Advances in African Economic, Social and Political Development

Gbadebo Odularu
Bamidele Adekunle *Editors*

Negotiating South-South Regional Trade Agreements

Economic Opportunities and Policy Directions for Africa

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Finally, we hope that our audience will be inspired and empowered beyond their comfort zones into the borderless world of unlimited South–South trade opportunities.

We would also like to express our hearty gratitude to our families, for their sustained support during the period we have devoted to writing this book.

Professors Gbadebo Odularu and
Bamidele Adekunle

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Introduction: Increasing Dynamics and the New Trading Ecosystem for the South

Gbadebo Odularu

1 Introduction

Regional Trade Agreements (RTAs)[1] represent a global economic and political phenomenon involving both developed and developing countries. This is partly due to the debate it generates, especially for the welfare gains that accrue to a developing country trading partner. In the past decade, Africa has been home to six of the ten fastest-growing economies in the world—a number that is often projected to grow further into the future. According to the World Bank, Africa could be 'on the brink of an economic take off, much like China was about 30 years ago and India about 20 years ago.' At the close of the twenty-first century, the World Trade Organization (WTO) the United Nations Cooperation for Trade and Development (UNCTAD) announced that the global Regional Trade Agreements (RTAs) have reached the 200 mark, and noted that the upward trend would most likely continue.

[1]RTAs are used as a generic term for bilateral or plurilateral free trade agreements, customs unions or common markets. Non-reciprocal preferential trade agreements such as Generalised System of Preferences (GSPs) are excluded by definition. In fact, what all RTAs in the WTO have in common is that they are reciprocal trade agreements between two or more partners. In recent times, trade negotiations between developed (rich) and under-developed (poor countries) have moved to regional (between two countries) agreements; usually regarded as regional trade agreements (RTAs). They include free trade agreements and customs unions, notified under Article XXIV:7 of the GATT 1994, and paragraph 2 (c) of the Enabling Clause, and Economic Integration Agreements under Article V:7 of the GATS. In fact, most modern RTAs extend beyond traditional trade policy mechanisms and tariff-cutting preferential treatment to include regional rules on investment, competition, environment and labour; preferential regulatory framework for mutual service trade; and increasingly complex intra-trade regulations which include *inter alia*: standards, safeguard provisions, customs administration, etc.

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Nearly all of the RTAs projections available to date suggest that a large part of the expected growth would occur in the developing world. The unrelenting increase in global RTAs and its attendant effects of trade flows, demand urgent remedial actions and solutions from policy makers, technocrats, researchers, and other relevant decision makers.

Looking at the main trends and characteristics of African RTAs kaleidoscope, the changing landscape of RTAs in Africa becomes increasingly relevant in the sense that if they are well utilized, RTAs policies could provide the formidable springboards for Africa's economic transformation. Though the numbers of RTAs have increased dramatically and the scope broadened over the past decades, the political economy of negotiating RTAs remains that some African governments have reluctantly signed them. However, fostering market access as well as preserving existing reciprocal preferences continues to remain the driving forces behind signing RTAs. These developments exist in parallel with the global liberalization of trade and commerce, thereby expanding the bouquet of RTA benefits to include strengthening of regional policy coordination, adoption of pro-poor policy reforms, and addressing foreign policy issues.

Based on this background, this book on negotiating South–South RTAs in Africa offers an introduction into the world of modern RTAs. It goes beyond the traditional paradigm of trade creation versus trade diversion to address the economic and legal aspects of the regulatory policies that are contained in Africa's RTAs today. This book provides a succinct description of the principles, rules and procedures of RTAs, as well as filling the yawing information gap on a political economy—informed discussion of how South–South RTAs are being used as instruments for economic transformation in Africa. Further, this book presents a roadmap for developing a more cohesive, effective strategy for negotiating selected RTAs with Africa in the traditional, emerging and modern sectors. The book also maps the landscape of RTAs, summarizes the theoretical arguments as well as the political economy of RTAs. It also proceeds to discuss the current practice in the main policy areas typically covered in RTAs (from agricultural policy, manufacturing policy, rules of origin, customs unions, trade remedies, product standards, technical barriers, to behind the border issues related to investment, trade facilitation, competition, environment, migration, and dispute resolution).

There is a clear and pressing need for increased global negotiations and engagement with Africa via the adoption of RTA tools and instruments. Increased global trade facilitates mutually beneficial growth, simultaneously strengthening global economy and market. There is an urgent need for other regions to accelerate and deepen strategic economic engagements with Africa.

Undoubtedly, RTAs are increasingly being signed by African countries due to its benefits such as spurring development, promoting trade opportunities and reducing poverty. While there is a growing body of evidence-based research, there still exists so much for leveraging available lessons and best practice for Africa's current and future regional trade policy agenda. Thus, prominent academics, business actors, development practitioners, policy-shapers, opinion leaders, researchers and decision makers from Africa and the rest of the world, largely recognize that the benefits derivable from RTAs are distinct and huge. There is a need to look at proven RTA practices, field-tested south–south RTA tools, and innovative RTA approaches that can inform the development of higher impact and more scalable initiatives that lead to greater commercial opportunities in African countries.

Whether the RTAs that now exists can be sustained depends on how effective economies will be in undertaking and facilitating the adjustments that are permitted by WTO rules—such as antidumping, which has been increasingly used by many countries—but mostly they require domestic policies that target the affected groups directly. The growth of developing countries regional trade since the mid-1990s is both an example of the importance of WTO and RTAs. New trade powers will require greater attention to be given to addressing RTA concerns. The need for RTAs is greatest in agriculture where policies in rich countries impose significant negative spillovers of many developing countries—a central issue in the Doha Development Agenda (DDA), and the one that is largely responsible for the slow progress of the negotiations.

In Africa and other developing countries, South–South RTAs have become a dynamic feature fuelled by the unabated increase in economic activities along the regional and global value chains. Nevertheless, policy adjustments required to accommodate such a dynamic trend are not yet in place, partly because African policy makers do not seem to have the necessary information and tools to formulate and implement policies that will provide an enabling environment where RTAs will thrive and operate efficiently and profitably. This book will contribute to filling such information gaps, because it touches on trade facilitation, institutionalization, regional integration, international trade, and other policy issues.

Based on this background, one of the challenges in South–South RTAs is the mismatch between the high political ambitions by African leaders and the harsh continental economic realities. For instance, Africa boasts of not less than 14 RTAs trading blocs which are targeted at the pursuance of regional integration but the region is yet to show 'a distinct reluctance to empower these institutions, citing loss of sovereignty and policy space as key concerns' (Africa Renewal 2014). Consequently, 'regional institutions remain weak, performing mainly administrative functions.'

Despite pressure from the European Union (EU) and the United States towards promoting and sustaining regionalization and globalization, the United Kingdom (UK) voted to exit the EU in a non-binding advisory referendum. Brexit has far-reaching implications for South–South RTAs. In other words, as the twenty-first century unwinds and more studies are provided on the outcomes of the ongoing mega-trade deals, south–south regional trade and corridors will continue to grow at an unprecedented pace and magnitude. As the United Kingdom has finally exited the EU, with its seemingly adverse implications for Africa within the North–South trade relations, it becomes increasingly imperative to assess the evolving trade paradigm that is emerging due to the arrival of new global Southern countries such as China, India, Brazil and South Korea.

Within the economic policy space of South–South RTAs, Asia and Africa are spatially far apart by thousands of miles and separated by vast oceans. However, enabling trade and market access relations have grown gradually over time, and this could be consolidated upon, especially that South Korea is one of the technologically advanced economies in the world. S-S RTAs will further strengthen the trade and business relations between African countries and the rest of the countries in the global South. South–South RTA is peculiarly crucial for Africa's trade, business and market access agenda because it is not unidirectional and it also provides two-way benefits. Further, trade and market access deals between Africa and the largest emerging global Southern countries—China, India and Brazil—are upping the S-S geopolitical and economic game in Africa's favor.

This study is being produced at a critical moment and now is the time to invest in economic engagements and trade negotiation with Africa, by adopting a long-term, enhanced, workable regional trade agreement which will foster joint growth and generate mutual benefits. The opportunities and mutual benefits are vast and huge and this is the time to ensure that Africa hones its negotiation tactics and implements a coordinated, comprehensive, sustainable and effective RTA. In view of the foregoing, this study has attempted to document selected south–south RTAs opportunities and challenges associated with specific sectors of the African economies such as agriculture, manufacturing and services. Some of the questions being addressed in this book include inter alia:

- What are the innovative approaches for improving the quality, relevance and outcomes of South–South RTAs in Africa?
- How can African countries be more effectively integrated in their negotiated South–South RTAs?
- What are some of the broad trends that are being observed in Africa's RTAs, and what implications do those trends have for economic opportunities for Africa today and in the future?
- How are different stakeholders in African countries preparing themselves to benefit from the increasing number of negotiated south–South RTAs?
- What approaches have proven to be effective for Africa to benefit maximally from south–south RTAs?
- How are African Governments engaging in south–south RTAs-related policies and programmes that affect them at national, sub-regional and regional levels?
- What has proven not to work when developing, implementing or evaluating south–south RTA programmes in Africa?

With increases in global trade being shaped by innovative trade policy developments, as of February 2016, some 625 notifications of RTAs (counting goods, services, and accessions separately) had been received by the GATT/WTO. These WTO figures correspond to 419 enforced RTAs, 454 physical RTAs[2] (counting goods, services and accessions together), of which 267 are currently in force.

It is important to note that one of the most frustrating issues in multilateral trade agreements and negotiations is the increasing trend in bilateral and regional trade

[2]Within the WTO context, RTAs are generally referred to as agreements concluded between countries not necessarily belonging to the same geographical region. Specifically, RTAs could be defined as agreements which are negotiated within the WTO provisions that relate specifically to conditions of preferential trade liberalization with RTAs.

agreements (RTAs).[3] However, RTAs are very crucial for the multilateral trading system but they do not substitute for it. Of course, these non-multilateral trade agreements have been in existence and practice for decades, even in the pre-GATT era, they continue to co-exist with the multilateral system. RTAs could bolster the multilateral trade agreements because the global system of rules forms the basis for the RTAs. Indeed members of RTAs still and mostly rely on the WTO's dispute system. However, RTAs continue to blossom, and increasing number of WTO Members continue to engage in new RTA negotiations. The ongoing negotiations include the Asia-Pacific Region for a Trans-Pacific Partnership (TPP) Agreement, currently between 12 parties, in Asia between ASEAN Members and six other WTO Members with which ASEAN has agreements in force (the Regional Comprehensive Partnership Agreement RCEP); the Pacific Alliance in Latin America, currently between Chile, Colombia, Mexico and Peru; and the Tripartite Agreement between parties to Community of Eastern and Southern Africa (COMESA), Eastern African Community (EAC), and Southern African Development Community (SADC) in Africa; and the African Continental Free Trade Agreement (CFTA). It is globally believed that as these plurilateral agreements are in force, they have the potential to reduce the spaghetti bowl of RTAs especially if they supersede existing bilateral agreements and develop common rules (such as for rules of origin) to be applied by all the parties to the agreement (WTO 2016). Invariably, as the numbers and membership of RTAs rise within the multilateral trade space, its evolution in Africa, and the global trade agenda will contribute to a balanced, harmonious and inclusive growth trajectory.

