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BRIDGES AFRICA

Trade and Sustainable Development News and Analysis on Africa

VOLUME 7, ISSUE 1 – FEBRUARY 2018

What Way Forward for Africa at the WTO?

ICTSD
International Centre for Trade and Sustainable Development

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PUBLISHED BY
ICTSD
International Centre for Trade and Sustainable Development
Geneva, Switzerland
www.ictsd.org

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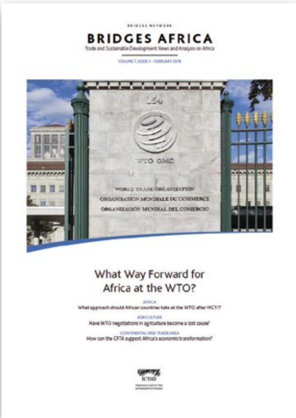
What Way Forward for Africa at the WTO?



Although expectations were comparatively low as delegations gathered in Buenos Aires last December, the outcome of the WTO's Eleventh Ministerial Conference (MC11) still came as a disappointment to many in the trade policy community and beyond. Unable to overcome their differences, the organisation's members did not agree on any substantial negotiated result and failed to define a work programme to guide future multilateral work. The only area of multilateral accord was around fisheries subsidies, with members committing to continue discussions with a view to adopting an agreement by the next ministerial meeting in 2019. And while some plurilateral initiatives on issues such as e-commerce, gender, investment facilitation, or micro, small, and medium-sized enterprises gathered a significant level of support, the discussions remain to be structured and organised.

The times seem particularly challenging for Africa in the multilateral arena. Ahead of MC11, the African group had identified six priorities related to (1) domestic subsidies in agriculture, (2) cotton, (3) public stockholding for food security purposes, (4) a special safeguard mechanism, (5) fisheries subsidies, and (6) special and differential treatment – an area where the African Group, as part of the G90, made a proposal ahead of MC11. With the exception of fisheries, where success is not guaranteed, no significant progress is in sight on these issues, and it seems unlikely that the momentum will pick up in the near future. Most African nations have also decided at this early stage not to partake in the major plurilateral initiatives, the most notable exception being Nigeria.

This context raises many questions about the future of WTO negotiations and the manner in which African countries should continue to engage in multilateral trade talks. Can the WTO's negotiating function be energised and produce meaningful results for development and least developed countries? What approaches should African countries adopt to best advance their interests in Geneva? This issue explores these questions.

In the lead article, Christophe Bellmann considers three potential strategies for the African group at the WTO in the post-Buenos Aires era, highlighting that none of them stands out as a clear first choice. This analysis is complemented by another piece in which Kimberly Elliot looks retrospectively at multilateral negotiations in agriculture and tries to answer the question of whether members have a credible option for moving forward. The third article, written by Paul Batibonak, offers insights on potential steps that could be taken to re-establish trust between countries and initiate constructive dialogue at the WTO.

This issue also contains a contribution dedicated to the CFTA, in which Judith Fessehaie analyses how this mega-free trade agreement could help Africa respond to its economic transformation imperative. Finally, the last piece by Katrin Kuhlmann examines the potential for mutually beneficial US-African economic relations under the Trump administration, underlining areas that could constitute shared priorities.

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AFRICA

After the WTO's Ministerial Conference, Where Next for Africa?

Christophe Bellmann

In the aftermath of the December WTO Ministerial Conference in Buenos Aires, pessimism about the future of the institution has been reaching record levels and no clear plan has emerged yet on where to take the WTO next. In this rather bleak environment, what are the possible options for African countries to advance their trade and development priorities?

The outcome of the WTO's Eleventh ministerial conference (MC11) has been disappointing to most observers. Other than a political commitment to conclude negotiations on fisheries subsidies by the next ministerial and a rollover of old moratoriums on non-violation complains in the area of intellectual property and on the taxation of electronic transactions, MC11 did not yield any substantive results. No progress has been achieved either on any of the core areas of concern to African countries like food security or development, despite the large number of proposals tabled ahead of the conference. Ministers even failed to agree on a joint declaration, leaving members and observers wondering where to go next and how to address unresolved issues under existing mandates. In light of this impasse, the last day of the conference saw several proponent groups issuing ministerial statements announcing more structured work towards future plurilateral negotiations, notably on e-commerce and investment facilitation.

For African countries who have decided not to join such new initiatives, the lack of multilateral outcomes may raise significant concerns. It hardly comes as a surprise, however. Expectations were already low before Buenos Aires, notwithstanding repeated statements highlighting the importance of a vibrant rule-based system. Intransigent attitudes combined with hostage-taking practices by several large WTO members did the rest. The ensuing move towards plurilateral initiatives is not surprising either. With members largely divided on so-called "new issues" such as digital trade, the push emulates earlier attempts at exploring new approaches through initiatives like the trade in services agreement (TISA), the environmental goods agreement (EGA) or the information technology agreement (ITA II). In a similar vein, the tensions that prevented a consensus on a future roadmap for negotiations can be traced back to long-standing attempts by several large players at obtaining higher levels of commitments from emerging economies. In fact, members already failed to reaffirm the Doha mandate at the previous ministerial conference, with the final declaration explicitly acknowledging opposing viewpoints without reconciling them. In a way, Buenos Aires is only the latest and arguably clearest manifestation of a trend which has developed for nearly ten years.

What is new?

What has changed this time, though, is the method adopted by some countries to pursue their interests, as exemplified by the new US administration's stance on trade. To be clear, the underlying concerns remain largely the same: faced with a growing trade deficit, the US continues to blame unfair practices by emerging economies, including industrial subsidies and forced transfer of technology. For the White House, the WTO has been unable to deal with state capitalism – as shown by the controversy over China's market economy status – and has treated the US unfairly by repeatedly condemning Washington for its approach to antidumping. On rule making, the US keeps insisting on the need for further differentiation among developing countries and for moving away from the Doha Round approach altogether, possibly towards more plurilateral approaches.

While pursuing this same line of argumentation, the US has however started to use more radical methods to assert its concerns. Most visibly, Washington has blocked the nomination of new appellate body members at the WTO – a move which will paralyse the whole dispute settlement mechanism if not solved in the coming months. After pulling out of the Trans-Pacific Partnership (TPP) and pushing for a renegotiation of NAFTA and the US Korea FTA, the White House has resorted to new safeguard measures at the risk of opening the floodgates of protectionism against. More generally, after playing a leading role in shaping the multilateral trading system since the end of World War II, the US is now increasingly disengaging from multilateral talks.

What are the option for Africa?

Confronted with this unprecedented reality, African countries need to reassess their strategy at the WTO. Three main options come to mind. Each has its pros and cons.

