PERSPECTIVE

GLOBAL AND REGIONAL ORDER

A NEW TRADE DEAL FOR AFRICA, PLEASE!

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Despite having 17 percent of the world's population, Africa accounts for just 2.3 percent of world trade. Around two-thirds of that trade is concentrated in extractive industries that do little to foster sustainable economic development.

The trade regimes of Africa's partner countries are critically important for its trade – and by extension economic development. They fail to serve Africa's needs.

A more developed and integrated Africa is not merely philanthropy, but in everyone's best interest: "A new trade deal" for Africa is needed.

FRIEDRICH EBERT STIFTUNG

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Content

WHY IS TRADE IMPORTANT FOR AFRICA'S GROWTH AND ECONOMIC TRANSFORMATION? *

When a country participates in the global economy, it does so on the basis of foreign exchange inflows and outflows. Even the flow of ideas, in the form of intellectual property rights, involves trade in services and foreign exchange embedded in products. The extent to which exports dominate the inflows of foreign exchange into African countries may be surprising: at $421billion in 2019, they greatly eclipsed official development assistance ($31 billion), foreign direct investment inflows ($40 billion), and remittances ($84 billion). With official development assistance under pressure in 2023 from an inflation crisis, a cost-of-living crisis, and the reprioritisation of national security following Russia's invasion of Ukraine, trade is – and will continue to be – an even more important source of revenue flows into African countries and a critical resource for development.

Trade flows are valuable beyond their monetary worth. Embedded in them are the ideas, technology, and knowhow needed to compete on world markets. The firms that export are in turn likely to be more productive, to offer higher wages, and to grant employment opportunities in the formal sector. They can cause a "spillover" effect upon other domestic firms involved in their supply chains, creating a virtuous cycle of productivity growth and economic upgrading. It is little surprise that most economic success stories and rapid reductions in poverty in recent decades have been predicated on trade, from China's integration into the world economy since 2001 to Bangladesh meeting the criteria to graduate from "Least Developed Country" to "Middle Income Country" status in 2021.

Africa's trade, unfortunately, greatly underperforms and fails to live up to this developmental potential. Exports from Africa account for just 2.3 percent of world trade despite the continent accounting for almost 17 percent of the world's population. This African share of world trade has stagnated for over three-and-a-half decades. It was in fact higher, at 5 percent of world trade, in the 1970s. Left behind as a "late developer", Africa is increasingly where the world's poorest are concentrated, with 60 percent of the world's share of those in extreme poverty residing in sub-Saharan Africa in 2019 (up from 21 percent in 2000, as poverty rates have fallen elsewhere in the world).

What Africa trades is also disappointing and continues to underserve its development. Fuels, ores, and metals have accounted for no less than 60 percent of Africa's exports in any year since at least 1995, and as much as 89 percent at their relative peak in 2008. These goods tend to be more capital-intensive and less labour-intensive to produce, and so create fewer jobs; that is a problem as 120 million African youth enter the labour force over the next decade. Extraction is also usually more reliant upon foreign capital and expertise, and the extracted value is more prone to diversion into illicit channels. The prices of extracted commodities tend to be volatile, exacerbating budgetary planning, and their rents susceptible to elite capture. They are unstable ground on which to base development.

Investment inflows into African countries are no better. They perpetuate an economic concentration in the extraction of fuels, ores, and metals. Forty-seven percent of EU net foreign direct investment in Africa went to the mining sector between 2013 and 2020. This is in stark contrast to EU net foreign direct investments elsewhere; just 7 percent of all global EU outward investments are in this sector. Similarly, 32 percent of US outward foreign direct investment stock in Africa is in the mining sector, compared to just 3 percent of US global outward investment. The biggest destination for Chinese outward foreign direct investment in Africa, similarly, is the energy sector, followed by transport and metals. Investments are reinforcing Africa's adverse export concentrations.

That is not to say that Africa's trade does not have considerable strategic significance. Access to African fuels and industrial metals is a necessity for the functioning of modern industrial economies *elsewhere in the world*. Five of the top thirty oil-producing countries and two of the top ten exporters of liquified natural gas are African, and Africa is home to many of the critical minerals increasingly required for emerging digital and green technologies, such as cobalt (for batteries) and caesium and rubidium (used in global positioning systems). Yet this trade has not supported sustainable economic development within the continent.

* This paper provides a brief synthesis of the main arguments of *How Africa Trades*, edited by David Luke and published by LSE Press in May 2023 with financial support from Friedrich-Ebert-Stiftung. Deeper and more analytical treatment of these materials can be found in the full-length publication.

Not that all African countries face identical circumstances. Some do better. Eight have achieved a degree of export industrialisation, with manufactures accounting for at least 35 percent of their exports (between 2016 and 2020). Tellingly, these eight African countries export almost four times in absolute terms as much on average as the other African countries. This "group of eight" includes large industrial economies – South Africa, Egypt, Morocco, and Tunisia – as well as smaller ones that have managed to develop export bases or integrate into the industrial value chains of their larger neighbours (Lesotho, Eswatini, Mauritius, and Djibouti). All of these countries (with the exception of Lesotho) are among the top 15 African countries in terms of GDP per capita.

African trade flows must change, and trade policy can be a key instrument in making that happen. It is crucial to understand what is working, and what is not, in African trade policy and how it interacts with the trade, investment, and development assistance policies of partner countries within a multinational framework of WTO trade rules. By better understanding African trade policy, its interactions with the policies of trading partners, and its successes and failures, trade can better service African development.