The number of South–South RTAs continue to increase in response to the economic opportunities within the multilateral trading system. In fact, south–south RTAs have allowed groups of countries across geo-political boundaries to negotiate trade rules, standards and commitments beyond the traditional multilateral confines. In addition to abolishing or reducing tariff and non-tariff barriers (NTBs) on trade within the groupings, South–south RTAs encompass services, intellectual property, environmental standards, trade facilitation, investment and competition policies.

Due to its modalities which emphasize productive sectors and provisions, South–South RTAs is particularly well-suited for developing countries, including African countries. In this South–South RTAs book, the authors explore the gaps in ongoing Africa's RTAs. It discovers that Africa's RTAs could further guide the continent to higher growth and transformation in a rapidly-growing global economy. It is the firm belief of the authors that the data and policy recommendations

[3]Based on the fact that preferential trade agreements (PTA) activities have transcended regional boundaries, the term 'regional trade agreements' (RTAs) and PTAs are often used interchangeably in the literature, and the rise of 'regionalism' is often used to describe the spread in PTA activities.' (WTO Trade Report 2011). However, selected numbers of PTAs are currently enforced outside their strictly defined regions in that they include countries from other geographical areas, according to the regional definitions. It is crucial to note that the coverage and depth of preferential treatment varies from one RTA to another.

provided in the South–South RTAs book provides an enlightening prism at the changing trends in RTAs in Africa, and how Africa can greatly benefit from preparation for the opportunities emerging for RTAs.

This 10-chapter book, is the outcome of a well-thought through study which brought together relevant expertise in trade, finance, economics, policy, development, environment, and food issues, to share and exchange information on RTAs. The book is divided into three sections. The first section insightfully presents the big picture of South–South RTAs policy instruments within the context of multilateral trading system. There is a need for African governments to continue to implement RTA follow-up measures providing support in various forms with an aim to boost the economic development policy utilization rate in these agreements. Institutional advancement in RTA promotion within the developing countries has been an important policy goal for the African government. The groundwork needs to be laid, as South–South RTAs should include provisions on institutional advancement such as streamlining, enhancing transparency and aligning regulations. This will help to promote stronger competition by boosting trade and investment, and further on the higher competitiveness of African enterprises, Africa must continuously monitor whether this linkage remains firmly connected.

The second section of this book complements the complements the first part by providing concrete South–South RTAs that are of relevance to Africa's economic transformation agenda. It also discusses the RTA issues including the fact that the soundness of a South–South RTA can be assessed by how much deeper the economic relations with the RTA partners have become since effectuation. An analysis of RTA achievements from the perspective of bilateral trade shows that almost all South–South RTAs have led to a positive effect. This third section presents striking policy recommendations on deploying innovative South–South RTA policy tools in advancing trade and investment interests between Africa on one hand, and its trading partners in the Global South: China, Brazil, India, and South Korea. Depending on the RTA partner, industries were affected in different patterns, and in some cases the RTA has no impact whatsoever. RTA-backed export surges generally occurred in terms that were already being actively exported, thus on occasions resulting in a concentration in certain items. This implies that while RTAs were overall beneficial for exports and economic growth, there were some limitations in diversification export markets for items. Thus, Africa should go beyond its focus on the trade of competitive goods to reflect the counterparts' market or growth potential in RTA negotiation strategies.

This final section of this book presents a number of African-based RTAs and some of the latest issues on the tripartite free trade agreement (TFTA) and Economic Community of West African States (ECOWAS) trade facilitation tools. It also recommends the need for an effective, cohesive, workable and comprehensive strategy towards increasing economic engagement with Africa via strategic South–South RTA instruments. However, there is a need to identify actionable and timely steps that can be taken to improve the role of RTAs as tools for increasing South–South trade and investments opportunities. Implementing these recommendations will strengthen two-way trade relationships, open new markets, support domestic economic growth, create jobs, and ensure that Africa does not continue to ceding political and economic leadership on the continent to other non-regional competitors. Given the increasing pressure on African SMEs to export and the global South rapidly becoming an arena with a multitude of quality-related regulations, standards, and other market-access requirements, there is an urgent need for an effective transfer of knowledge and know-how to businesses on best practices in quality management; and also reinforcing local quality-related support institutions to offer new or enhanced services to SMEs; facilitating the sharing of best practices and success stories and creating a global network of service producers committed to supporting SMEs in the South.

In conclusion, this book does not provide a detailed (negotiating) history—who did what and when—although the results of negotiations and ministerial meetings are discussed at some length, including the subjects that were on the table in the DDA. Being an introduction, this book cannot be more than a starting point. Guides to further reading are provided at the end of each chapter. Readers interested in pursuing specific subjects in greater depth should consult the references stated in the respective chapters. This book will provide useful information to trade practitioners, researchers, policy makers, and commercial experts, and contribute to meeting some of their expectations with regards to this dynamic issue of great relevance to Africa's transformation agenda. Although the discussions in this book is nontechnical, the publication will assist students of international relations, economics, business and politics, to relate basic economic concepts and analytical frameworks to RTAs policy instruments.

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The Big Picture: South–South Regional Trade Agreements within the Context of the Multilateral Trade Systems

Gbadebo Odularu, Mariama Deen-Swarray, and Ciliaka Gitau

1 Introduction and Background

Globally, the number of bilateral and regional trade agreements (RTAs) have increased rapidly within the last seven decades. This unprecedented and astronomical rise could be attributable to the a number of factors, inter alia: the signing of the General Agreement on Tariffs and Trade (GATT) in 1947; rounds of trade negotiations to lower tariffs; increased scope of the Agreement including expansion of membership; and the creation of the World Trade Organization (WTO) in 1995 (WTO 2016a). Consequently, trade, investment and economic development issues have continually attracted insightful policy analytics at both within regional and multilateral levels. A strikingly relevant policy case is the Trade Facilitation Agreement (TFA) which was struck in 2013 during the 9th WTO Ministerial Dialogue in Bali, Indonesia.

Most global trade problems require global solutions, while regional trade issues demand for regional answers. The role of the WTO is essentially to negotiate on global trade rules, monitor adherence to those rules, and help to resolve disputes between nations whey they arise. Over time, WTO members have continually realised that mounting domestic economic challenges should not result in the

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adoption of protective measures. Rather, countries are being bound by the WTO rules and obligations, thereby providing the global confidence that others also play the game by the rules (WTO 2016b). Countries have also realised that improper unilateral trade actions could have significant legal and economic consequences. For instance, as stated in its 2000 WTO Trade Report, Japan did not belong to any preferential RTAs but was concerned that some RTAs raised barriers to trade with non-member countries, thereby weakening the free, non-discriminatory, and open multilateral system formed under the WTO, according to the 2011 WTO Trade Report (TR).

In general, all RTAs are reciprocal trade agreements between two or more partners. In order to respond to some of the challenges and opportunities of RTAs, the WTO Committee on Regional Trade Agreements (CRTA)[1] was established by the General Council on 6 February 1996 (WTO TR 2011). Its purpose is to examine all the RTAs notified to the WTO, and also ensure that there is consistency by all WTO rules and members. However, in December 2006, WTO members adopted a mechanism which allows members to provide an ‘early announcement’ of their involvement in negotiations for a RTA. This system also requires members to promptly notify a newly concluded RTA, and sets out a schedule for its consideration by WTO members (WTO TR 2011). Thus, this mechanism permits notified RTA to be concluded within a year from the date of notification. By implication, RTA parties are required to submit certain data to the WTO Secretariat, such as tariff concessions, most favoured nation (MFN) duties, rules of origin and import statistics. Based on this data, mainly the text of the agreement and information from other sources, the WTO Secretariat prepares a factual presentation that is intended to assist members in their consideration of the notified RTA. According to the WTO (2016a, b), as of February 2016, 625 notifications of RTAs (counting goods, services, and accessions separately) had been received by the GATT/WTO. These 625 notifications correspond to 419 RTAs of which were in force at February 2016, 454 physical RTAs (counting goods, services and accessions together), of which 267 are currently in force.

Based on this background, this chapter provides a comprehensive review of the nature of RTAs, and how they influence Africa’s trade interests within the context of South-South RTAs and the multilateral trade system. This chapter concludes by emphasizing the growing importance of South-South RTAs in advancing Africa’s trade and economic interests.

[1]The CRTA’s purpose also include the examination of how regional arrangements might affect the multilateral trading system, and the likely consequences of the relationship between regional and multilateral arrangements.

2 Pros and Cons of RTAs: Trade Creation Versus Trade Diversion

In coming together to form an RTA, countries create opportunities that can be beneficial to all parties involved by promoting trade and ensuring a stronger force that can enhance multilateral trade negotiations. Being part of an RTA creates room for economic efficiencies and allows member states to be able to specialize and complement each other. For smaller economies and landlocked countries, having membership to an RTA provides them an opportunity to expand their markets. However, the success of an RTA in achieving its desired goals largely depends on the commitment of members.

Though RTAs are often formed to enhance trade, they can lead to either trade creation or diversion. Countries are often members of more than a single RTA. This not only stretches resources, but can also result in overlapping or contrasting agendas that can make implementation and monitoring challenging. Though in general these agreements tend to have positive impacts on intra-regional trade, the overall impact can vary depending on several other factors. Although RTAs may lead to trade diversion, Freund and Ornelas (2010a, b) show that they are more likely to be beneficial as trade creation often outweighs the diversion.