A first approach may consist in adopting a "business as usual" attitude by tabling proposals and ideas on how to move forward on issues of particular concern to the African Group. After all, Buenos Aires gave a clear mandate to continue negotiations on fisheries subsidies with a view to concluding them by MC12. This remains a priority area for the Group and should be pursed energetically. In other areas, in the absence of any contrary instructions, previous mandates arguably still apply. This was confirmed by Susana Malcorra's chair summary at the end of the last ministerial conference, which reiterated that "Members agreed to advance negotiations on all remaining issues, including on the three pillars of agriculture, [...] as well as non-agriculture market access, services, development, TRIPS, rules, and trade and environment." While Buenos Aires did not deliver on several of these issues, negotiations prior to the ministerial saw constructive engagement, particularly on agricultural domestic support with a flurry of new ideas being tabled. Members can take this process where they left it and work towards a consensus by 2019. The main arguments in favour of such an approach is the recognition that as long as certain issues – such as public stockholding for food security purposes – are not resolved, it will be politically difficult to move forward on other issues. In some areas, there may be scope for exploring new creative solutions, for example on issues such as special and differential treatment. This approach, however, implies that other members are willing to engage constructively. It is also difficult to see how applying the same recipe that has failed to deliver results over the last 10 years could suddenly lead to a different result. For these reasons, a pure "business as usual" approach is probably bound to fail. This does not mean, though, that new ideas to address longstanding problem cannot help achieve some incremental steps on a few issues.

An approach may consist in helping bridge the gap among large players and foster engagement on the concerns raised by them, which would only make sense if it creates leverage for the African Group to advance its own priorities.

A second approach may consist in recognising that under current political circumstances, nothing can be realistically achieved at the WTO. In this context, African countries should disengage, at least in the short run, and wait for the stars to re-align. In practice, this approach could simply consist in restating maximalist positions in areas where African countries have specific interests (e.g. agriculture, cotton, S&DT) and blocking progress where they are not proponents. This would guarantee a total paralysis of the system, but at least would allow African countries to keep all their bargaining chips intact in anticipation of future negotiations if and when some of the large players decide to come back to the table. The downside of this approach is obviously the high risk of further undermining the multilateral trading system upon which many African countries rely, with no guarantee that talks would pick up again in the near future. New rule-making may shift to plurilateral initiatives and tomorrow's trade disciplines may end up being designed without inputs from most African countries. More importantly, this approach does not help to address the urgent development concerns behind the proposals articulated by the

African Group. Finally, it fails to recognise that the underlying concerns behind the US current positions are likely to remain even if the US administration changes.

A third approach may consist in helping bridge the gap among large players such as the US and China and foster engagement on the concerns raised by them. Such an approach would of course only make sense if it creates leverage for the African Group to advance its own priority issues. One of the main challenges facing the system post-Buenos Aires will consist in finding what would prompt the US to "release the hostage" in the appellate body nomination process and to re-engage in multilateral talks. This may require addressing some of Washington's concerns. Put more simply, the US grievances against multilateralism arguably call for an in-depth reform of the WTO. This can be seen as an opportunity for engagement and even form the basis of a new negotiating agenda, assuming that African concerns can be introduced in the mix. For example, if the US is unhappy with existing subsidy rules as they apply to some members, this may represent an opportunity for revisiting the Agreement on Subsidies and Countervailing Measures (ASCM) and address some of the African Group's longstanding proposals in this area. Obviously this assumes that members are willing to engage in good faith in such multilateral discussions, as opposed to solving their problems bilaterally. At present, this is far from certain. Nor is it clear that those key players would be more inclined to make concessions in this configuration than they were under the Doha Round.

To sum up, all the approaches suggested above entail significant risks and high uncertainties. As such, none of them is an obvious choice for African countries.

Beyond multilateralism

The launch of plurilateral initiatives on e-commerce and investment facilitation will further remove leverage and trade-off opportunities for African countries to advance their priorities. This is, nonetheless, where discussions are likely to move in the short run, even if so far none of these initiatives has really secured a critical mass of WTO members. African countries concerned about such initiatives have no real means to stop them. At most they can try to revive multilateral deliberations on some of these topics (e.g. through the work programme on e-commerce). Others in the African Group have already decided to join such initiatives, with some even playing a leading role. This is obviously a strategic choice for each country to make, but clearly participating in such initiatives will provide more opportunities to engage and influence outcomes than remaining outside.

Beyond the WTO, negotiations under regional and bilateral free trade agreements will continue to be the main locus for trade integration. Under such circumstances, African countries should make sure that they do not put all their eggs in the same basket. Regional integration at the continental level offers significant opportunities to foster economic transformation (see the article by Judith Fessehaie in this issue). Brexit will provide a good occasion for African countries to rethink their trade relation with the EU. Finally, emerging economies like China and India will continue to grow as strategic partners and offer new export opportunities. More than ever, taking advantage of these alternative avenues will be essential in advancing Africa's sustainable development aspirations.

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AGRICULTURE

The WTO, Agriculture, and Development: A Lost Cause?

Kimberly Ann Elliott

Disciplining agricultural protectionism has long been a challenge for trade negotiators. The Doha Round stumbled over it and the impasse over public stockholding continues. Should the WTO just give up on agriculture?

In the early 2000s, subsidies and trade barriers in rich countries were helping drive down agricultural prices, leaving poor farmers in developing countries struggling to support their families. Campaigns such as Oxfam's "Make Trade Fair" brought celebrity-level attention to the global harm done by the hundreds of billions of public dollars going to relatively well-off farmers in high-income countries. Just a few years later, commodity prices spiked, the value of subsidies fell, and food-security concerns moved front and centre as consumers rather than producers felt the pain of global price volatility. A decade later, food prices are down somewhat and subsidies are rising, including in large emerging markets. Slashing these subsidies was a central goal of developing-country negotiators when the WTO launched its Doha Round of trade talks in 2001. Unfortunately, deep disagreements over agriculture and food security repeatedly blocked progress, and the Doha Round is generally recognised as dead, if not buried.

While WTO members agreed at the Nairobi ministerial conference in 2015 to eliminate export subsidies, a permanent solution setting rules for public stockholding programs in developing countries remains elusive. Indeed, the Eleventh Ministerial Conference in Buenos Aires ended with no decisions and no agreement on a work program for agriculture. That is partly the result of the new Trump administration's stated scepticism regarding multilateralism in trade generally, and the WTO in particular. But India's intransigence on the public stockholding issue, and on agriculture more broadly, also contributed.

Deadlocks over agricultural trade are not new, however. The Uruguay Round of trade negotiations, launched in Punta del Este in 1986, was the first to even try to address the array of trade-distorting agricultural policies in a serious way. Those negotiations succeeded in creating an elaborate framework of rules, but they largely failed to rein in subsidies or trade protection in industrialised countries. The Doha Round was supposed to change that, but it collapsed around the time that food prices peaked in mid-2008 and there has been only limited progress on narrow issues since then.

Some argue that agriculture is now of such small importance in international trade that the WTO should move on and focus on new, 21st-century issues. But agriculture is still important for developing countries, especially in Africa, for both food security and livelihoods. The challenge is that food security is particularly politically sensitive and policymakers want flexibility (policy space) to address it. In practice, the policies adopted in developing countries, just like those adopted many years ago in today's industrialised countries, are often expensive, ineffective, and impose spillover costs on neighbours. The WTO could help by guiding policies in less distorting directions and reducing the negative spillovers for others – if member countries find the political will to let it.[1]

The long road to an impasse on agriculture

Agricultural reform has long been a tough nut to crack. The US adopted "temporary" programs in the 1930s to help farmers simultaneously battle the Dust Bowl and the Great Depression. Despite dramatic changes in the structure of American agriculture since then, the US Congress still approves farm bills every five years or so that provide an array of support programs for farmers. Though the figure has dropped to just under 10 percent in recent years, more than one-quarter of total US farm receipts were courtesy of Uncle

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Though the figure has dropped to just under 10 percent in recent years, more than one quarter of total US farm receipts were courtesy of Uncle Sam as recently as 1999, according to the Organization for Economic Co-operation and Development (OECD).

