
 - Tech goods not protected(?)
 - Export Taxes, phase out; new ones prohibited
 - Policy Space: Zero for 20 years or more Duration

Services (Finance)

- WTO
 - GATS: Positive List– Finance and Telecom
 - Cross-cutting Prohibitions. No
 - limits on number of service suppliers
 - total value of value
 - total number of operations/quantity
 - specifying particular legal forms, e.g, joint ventures
 - limits of foreign ownership
 - Definition of National Treatment; e.g.
 - no discrimination against foreign service providers, ie. no favourable treatment for locals
 - formal or identical treatment which modifies competition in favour of locals

Services (STEs) and EPAs

- Limits to ensure so-called “equal” playing field between STEs involved in commercial activity and private companies
- EPAs....

Technology

- WTO
 - TRIPs: Technological Monopoly, not free trade
 - Patents and Patent Abuse
 - Compulsory licencing and limitations
 - Software as copyright
 - Trade rules and import

NOTE: Domestic Capital Goods Sector
- EPA