In theory, RTAs increase market access, particularly for developing nations, and are expected to create more trade. This has however not been the case in every situation as some instances have shown that RTAs lead to more trade diversion than they create. Whereas Bayoumi and Eichengreen (1997) found no evidence of trade diversion in enlarging the European Union, Wei and Frankel (1995) found that the enlargement resulted in high trade diversion. Berthelon (2004) found that by substantially increasing their market, RTAs are able to have positive impact on growth as larger markets allow for increased competition, larger scales and greater specialization, which can increase productivity and growth. In this regard, South–South trade agreements tend to face more challenges as their markets are in general smaller.

Policy changes at the national level can affect the trade flows of RTA members, which make coordination, easy access to information and having the same national objectives important among members. According to Schiff and Wang (2003), Mexico's trade with NAFTA partners had a positive impact on its total factor productivity (TFP) as opposed to its trade with the rest of the OECD states. This positive impact on TFP was due to the fact that besides the content of trade, Mexico enjoyed closer contact and had more information exchanges with NAFTA partners.

In developing countries in particular, it is essential that trade agreements at the regional level are implemented alongside domestic reforms of individual member states if they are to be effective. In the EU during the 1990s, Bulgaria and Romania experienced weaker trade and investment as a result of their lack of extensive domestic reforms. Latin America on the other hand, experienced more effective results from RTAs in the 1990s than in previous years due to the vast structural reforms in many of its member states (Devlin and French-Davis 1999).

Based on the fact that better technology improves trade and through technological transfers, RTAs can serve as potent tool for enhancing economic growth. This points to the need for RTAs to encourage imports from technologically advanced countries and deviate from introducing incentives or barriers that might discourage trade with external trading partners. In order for RTAs to yield positive trade outcomes, it is important that countries forming the agreement simultaneously adjust the level of external protection for both members and non-member trading partners.

Being part of RTA does not automatically ensure improved welfare for members. Preferential removal of tariffs can result in the shift of imports away from the most efficient to a less efficient supplier. This diversion in trade does not only become a disadvantage to non-members but can actually have negative impacts on members if gains from consumers surplus is not adequate enough to offset the costs resulting from the inefficiency caused by preferential treatments (Viner 1950). RTAs can only improve the welfare of their members, if the removal of tariffs does not lead to a reduction of imports from the efficient suppliers and consumer gains are large enough to outweigh the production inefficiency cost. Though adjusting external tariffs so as not to affect trade with non-RTA members can ensure welfare enhancement, (Kemp and Wan 1976), the reality remains that external tariffs are influenced at the political level and as such there are no guarantees that it can be set to keep trade with external partners constant. In the case where members set tariffs to keep trade fixed with non-members, they cannot influence the tariffs that could be set by the rest of the world, which could still leave members worse off (Richardson 1995a). It should be noted that participation in an RTA is often a political decision and the outcomes can be influenced by the objectives of individual governments. Though the WTO requires tariff reduction between countries in an RTA, it does not allow RTA members to raise tariffs on non-member countries.

RTAs formed by countries that are already major trading partners (natural trading partners), can limit trade diversion and be welfare enhancing. This is attributed to the fact that whilst large gains are being realized from liberalizing intra-regional trade, costs of reducing interregional trade are minimized (Krugman 1991). RTAs become beneficial if the integration is formed based on countries' comparative advantages, allowing individual member states to specialize.

With trade creation, import price is less than the cost of national production, thereby allowing products to be purchased at lower prices. RTAs are expected to result in both trade creation and trade diversion and as such the net effect allows us to determine the effectiveness of the RTA. It results in negative consequences, hindering welfare only when trade diversion becomes dominant (Babili 2008). The probability of developing countries loosing in a south–south agreement is greater than in a north–south one. It is believed that there are more possibilities of trade creation in the latter, which becomes beneficial for developing nations.

When RTAs are formed, members eliminate or reduce tariffs resulting in a fall in prices of goods, which then become of high demand to consumers. Forming an RTA distorts trade and often moves trade away from non-members who were once considered efficient producers or suppliers to members who were originally thought to be less efficient. However, in the process of creating trade for its members it provides an opportunity for them to become more efficient through economies of scale, and reduced production costs among others.

3 Regional Trade Agreements (RTAs) and Multilateral Trading Systems (MTS) in Theoretical Perspective

While regionalism may encourage external tariff reductions, it can diminish the incentives of countries to engage in broader multilateral trade agreements. It has also been highlighted that the increasing attempts at regionalism could be a reflection of the success or failures of multilateralism. RTAs are being seen as a threat to free trade at the global arena. In addition, countries sometimes get into the RTA for regional stability and national security.

Levy (1997) shows that a bilateral agreement may provide disproportionate gains, which can hinder support for a multilateral trade agreement. RTAs can cause producers not to support a multilateral agreement for fear that the free trade would cause them to lose the rents created under an RTA (Krishna 1998). Through regional trade agreements, countries are able to invest, specialize and create their own demand, thus making multilateral free trade agreements less desirable (McLaren 2002).

From the perspective of Ethier (1998) and Freund (2000a), it is the success of multilateral agreements that give rise to trade agreements at the regional level. In drawing from the complementarity effect between internal and external tariffs, Freund (2000b) finds that the incentives to form RTAs increase with increased multilateralism. This is because multilateral agreements reduce external tariffs, which reduces the loss from trade diversion whilst maintaining the gains to producers and consumers. Baldwin (2006) draws attention to the juggernaut effect, where tariffs are lowered as a result of reciprocal liberalization, which in turn expands the export sector while reducing the import-competing sector.

Multilateralism gives rise to preferential trade agreements (PTAs) which is believed to be discriminatory against non-members and such agreements often result in world resources being misallocated as production becomes shifted from lower-cost suppliers who are non-members to high-cost suppliers who are members. Regionalism promotes trade, encompassing the economic, political, national security and geopolitical factors making it necessary for such agreements to be carefully examined before putting them into effect. RTAs have however been considered as unhealthy for member countries as it causes them to engage in discriminatory trade practices rather than engaging in trade based on market preferences (Bhagwati 2008).

Though the multilateral trading system (MTS) opens up more foreign markets and avoids economic distortions such as discrimination, RTAs are much less time-consuming and arrive at meaningful results in shorter periods of time (Bergsten 1996). This no doubt could be because RTAs deal with a much smaller group of countries as opposed to a larger number in a MTS. It is therefore essential that a RTA be designed so as to supplement MTS. RTAs often focus on national and regional security of its members and this can be designed to accommodate trade liberalization on a global level. Countries tend to face more challenges in joining a MTS, than a RTA and therefore in forming a RTA, member states can pursue multilateralism within the regional group. Whereas MTS are considered long-term, RTAs can be used to achieve shorter and medium term goals and objectives. MTS are believed to be vital in reducing the global income inequality as it opens up the markets of the developed nations to the developing ones and allows them to become more industralised.

Regional trade agreements should bolster the multilateral trading system, not threaten it and it is believed that the private sector's participation in forming regional policies is needed to positively affect multilateral liberalization (Eizenstat 1996). RTAs should be compatible with WTO rules supporting MTS, thereby setting higher standards which can strengthen MTS. NAFTA for example eliminates tariffs whilst at the same time reduces trade-in-service barriers as well as barriers to foreign investment.

According to Ruggiero (1996), the greatest challenge for trade policy markers is ensuring that RTAs and MTS grow together and not apart. Whilst WTO's most-favoured-nation (MFN) principle supports non-discrimination in trade among its members, it does not support preferential treatment on the basis of RTAs as it is assumed that liberalization at the regional level involves an advanced implementation of reduced tariff on an MFN basis (Article XXIV, GATT 1940). Though the RTA and MTS have not been contradictory, their relationship based on the MFN principle continues to present a challenge as more countries form regional trading blocs. MTS provides an opportunity for countries that do not want to join regional groupings to participate in global trade.

Managing multilateral and regional initiatives in order that they become beneficial for all, requires coordination of development objectives both at the national level as well as at the global level. It is important that both are mutually supportive and geared towards a common goal of boosting and creating trade. Multilateral trading systems should accommodate regional blocs so as to meet the concerns of individual countries whilst at the same time promoting global trade liberalization.

Increasing involvement of countries in regional and multilateral initiatives can affect policy decisions and put a strain on the limited resources of some countries. The establishment of the MTS was expected to reduce the advent of multiple regional blocs and for those in existence to be more outward-oriented, serving as building blocs for the MTS. To achieve this, RTAs need to simultaneously lower trade barriers with non-members as they further liberalise trade with members. This has however not been the case in most instances. Almost all WTO members are in one way or the other a party to regional initiatives. RTAs allow member states to achieve freer trade at a much faster pace, expand their exports and diversify trade. This can be a step towards the success of free trade at the multilateral level. This is particularly beneficial for developing nations as they often lack the capacity to increase their market shares in global trade. RTAs can however tend to be inward-looking, in which case it becomes discriminatory and protects only its members irrespective of any harm caused to non-members. By so doing, RTAs can lead to trade diversion. RTAs therefore need to have policies and initiatives that consider non-member states and be in line with MTS initiatives.

The WTO sets rules through which RTA operations are governed, including the GATT Article XXIV, GATS Article V and the Enabling Clause on South–South preferential agreements. WTO has set market access commitments based on MFN principles, which indicate the level of preferential treatment available to RTAs. The WTO also has set standards of multilateral disciplines to which its member states must abide, including RTAs. RTAs may however often have higher standards than those set by the WTO.

In spite of the regional economic challenges in the South, and while RTAs tend to deepen existing trade relations, multilateral reforms support the creation of new trading agreements, thereby bringing new trading partners into the game and creating new trade in routes where they never existed. Based on this background, the WTO's Tenth Ministerial Conference was held in Nairobi, Kenya, from 15 to 19 December, 2015, the first of the Ministerial Meetings to be held by and in an African nation. The 'historic' Nairobi Package for Africa comprises a series of Ministerial Decisions on agriculture, cotton issues related to least-developed countries, abolishment of export subsidies for farm exports, pubic stockpiling for food security purposes, a special safeguard mechanism for developing countries, preferential treatment for LDCs in the area of services and the criteria for determining whether exports from LDCs may benefit from trade preferences. During the 10th WTO Ministerial Conference (MC 10), WTO members adopted a ministerial declaration which instructs CRTAs to discuss the systemic implications of RTAs for the multilateral trading system and their relationship with WTO rules.