Sam as recently as 1999, according to the Organization for Economic Co-operation and Development (OECD). Japanese farmers are dwindling in number and most are 65 years old or older, yet the government still maintains a tariff of more than 700 percent to protect rice farmers. And while the EU has reformed the Common Agricultural Policy (CAP) to make it far less trade-distorting, it still transfers tens of billions of dollars to farmers every year.

Some argue that agriculture is now of such small importance in international trade that the WTO should move on and focus on new, 21st century issues. But agriculture is still important for developing countries, especially in Africa.

While it might seem that having a relatively small number of farmers should reduce their political clout, the opposite is often true. Smaller numbers of larger, wealthier farm operations find it easier to organise and lobby to protect their interests. For most people in high-income countries, however, food is a small share of the total consumption basket. They generally will not feel strongly enough to vote, or to pony up campaign contributions, because they oppose farm subsidies.

Weak foundation: The GATT fails to discipline agriculture

The strength of the agricultural lobbies in key countries plagued efforts to negotiate international rules to discipline these policies from the beginning. While the General Agreement on Tariffs and Trade (GATT) prohibited export subsidies and import quotas for manufactured products, it allowed them for agricultural commodities. Tariff cutting negotiations over the years after the GATT launched in 1947 also fell far more lightly on agricultural commodities than on manufactured goods. As a result, tariffs on agricultural products are typically higher than those on industrial products: six to seven times higher in the EU, Japan, and Korea, three times higher in Canada and India, 50 percent higher in China and the US.

The Uruguay Round Agreement on Agriculture was a step forward in at least making agricultural policies subject to international trade rules aimed at bringing them under control. It proved to be yet another disappointment, however. European negotiators ensured that the rules reflected reforms they had already adopted; Japanese negotiators insisted on keeping extraordinarily high barriers to rice imports; and the US took advantage of that to retain protection for sugar and dairy products. Overall, the constraints were loose enough that they had little impact in practice.

The Doha Round stalls over agriculture

When the WTO decided to launch a new round of negotiations in Doha, Qatar, in 2001, real agricultural prices were near historic lows. Tightening the rules on price-depressing agricultural subsidies and trade barriers was at the centre of international trade negotiations. This time, Brazil and other developing-country exporters were in the forefront demanding reform. US negotiators, who had been in the lead demanding reforms from Europe and Japan during the Uruguay Round, found themselves on the defensive in the new round because of the late-1990s' spike in US subsidies after prices plunged.

Then food prices began to rise and things changed dramatically. Although food prices have been up and down in recent years, they remain well above the levels of the early and mid-2000s. And, at least temporarily, that shifted attention from the effects of low commodity prices on poor producers to the effect of high food prices on poor consumers. Many developing-country governments tried to insulate consumers from price spikes. According to the Food and Agricultural Organization, 25 countries imposed restrictions on food exports in 2007-08; import-dependent countries also lowered tariffs and taxes on food. Russian restrictions on wheat exports contributed to a second round of price spikes in 2010. These policies made sense to each country individually, but in the aggregate they drove global food prices even higher and left everyone worse off. Export restrictions also tend to undermine food security in the long run because they reduce incentives to expand production.

Although it lingers on life support, the Doha Round effectively died at a ministerial meeting in July 2008. Paradoxically, the 2008 ministerial broke down largely because American and Indian negotiators could not resolve a disagreement over how much latitude developing countries should have to raise tariffs when prices are falling and imports are surging.[2] In essence, India's negotiating stance since then has been that the WTO should permit developing countries to do pretty much anything in the name of food security, whatever the costs to their own or other countries. To make things more complicated, China, along with India and other emerging markets, have begun to provide substantial support to their agricultural sectors.

Options for Moving Forward

Where the WTO could still play a useful role is in helping to steer countries in the direction of policies that are less trade-distorting, using negotiations to lock in any reforms that are achieved. The question is how to do this now that the Doha Round has failed and there is no agreement on what should replace it. At least for the moment, big rounds conducted as single undertakings in which nothing is agreed until everything is agreed seem no longer viable. In a few areas, subgroups of "like-minded" countries are pursuing plurilateral negotiations with the aim of reaching agreement on issues that might or might not be extended to other WTO members or brought under the WTO umbrella. But could that work for agriculture? Another option is to continue to pursue incremental progress on an issue-by-issue basis, as was done successfully in Bali on improved implementation of tariff rate quotas and in Nairobi on the elimination of agricultural export subsidies.

On the first alternative, there are reasons to be sceptical of a plurilateral approach for agriculture. Existing regional trade agreements (RTAs), which are to varying degrees "plurilateral," typically do not address domestic support for agriculture at all. This is because exporters inside them do not want to end up competing with subsidised exports from parties outside the agreements. To get around that problem, and to be meaningful, a broader plurilateral agreement on agricultural issues would have to include key players that have contributed to the current WTO impasse, including the US and India. It is unclear how that would lead to a better outcome.[3]

Rather than holding out for a grand bargain that may never come together, WTO members should pursue progress where and when they can.

Continuing to pursue an incremental approach on an issue-by-issue basis may be a more fruitful approach. Among the items that should be at the top of this list are efforts to improve institutional functioning in the agricultural area. This includes effective implementation of the Uruguay Round disciplines relating to timely notification, as well as the recent ministerial decisions on tariff rate quotas and export subsidies. Elimination of export subsidies in Nairobi was an important achievement, even though use of such subsidies is currently minimal, because it ensures that countries will have to bear more of the costs of their own subsidies if they increase them in the future. Aggressive monitoring of the new commitments on export competition will also keep pressure on the US to reform its notorious food aid practices and reduce the subsidy element of its agricultural export credit programs.

Members need to find a solution on public stockholding programs that does not permanently open a major new loophole for providing producer support. There are many proposals for how to do this with relatively modest changes to the Uruguay Round Agreement on Agriculture if only members would negotiate in good faith.[4] Modest steps providing for transparency and consultations with affected members before using export restrictions in the midst of food price spikes could be another part of an incremental agenda. The former chair of the WTO committee on agricultural negotiations, Vangelis Vitalis of New Zealand, listed a number of other specific issues that would improve the functioning of global agricultural markets, "including tropical products, tariff escalation (whereby tariffs increase along processing chains), tariff peaks (i.e. relatively high tariffs amidst generally low tariff levels), converting tariffs into ad valorem rates (i.e. tariff rates in proportion to the estimated value of the goods)," etc.[5]

In sum, the single undertaking approach to trade negotiations, and the Doha Round along with, have reached a dead end. Rather than holding out for a grand bargain that may never come together, WTO members should pursue progress where and when they can. In agriculture, with domestic support programs spreading into large emerging markets, there would seem to be more than enough costly and trade-distorting policies in place to provide bargaining chips for a deal just within agriculture. And it could evolve into a substantial, sectoral package if enough countries become frustrated with rising costs – to their budgets or their exports. In the meantime, an incremental approach will be slower and less ambitious than many would hope, but it is better than no progress at all.