THE PROSPECTS FOR INTRA-AFRICAN TRADE AND THE RATIONALE OF THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)

Not all of Africa's trade is the same. Some promising green shoots point to a viable route for industrialisation and economic transformation. Central to this is the promise of intra-African trade and the African Continental Free Trade Area (AfCFTA). African policymakers, having held fast to the aspirations of the AfCFTA through the throes of Covid-19, chose "Acceleration of AfCFTA Implementation" as the African Union theme of the year 2023. The rationale for intra-African trade and the AfCFTA can be considered to comprise five core parts.

The first of these is simply that an integrated Africa represents a much larger and more attractive consumer marketplace to fuel the demand side of Africa's long-overdue industrial development. Most individual African countries are remarkably small. Twenty-two have populations under 10 million while a further twenty-two have populations under 30 million. The annual GDP of the median African country in 2022 was just $16 billion, roughly equivalent to the output of the British city of Bristol. By comparison, and to the extent that it can represent a consolidated market, the AfCFTA comprises 1.3 billion people with an annual output of $3 trillion, equivalent roughly to India or about the seventh or eighth largest economy in the world. The enormous size of the collective African market is considered by the proponents of African integration to be valuable in attracting investments and achieving competitive economies of scale.

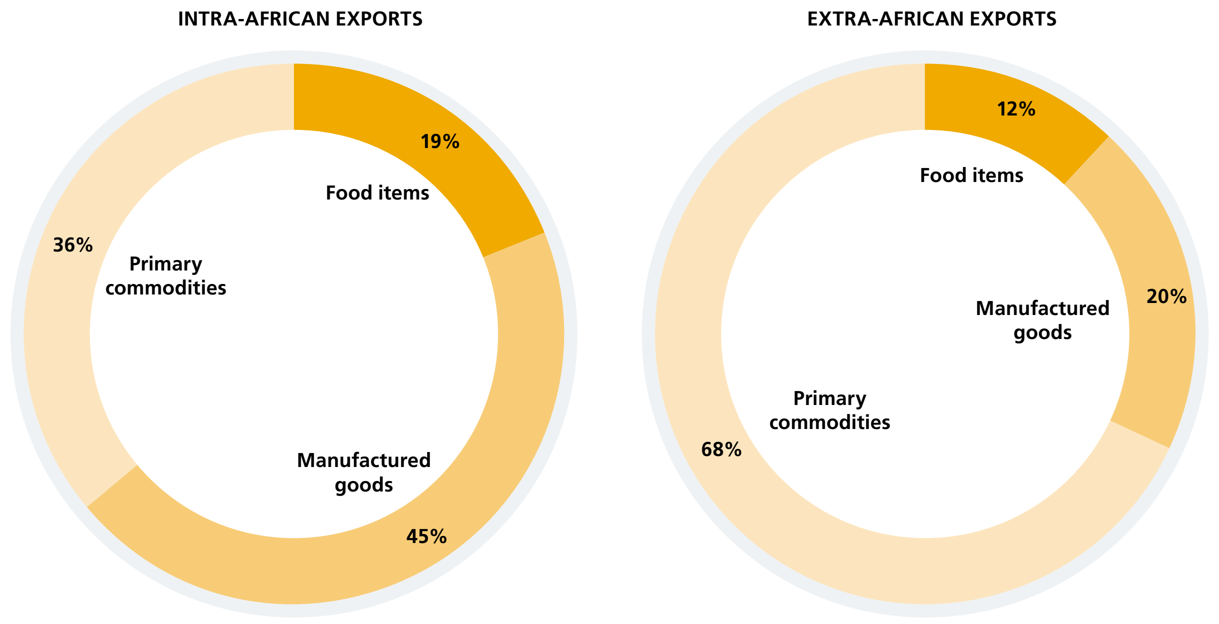
The African market is expected to grow significantly. This is the second part of the rationale. In his statement at the July 2019 summit of the AU, which launched the operational phase of the AfCFTA, AU Commission Chairperson Moussa Faki Mahamat reminded African heads of state that, "the growth of the African economy should be twice as fast as that of the developed world". The African population is expected to grow to 2.75 billion by 2060 with an increasingly middle-class market and a combined annual output of $16 trillion. Africa remains one of the last "frontier" marketplaces that excites investors. That rapidly growing market only underlines the attractiveness of a consolidated continental market for investments and economies of scale. The size of an integrated Africa is a strong pull for investments and business.

The third part of the rationale for intra-African trade and the AfCFTA is their potential to contribute to the long-overdue industrialisation and economic diversification of African countries. This relates to what we might consider to be the "special nature" of intra-African trade. It features a larger share of manufactured and agricultural goods (Figure 1), and a higher technology content, than Africa's exports outside of the continent. It comprises a far greater share of manufactures, as well as agricultural goods (Figure 1), and embodies a higher technology content, than Africa's exports outside of the continent. While only 20 percent of Africa's exports outside the continent are manufactured goods, 45 percent of trade within the continent, between African countries, are manufactured goods. Accordingly, forecasts of the expected impact of the AfCFTA by UNCTAD (Saygili et al., 2017), the IMF (Abrego et al., 2019), the World Bank (2020), and UNECA (Songwe et al., 2021), each expect Africa's manufacturing sector to be a major beneficiary of the initiative. In IMF modelling (Abrego et al., 2019) "60 percent of the increase in overall income comes from higher manufacturing output". UNECA (2021) finds that "approximately two-thirds of the intra-African trade gains would be realised in the manufacturing sector", while in UNCTAD scenarios (Saygili et al., 2017) "the largest employment growth rates are found in manufacturing industry."