4 The Drive to Engage in RTAs

Some of the empirically proven benefits of RTAs include *inter alia*: improvement in policy coordination, reduction in risk of conflicts, enhancement of growth stabilisation effect, ease of growth volatility and lower growth volatility (Kpodar and Iman 2015). Theoretically and practically, South–South RTAs fosters economic integration which benefits all the participating countries. However, under certain conditions, such groupings also undermine the trade interests of other countries like in the case of establishing a customs union or free trade area (FTA), thereby, contravening the WTO's principle of equal treatment for all trading partners (most favoured nation). In the same vein, GATT's Article XXIV[2] allows

[2]GATT's Article XXIV says if a free trade area or customs union is created, duties and other trade barriers should be reduced or removed on substantially all sectors of trade in the group.

for the establishment of RTAs within the strict context of special exception. South–South RTAs should foster both regional and multilateral trade flows, thereby complementing and not threatening the multilateral trading system.

Based on the fact that South–South RTAs could be easier, simpler and less sensitive towards striking market access deals bilaterally and regionally, South–South RTAs will continue to operate as the most workable and desirable trade routes for Africa and other developing countries. As the global economy slows down in the past couple of years, it is obvious that Africa will have to explore innovative development opportunities within the South, especially among the larger, dynamic developing countries, and RTAs, serving as South–South regional growth and trade engines.

One of the striking patterns of the global (including African) trading landscape is the proliferation of RTAs. In fact, the past two decades has recorded an unprecedented explosion in the formation and expansion of RTAs. In response to this rising trends, on 14 December 2006, the WTO General Council established a new transparency mechanism[3] for all RTAs.

The dynamism in the explosion of RTAs is evident in the increasingly less regional nature of these RTAs since many countries appear to strike deals with strategically preferential partners beyond their regional markets. These types of RTAs are referred to as cross-regional RTAs because they are signed and enforced among countries from the following global regions: Euro-Mediterranean area; Asia-Pacific; Western Hemisphere; sub-Saharan Africa; Middle East and Central Asia. Cross-regional RTAs represent the dire drive by countries to exploit mutual opportunities, thereby combining their region's strategic priorities with extra-regional partners.

In international trade literature, regional trade and integration generate static and dynamic gains (Viner 1950). Static gains stem from better access to larger markets, either via the increase in trade with the new member countries (trade creation) which outweighs the potential decrease in trade with non-members (trade diversion). On the other hand, dynamic gains are generated from scale economies and structural changes in the economy. Both static and dynamic gains result from reduction or elimination of tariff and non-tariff barriers which offers trade and growth opportunities for domestic economic activities (Cissokho et al. 2013).

Non-members should not find trade with the group any more restrictive than before the group was established. Other WTO agreements allow developing countries to enter into regional or global agreements that include the reduction or elimination of tariffs and NTBs on trade among the members. Further, the General Agreement on Trade in Services (GATS)'s Article V provides for economic integration in services.

[3]This transparency mechanism provides for early announcement of any RTA and notification to the WTO. Further, members will consider the notified RTAs on the basis of a factual presentation by the WTO Secretariat. The Committee on RTAs will consider RTAs falling under Article XXIV of GATT and Article V of the General Agreement on Trade in Services (GATS). In addition, the Committee on Trade and Development will consider RTAs falling under the Enabling Clause (trade arrangements between developing countries). The transparency mechanism is implemented on a provisional basis, and members are to review, and if necessary modify, the decision, and replace it by a permanent mechanism adopted as part of the overall results of the Doha Round (WTO website).

African trade pattern still shows a low intensity of intra-regional trade, suggesting that preferential trade agreements, after many decades, have not brought a significant rise in the share of intra-regional trade in the members' total trade (Carrere 2006; Shahid 2011; Zidi and Dhifallah 2013). In fact, for most of African countries, the major trading partners are still outside the region. Some analyses indicate that this trade trend is similar to what it was prior to the formation of the regional blocs, and point to the ineffectiveness of most of the African RTAs in promoting trade among their member countries. Some of the causes of this trade ineffectiveness among African RTAs (customs unions, common markets, and economic and monetary unions) could be attributable to *inter alia*: poor implementation of several agreements, overlapping and multiple membership of RTAs due to the dominant geopolitical considerations, low intra-regional trade (Babatunde and Odularu 2012), and low levels of infrastructure.

African countries and sub-regions have also experienced an unprecedented rise in the number and membership of RTAs to the extent that every African country belongs to at least one plurilateral RTAs,[4] and the Continent currently boasts of over thirty RTAs most of which are free trade agreements and economic integration agreements. Like other RTAs, the rationale for RTA membership for African countries include the attainment of economic objectives like promotion of regional integration and trade, attraction of foreign direct investment (FDI), improvement of regional competitiveness; as well as the non-economic reasons such as conflict prevention and resolution, and increasing the region's bargaining power at the multilateral front (Babatunde and Odularu 2012; ICTSD 2012; FGI, NTU, WTO 2013). In fact, most African countries recognize the need to look beyond domestic markets and reciprocal trade agreements with selected countries as partners. Therefore, this largely explains Africa's renewed energy to articulate and implement a regional economic integration agenda for the continent as evidenced by plans to launch a tripartite FTA (T-FTA) between three of the continent's existing regional economic communities.

Africa's extra-regional preferential trade initiatives include non-reciprocal schemes such as the General System of Preferences (GSP), the African Growth Opportunity Act (AGOA), and the European Union—African, Caribbean and the Pacific (EU-ACP) programmes.[5]

Though the adoption of RTAs places a socio-economic strain on Africa's capacity to successfully negotiate and implement RTAs, it also tiggers sensitivities about sovereignty that exists in many African countries. Such sensitivities have certainly come to bare in the Economic Partnership Agreements (EPA) negotiations between

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[4]According to the WTO (2016b), African-related plurilateral RTAs include Common Market for Eastern and Southern Africa (COMESA), entry into force in 08 December, 1994; East African Community (EAC); Economic and Monetary Community of Central Africa (CEMAC); Economic Community of West African States (ECOWAS); European Union (EU)—Eastern and Southern African States Interim Economic Partnership Agreements (EPA), entry into force in 14 May 2012; Southern African Customs Union (SACU), Southern African Development Community (SADC); and West African Economic and Monetary Union (WAEMU).

[5]Within the WTO context, PTAs are unilateral trade preferences which include GSP schemes, non-reciprocal preferential schemes for products from LDCs only, as well as other non-reciprocal preferential schemes that have been granted a waiver by the General Council (such as AGOA).

African countries and the EU. Partly as a result of these challenges and sensitivities, African countries have seemingly remained on the sidelines in terms of maximizing the benefits of the on-going global proliferation of RTAs, and much of Africa's trade continues to be conducted under long-standing, non-reciprocal arrangements with developed country partners. For instance, two of these cases are: the EU's attempt to withdraw market access preferences in the absence of significant progress on EPAs, and the delays that were experienced before the extension of a vital provision of the United States' AGOA. Based on this background, Sect. 3 presents selected empirics on the evolution of RTAs in Africa.

5 Brief Stylized Facts on the Evolution of RTAs

Though the world of the late 1870s was one (in Europe at least) that was characterised by extensive regionalism (Whalley 2008). At the creation of GATT in 1947, the world was effectively free of regional arrangements. Although GATT was negotiated in 1947, it was not operationalized until 1948. During this period, there were no formal RTAs, except the systems of trade preferences, such as the Commonwealth preferences agreed to at the 1932 Ottawa Conference (Whalley 2008). Further, before the formation of GATT, there were effective regional agreements in Europe, centered on the UK-France Cobden-Chevalier Treaty of 1870 (Whalley 2008). This treaty had the attributes of the most favoured nation (MFN), and became the pillar of a complex hub of inter-country commercial agreements in Europe. This system existed and grew significantly until the First World War before it vanished. Interestingly, during this era, the US had an unfavourable opinion about RTAs because they were perceived to be the driving force of the European Colonial power, given that the US had been excluded from the agreements since independence. By evolutionary implication, the increasing number and expansion of RTAs could partly be explained by the failed attempts to expand the scope of multilateral negotiations into non-trade areas such as competition policy and investment, which has provided a platform for RTAs to evolve through targeted sub-group negotiation.

Thus, in 1947, during the negotiation of the GATT Article, regional agreements were discussed very briefly in Article XXIV, thereby 'allowing members to participate in regional agreements under the two conditions. These two provisions are that, 'all trade between parties would be covered (usually interpreted since as covering at least 80 % of trade), and that no barriers should be raised against third parties as a regional agreement takes effect' (Whalley 2008). In other words, Article XXIV was aimed at settling cases of dissolution of nation states (such as the 1905 separation between Sweden and Norway).

Approximately 7 decades after the establishment of GATT, negotiations of RTAs have experienced an unprecedented expansion. Europe is the region with the largest number of RTAs. In fact, about half of the total number of agreements notified to the WTO and those currently being enforced are in Europe. The main regional groupings are the European Union (EU), and the EFTA. The EU also operates FTAs with MERCOSUR, the GCC and the six Economic Partnership Agreements (EPAs) with sub-groupings of the African Caribbean and the Pacific (ACP) countries. The EPAs is the outcome of the evolution of the Cotonou Agreement of 2000 with 76 African, Caribbean and Pacific former colonies (formerly the Lome Agreement). In 2001, the EU signed other agreements with Algeria, Egypt, Korea and Bangladesh; a 2004 Agreement with Syria; and a 2005 Agreement with Iran.

The US, the major trading power in the WTO, and the trailblazer of multilateralism, has conclusively signed Free Trade Agreements (FTAs) with Australia, Chile, Jordan, Oman, Morocco, Singapore, Colombia, Peru and with six Central American countries (DR-CAFTA—Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua). The US has been on operational and commercial ties with Canada, its largest trading partner, in 1987 in an agreement initiated from the Canadian side, and later trilateralised into the NAFTA in 1991. The US has secured deals with selected Northern African and Middle Eastern countries, as part of its Middle East Free Trade Initiative—Oman, Morocco, Bahrain, United Arab Emirates, Egypt, Kuwait, Qatar, and Tunisia. In the South American region, Panama has concluded FTA with Singapore and CARICOM has ratified agreements with Cuba and Costa Rica.