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1. This essay draws on my recent book, *Global Agriculture and the American Farmer: Opportunities for U.S Leadership* (Washington: Center for Global Development, 2017), and the earlier synthesis of political economy research on agricultural policy in *Delivering on Doha: Farm Trade and the Poor* (Washington: Center for Global Development and Institute for International Economics, 2006).

2. "Agricultural Safeguard Controversy Triggers Breakdown in Doha Round Talks." *Bridges Weekly*, 7 August 2008. http://bit.ly/2nTeJip

3. For a more optimistic view of this option, see the arguments of Aluisio de Lima Campos here, http://bit.ly/2Bj2jbV.

4. Franck Galtier provides one such proposal, and also compares it to others that may be of interest, in *Looking for a Permanent Solution on Public Stockholding Programmes at the WTO: Getting the Right Metrics on the Support Provided,* E15Initiative, Geneva: International Centre for Trade and Sustainable Development (ICTSD) and World Economic Forum, 2017. http://bit.ly/2BhXMpW

5. The summary of the chair's report from a May 9 meeting is available at http://bit.ly/2EdfRUH; see also the 8 March 8 2016 news item from the WTO agriculture negotiations at http://bit.ly/2EpMi5Y, (both accessed June 6, 2016).

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DEVELOPMENT

Surviving the Growing Disconnect Between Trade and Development

Paul Batibonak

With the failure of the Eleventh Ministerial Conference to produce any substantial results, the WTO has reached an impasse. From an African perspective and fired with a constructive spirit, this article explores potential leads for moving forwards.

In the absence of results from the last WTO ministerial, held in Buenos Aires in December 2017, the organisation once again finds itself with its back to the wall. Based on the ideas put forward to try to find a breakthrough, some analysts are trying to put the onus for taking initiatives on developing countries, insinuating that the weakest have the greatest need for a multilateral trading system (MTS).[1] This system was, however, set up in 1947, when they were numerically in a minority and commercially marginal. The WTO system that succeeded the GATT has rather worsened the existing asymmetries, despite the launching of the Doha Round – also known as the Doha Development Agenda (DDA) – in order to try to reduce the imbalances brought about by the Uruguay Round. In this effort, the promises of the developed countries have never really materialised. Since 2013, the latter have become less cooperative, including on subjects which only benefit the less developed countries (LDCs). Today, instead of development, industrialised countries are suggesting new subjects that favour their economies, such as investment, competition, deregulation in services, and e-commerce. In all likelihood, this approach is designed to preserve, if not prioritise, the interests of a Western world in full competition with Asia's trading powers. How can we remain constructive in a context where wealth accumulation and power maximisation rationales end up endangering the rules that structure a MTS which benefits everyone?

In this article, instead of dwelling on the reasons for this failure, the idea is to explore – from a technical point of view and an African perspective – ideas that could lead to a breakthrough, while preserving the interests of all the members of the WTO. After an overview of members' positions, which sheds light on the main barriers to successful negotiations, propositions applying as much to the processes as to the substance will be analysed, taking into account inclusion, efficiency, and legal requirements.

An overview of the barriers and differences between members

Many factors help explain the current deadlock in the Doha Round negotiations. These obstacles are cyclical, structural, or even systemic. Some come from the normal negotiating tactics of countries, while other constitute real barriers. Nevertheless, whatever they are, it is always up to the members to decide just what constitutes a red line for them. Based on the declared interests, the members' positions and demands fall into three groups.

The first group – a minority – is composed of members united around the "anything but the DDA." They find it difficult to recognise the central role of the WTO in the multilateral trading system. They consider that this organisation is not the reference in world trade and that the system that it embodies is only one among others. This opinion is questioned by factual information, in the sense that this system is the only one to claim to cover more than 98 percent of world trade and the only one to have a universal vocation. Its members are equally in agreement about its imperfections as about the fact that it still remains the least bad. The second group – also a minority albeit still larger than the first – believes that there is "not only the DDA." According to the views of these members, the Doha Round is not enough to lead to an agreement. Among them are the champions of the "new issues."[2] Then there is the third group. It covers the majority of members and is made up of countries that claim "the DDA above all" The members of this group are seeking more development and hold quite explicit positions concerning what the term trade should cover in the WTO context. By way of example, they consider that regulation should not be treated as being part of trade rules.

From a technical point of view, the members' apparently irreconcilable positions are only a facade. They are merely envelopes that hide the actors' tactics. The problem would seem to be elsewhere. In 2012 already, Pascal Lamy claimed that "the growing influence of the emerging economies has displaced the balance of power."[3] It is thus the interests and stakes of power that are behind the deadlock. Development is at the heart of the DDA. Poorly defined to start with, this concept has ended up being exploited. For Marc Abélès' team of anthropologists, development is the pretext used by industrialised countries to attract developing countries to the negotiating table.[4] Without better market access, which is the real issue of the Doha Round for developed countries, the DDA lacks interest, unless it includes new subjects.

The underlying atmosphere of suspicion destroys any chance of furthering the WTO negotiations. To re-establish trust, the organisation's members could explore several leads.

For developing countries on the other hand, development is synonymous with less than full reciprocity, policy space, special and differential treatment, aid for trade, and technical assistance. In truth, the choice of subjects and the way they are handled determine the extent of the gains and the distributive dimension of the negotiations. On 13 November 2000 in Libreville, Mike Moore – at the time Director-General of the WTO – declared that "trade liberalisation in agriculture alone would be worth more than three times all the ODA put together." Pushing development to the margins by insisting passionately on including new subjects is not merely a tactical game but a strategy for controlling gains. As per Gérard Kébadjian's analysis, "international economical phenomena are predetermined by power relationships on an international scale, relationships that are governed by nation states and the main private operators, and that are crystallised in the international economy's institutions."[5]

Insofar as gains are concerned, it is not possible to arrive at a balancing point, and even less to reach the target of reducing the imbalances caused by the Uruguay Round and previous rounds without a legal and commercial assessment. In this respect, developed countries are taking an uncompromising view of the liberalisation of emerging economies.[6] They consider that it would be easier to find a balance in the negotiations if emerging countries would open up their markets a little further.

To win their case, members cling to arguments that best protect their interests. Some insist on the importance of maintaining the relevance of the WTO in the twenty-first century, pushing the need to comply with the system's rules into the background, while others call for them to be followed. The latter cling to the effectiveness and the validity of the DDA. Generally, developing countries ask for more development through trade while developed countries call for more trade openness. This tension has existed since the birth of the GATT. The positions of the parties and the stakes being known, it would be desirable to concentrate on the processes as a priority.

Guaranteeing the credibility of the system and building trust between members

The underlying atmosphere of suspicion destroys any chance of furthering the WTO negotiations. To re-establish trust, members could explore several leads, some of which were mentioned during the preparations for the organisation's eleventh ministerial.

Choosing clarity and compliance with the rules
Members are focused on their individual interests and are playing a fool's game with counterproductive effects. Even before negotiations had started for the Buenos Aires ministerial, the WTO Secretariat had changed the name of the Trade in Services Division to the Trade in Services and Investment Division, and that of the Division for Intellectual Property and Government Procurement to the Intellectual Property, Government Procurement and Competition Division. Although this is within the mandate of the Director-General, developing countries have linked these changes with the forced entry of new subjects into the DDA negotiations. This approach only encourages mistrust rather than building trust. The controversy caused by these changes has added to the suspicion fuelled by the creation of a framework of negotiations running parallel to the competent body (the Trade Negotiations Committee), which has only succeeded in clouding the situation even further. To rebuild trust, the existing rules need to be used to create new rules.