The fourth part of the rationale for the AfCFTA relates to its form. The AfCFTA is a deep trade agreement, extending beyond the tariff reductions of a traditional free trade agreement. This allows it to address far more than just import tariffs. The AfCFTA includes provisions on trade facilitation, non-tariff barriers, trade in services, and behind-the-border regulatory issues such as competition policy, investment, digital trade, gender and youth, and intellectual property rights. These are actually even more important for trade than tariffs: the average tariff levied on intra-African exports is about 6.1 percent, yet the *ad valorem* equivalent imposed by non-tariff barriers is more than twice as large, at an estimated 14.3 percent (ECA, UNCTAD, AUC, and AfDB, 2019). It is for this reason that most of the models that forecast the impact of the AfCFTA attribute relatively more importance to trade facilitation and addressing non-tariff barriers, than to tariff reductions. The IMF (Abrego et al., 2019), for instance, estimates the effect of reducing tariffs and non-tariff barriers to provide thirty-seven times the increase in welfare that would result from a reduction in tariffs alone.

The fifth and final part of the rationale for the AfCFTA is that it can be a tool for cohering Africa trade policy. As the

Figure 1
Intra- and extra-African exports, composition, 2018–2020
Exports within the continent are more conducive to development



Source: Author's calculations based on UNCTAD (2022)

economic significance of the African continent has grown, third parties have increasingly looked to formalise their economic engagements with African countries through trade agreements and other arrangements. Examples include the EU's economic partnership agreements, the United States's bilateral negotiations with Kenya, and Mauritius's free trade agreements with China and India. To use the language of the AU's Agenda 2063, Africa can achieve more if it is able to "speak with one voice and act collectively to promote our common interests and positions in the international arena". With a single voice, Africa has the economic heft and pooled technical capacities to negotiate trade deals that are better suited to African development than those reached by individual countries alone.

Below the lofty level and ambitions of the AfCFTA, Africa's regional economic communities (RECs) continue to play a practical – and often underappreciated – role in enabling trade integration and connecting a continent as vast as Africa. In many parts of Africa, they will, over the shorter term at least, remain the most significant force for promoting intra-African trade, most of which currently flows within these communities. Their respective role in relation to the AfCFTA is still evolving. While the 2008 Protocol on Relations between the RECs and the AU governs this relationship at the AU level, it remains unclear whether that extends to the AfCFTA Secretariat, or whether an equivalent legal framework will be required. In September 2021, the AfCFTA Secretariat held its first Coordination Meeting of the Heads of Regional Economic Communities on the Implementation of the AfCFTA, seeking to identify a mechanism for collaboration between the AfCFTA Secretariat and the regional economic commissions.

The regional economic communities are massively under-resourced, but they still help to find and apply common solutions to mutual supply constraints. Many proved agile and capable in crafting "safe trade" solutions to keep trade flowing despite the border closures necessitated by Covid-19 in 2020. In the Preamble to the AfCFTA Treaty, and again in Article 5 of the AfCFTA Framework Agreement, the eight AU-recognised RECs are designated as the AfCFTA's "building blocks", meaning that their best practices and achievements are to be followed and incorporated into AfCFTA implementation. Article 12 confers an advisory role on them in AfCFTA negotiations, too. This complements the role accorded to the RECs as partners in the implementation of AU programmes.

The frameworks for supporting intra-African trade are already established, in the form of the AfCFTA and Africa's regional economic communities. Where greater efforts by African policymakers and their partners are needed now is in contributing to effective implementation of these frameworks (or at the very least not undermining them).

ASYMMETRIES WITH AFRICA'S LEADING TRADE PARTNERS

Considerable power asymmetries contort Africa's trading relationships with partner countries. The EU is Africa's most important trading partner by far, accounting for 26 percent of both Africa's exports and imports. It is followed by China, which accounts for 16 percent of Africa's imports and 15 percent of its exports. The United States accounts for 5 percent of Africa's imports and exports. But in stark comparison, Africa accounts for just 2.2 percent of the EU's trade, 3.9 percent of China's trade, and 1.1 percent of US trade. That creates a highly imbalanced power dynamic.

In many African countries the resources available to ministries in charge of trade policy, trade negotiations, and trade policy implementation are severely constrained, and delegations to trade fora like the WTO are small. Understaffed, overstretched, and under-resourced, many African countries face an unlevel playing field when they design, articulate, and negotiate trade priorities with considerably better resourced and more powerful counterpart countries.

This means that while the trade policies of these partner countries can have significant implications for Africa, Africa can risk being overlooked while those same countries design their trade policies. In turn, the trade policies of these partner countries sometimes operate in ways that conflict with supporting African trade as a vehicle for sustainable economic development. The result is that the trade regimes of Africa's partner countries, while crucially important for Africa's trade and by extension economic development, unfortunately fall short of Africa's needs.

Let us now consider the trade policies of the European Union, the United Kingdom, the United States, and China, which account for around two-thirds of all of Africa's trade.

European trade policy has long established a clear division between Africa north and south of the Sahara, with separate market access systems for exports to Europe. But Europe's trade policy also further divides the continent with a range of trade programmes including Everything but Arms (EBA) (available to thirty-three African least developed countries), the Economic Partnership Agreements (EPAs) (applicable to fourteen African countries), the Generalised System of Preferences-plus (GSP+) (applicable to Cabo Verde), the Generalised System of Preferences (GSP) (applicable to Congo-Brazzaville, Kenya, and Nigeria), the Euro-Mediterranean Association Agreements (covering Algeria, Egypt, Morocco, and Tunisia), and Most-Favoured Nation (i.e. WTO) terms (that apply to Libya and Gabon).