RTAs in Africa represent the traditional concept of regional integration, which are based on the region's geographical proximity, political cooperation and economic integration. In other words, African countries have adopted RTAs as powerful tools for fostering regional competitiveness, socio-economic and political development in Africa. Within the gradual progress of the Doha round[6] of WTO-sponsored multilateral trade negotiations, Africa can boast of ten-intra-regional RTAs, and a complex web of cross-regional RTAs. The ten well-recognized African intra-regional RTA network includes: Arab Maghreb Union (AMU), Pan-Arab Free Trade Area (PAFTA), Common Market for Eastern and Southern Africa (COMESA), West African Economic and Monetary Union (WAEMU/UEMOA), Economic Community of West African States (ECOWAS), Central African Economic and Monetary Union (CEMAC), Economic Community of Central African States (ECCAS/CEEAC), Southern African Development Community (SADC), East African Cooperation (EAC), and Southern African Customs Union (SACU). It is also very pertinent to state that Africa operates cross-regional RTAs. These are RTAs between African countries or RTAs and other non-African countries and RTAs. For instance, African countries and RTAs have signed agreements with Turkey, Lebanon, Syria, Jordan, Iraq, UAE, India, Singapore, South Korea, United States, MERCOSURE, EFTA, European Union, and Pan Arab Free Trade Area. The Pan –Arab Free Trade Area includes the following countries—Morocco, Tunisia, Libya, Egypt, Bahrain, Jordan, UAE, Kuwait, Iraq, Lebanon,

[6]The Doha Development Agenda (DDA) is based on the November 2001 declaration of the Fourth Ministerial Conference in Doha, Qatar. The Conference provides the mandate for negotiations on a range of subjects and negotiations which include *inter alia*: agriculture and services, which began in early 2000 in Doha. The Conference also focused on the challenges that developing countries faced in implementing the WTO agreements.

Oman, Syria, Saudi Arabia, Qatar, Sudan and Yemen. Based on this background, Sect. 5.1 provides some figures, facts and effects of RTAs.

5.1 Regional Trade Agreements Notifications to the GATT/WTO

Based on the general observation on the big picture of RTAs, WTO statistics on RTAs are based on notification requirements rather than on physical number of RTAs. In other words, for an RTA that includes both goods and services, WTO counts two notifications (one for goods and the other for services), even though it is physically one RTA. Table 1 shows the number of RTAs in force, based on notifications. While Table 2 presents all the RTAs in force, but sorted by type of agreement, Table 3 shows all the RTAs in force, sorted by status in the WTO consideration process. However, the most recent WTO figures on the physical numbers of RTAs (counting goods and services together) and sorted by coverage, are provided in Table 4. Fig. 1 reveal the RTAs notified to the GATT/WTO and in force by country/territory. It shows that there are **I878**[7] physical RTAs in force by country/territory. The major countries that recorded a striking number of physical RTAs include Belgium, Austria, United Kingdom, Switzerland, Sweden, Spain, Slovenia, Slovak Republic, Croatia, Czech Republic, Demark, Chile, Greece, Greenland, Germany, France, Finland, Netherlands, Luxembourg, Lithuania, Latina, Italy, Ireland and Hong Kong. These countries currently have between 30 and 40 on-going physical RTAs (as evident in Figs. 1 and 2). More specifically, Fig. 2 shows all RTAs notified to the GATT/WTO (1948–2016), including inactive RTAs by year of entry into force.

Table 1 All RTAs in force, sorted by notification

	Accessions	New RTAs	Grand total
GATT Art. XXIV (FTA)	1	207	208
GATT Art. XXIV (CU)	7	10	17
Enabling clause	2	34	36
GATS Art. V	4	114	118
Grand total	14	365	379

Source: http://rtais.wto.org/UI/publicsummarytable.aspx

[7]The RTAs notified to the GATT/WTO and in force by country/territory is available the WTO website address at: http://rtais.wto.org/Export/ExportPreDefRepByCountry.aspx. This WTO webpage also presents the goods notifications (RTAs), goods notifications (accessions), services notifications (EIAs), services notifications (accessions) and physical RTAs.

Table 2 All RTAs in force, sorted by type of agreement

	Enabling clause	GATS Art. V	GATT Art. XXIV	Grand total
Customs Union	8		10	18
Customs Union—Accession	1		7	8
Economic Integration Agreement		114		114
Economic Integration Agreement—Accession		4		4
Free Trade Agreement	12		207	219
Free Trade Agreement—Accession	0		1	1
Partial Scope Agreement	14			14
Partial Scope Agreement—Accession	1			1
Grand total	36	118	225	379

Source: http://rtais.wto.org/UI/publicsummarytable.aspx

Table 3 All RTAs in force, sorted by status in the wto consideration process

	Enabling clause	GATS Art. V	GATT Art. XXIV	Grand total
Factual presentation not distributed	12	35	85	132
Factual presentation on hold	0	4	0	4
Factual presentation distributed	4	58	83	145
Factual abstract not distributed	0	0	0	0
Factual abstract distributed	11	21	40	72
Report adopted	1	0	17	18
No report	8	0	0	8
Grand total	36	118	225	379

Source: http://rtais.wto.org/UI/publicsummarytable.aspx

Table 4 All physical RTAs in force, sorted by coverage

Goods	135
Services	1
Goods and services	113
Grand total	249

Source: http://rtais.wto.org/UI/publicsummarytable.aspx

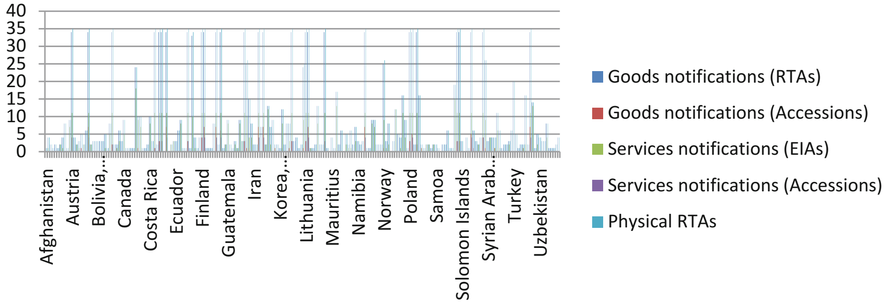

Fig. 1 Regional trade agreements notified to the GATT/WTO and in force by Country/Territory. *Source*: WTO

6 The Effects of RTAs on the Multilateral Trading System

The WTO since its inception in January 1995 has contributed to the opening up of country borders to trade and investment. This is in line with its objectives of open, fair and undistorted competition. To this end, the WTO has laid down fundamental rules governing fair trading conditions between countries. For instance, non-discriminative rules on trading partners, trade conditions, attributes to non-trading partners among others. Towards the end of the 1980s there were significant economic reforms, which advocated for domestic and international deregulation, privatization and liberalization with the aim of enhancing growth and development. This was based on the tenet that decline in restriction both within and across countries and in some extremes the free trade, would induce higher economic gains for the trading partners.

The multilateral trading system is operated by the WTO and it indicate how the global trading community members should conduct themselves within a legal framework. The foundation of this system is the rule of non-discrimination, that is, the equal treatment of all WTO members. The main objective is to overcome the impediments posed by protection of markets by member countries. However, even within the multilateral trading environment, countries are allowed to establish regional agreements among themselves, thus, generating discrimination against goods and services from non-member countries.

Since 1990s the unabated surge in RTAs has continued. Consequently, there is extensive literature on regionalism mainly focusing on the welfare effects to member and non-member countries. Viner's (1950) seminal work argued that regional agreements which discriminates the non-member leads to worsening of welfare for members, non-members and the world as a whole. This is due to inefficient allocation of resources brought about by diversion of trade. Other studies have focused on the inhibiting or facilitating nature of regional agreements towards the achievement of WTO multilateralism trading system (Summers 1991). Furthermore, Ostry (2000) finds that effective enforcement of deeper integration inherently intrudes the domestic policy making process while reinforcing the trend towards multilateral trading systems.

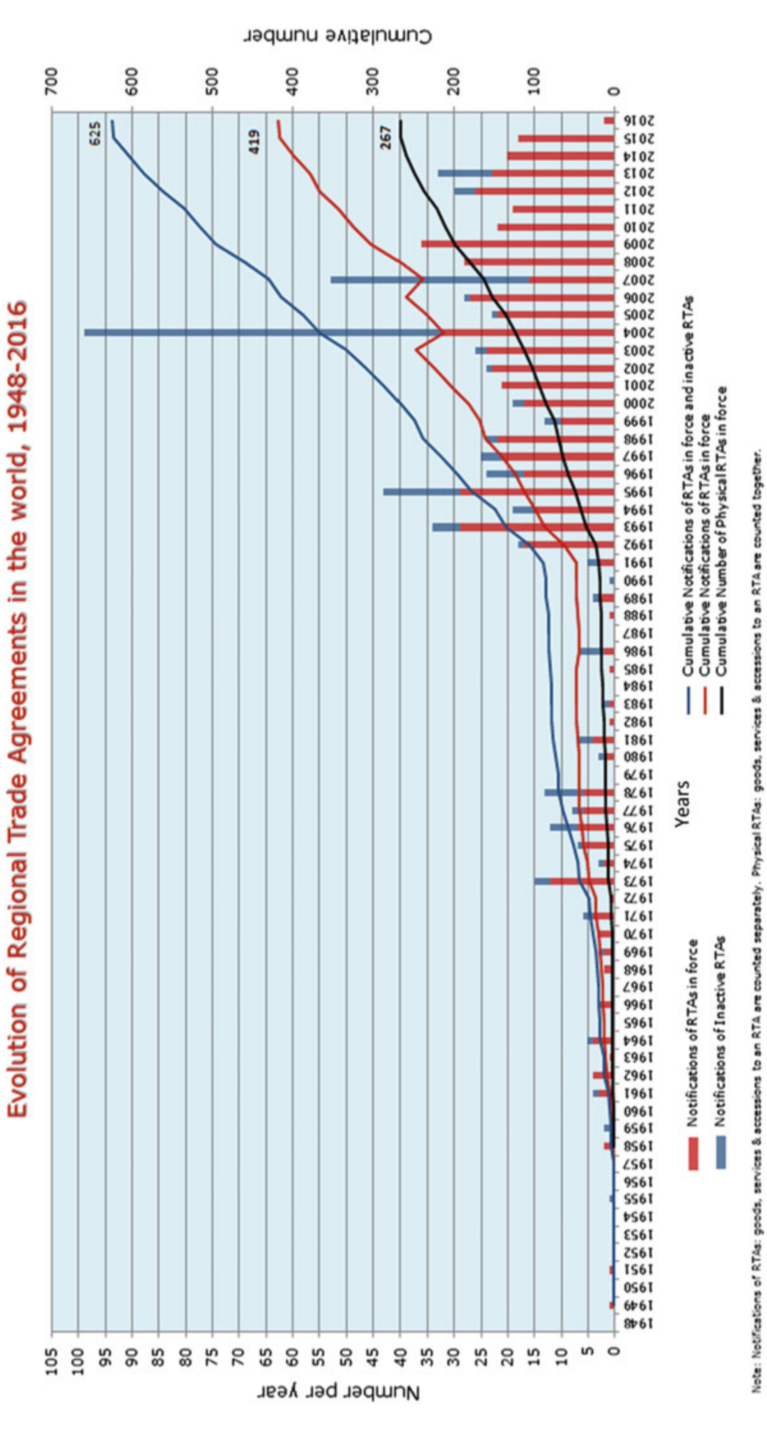

Fig. 2 All RTAs notified to the GATT/WTO (1948–2016), including inactive RTAs by year of entry into force. *Source*: WTO website: https://www.wto.org/english/tratop_e/region_e/regfac_e.htm

Prior to opening up of domestic markets especially for the vulnerable developing and open small economies there is need for proper negotiations to synchronize the most efficient way forward considering the gains and the costs. These negotiations are usually lengthy and complex especially when many WTO member countries, which are of diverse interests, are involved. Therefore given the benefits accruing from freer trade, countries have shown preference in negotiating regionally within a group of countries, which might be easier to manage. Consequently the major question has been whether these undertakings are enhancing or hindering the WTO objective of a non-discriminate, freer and fair trading system. On one hand, RTAs are viewed as a step towards enhancing fair and competitive multilateral trading systems while on the other, there is skepticism based on the argument that the discrimination of non-members might hinder the development of multilateral trading systems.