Choosing realism and discussing the end of the DDA
Members avoid talking about the end of the Doha Round. However, deciding to end the DDA would reflect the acceptation by all members of a moment of truth, which would constitute progress in the current context. The current reality should be recognised. Nevertheless, even if the DDA cannot be concluded, it should at least be audited and assessed. In this respect, it should be noted that certain pertinent provisions exist. Paragraphs 45 to 49 of the Doha Ministerial Declaration provide the elements that should guide the ending of the eponymous round. To end it, members should ensure the global balance of the negotiations. Thus, the round's assessment or audit would be a prerequisite.

Organising a debate at the WTO on development
According to several developed countries, the traditional approach to development based on special and differential treatment is destined to failure. They believe that the evolution of the situation of the various developing countries (emerging economies, non-emerging economies, LDCs and small vulnerable economies) justifies a debate on the effects of free trade and its role in their development. It is entirely logical that they would therefore insist on the need for new discussions on development. Even though some developing countries have moved from "policy takers" to "policy makers", it should be noted that no developing country fulfils all the criteria to be considered a developed country, and that trade performance on their own are not enough. Additionally, with members not having needed to even define the concept of development to arrive at an agreement on trade facilitation, they should not need it to carry out an assessment of the DDA, which should not be particularly complex.

If the WTO is a reference point in trade matters, it would be a mistake to grant it a certain omnipotence. It is probably this asymptotic line that is taking a long time to establish.

Defining what the term trade covers in the context of the WTO
A productive discussion on development could help clarify members' positions in the negotiations on new questions such as e-commerce, competition, or investment facilitation. However, members should also provide a clearer definition of what the term trade covers in the context of the WTO. Developed countries have not stopped "pushing the frontier," even going so far as to want to control the way trade measures are designed at the domestic level. For example, the proposal JOB/SERV/272/Rev.4 put forward relating to trade in services no longer only relates to trade. In this set of "behind-the-border" measures, legal and even institutional adjustments are expected from members. The co-authors seem to intend to control the mechanism of internal regulation and not only trade. If this is not the case, then how should we interpret the fact that the

proposed discipline would authorise economic operators to send explanation requests to governments? By defining just what the term trade covers at the WTO, members can easily determine the link between trade and development. They could also trim down the long list of new subjects. If the WTO is in charge of trade, it is less so when it comes to factors that determine trade and should not therefore become a "catch-all" organisation.

By way of conclusion

All in all, the paralysis of the WTO remains regrettable. In this time of plural transition – as much in terms of production methods as in the choice of economic models – returning to the negotiating table would likely be the way to go. The WTO can legitimately follow the objective of globalisation by supporting the conditions of efficiency and stability of markets. In doing this however, redefining a better profit split between states and multinational companies would be necessary to preserve social stability. These future negotiations should endeavour to rediscover the initial aims of the DDA and clarify the globalisation-development relationship through a "compromise combining the recognised advantages of globalisation with the protection of national interests."[7] If the WTO is a reference point in trade matters, it would be a mistake to grant it a certain omnipotence. It is probably this asymptotic line that is taking a long time to establish.

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1. Ideas Centre, « CM-11 : aller de l'avant pour les Pays en voie de développement » (Going forward for developing countries), Newsletter dated 21 December 2017.

2. It refers mostly to investment, competition, electronic trade (in a new approach) and micro, small and medium-sized enterprises (MSMEs).

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4. Abélès, Marc (Dir.), *Des anthropologues à l'OMC. Scènes de la gouvernance mondiale*, Paris, CNRS Editions, 2011.

5. Kébabdjian, Gérard, *Les théories de l'économie politique internationale*, Paris, Le Seuil, « Points »,1999, p.8.

6. Abbas, Mehdi, « Libre-échange et développement. Les Suds dans le système commercial multilatéral », *Revue internationale et stratégique*, vol. 4, n°108, 2017.

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CONTINENTAL FREE TRADE AREA

How Can the CFTA Help Africa Respond to its Economic Transformation Imperative?

Judith Fessehaie

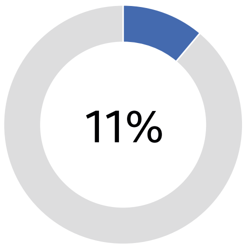
Despite the substantial growth of their economies over the last decades, many African countries are still struggling to transition to higher value-added economic activities. In a global trade context marked by substantial challenges, how can the CFTA support Africa's structural transformation?

Notwithstanding the spectacular economic growth registered in the 2000s, economic transformation has eluded most African countries. Yet, Africa's progress in achieving the Sustainable Development Goals (SDGs) impinges on changes in the structure of the continent's economies. In today's complex economic and trade environment, setting in motion such a transformation process is no easy task, and doing so will require Africa to address at least three central global challenges: the crisis of the multilateral trading system, declining commodity prices, and the restructuring of global value chains (GVCs).

The crisis of the multilateral trading system means that Africa's priority issues are unlikely to be addressed in the short-term at the multilateral level. At the WTO's Eleventh Ministerial Conference (MC11) last December, the lack of political will to reach a compromise resulted in nothing to show on core priority issues for Africa and lest developed countries (LDCs), namely agriculture, special and differential treatment, and fisheries. Looking ahead, there is no roadmap to continue advancing development issues in these negotiations, and the largest players are now focusing on whether and how to revive multilateral negotiations rather than addressing LDCs- or Africa-specific issues. One of the most significant outcomes of MC11 has been that discussions on e-commerce, investment facilitation, domestic regulations and MSMEs will continue notwithstanding the concerns and opposition of most LDCs and African countries. With these rather grim prospects for substantial outcomes at the multilateral level, most countries will pursue their trade objectives through plurilateral, regional, and possibly mega-regional initiatives, to which Africa is largely not party to.

At the same time, the commodity price boom is coming to an end. As a result, Africa's current account deficit rose from -3.4 percent of GDP in 2013 to an estimated -7 percent in 2016. Between 2011 and 2016, Africa's merchandise exports dropped by 11 percent per year, services exports by 6 percent and inward FDI dropped from 3.1 percent of GDP to 2.7 percent of GDP. These trends reflect the continued vulnerability of African economies to commodity price fluctuations, a persistent problem in the continent's history.

Finally, participation and upgrading in GVCs are becoming increasingly difficult because the structure of GVCs is changing. Services value added make up approximately 50 percent of world trade in value added, and cross-border e-commerce is expected to account for 30 percent of all global business to consumer transactions by 2020. Yet, services competitiveness and e-commerce are two areas where Africa lags behind other regions. Since the 2008 global economic crisis, lead firms have been consolidating their supply chains in favour of larger suppliers. Research by ICTSD studying GVCs in the apparel sector finds that global buyers expect suppliers to move into pre- and post-production tasks and meet increasingly stringent private standards, including voluntary sustainability standards.[1] As lead times and labour costs in China rise, an increasing number of buyers are shifting to regional suppliers. In 2016, more than two thirds of European exports and more than half of Asian exports were regional. African producers have struggled to insert themselves in these highly competitive regional value chains in Europe, Asia, and Central/North America. For example, IKEA, the world's largest home-furnishing retailer, sources from about 1,220 suppliers in 55 countries, with only one major supplier country in Africa.