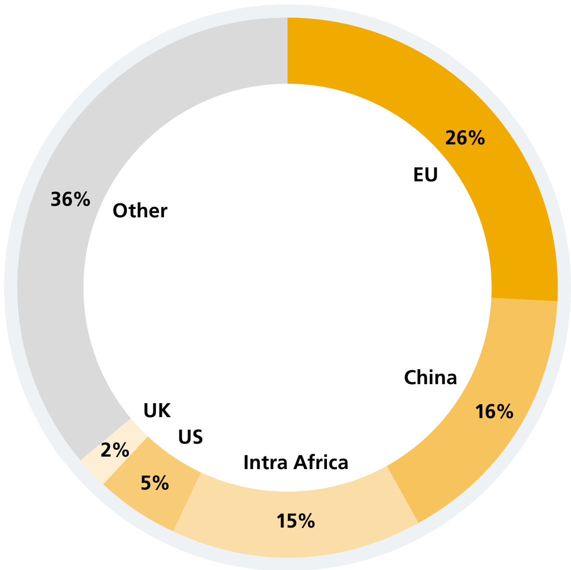
Though these regimes succeed in extending formal trading arrangements to cover most African countries, they are neither efficient nor appropriate from a development perspective. The effect of the EU's various regimes is a fragmentation of African markets with gaps in coverage, the undermining of regional value chains, and hard borders for EU trade between African countries, sometimes even within the same customs union. For example, the Economic Community of West African States (ECOWAS) has achieved the status of a customs union, with its fifteen member states implementing a common external trade regime. Yet Côte d'Ivoire and Ghana were put under considerable pressure to conclude separate interim EPAs with the EU, requiring them to reluctantly have different tariffs from the rest of the ECOWAS customs union and thereby undermining ECOWAS's, and indirectly the continent's, integration programme.

At the practical level, strict EU food safety (sanitary and phytosanitary) measures also prove difficult for African exporters to satisfy, inhibiting their ability to take advantage of market access preferences. In some cases, such measures would appear to be applied without proportionality. One example is the application of bovine spongiform encephalopathy (BSE) regulations to African countries in which BSE has never been diagnosed.

As a result the structure of trade between the two continents has hardly changed through more than sixty years of preferential trade arrangements. The colonial legacy of sparse intra-African trade and weak infrastructure connecting African countries, combined with the reality of nearby Europe as a dominant, stable, and mature market, has meant that preferential trade between Europe and its former African colonies is locked-in as a powerful incentive to maintain the status quo.

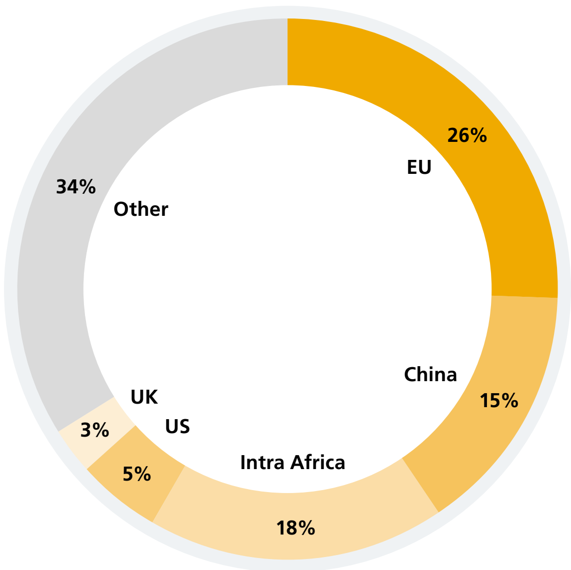
The EU is now planning to "widen and deepen" the EPAs and Euro-Mediterranean Agreements to tap into the market growth that is expected in African countries. Practically this will involve adding provisions on investment, services, intellectual property rights, and government procurement, while

Figure 2
Share of Africa's imports, three-year average (2018–2020)



Source: IMF Direction of Trade Statistics (2022)

Figure 3
Share of Africa's exports, three-year average (2018–2020)



Source: IMF Direction of Trade Statistics (2022)

widening some of the agreements to include more countries. The risk is that this could deepen divisions between the African trade regimes, making African trade policy harmonisation and regional integration even more difficult.

The EU is, of course, also collectively the biggest contributor of development assistance to African countries. The Post-Cotonou Agreement (PCA) protocol on Africa provides the framework for guiding future development engagements. It calls for support for the AfCFTA, implementation of the EPAs, business environment reforms, and recognition of African industrial development aspirations, noting in Article 14 that, "the parties shall promote the transformation of African economies and their transition from commodity dependence to diversified economies through the local treatment and processing of raw materials, added-value manufacturing and integration into regional and global value chains". Yet it contains no specific commitments on investment flows, which are perhaps the most critical factor for driving economic transformation. The Global Gateway Initiative provides for a financial envelope to support the agenda outlined in the PCA and its Africa protocol. But this, too, is vague on actual commitments. Trade was also conspicuously absent from the seven clusters of the 2022 EU-AU summit agenda that discussed the Global Gateway funds.

The UK, despite its "global Britain" rhetoric, has largely replicated pre-existing EU trading arrangements following its departure from the EU. It has concluded UK versions of the EU's EPA with twenty-nine African countries and in 2021 announced a concessional framework similar to the EU's Generalised System of Preferences in the form of the UK's Developing Country Trading Scheme. The reason the UK and its partners in Africa strove merely for a roll-over of pre-existing EU regimes, rather than anything more ambitious, was to avoid the risk of a "cliff edge" end to EU regimes in which the UK was a party. But with that cliff edge now averted, there is an opportunity for the UK to begin looking to improve the structure of its trade engagement with Africa. The UK has also put a specific – and welcome – emphasis on investment, with four UK-Africa Investment Summits held since January 2020, and £2.3 billion in specific Africa-oriented funding directed towards the UK Export Finance Agency.