Regional integration promotes trade liberalization since negotiations with a small number of countries can easily be extended to more countries while optimizing commonly available resources. In addition to bolstering alliances amongst member countries, RTAs enhance countries' capacity towards the achievement of domestic reforms. On the same account, the proliferation of RTAs has not been achieved without a cost since the system also creates some negative effects that include diversion of resources. This trade or resources diversion occurs through a shift from a non-member trading or investment partner to a member partner. Besides it's not always easy to arrive at a consensus during negotiations, a scenario further complicated by multiple memberships. For instance, in the East African Community (EAC), Kenya and Uganda are members of Community of Eastern and Southern African (COMESA) while Tanzania belong to Southern African Development Community (SADC), which are all at different levels of negotiations and commitments.

Following the Uruguay round in 1994 the setting of trade policy-making changed significantly since the pre-existing GATT provisions did not require developing countries to reciprocate by opening up their markets. Moreover with globalization, trade conditions have been significantly changing which requires improved management and hence the increased regional integration within the developing countries.

The aim of WTO agreements is to achieve trade without discrimination, which is freer and open while at the same time enhancing a stable and predictable environment under fair competition. In this context there are some described features for a regional agreement that can be a challenge or a motivation for multilateral trading systems. There should be transparency of intentions so that relevant parties are aware of how future trading conditions will affect their prospects. Regional agreement inclination to incorporate new members is seen as one of the mechanisms through which they can lead to a global trading system. For instance European regional integration has been relatively successful and has expanded membership from 6 to 27, thereby, enhancing multilateral trading status (Frankel 1997), except the July 2016 exit of Britain from the European Union. Further, there should be a gradual decline of trading barriers through international negotiations to achieve a free, fair and competitive trading system. The tripartite negotiations that have been in progress between COMESA, SADC and EAC to establish a Free Trade Area can be seen as a tendency towards the global multilateral trading system. This is not unique to SSA since America and EU are also in negotiations to establish a Free Trade Area. A similar case is also seen in Asia-Pacific region negotiations that have been ongoing for a long while. Optimistically, by the time these agreements become optimally operational, most countries will be engaged, thereby, remarkably reducing global trade discriminations and protectionism.

According to WTO, often, RTAs can actually enhance the multilateral trading system. This is because at regional level it has become possible to cater for issues that were not covered by the multilateral agreements but equally crucial. For instance competition, intellectual property, environmental standards among others (WTO 1995), which facilitate the achievement of WTO's overall objectives. Moreover the recent emergence of regional agreements between developed and developing countries connecting continents is seen as a move towards a multilateral trading system (Schott 2004). However a political economy model by Andriamananjara (1999) shows how RTA can undermine the movement towards a multilateral trading system, arguing that discriminatory trade policies alter balance between gains and losses that members and non-members experience from multilateralism.

Trade creation and trade diversion effects of a regional agreement are used as a measure of the effects of RTAs. Though trade creation is found to often dominate the trade diversion, this does not imply that there is achievement of multilateral trading system. This is because a global trading system divided into a number of competing trading blocs is surely inferior to global free trade since there is discrimination of non-members. The international trade literature have also revealed that negotiations in multilateral systems are mostly delayed partly because governments are busy negotiating and abiding with regional agreements. To the extreme, a very strong regional bloc can easily impede negotiations on liberalizations. Krishna (1998) using a three-country oligopolistic-competition model demonstrates that a Preferential Trade Area between two countries reduces the incentives to liberalize tariffs with the third country, which limits the chances of multilateral liberalization. To the contrary Freund and Ornelas (2010a, b) suggests that so far with regional integration there is more to celebrate than to worry about for the multilateral trading system. In a median voter model, Levy (1997) finds that regional blocs neither hinder nor promote global free trade in an Hecksher–Ohlin framework. Bagwell and Staiger (1999) adopting a trigger-strategy framework, find that the formation of a Regional Trade Agreement will initially be accompanied by a declination from multilateral trading system but reinforces it in the long run. Estevadeordal et al. (2008) finds that there is no negative effect of regional liberalization to external trade liberalization.

As noted by Foxley (2010), pursuing stronger regional trade agreements can help form the building blocks for global free trade deals. WTO has set up a regional trade agreements committee, which is mandated to scrutinize if the RTAs, contravene the multilateralism objectives. Therefore, depending on the established regional agreements and the binding negotiations, RTAs can be either reinforcing or hindering the trend towards multilateral trading system.

7 Review and Benefits of Africa's RTA in the Global Financial and Food Crisis

During the formation and implementation of RTAs there are sacrifices as well as benefits from joining such regional blocs. For instance the removal of tariffs would lead to about 7–10 % decline of revenue or higher for some African countries (TWN 2010) which are highly unlikely to be recovered from other forms of taxes (Baunsgaard and Keen 2005). These regional arrangements differ from one another in terms of depth and success and therefore respond differently to shocks.

The regional integration frameworks provisions, which cover a variety of aspects might hinder countries' ability to react to external shocks since most of these provisions are static with set objectives of trade as an engine for economic growth. In the wake of a crisis there are a number of policy options available to a country. From the import controls in form of tariffs and restriction to regulating the capital flows. However this might not be the case for a country within a regional integration bloc since they are bound by the WTO open, fair and competitive trade policies. Moreover provisions may require equal treatment of both local and foreign firms while in periods of crisis the foreign firms might be the main transmission channels of the crisis effects to the domestic market. GATT requires all trade in goods to be substantially liberalized in a regional trade bloc and all WTO members to enjoy the most-favoured-nation treatment.

During and subsequent to the global financial crisis, most African countries experienced economic downturn which brought about enormous challenges compounding the preceding food and fuel crisis. The major cause of the financial crisis is the increased financial instruments risk without proper and effective regulation, (IMF 2009). The fast innovations in technology and financial instruments made it possible to borrow on mortgages. The crisis in developed countries quickly spread to other parts of the world affecting all sectors of the economy. This led to decline in demand for exports, fall in remittances, near collapse of the stock markets, weakening of currencies and sharp fluctuations in commodity prices (WEF 2009), which affected African countries persistently. This crisis also recorded devastating impact on African economies partly because they are signatories to certain RTAs which will not permit for imposition of restrictions without violations and penalties.

The slow global economic growth led to decline in commodity prices due to contracting demand, limited credit with more stringent conditions combined to worsen the economic status of the already struggling Sub-Saharan Africa. Those countries bound by the WTO and other regional integration regulations might not optimally utilize the policies to caution their economies, however countries that are not bound by WTO could implement relevant policies and stabilize their economies. For instances countries that are not bound by WTO provisions can impose barriers to attract or restrict trade, investment or competition to conserve their economies. In Europe response to the crisis was hindered by the inability to apply macroeconomic policy due to the built-in institutional limitations within a monetary union.

Most of the north–south regional agreements require that there is reciprocity of policies in line with WTO requirement such that the developing countries have to open their economies to their counterparts in the developed world. Developing countries mainly trade in agricultural products which are often subsidized in the developed countries and hence not a fair competition which might hurt these economies. Moreover trade taxes are a significant source of revenue and hence through regional integration, which requires elimination of intra-regional tariff and in a further stage, customs union to exercise common external tariff. Consequently, the taxes can be lower or higher for a country, thereby, negatively affecting its revenue outcomes. For instance, during the global financial crisis the EU subsidized milk products, which could have negative effects on member countries especially the less-developing countries whose main exports are agricultural products. In some cases significant subsidization by the developed world to support their economies was so enormous such that the fair play advocated by the WTO was no longer applicable. However the cost of retaliation for breaching regional agreements provisions might be so expensive for developing countries that are highly import dependent and lack ample domestic productive capacity.

According to the United Nations (UN) Commission some of the provisions contained in the regional trade agreements can increasingly expose member countries to unnecessarily contagion from the failures elsewhere despite their prudent policies. Countries in deeper integration, especially those that had adopted common currency, were faced by more stringent policy space since they had given up their monetary and exchange rate policies as mechanisms to absorb shocks. However, given that fiscal policy of expanding the government expenditure through the fiscal stimulus package was among the few options available it was highly embraced across the globe. Consequently with contracted revenue sources and foreign funding, domestic and external debt amplified considerably.

Given the vulnerability of the African countries and limited capacity to respond to shocks, they should be wary of regional agreements that expose them to external shocks. At least there should be provisions that protect them from dynamic global economic risks and uncertainties. Moreover, negotiations for these north–south regional trade agreements are seemingly biased against Africa because the continent lacks the technical and financial expertise to effectively negotiate such unfair trade deals. Lack of effective capacity to comprehensively appreciate the provisions in the WTO and especially when included in the regional agreements may affect Africa's preparedness to respond and adjust favourably to regional and global economic shocks. For instance GATS and WTO provisions requires liberalization of 80 % of the services (Article XXIV) which may not allow African countries to protect the essential services if included in the regional agreements.