Between 2011 and 2016, Africa's merchandise exports dropped by 11 percent per year, services exports by 6 percent and inward FDI dropped from 3.1 percent of GDP to 2.7 percent of GDP.

In this context, the CFTA offers a strategy to open new markets for African producers, which is particularly important in light of preference erosion in traditional markets. If negotiated and implemented successfully, such a continent-wide integration project can promote economic diversification away from commodities; unlock firm productivity through greater scale economies, agglomeration effects, and increased competition; and embed trade-related reforms in areas such as services, regulations, and trade facilitation to make African businesses more competitive in regional and global value chains.

Regional value chains for economic transformation

Regional value chains (RVCs) can help African value-added producers to enter and upgrade in export markets. African businesses can find it easier to enter regional markets characterised by similar consumer taste, less sophisticated marketing and distribution channels, less stringent standards, and fewer information asymmetries. In 2016, intra-African trade accounted for only 18 percent of African exports, but one third of exports of manufactured goods. Between 1998 and 2014, intra-African trade accounted for 57 percent of export growth for capital goods, 51 percent for processed foods, 46 percent for consumer goods, and 44 percent for processed industrial supplies.

RVCs tap into fast-growing demand driven by urbanisation and the rise of the African middle class. It is estimated that the continent's middle class will reach 1.1 billion people (42 percent of total population) in 2060, pulling demand for higher value-added goods and services. Some studies suggest, for example, that the rise of the middle class in Eastern and Southern Africa could drive a seven-fold growth in the consumption of high-value processed foods by 2040. African-based companies like Tiger Brands (South Africa), BIDCO (Kenya), Blue Skies (Ghana), and Camlait (Cameroon) are responding to the challenge by capitalizing on their market knowledge and established supplier and distribution networks. The rise and expansion of SMEs across the continent has been noteworthy too, in particular in processing and distribution of staple goods and dairy products, as well as in beer brewing. RVCs can also be important platforms to supply global markets, although this requires countries to develop complementary capabilities in the manufacturing of intermediary products, assembly, and logistics.

Opening up and deepening regional markets

Intra-African trade has grown, but this is largely reflective of trade in final goods from larger economies such as South Africa, Nigeria, and Kenya to their respective regional economic communities (RECs). However, building RVCs structured around growing intra-regional trade in intermediate products can deliver win-win outcomes across the continent. For example, in the Southern African apparel RVC, South African firms have invested in Lesotho and Swaziland, and Mauritian firms in Madagascar, to supply South African clothing retail chains.[2] Compared to firms supplying overseas markets, firms supplying regional markets have moved into more complex and profitable products and tasks. In Eastern Africa, agro-processing firms traditionally supplying EU supermarket chains have entered the supply chain of regional supermarket chains. In doing so, they diversified markets, reduced exposure to global market volatility, and successfully re-negotiated price and payment conditions with EU buyers.

Political will to create larger, competitive markets is essential to create real market access for established businesses and new entrants. Across most African RECs, at least four elements stand in the way of real market access in trade in goods: non-tariff barriers (NTBs), cumbersome border procedures, complex rules of origin (RoO), and anti-competitive practices by incumbents. Research shows that while a CFTA that would only address tariff elimination would enhance intra-African trade, even more significant growth in exports and welfare would accrue from NTBs' elimination and trade facilitation.[3] Trade facilitation would have a significant impact on both the value and level of sophistication of intra-African trade. On RoO, the CFTA process can draw key lessons from the RoO regimes applied in existing RECs. Compared to COMESA, the product-specific RoO regime implemented in SADC has proved restrictive and costly for the private sector, especially SMEs, without necessarily being more effective in preventing trade deflection.[4] TFTA negotiators have opted for the SADC approach, which is likely to hamper competitive sourcing strategies from businesses and strain the negotiating capacity of smaller economies. Finally, African domestic markets tend to be small and favour high industry concentration and dominant firms. Regional cartels have been operating in fertilisers, cement, and sugar, among others. Abuse of market power harms manufacturers operating downstream or upstream the value chain, deters new entrants, and discourages investment in better processes and products by incumbent firms. The CFTA could establish an effective continent-wide mechanism to address cross-border anti-competitive practices as well as enshrine reforms and build capacity at domestic level on competition policy.

Making the most of the CFTA

African governments have adopted a comprehensive approach to the CFTA, for example by including competition policies on the negotiating agenda and by making it part of the broader Boosting Intra-African Trade (BIAT) Action Plan. Below are some policy recommendations to ensure that the CFTA promotes RVCs and economic transformation.

Ensuring a comprehensive and ambitious approach to negotiations

Coordination failures have been a well-known constraint to Africa's industrialisation. African businesses need access to complementary markets and resources to be able to compete in RVCs and GVCs. Trade negotiators often sequence and pace negotiations based on technical considerations which do not correspond to the priorities of the private sector. Real market access for businesses should be unhindered by, among others, NTBs and unnecessarily restrictive RoO. Regional institutions on competition policies should overcome weak or absent institutions in most countries, and should address not only issues related to mergers and acquisitions, but also abuse of dominant positions, again with a potential priority focus on key sectors.

Services and e-commerce contribute a rising share of trade in value added. However, not all services are created equal. Research by ICTSD finds that the most important contribution to structural transformation and the SDGs comes from backbone services, namely infrastructural services. Africa's exports of goods-related services such as freight and forwarding and aftermarket services have recorded a 9 percent per year growth between 2011 and 2016. Although this is good news, because the latter are closely associated to production and exports, other services exports have fallen during the same period. African value added producers need faster-growing backbone services. While services liberalisation can play an important role in unleashing the development potential of the services sector, complementing it with pro-competitive domestic regulations is essential in order to lower prices, increase product quality and variety, promote new entry, and widen access. At the technical level, this may require the CFTA negotiators to move beyond their confidence zone with regards to trade in services, for example with a negative list approach, and competition. African policy-makers could consider a complementary approach by combining services liberalisation with regulatory convergence (if possible), investment, and capacity building in services sectors that are essential for industrial development.

Governments should also leverage the CFTA to develop a continental approach to e-commerce which suits the development needs of Africa, based on the mandate of Agenda 2063, namely to bridge the digital divide and build an integrated e-economy that aims, among other objectives, to increase broadband penetration by 10 percent and broadband connectivity by 20 percent by 2018, use information and communication technologies (ICT) for education, and provide venture capital to young ICT entrepreneurs and innovators.

Tapping into lead firms

African lead firms are driving the development of RVCs across the region. Policy-makers should engage with lead firms to maximise their contribution to regional value chains and industrial development across borders. Policy-makers in home countries, such as South Africa and Nigeria, can provide incentives to their lead firms to invest across borders in productive and trade capacity. Home and host countries can also partner with lead firms to promote supplier and skills development across the region. Finally, development finance institutions in the largest African economies and at the regional level should be given an explicit mandate to develop productive cross-border investment.

Domestic policies to complement the CFTA

At the domestic level, building RVCs requires effective industrial and agricultural policies backed up by strong political leadership, as well as a competent bureaucracy that is responsive to the private sector's needs but also independent from it, cutting across ministries responsible for investment, skills, infrastructure, and heavily focused on implementation and monitoring. Implementation and monitoring are often the weakest elements in African policy-making, and yet they are critical to ensure institutional learning and adjustment.