US trade policy towards Africa is mature. The African Growth and Opportunities Act (AGOA), the cornerstone of US trade policy towards Africa, has been in force for over twenty years and looks set to be renewed for another ten years when it expires as scheduled in 2025. AGOA has chalked up several notable successes. It has promoted African automobile exports, particularly from Southern African supply chains, and textiles and apparel, from the sub-set of African countries that have been additionally accorded the more generous "third-country fabric" provisions within the AGOA regime, enabling them to manufacture clothes with imported fabrics. Nevertheless, Africa's trade with the United States is similar in structure to its trade with other economically developed regions like the EU: dominated by fuels and metals.

Like the EU, the US is also a major contributor of trade-related development assistance to African countries, providing $10 billion annually in aid-for-trade disbursements. Programmes such as Trade Africa between 2013 and 2018, Power Africa since 2013, and Prosper Africa since 2019 are a critical part of the support needed (beyond market access preferences) to help transform African trade. The US's Global Infrastructure and Investment Programme provides a rival to Chinese infrastructure investment in Africa. A US-Africa Leaders Summit, held in December 2022 and attended by forty-one African heads of government, added new priorities including a Digital Transformation with Africa initiative and a Memorandum of Understanding between the US Trade Representative and the AfCFTA Secretariat to expedite cooperation on issues such as digital trade, industrial development, and trade promotion.

In early 2022, the US suspended negotiations with Kenya for a bilateral FTA. A reading of the published negotiating objectives suggested that the United States made substantial demands that would have proven challenging for Kenya. The US has instead indicated a willingness to roll-over AGOA preferences to allow Kenya and other AGOA beneficiaries continued preferential access to the US market.

Nevertheless, problems remain that undermine the effectiveness of AGOA as a tool for promoting Africa's sustainable economic development. Like the EU, the United States has created a bureaucratic division between Africa north and south of the Sahara, with the former ineligible for the AGOA regime. Although the 2022 US Strategy Toward Sub-Saharan Africa now calls for the US to "address the artificial bureaucratic division between North Africa and sub-Saharan Africa". AGOA is also a unilateral preferential regime, permitting the US to disqualify African countries that are deemed to fail to meet requirements relating to rule of law, political pluralism, and health and labour practices. This erodes investor confidence and can have significant impacts when eligibility is withdrawn.

African businesses also face a set of more general challenges when exporting to the US, EU or other developed markets. African businesses struggle to meet product standards, sanitary and phyto-sanitary measures, and technical accreditation requirements. Even when they do, attaining certification can be difficult and expensive. Obtaining visas can be burdensome for African businesspeople, especially those from smaller businesses. Deficits in trade infrastructure, trade facilitation efforts, and macroeconomic stability undermine the business environment in multiple African countries. Nevertheless, one lesson from AGOA is that where countries have taken a strategic approach through dedicated utilisation strategies, they have performed better (notably Ethiopia, before its removal from the scheme, Kenya, Madagascar, and Mauritius).

China's trade policy engagements with Africa are starkly different. Beyond a "duty-free quota-free" (DFQF) market access offer for Least Developed Countries, only the most basic formal policy framework is in place for facilitating trade and investment flows between China and African countries. The Chinese approach instead prioritises bilateral arrangements for trade-related infrastructure financing and special, often product-specific, deals to help African countries meet sanitary and phytosanitary (SPS) regulations to export fresh agricultural products to the Chinese market.

Since 1998, eleven African countries have concluded SPS deals with China to streamline the exportation of agricultural products. Beyond this, Mauritius has, since 2021, a free trade agreement with China. Yet China is alone among leading economies in not offering a generalised system of preferences or a comparable programme like the US's AGOA. Of course, one of the most significant parts of Africa's trade relationship with China, which other partners are increasingly trying to emulate, concerns its outsized role in providing financing for infrastructure development. Forty-three African countries signed up to China's flagship trillion-dollar Belt and Road Initiative (BRI). As a "late developer" itself, there is an understandable appreciation in China of the contribution that good infrastructure and affordable energy can make to competitiveness and industrial development.

Yet in general the current structure of trade between Africa and China remains extremely unconducive to Africa's industrial development. Eighty-seven percent of Africa's exports to China are fuels, ores, and metals, while just 4 percent of exports are manufactures, a lower share than to any of Africa's major trading partners. China is the main country of origin for African manufacturing imports, providing 16 percent of Africa's total. While this is beneficial for African consumers it puts competitive pressure on Africa's domestic manufacturing industries, particularly in sectors such as electronics, appliances, clothing, and technology.

The trading relationships between Africa and its other important, if less significant, trading partners bear similarities with those mentioned above. Trade arrangements are generally in place to incentivise trade growth with these countries. This is usually accompanied by significant trade promotion efforts supported by investment flows and periodic high-level summits to review and advocate for greater engagement in development and economic cooperation, including through trade and investment. One or both features are prominent in bilateral relations with India, Turkey, Japan, Russia, and Brazil. However, trade arrangements between Africa and these countries are mainly at the initial phases of trade policy design, and much less mature than arrangements with the EU and US, for instance. But steps towards deeper trade arrangements have been taken through the negotiation of FTAs by India (with Mauritius) and Turkey (with several North African countries), as well as a "South-South" Brazilian foreign policy that led to an FTA between the MERCOSUR countries, of which Brazil is a member, and the Southern Africa Customs Union (SACU).

THE LIMITATIONS OF THE WTO'S "ONE SIZE FITS ALL" APPROACH FOR LATE DEVELOPERS

The WTO is the multilateral umbrella under which much of the world's trade is conducted, and the overarching instance for most bilateral and regional trade agreements. It regulates trade between its 164 member countries (including forty-four African countries) on the basis of key principles including openness, predictability, and non-discrimination. Trade rules agreed at the WTO in turn help to shape development outcomes. Yet many African countries are frustrated with the WTO; a significant number consider it to be in outright conflict with their development aspirations.