To say the least, trade in services is a fairly complex topic since their definitions and forms are dynamic. In the Doha round of multilateral trade negotiations the developed economies are pursuing opening up of financial services sector by allowing establishment of foreign firms as well as consenting capital flows. If enacted this opens up African economies to global financial volatilities and uncertainties hence influence on local financial institutions and with lack of effective regulations addressing such impacts might be an uphill task. Therefore failure to properly conceptualize the various types of trade in services available and their possible implications upon inclusion or exclusion as a result of establishment of regional agreements could be a major channel of macroeconomic contamination. In addition, the presence of subsidiary firms in the domestic financial sector is a double-edged sword because it can provide a channel to access foreign funds that could have been otherwise inaccessible and also it can lead to capital outflows especially in liberalized markets. High dependency on foreign funds by African countries exacerbates the grave scenario and can easily cripple regional economy. Most of the African countries that are relatively isolated from the world financial system did not experience the direct effects of the crisis however the indirect and spillover effects were noticeable in these economies. The colonial ties have made most of the African countries to be highly vulnerable to events outside the region, a scenario which is exacerbated by the cross-cutting global threats like the climate change, (WEF 2009).

The link between global financial crisis and regional trade agreements vary across regional blocs. Those in Sub-Saharan Africa, though not heavily directly affected bore the brunt of the crisis with respect to commodity price fluctuations, trade, remittances and foreign fund flow thus highly susceptible. While in Asia most of the economies were relatively prepared following a period of reforms, however they were still significantly affected. Since regional integration enhances international confidence in a country as well as policy credibility, many countries were able to obtain financial assistance from the International Monetary Fund to support their economies. In Africa, the United Nations Economic Commission for Africa (UNECA), African Development Bank and African Union Commission took a concerted effort to develop policies that could alleviate the consequences of the African financial crisis. Due to the challenges of membership of regional agreements most countries have made use of non-tariff measures in the post-crisis period to cushion their economies from further damages. Moreover with the decline of international demand of exports the regional trade bloc provided some solace during the crisis (Foxley 2010). However multi membership to regional agreements brings about confusion on the applicable regulation. For instance Kenya belongs to COMESA FTA and EAC common market. Going forward, Amponsah (2009) suggests that wide-ranging and deep regional trade integration is professed as a critical driver of sustainable growth in Africa.

8 Conclusion: Systemic Implications of South–South RTAs for the Multilateral Trading System

Guided by the spirit of solidarity and economic transformation, intensification of South–South RTAs has opened increasing number of opportunities for Africa towards potentially promoting inclusive development. South–South RTAs comprise striking features that will address peculiar trade and development needs of Africa. However, the trade and development challenges confronting Africa are numerous and multifaceted. It is therefore important to properly understand these challenges and understand the point of intervention by South–South RTAs.

The formal removal of tariff barriers should impact favourably in trade flows, economic growth and welfare conditions. However, most African economies appear to have been adversely affected by RTAs. Further, much of the focus of RTAs has been on tariff barriers to trade, with little emphasis on non-tariff barriers (NTBs), which in most cases are associated with the major obstacles of trade expansion. For instance, evidences reveal that in spite of over four decades of economic integration, intra-regional trade still remains very low. In fact, though Africa's intra-regional trade is on the rise, on global comparative terms, it records the lowest rate of 10 % in comparison to 40 % in North America and about 60 % in Western Europe (Hartzenberg 2011). This dismal performance may partly be explained by the increasing use of NTBs, thereby calling for a more comprehensive, coherent and workable integration and South–South regional trade strategy to address the challenges being generated by NTBs. Further, it should be noted that in some cases, RTAs have encouraged investments in services (such as transportation) which might subsequently generate economies of scale, or in infrastructure (such as roads), that would foster trade and market access.[8]

African countries should be able to significantly leverage RTAs space as training ground towards improving their trade performance in order to compete favourably at the multilateral level.

South–South RTAs could pose some challenges towards the global trade agenda. In other words, there are many big issues which can only be resolved within a multicultural context of the WTO. A good example in this regards is the Trade Facilitation Agreement that was struck in Bali in December 2013 which explains that it is economically logical to simplify trade procedures at the border and the implementation of the TF agreement applies to everyone and not just two countries. The same also applies to farming or fisheries subsidies, anti-dumping or countervailing duties and services such as financial and telecommunications regulations, and thus have to be negotiated globally.

One of the major problems that characterize the global trading landscape, with particular reference to Africa, is the proliferation of negotiations for or within a

[8]However, the point has to be emphasized that in spite of the NTBs, African countries rank very poorly in the 2015 Ease of Doing Business assessment by the IFC/World Bank (http://www.doingbusiness.org/ranking).

diverse range of regional trade agreements, many of which interlock or overlap, and whose provisions vary widely in scope and impact. Focus should be placed on countries, which are members of several regional bodies and negotiations at the same time, and also face conflicting obligations and objectives. Thus, there is a need to identify and analyse these challenges, and how to strengthen the capacities of African countries to confront these challenges more effectively. In conclusion, there is a need for a more proactive approach in improving trade and market access coordination between governments, private sector and civil society organizations towards advancing South-South RTAs interests.

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Part I
Selected Cases on South–South Regional Trade Agreements

Trading with China: How can Africa Benefit?

Bamidele Adekunle and Monika Korzun

1 Introduction

The Chinese first arrived in Africa, precisely South Africa, in the mid 1800s as indentured labourers and the first diplomatic relations were established in early 1900 as a support system for the labourers (Burke et al. 2008; Obuah 2012). The trade relationship between China and Africa is centuries old, some suggesting it dates back to the fourteenth century (Ancharaz 2008; Burke et al. 2008; Ademola et al. 2009). The trade relationship has intensified drastically since 2000 (Ademola et al. 2009) when China became a major recipients of African exports and began to export a great deal of manufactured goods to Africa.

Since the relationship intensified, a wealth of discussion began about the opportunities and challenges of this relationship. Many believe the relationship will help stimulate the economies in Africa. The supporters of the relationship believe that China gives Africa the opportunity to diversify trade and funding opportunities. Furthermore, African nations can benefit from strengthening relations and opportunities with China in other ways, such as improving their infrastructure (Bazika 2009). Others are more cautious because of the detrimental effects it might have on Africa. Although China promotes its investment and trading relationships with Africa as mutually beneficial, many believe China is driven by greed and the hunger for expansion (Zafar 2007; Ancharaz and Nowbutsing 2010) thus a need for rebalancing (Adekunle 2015). Bazika (2009) also points to China's focus on profits

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and too much carelessness regarding social and environmental law and legal mechanisms. Examples of how China is exploiting the situation include dumping of low quality products, lack of transparency, importation of labour, and lack of concern for environment management.

2 Background on China

China has stunningly changed from a centrally planned system that was closed to international trade to a market oriented economy with a growing private sector. It is also the second largest economy in the world. Reforms began in 1970s with China closing its collectivized agriculture sector, liberalizing its prices, decentralizing financially, giving more autonomy for state enterprises, diversifying its banking system, developing of a stock market and opening up for foreign trade and investment (Ajakaiye 2006). Ancharaz (2008) points to China's World Trade Organization (WTO) accession and the end of the Multi-Fibre Arrangement in 2004 that helped with the rapid growth of China's exports. It was in 1999, that China strategically decided to encourage investment overseas and help companies develop internationally. This is often referred to as the 'Go Out' policy. This policy was initiated in 1999, but officially established during the 19th Five Year Plan from 2001 to 2006 (Mwanawina 2008; Bazika 2009; Chen 2009; Ancharaz and Nowbutsing 2010). To support this plan, the government established a new International Funding Agency (Sinosure), developed further activities of the Export Insurance-Credit Agency (China Export Import Bank) and developed the activities of the China Development Bank (Bazika 2009). Some believe these instructions will continue to gain significance and become some of the key players in the global markets.

China has been one of the world's fastest growing economies in the last two decades. It is now the world's biggest merchandise trader, with imports and exports totalling US$4159 billion, followed by the United States and Germany (WTO 2014). Many are impressed by China's rise to becoming a major trading nation (Zafar 2007; Geda 2008; Ademola et al. 2009; Bazika 2009). China's Gross Domestic Product (GDP), which was 10.35 trillion dollars, is far greater than any African country (World Bank 2014). Since the mid-1990s, China's growth has been spectacular at about 8.0–11.0 % annually. As such, China's GDP has increased more than 20 fold in the past 25 years (Geda 2008; Khan and Baye 2008; Ademola et al. 2009). China is currently ranked at the top in global exports and is 2nd in imports (WTO 2014).

The WTO (2012) illustrates that the Chinese dynamic economy did slow down a little bit in 2012, but China's GDP growth was still the fastest at 9.2 %. China has also doubled the supply of global labour by adding more than 100 million workers since 2002. China's share of global exports has increased from less than 2 % in 1987 to over 7 % in 2005 (Ademola et al. 2009). In 2011, China experienced growth in transportation by 4 %, and in travel by 39 %. The construction exports slowed to a

2 % increase, after soaring in 2010. After the European Union, China is the second largest importer of mining products, with an increase of 29 % in 2011 (WTO 2012). China's world share in exports of electronic data processing and office equipment products also saw a significant increase from 5 % in 2000 to 39 % in 2011. Furthermore, the country was a leader in exporting textiles and clothing in 2011, contributing 32 % of global textiles and 37 % of clothing (WTO 2012). Overall, it experienced a 20 % increase in textiles and clothing in 2011 (WTO 2012). China's global demand for fuel and other commodities, such as steel, copper, aluminium and timber has increased (Ademola et al. 2009). It's achievement in poverty reduction has also been significant by reducing the percentage living on $1/day from 33 % in 1990 to 14 % in 2002 (Ajakaiye 2006). China rather than a recipient of aid is now a donor. Considering all the rapid changes that have taken place, it is fair to state that the country has contributed significantly to the changing global economy.

3 Trade Agreements Between Africa and China

Many argue that the trade relationship between China and Africa has contributed to the increase in GDP in many African countries and the growth and development of the continent in the past decade (Ademola et al. 2009). Although, some African countries, such as Chad, Angola, Nigeria, Tanzania and Uganda have also experienced GDP growth since the 1990s, but not at a constant rate like China (Ademola et al. 2009). The increased income in both China and Africa partly explains China's export demand and increased import by African countries, as both populations seek to improve their standards of living and demand for various material things increases (Ajakaiye 2006; Ademola et al. 2009).