Some policies likely to impact on RVCs are best implemented at the sub-national level, such as cluster development, technical and vocational education and training, and supplier development programmes in partnership with industry. For example, urban development policies can have a major impact on production and export competitiveness. African cities are home to one third of the continent's total population, but account for 80 percent of its GDP.[5] This is where one finds the most productive firms, skilled workforce, dynamic entrepreneurship, and key institutions. Policy-makers thus need to seize the opportunities offered by the CFTA and RVCs also though more local economic policies, as well as regional corridors such as West Africa's Growth Ring.

Gender mainstreaming needs purposive policies

The CFTA will have gender-differentiated welfare impacts, which will vary, across countries.[6] Research by ICTSD shows that domestic policies to increase women's access to resources matter, but also that gender equality is critical for upgrading into value chains because of the critical role women play in some of them. Examples such as tea plucking in Kenya and Sri Lanka, fish processing in Cambodia, and production supervision in the apparel industry in Myanmar are cases in point. CFTA negotiators should find innovative approaches to support trade and gender equality.

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UNITED STATES

US-African Trade: Creating Common Ground Amidst Policy Uncertainty?

Katrin Kuhlmann

As the US Administration moves forward with a trade policy for Africa and African leaders work toward regional harmonisation, common ground may be emerging focused on market opportunity, a balanced approach to the rule of law, and support for regional trade.

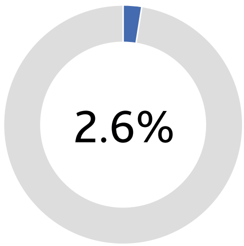
The future of trade and development policy has become a topic of intense debate in the US, UK, and around the world. Amidst significant uncertainty surrounding the direction trade policy will take under the US Trump Administration, common questions are surfacing. Who benefits from trade? What is the best response to shifting markets? How can trade agreements be better designed to respond to current challenges and opportunities? These questions are currently arising in the context of US engagement in the North American Free Trade Agreement (NAFTA), withdrawal from the Trans-Pacific Partnership (TPP), and participation in the World Trade Organization (WTO); yet stakeholders in emerging markets, including sub-Saharan Africa, have repeatedly flagged the same questions.

To date, the new US administration has publicly released little information regarding its approach to trade and development with African nations, although recent statements from US Trade Representative (USTR) Robert Lighthizer suggest that bilateral trade negotiations may be an element of future US-African trade policy. More generally, the Trade Policy Agenda for 2017, an annual report that sets US trade goals, highlighted four priority areas that will impact all US trade policy: (1) defending US national sovereignty, (2) strict enforcement of US trade laws, (3) leveraging all tools to open trade for US businesses and protect intellectual property (IP), and (4) negotiating new and better trade deals around the world.[1] These focus areas are broad and somewhat unclear, but the current policy gap does present an opportunity to answer the question of how the administration should approach trade and investment in Africa.

The New Markets Lab, a trade and development centre focusing on the intersections of law, economic development, and social good, has examined exactly this question. As this article will argue, there are several interconnected areas that are essential to better addressing issues of trade and development for both the African continent and the US. These include policies that focus on emerging market potential, a balanced approach to the rule of law, and prioritisation of regional harmonisation and integration. Focusing on these areas would not only help address the challenges of harnessing the potential for trade and development, but would also point to a way forward in US-African relations based on economic potential and shared priorities.

Opportunities, challenges, and emerging market potential

Without question, Africa's markets hold significant potential, which key US officials, including President Trump, have highlighted.[2] African policy leaders, such as President of the African Development Bank Akinwumi Adesina, have also stressed the dynamic nature of Africa's markets, including the development possible in the agricultural sector, an industry that is expected to grow to US$ one trillion by 2030.[3] Overall, Africa's average growth rate hovered at around 2.6 percent in 2017,[4] but many countries (including Côte d'Ivoire, Ethiopia, Kenya, Mali, Rwanda, Senegal, and Tanzania) far surpassed this average with growth rates over 5 percent.[5] While many attribute this trend to natural resources and foreign direct investment, there is more to the story. As a recent Brookings report highlighted, Africa is breaking the mould with a new model for economic development, leapfrogging traditional patterns of industrialisation through growth in sectors such as horticulture, tourism, and services.[6] For the US, this signals significant new markets



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for US investment, goods, and services. For African nations, it shows the tremendous possibility the future holds, particularly if economies can diversify beyond commodities and harness the potential for youth employment.

Other issues currently under discussion globally, such as digital trade, are also particularly promising for two-way market growth. E-commerce is starting to permeate almost every sector because of its ability to connect small businesses with a large consumer base. Still, transactional and logistical challenges remain. Recognising e-commerce's ability to spur economic growth, leaders are beginning to address some of these issues. Among the more substantive outcomes of the WTO's Eleventh Ministerial Conference was a joint statement by 70 WTO members to start "exploratory work" in e-commerce. Getting the rules right for this emerging sector could unlock considerable development potential in both the US and sub-Saharan Africa.

Trade policy tools

For nearly twenty years, US trade with sub-Saharan Africa has been facilitated mainly through trade preference programs, namely the US Generalized System of Preferences (GSP) and African Growth and Opportunity Act (AGOA), which provide preferential and duty-free treatment on thousands of products entering the US market. The Trump Administration has signalled that these programs will remain a priority, and there is strong evidence that continued support for trade preference programs aligns with the broader US trade strategy. AGOA, which expires in 2025, will likely remain a cornerstone in US-African relations. However, GSP, the foundation on which AGOA is built, expired at the end of 2017, which could undermine AGOA's benefits if not quickly reinstated.

Trade preference programs have proven to be beneficial trade policy tools, particularly for emerging sectors and small businesses in both the US and African economies.[7] Preference programs also support participation in global supply chains and can contribute to improved security worldwide. Through their eligibility criteria, the trade preference programs help strengthen the rule of law, including in the areas of human rights, labour, and the business enabling environment.[8] Yet, preference programs could use a refresh with changes in certain aspects of the programs, such as statutory prohibitions on product coverage that have limited market development in sectors such as manufacturing and agriculture.

The latest AGOA bill also calls for a segue to two-way trade. The pressure to transition to bilateral trade mechanisms is also echoed in the current US administration's statements, and USTR Lighthizer's recent remarks underscore this trend. Europe's trade relationship with sub-Saharan Africa is now based largely on reciprocal trade agreements, a shift many in the US government have noted. The US currently has no bilateral free trade agreements with sub-Saharan Africa and only a handful of bilateral investment treaties (BITs) with African nations. Other instruments, such as Trade and Investment Framework Agreements (TIFAs), have been used to deepen engagement with individual countries and regional blocs. More recently, the US concluded a Cooperation Agreement with the East African Community (EAC) focused on trade facilitation, sanitary and phytosanitary measures (SPS), and technical barriers to trade (TBT), which was designed to improve the implementation of key rules and take advantage of opportunities for market growth.[9] These models could point the way towards more balanced bilateral trade going forward.