In understanding why, it helps to first explain what the WTO *should* do for development according to its proponents. For those who believe in the WTO, it is "the tide that lifts all boats". Free trade is the starting point. The WTO is seen as a vital tool for creating a free, stable, unbiased, predictable, and non-discriminatory multilateral trading system. That system, it is asserted, is the fount of every successful example of economic development this past century. In the words of the 2021 WTO Annual Report: "The system's overriding purpose is to help trade flow as freely as possible – provided that there are no undesirable effects – because this stimulates economic growth and employment and supports the integration of developing countries into the international trading system." We can consider this to be the neoliberal or "establishment narrative".

Detractors by contrast contend that the multilateral trading system is inherently biased and unfair. We can call this to the "principled" narrative. Though it considers open trade to be beneficial, international economic rules are perceived to have evolved primarily to advance the interests of developed countries to perpetuate quasi-colonial economic relations. This view is aptly captured by the economist Ha-Joon Chang, who argued that the WTO rules are "kicking away the ladder" that was used by now-developed countries to climb up to where they are now. The principled narrative emphasises the policy constraints placed by the WTO rules on developing countries seeking to achieve industrialisation and economic transformation.

Accordingly, African countries have prioritised derogations and carve-outs from WTO rules in the form of special and differential treatment (SDT). The WTO negotiating positions of the Africa Group, Least Developed Country (LDC) group, and G90 all, as evidenced by their statements submitted to the WTO, focus on securing deeper, longer, and broader SDT exemptions from multilateral rules.

Even those African policymakers who are fundamentally supportive of the WTO find it to have its challenges. Where African states (and other developing countries) have sought to utilise the WTO proactively, they have found it wanting. Geneva-based African ambassadors cite the continuing reluctance of African governments to engage in new issues that do not reflect the priorities of developing countries as set out in the Doha Round. The failure of the Doha Round is still viewed with deep bitterness.

African countries have struggled to resource substantive and proactive engagements in WTO decision-making processes. This reflects both capacity constraints and the high cost of maintaining diplomatic missions in Geneva. African diplomatic missions are typically understaffed, with concurrent responsibility for covering deliberations at other international organisations in Geneva like the UN Human Rights Council, the World Intellectual Property Organization (WIPO), the World Health Organization (WHO), and the International Labour Organization (ILO). This, in turn, necessitates prioritisation. Participation in WTO committees is not always at the top of the list.

Except for key bodies that are of obvious strategic interest, African attendance and participation in WTO deliberations is generally low. Nineteen (out of forty-four) African WTO members are not participating in any of the new WTO joint statement initiatives (JSIs) on e-commerce, investment facilitation, services domestic regulation, trade and environmental sustainability, plastics pollution and environmentally sustainable plastics trade, and micro, small and medium-sized enterprises (MSMEs).

African countries, especially the less developed ones, have had extremely limited involvement in WTO dispute procedures as complainants, respondents, or third-party participants. Tunisia was the only African country ever to have filed a dispute as a complainant until South Africa filed a complaint against EU phytosanitary requirements on its fruit exports in July 2022. Three African countries (Egypt, Morocco, and South Africa) have been subject to a total of thirteen disputes. By the end of 2020, nineteen African countries had reserved their rights to participate as third parties in various disputes, usually in instances of a direct commercial or strategic interest in products such as sugar, cotton, bananas, and tobacco. They account for less than 5 percent of total third-party participation in WTO disputes.

Participation in the WTO is not the only sphere where African countries struggle. Systemically, low-income countries have less economic heft with which to back up dispute settlements. The benefits to low-income country complainants for filing a case are also limited by their ability to retaliate, given that their imports comprise only a small share of the respondent's total exports. Retaliation must be equivalent to the cost of damage, so in such cases the incentive for the respondent to comply is potentially weak.

This represents a missed opportunity to engage in the strategic use of trade policy instruments to advance national commercial interests, including in areas of importance to African countries, such as sanitary, phytosanitary, and other technical standards. Breakthroughs and agreements in issues of interest to African countries are feasible, as shown by the waiver to the TRIPS Agreement to override patents, which was co-led by South Africa, and the multilateral agreement on fishery subsidies at the 12th WTO Ministerial Conference of June 2022. Yet these "wins" are limited, and usually spearheaded only by the most advanced and well-resourced African countries.

With limited resources and capacity constraints in Geneva and their capitals, most African members work in coalitions, including the WTO African Group, but also with other developing and least developed countries. This achieves both a pooling of resources and an amalgamation of economic clout and influence. But it does not allow for sufficient differentiation of Africa's specific needs. On some SDT issues for example, globally competitive emerging economies and higher-income developing countries – like Korea, India or China – are unlikely to be granted policy space flexibilities having already climbed some distance "up the ladder". Here, it should be noted that countries as wealthy as Singapore or as large, and arguably economically competitive in certain sectors as China, still claim developing country status at the WTO. If African countries pursue coalitions with these countries, they could risk undermining the special treatment that they might otherwise be accorded. As the region with the smallest (and declining) share of world trade, African members are best positioned to differentiate their own needs and identify where Africa-specific SDT is required to support their growth.

The African Union, which maintains a representative office in Geneva, could play an enhanced role in supporting African countries by pooling expertise and providing technical services to the WTO African Group, including in drafting and preparing proposals to surmount the current over-reliance on just a few Geneva-based development-friendly think tanks. Granting it observer status at the WTO would be a prerequisite. That could form the basis of a new, and more productive, "pragmatic" narrative to WTO engagement for African countries alongside better-targeted SDT for African countries and serious commitment to development priorities.

A NEW TRADE DEAL FOR AFRICA AS A CONTINENT

Africa, as the world's least developed region, is increasingly also the last bastion of extreme poverty. 60 percent of those living in extreme poverty are now in Africa. The wealthiest countries of the world can use trade, as a proven tool for growth, to support Africa's own agenda for sustainable development. That would reduce global poverty, address instability and fragility, and make the world a more prosperous and secure place. But it would also be in the self-interest of those wealthier countries.

In just forty years the African market will have a larger population than India and China combined. In the words of US Treasury Secretary Janet Yellen, "Africa will shape the future of the global economy" (USDT, 2023). Reduced non-tariff barriers, lower intra-African tariffs, improved trade facilitation, and integrated markets can create a large, prosperous, peaceful, and more dynamic environment for trade and investment opportunities for Africa's partners as well as for Africa's own enterprises. A more developed and integrated Africa is not merely philanthropy, but in everyone's best interest.

As the past decades have shown, a new trade deal is needed. Africa could do with a trade deal that incentivises and rewards trade diversification, expansion of productive capacities, interconnection of supply chains, and sustainable growth. The empirical evidence suggests that for these goals to be met, two complementary measures are required: firstly, a sequencing of trade policy that prioritises intra-African trade (which is already more diversified than Africa's external trade), and, secondly, liberalised trade between African countries with harmonised trade rules, as offered by the AfCFTA initiative (Mevel et al., 2015).

In that regard partner countries should ensure first of all, like doctors, that they "first do no harm". But that is not always the current practice. The evidence suggests that implementing reciprocal agreements with the EU (like the EPAs) and other developed countries ahead of Africa's AfCFTA would result in losses in trade – or trade diversion – between African countries. The problem is that such agreements force African countries to undertake divergent regulatory and trade reforms rather than first consolidating better regionally. In contrast, if the AfCFTA was fully implemented *before* such reciprocal agreements, such negative impacts would be mitigated. Trade gains for both African countries and the EU (or other countries) would be preserved while intra-African trade would expand significantly, benefitting trade in industrial goods. African integration is in the interest of its trading partners. This points to the need for strategic sequencing to prioritise implementation of the AfCFTA.

The main elements of the ideal trade deal for Africa at this stage can be sketched along the following lines: For a transitional period benchmarked against milestones in AfCFTA implementation and the gains emerging from it, a good development case can be made for Africa's trading partners to offer to all African countries unilateral market access that is duty-free and quota-free with a cumulative rules of origin regime. Granting concessions to Africa to allow non-reciprocal access to partner markets for goods and services for a fixed transitional period is a strongly pro-development measure and poses little commercial competitive risk to developed countries. With external market access secured for Africa's exports, it incentivises African countries to seek trade opportunities with each other and mitigates the risks of trade diversion. By ensuring such a deliberate sequencing for the AfCFTA, this will help Africa to build productive capacities and achieve its potential for strong and diversified growth in intra-African trade with inclusive and transformational consequences.

The ideal trade deal for Africa raises three immediate questions: what might constitute a sufficient transition period, how to justify the inclusion of North African countries, and possible obstacles to a WTO waiver allowing special treatment for Africa as a whole.

Concerning the transition period, the first clue is the AU's Agenda 2063, which envisages significant transformation of African economies by that year. The EU's Post-Cotonou Agreement (PCA) provides another clue. The EU's current bilateral trade deal with sub-Sahara countries is for a period of twenty years from 2021. This suggests that in the minds of the negotiators, it may take up to two decades for significant changes in Africa's trade to emerge which at that point would warrant a review of the PCA. As regards the US's AGOA, ten years from 2025 is understood to be the timeframe that is, as of early 2023, being considered for a renewal of this trade concession. Yet another clue comes from ECA modelling, which projects that after full implementation of the AfCFTA gains for Africa would essentially be concentrated in intra-African trade, which could see an increase of up to 33.8 percent by 2045 as compared to a baseline without the AfCFTA (ECA, 2021). The ECA projection and the year 2045 may be considered to be a judicious timeframe for the transition period.

On the second question of inclusion of North African countries, the August 2022 US Strategy Toward Sub-Saharan Africa announced by the Biden Administration calls for the US to "address the artificial bureaucratic division between North Africa and sub-Saharan Africa". The EU has also, for example in Jean-Claude Juncker's 2018 State of the Union address, raised the prospect of a "continent-to-continent free trade agreement as an economic partnership between equals". This acknowledges that the value chains developing across the continent are outstripping artificial divisions and that trade integration for the continent as a whole will provide a more dynamic market for both imports and exports. Egypt and Tunisia are already members of COMESA, Mauritania is in ECOWAS, while Morocco has sought ECOWAS membership. Algeria, Egypt, Mauritania, Morocco, and Tunisia have ratified the AfCFTA Agreement (while Libya has signed but not yet ratified). The economic models that forecast a transformative impact of the AfCFTA are predicated on continent-wide implementation, not a sub-Saharan rump.

On the third question of multilateral legitimisation through a WTO waiver, the precedent established by the US's AGOA – which obtained a WTO waiver – suggests that this is not insurmountable. Africa's small share of global trade flows, at 2.3 percent, poses little competitive threat to the commercial interests of the world's most advanced economies. And as a member-driven organisation, with African countries accounting for a quarter of its membership, consensus on a special deal for Africa may not prove too difficult to achieve. The international trading system can accommodate a special trade deal for Africa with negligible systemic effect.

The ideal trade deal for Africa is one within a broader trade-support framework. Trade preferences alone are an important but insufficient part of the solution. The experience of trade under AGOA, the EU's various regimes, and China's DFQF regime shows that more is needed. African businesses struggle with non-tariff barriers, such as product standards, sanitary and phyto-sanitary measures, and technical norms. African businesspeople sometimes face challenges in obtaining visas, making it difficult for them to meet business partners and strike deals – especially where smaller businesses are concerned. The policy environment in African countries themselves is often not supportive either. Many African countries suffer unstable macroeconomics and deficits in trade infrastructure, trade facilitation efforts, and institutional quality.