African leaders are also discussing what trade will look like post-AGOA, and regional integration initiatives have taken centre stage. The most comprehensive regional plan is one to form a Continental Free Trade Area (CFTA), with the first phase of negotiations expected to be finalised in March 2018. The proposed CFTA would connect over one billion individuals across 54 nations with a combined GDP of $US 3.4 trillion. The CFTA builds upon existing regional trade agreements (RTAs), including the Tripartite Free Trade Area (TFTA) which brings together three of Africa's largest trading blocs – the EAC, the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). The scale of these trade areas demonstrates the market potential inherent in regional harmonisation. The TFTA, representing just a portion of the proposed CFTA, covers an area nearly twice the size of the US.[10]

The enabling environment for trade and development

New and better trade deals – whether bilateral, regional, or multilateral – must include rules for making the market work. Along with infrastructure, the laws, regulations, and policies that underpin trade are perhaps one of the most important aspects of the global economy. Non-tariff issues often present the most significant hurdles to market growth, and weak legal institutions are extremely costly, in particular because they cannot ensure effective enforcement of economic rights and obligations.[11] One way of thinking about the rules of the system is in terms of "building blocks" for trade, which include, among others, trade facilitation, standards, and sector-specific regulatory measures that pave the way for trade and development. These building blocks exist within various trade agreements, ranging from the US-EAC Cooperation Agreement to the recent WTO Trade Facilitation Agreement (TFA). Many of Africa's RTAs also cover areas like infrastructure and agricultural inputs that will be essential to market growth and diversification. Putting in place the right building blocks for trade is essential, as it creates a more predictable and transparent enabling environment for businesses, which reduces risk and helps expand market potential. When such rules are crafted, deliberated, and applied in a way that integrates the needs of those who are most economically vulnerable, they can have the greatest impact on economic development.

Regional harmonisation

Efforts to harmonise trade rules across Africa signal a new era for the rule of law, driven from within Africa itself. As African nations continue to streamline and coordinate laws and regulations, regional trade agreements will only become more important. Harmonisation of trade rules makes it easier to move goods and services around the continent, and supporting Africa's efforts to promote regional integration would ensure that the US stays connected with African trading partners as significant economic opportunity unfolds. Regional integration has myriad benefits for trade across multiple sectors. Harmonised rules shorten wait times in customs, make it easier for countries to take advantage of trade benefits (including trade preference programs like AGOA), strengthen systems for standards and food safety, and make processes for registration and licensing more transparent. When properly implemented, they can help countless businesses and entrepreneurs take full advantage of trade.

Improved rules that are designed to facilitate cross-border trade have both economic and social impacts. Economically, integrated regulatory systems are the key to larger markets that can attract investment and create jobs. The rules of the market can also play a pivotal role in helping integrate small farmers into market systems, thus providing them with more diverse opportunities for improving incomes and livelihoods. Harmonised rules stand to provide the greatest benefits to some of the most vulnerable market stakeholders, such as the many women who currently trade informally. At a more macro level, supporting intra-African trade could help reduce the continent's dependence on foreign aid, a progression supported by successive US administrations and one some African leaders view as crucial to advancing their development agenda. However, targeted economic assistance will continue to play a role as markets develop.

A new US-African trade partnership?

Although the US has yet to develop a clear policy on trade and development in Africa, there are some concrete steps policymakers should take that would move from the zero-sum trade of the past toward a shared vision that strengthens economic opportunity for the US and African nations, promotes wider economic development on the continent, and encourages a more balanced approach to rule of law.

Both the US and African nations would benefit from a cooperative approach to trade and development that spans sectors with market potential. Emerging industries such as services and e-commerce encourage innovation and entrepreneurship in both the US and Africa, and traditionally important sectors like agriculture and manufacturing should remain priorities as well. The investment climate (and rules of the market), along with capacity to trade, will continue to be key factors affecting market growth. To start, a well-articulated and balanced US-African policy is needed that can help stakeholders on both sides get a better picture of how to move forward. This should include clear support for using trade preference programs and economic aid to unlock market transformation, complete with necessary modifications to these programs. If bilateral trade agreements are part of the future, we will need a new model that could address current market potential, reinforce Africa's integration efforts, and approach market rules in a manner that would be feasible to implement and enforce.

Trade and development ultimately rest upon how the rules of the market are crafted and applied. Similar questions surround trade in both the US and Africa, and one way to address them could be through the legal and regulatory systems that govern the market. Across the board, this means promoting transparency in rulemaking and participatory governance, principles that are enshrined in most trade agreements and could be better implemented, as well as providing individuals with channels for better understanding the system and participating in shaping market rules. The US should also get behind Africa's plans for regional harmonisation as a true partner. Not only does the momentum within Africa toward continent-wide harmonisation exemplify the staggering potential of the market, it is a refreshing new approach to rule of law, trade, and development, which holds great promise for success.

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Publications and Resources

Opportunities for Sustainable Development in Global Value Chains: A Case Study of the Myanmar Garment Sector – ICTSD – February 2018
Myanmar is benefitting from an investment boom in the garment sector. This has resulted in fast-growing exports to global markets, job creation for up to 300,000 workers and initiatives to improve competitiveness and social upgrading in the industry. This paper analyses the dynamics of Myanmar's participation in the apparel global value chain and proposes policy recommendations to support economic upgrading, and social and environmental sustainability for the industry. http://bit.ly/2CkcwBD

When African Trade Arrangements incorporate WTO Disciplines without all Member States being WTO Members – TRALAC – January 2018
This Trade Brief takes a look at a feature of African trade arrangements which has given rise to little discussion or concern. The legal instruments underpinning African trade arrangements often incorporate or refer to WTO disciplines (and those of other multilateral bodies) as part of the obligations undertaken by their Member States. This is a feature of most of the Regional Economic Communities. However, in some instances, not all the members have joined the WTO. http://bit.ly/2Efm5H4

How Regulation and Standards Can Support Social and Environmental Dynamics in Global Value Chains – ICTSD – December 2017
Regulations and standards have become an increasingly important factor affecting the capacity of producers to participate in global markets. Standards compliance can enhance producer capabilities and assist in meeting many objectives of the Sustainable Development Goals (SDGs). But it may also involve trade-offs between different SDGs. This paper explores the policy measures that will best lead to the most positive outcomes as standards diffuse through global value chains. http://bit.ly/2sxnbcm

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Tailoring Aid for Trade for the Services Economy in Low Income and Least Developed Countries – ICTSD – November 2017
Following decades of above-average growth in least developed countries, services also now contribute more than half of total production in these economies. The dynamic growth of services has huge potential to help developing countries support sustainable development objectives. This paper examines the relationship between the Aid for Trade initiative and services and finds that aid for trade has the potential to support the development of services in low income and least developed countries. http://bit.ly/2EpcD0y

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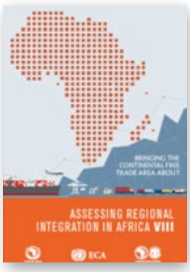

Assessing Regional Integration in Africa VIII: Bringing the Continental Free Trade Area About – UNECA – November 2017
The CFTA aspires to liberalise trade between African countries across the continent and to build on the successes already achieved within Africa's regional economic communities (RECs). By doing so, the CFTA is expected to facilitate intra-African trade; foster regional value chains; and energise industrialisation, competitiveness and innovation. This report explores the various aspects that need to be appropriately tackled to make the CFTA a success. http://bit.ly/2o0sMTY

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BRIDGES AFRICA is made possible through generous contributions of donors and partners including

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BRIDGES AFRICA also benefits from in-kind contributions from its contributing partners and Editorial Advisory Board members.

ISSN 2519-8866