Africa's trade partners can help by buttressing their trade preferences for Africa with a set of complementary measures. The first would be deliberate efforts to boost investment in African countries and improve the type of investment, diversifying away from disproportionate concentration on resource extraction to encourage agriculture and industry. Secondly, initiatives are needed to assist African businesses to overcome non-tariff barriers. China has shown the value of deliberate, value-chain-specific "green lanes" to fast-track agricultural exports, for instance. The third area is alignment of development assistance with trade. In programmes such as the EU's Global Gateway, China's Belt and Road, the US's Prosper Africa and Power Africa, the UK's British International Investment and British Support for Infrastructure Projects, and the multi-partner Trade Mark Africa, Africa's partners have recognised the need for investments to help reduce supply-side constraints in fields including infrastructure, energy, transport, education, health, research, and digitalisation. Yet Africa's deficits in these areas persist and more support is needed.

Africa's development partners should craft new trade deals to use trade as a key for sustainable development, the alleviation of extreme poverty, and closer integration of Africa into the world economy. With strategic sequencing to offer unilateral preferential access for African exporters now, and deeper reciprocal trade deals only when African economies are better integrated and ready, the world can create the right trade environment for Africa. Buttressed with complementary support measures, Africa's development partners can help unlock trade as an important tool for African sustainable development.

NEED FOR AFRICA TO SPEAK WITH ONE VOICE ON TRADE POLICY

The ball is not only in Africa's partner countries' court. African countries themselves do better by taking a deliberate, strategic approach to trade. For example, those with a dedicated AGOA utilisation strategy, including Ethiopia, Kenya, Madagascar, and Mauritius, performed much better. Yet most do not yet approach their trading relationships with sufficient strategic foresight, coordination, or clarification of practical objectives.

No African country, for instance, has a China strategy despite the country being such an important export destination, nor is there much evidence of coordination among African countries in their approach to China. There is more coherence in the Chinese approach towards African countries than there is within the African Union on China. And, as laid out above, Africa's trade has been splintered by incoherent arrangements between regional groups (or in some instances individual countries) and third countries.

The onus is on African countries themselves to pursue strategic coordination in engaging with external partners. African Union resolutions frequently call upon its member states "to engage external partners as one … speaking with one voice". Yet the AU Commission has no mandate to act on behalf of member states in trade negotiations (or indeed in climate talks), although it is well established that Africa is disadvantaged in both areas. Only ad hoc arrangements are put in place to coordinate negotiations.

Although the African Union maintains diplomatic representation in key capitals such as Washington, Brussels, and Beijing, African diplomatic missions struggle to engage strategically and coherently, and so underperform. Washington and Brussels offer multiple entry points for engagement, through the diverse agencies of the US executive branch and the Congressional caucus and committee system, and the EU Council, Commission, and Parliament respectively. Such pluralism may not be present in Beijing, but its concentrated power structures perhaps offer openings for coordinated African diplomatic activity. In Geneva, the African Union office lacks the capacity to provide technical services, such as drafting proposals and preparing responses, to the WTO African Group. To enhance the role of the African Union in Geneva, it is essential it is given observer status at the WTO, which it is currently denied.

To help ensure that African countries engage proactively on current and future questions that arise at the WTO, work strategically with partners, and maintain trade policy coherence, the African Union should set up a dedicated think tank on WTO and trade issues to provide its member states with policy options that support African interests. One of the emerging issues that will impact how Africa trades concerns initiatives to decarbonise national economies and the role that border adjustment measures can play in reducing the risk of carbon leakage. Another is emerging rules to govern global digital trade and e-commerce. It is essential that – already at this early stage – African countries are able to shape new global rules on trade and climate and digitalisation.

Without effective coordination, African countries are vulnerable to being outmanoeuvred in trade negotiations and in their engagement with partners. In geo-economics and geo-politics, individual African countries lack the influence to achieve meaningful outcomes that impact their development prospects. They should work together. The AU Commission must be given a mandate, direction, and resources to secure outcomes that meet African aspirations.

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A NEW TRADE DEAL FOR AFRICA, PLEASE!

Trade is one of the most powerful keys to development. But it is underutilised in the African continent where 60 percent of the world's extreme poor now live. Trade grossly underperforms in Africa. Despite having 17 percent of the world's population, the continent accounts for just 2.3 percent of world trade. Around two-thirds of that trade is concentrated in extractive industries that fail to promote sustainable economic development.

Africa's external trading arrangements do little to help. Most splinter the continent into multiple trade regimes, making it difficult for African countries to maintain coherent trade integration projects among themselves. While the trade rules agreed at the World Trade Organization (WTO) could help, many African countries are jaded with the organisation; some consider it to be in outright conflict with their development aspirations.

A new trade deal is needed for Africa. One that incentivises economic diversification, interconnected supply chains, and sustainable development. It should involve duty-free and quota-free market access as a concession to the entirety of Africa as the world's poorest continent while requiring reciprocity only following the implementation of the African Continental Free Trade Area (AfCFTA). African countries themselves must undertake strategic coordination to speak with one voice on trade policy and carry out the trade reforms required by the AfCFTA.

That would reduce global poverty, address instability and fragility, and make Africa and the world a more prosperous and secure place. It would also be in the self-interest of partner countries that would benefit from a more developed and integrated Africa that will, in 40 years, be home to more people than India and China combined.

Further information on the topic can be found here:
geneva.fes.de/

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