The relationship between Africa and China has a long history, but has intensified since 2000. China-Africa two-way trade has increased drastically from $8.7 billion in 2000 to more than $114.8 billion in 2010 (Obuah 2012). In 2010, China surpassed the United States as Africa's largest country trading partner. Since 2006, China became the largest individual country exporter to Africa (US Department of Commerce 2009 as cited in Obuah 2012). The surge in trade is as a result of China's increasing demands for resources, enabling developments in Africa and the formation of the Forum on China-Africa cooperation (FOCAC) (Obuah 2012). The FOCAC was developed in 2000 and provides the main mechanism for China and Africa relations (Pehnelt and Abel 2007; SAIIA 2009; Obuah 2012). The first FOCAC meeting took place in 2000 in Beijing and was hosted by the Chinese President Hu Jintao and Premier Zhu Rongji. The Beijing Declaration was signed at the end of the meeting by China and 44 African nations (SAIIA 2009).

FOCAC represents a collective dialogue between China and Africa that seeks economic and social development via a mutual benefits model. This model favours south to south cooperation and seeks to empower the role of developing countries in the international decision making arena. FOCAC follows recognized principles governing trade relations including the principles of the United Nations charter, the Charter of the Organization of the African Unity and the Five Principles of Peaceful Coexistence (Pehnelt and Abel 2007; SAIIA 2009; Obuah 2012). There is emphasis placed on settling disputes in a peaceful manner, a hands-off approach to domestic affairs, mutual cooperation and common development (SAIIA 2009). The FOCAC gives a space for African nations to acquire financial and technological resources and move towards achieving the Millennium Development Goals, and now the Sustainable Development Goals. The challenge lies in achieving mutual benefit without threatening Africa's social and cultural histories and the environment (Mwanawina 2008).

Furthermore, as part of the trade with Africa, China implemented a Special Preferential Tariff Treatment (SPTT) in 2005. The Chinese government removed tariffs from about 190 items from 25 least developed countries. In 2006, SPTT included over 440 items to 30 countries (Pehnelt and Abel 2007; Minson 2008; Mwanawina 2008; Khan et al. 2010; SAIIA 2009). China–Africa policy was also developed to create a scenario where African governments are not constrained. In 2007, the Chinese government granted duty-free treatment to 41 least developed African nations on 97.7 % of export products to China (Khan et al. 2010). This was developed to help increase exports from Africa to China and help address the negative trade balances with some of the African nations. Ancharaz and Tandrayen-Ragoobur (2010) believe that the SPTT has been effective in increasing African exports to China. However, in many countries such as Cameroon, Khan et al. (2010) believe it is still premature to make such judgements. Another pertinent question is whether these African countries have any tangible products to export to China.

In reality, the trade pattern that is present between Africa and China is that Africa exports primary products and imports manufactured products and services. Sub-Saharan Africa (SSA) contains some of the world's valuable minerals and metals including gold, diamonds, uranium, nickel and cobalt as well as petroleum and gas (Ajakaiye 2006). In 2007, crude oil and mining products accounted for about 85.1 % of China's imports from Africa (Ademola et al. 2009). Agricultural products and manufactured constituted a smaller, but still relevant percentage of imports from Africa. China's imports from Africa are limited to a few countries, which contain a relatively large supply of petroleum, minerals and metals. These countries include Equatorial Guinea, Nigeria, Sudan, Congo, Angola, Zambia and South Africa (Adekunle and Gitau 2013). On the other hand, China's exports to Africa are of lower quality manufactured goods. In 2007, Africa's dominant imports from China were manufactured products, accounting for 93.4 % of total imports from China. Machinery accounted for about 17.4 %, textiles for about 15 %, other manufactures at 11.4 %, other semi-manufactures at 11.4 %, clothing at 10.4 %, office and telecoms equipment at 9.9 %, transport equipment at 8.80 %, chemicals at 5.6 % and iron and steel at 3.4 % Agricultural products accounted for 3.4 % and fuels and mining products for about 1.7 % of the total (ITC Data Base 2007 as cited in Ademola et al. 2009).

Mobilization of people has also emerged as a result of the trade relations between Africa and China. People have moved to and from Africa and China for trade opportunities, employment as well as tourism. Chinese firms have contributed to the development of the oil, gas, mineral and other natural resources sectors. In several cases, Chinese companies in Africa moved their labour to Africa. This is commonly seen with infrastructure projects. A survey of 35 Chinese construction companies by Chen (2009) illustrates that 91 % of the Chinese companies' management positions were filled by Chinese, 8 % were local and 1 % were from a different country. The Jin Fei project in Mauritius was approved in 2006 and received over 211 ha of land to set up factories engaged in light engineering, textiles and pharmaceuticals. Ancharaz and Nowbutsing (2010) expect that the project will have little impact on the local economy. The factories were to create about 40,000 jobs, but Ancharaz and Nowbutsing (2010) assert that only a small portion will go the locals. In addition the jobs that will be designated for the locals will be low paying jobs. The construction that took place so far has been done by mostly Chinese workers and the inputs and materials used are from China (Ancharaz and Nowbutsing 2010). By the end of 2012, there has been very little progress on the project. The land has been cleared for construction, but little construction has taken place since 2006. Many farmers have been displaced and local businesses have closed as a result of this project. Several visits and discussion about the Jin Fei project have taken place between China's and Mauritius' leaders. To date, no progress has taken place and the project is considered unsuccessful. The Mauritian government is now in the process of developing a new plan for that piece of land.

However, the investment relations tend to be uni-directional and in favour of China, except on very few occasions. For example, South African Bateman Engineering won a $4 million contract (Ajakaiye 2006). Traders from Africa have also been moving to China for trading opportunities. There are also many African job-seekers who have taken advantage of educational and training programs in China and have moved to China to seek employment. Tourism is also increasing between both partners. In fact, China has also promoted many African countries as tourist destinations. There are 17 countries on the list including Namibia, Botswana, Madagascar, Lesotho and Ghana (Ajakaiye 2006; Ademola et al. 2009).

4 Opportunities

The expansion of Chinese trading activities globally offers many market opportunities for African nations. First, countries that fill the increasing Chinese demand for imports will develop economically along with China's growth. Second, countries importing Chinese exports can gain from the lower prices from Chinese products. Ajakaiye (2006) claims that Chinese products can be up to 75 % cheaper than ones from traditional sources and up to 50 % cheaper than local products. This can improve the state of the poor in Africa. However, utilizing this as the primary strategy for poverty reduction may not be sustainable and may not address the core issues and reasons for poverty in Africa. Countries that export raw materials as well as crude oil and minerals will gain from the Chinese market, partly due to the rapid increase in the demand for energy and raw materials by the Chinese economy. According to Ademola et al. (2009), African countries will benefit from Chinese imports or exports though the benefits will differ based on the size of the economy, the purchasing power of the citizens and ownership of oil and mineral resources.

Increasing employment rates and income are amongst the potential gains from the China-Africa trade relations. Many question this, as they point to Chinese companies bringing their own labour (Ancharaz 2008; Bosshard 2008; Ademola et al. 2009; SAIIA 2009; Ancharaz and Nowbutsing 2010). Many nations also hope to gain benefits from accessing Chinese technology and research. They hope there will be knowledge spillovers in many of the industries (Burke et al. 2008; Khan and Baye 2008). Whether this has happened or not still remains ambiguous. Moreover, Chinese companies have been criticized for not fulfilling social responsibilities. Several have responded to this criticism by including corporate social responsibility (CSR) in their strategic plan. Chen (2009) provides a number of examples, including China Jiangsu's donation of computers to the office of the Ministry of Foreign Affairs in Botswana. The same company also build houses for local people in need. SinoHydro donated generators to a school it help build in Botswana (Chen 2009).

The provision of public goods by Chinese companies notwithstanding, Ademola et al. (2009) suggest that many producers of manufactured products in Africa are concerned about the competition of Chinese exports with the infant industries in the domestic markets. This is a problem because import barriers in domestic markets and the trade preferences in both domestic and global markets are not strong enough to counter the dominance of Chinese products in Africa. Many Chinese firms also win contracts because of their low biding price. For example, the contract for the Khama International Airport in Botswana was won by the Chinese company SinoHydro Corporation because of the low bid. Chen (2009) claims that Chinese companies adopt a low profit margin strategy to win contracts. Other companies add a 30–50 % profit margin, whereas the Chinese companies work on 10–15 %. This can be beneficial to African nations, as they can save substantial amounts on infrastructure projects, but also risky. Low profit margins are less likely to accommodate mistakes and setbacks in projects. A survey of construction companies illustrates that Chinese managers in Ethiopia are paid $700 per month whereas American managers in Africa receive $10,000 per month (Chen 2009). Although SinoHydro won the contract for the Khama International Airport due to its low bidding price, Botswana suffered a great loss as the company's performance was poor, including missed timelines, short cuts in safety regulations and lack of job creation for locals in Botswana. The Ministry of Infrastructure, Science and Technology (MIST) therefore, terminated SinoHydro's contract (Bosshard 2008; Chen 2009). A similar occurrence is described above with the Jin Fei project in Mauritius.

5 Challenges

The trade between China and SSA is at times contradictory. On the one hand, there is much to gain from Chinese imports, especially when those products come at a low price. On the other hand, the domestic African market will suffer losses as they will not be able to withstand competition with cheaper Chinese products. The Chinese clothing and textile sector is one that has greatly impacted many African nations. The South African Textile and Clothing Workers Union (SATCWU) claim that over 75,000 jobs have been lost in the textile industry in South Africa since 1996, due to the aggressive Chinese competition (Burke et al. 2008). Countries such as Mauritius invested into its local spinning capacity as a means of decreasing its dependence on Chinese textiles. As a result, the degree of local labour displacement textile imports from China fell about 24.4 % from 2002 to 2006 (Ancharaz 2008). Khan and Baye (2008) provide a comparison between Cameroon and China made batteries. A pack of 4 AA batteries made in Cameroon cost $0.67, compared to Chinese imported 4 pack of AA batteries that cost $0.2212. The Chinese batteries cost almost 67 % less including additional costs such as custom duty, insurance and transportation (Khan and Baye 2008). However, the competition from Chinese products can encourage local producers to be more productive as well as produce better quality products and pass the benefits to the consumers. But will result to loss of many domestic businesses and therefore a loss of jobs and incomes if there are no policies that create enabling environment for competitive local production.

Authors such as Ajakaiye (2006) also illustrate concerns about the quality and safety of Chinese products. African countries that export the same or similar products that China also exports are likely to suffer from the trade relationship as export prices will fall and there will be a decrease in market shares. Simply stated, African exports cannot compete with Chinese exports in the global market. This may result in a monopoly power in certain markets. The large dependence on Chinese imports and low levels of exports have contributed to large trade deficits of some African nations (Ajakaiye 2006; Ancharaz 2008). China contributes to about 30 % of the trade deficit in Mauritius (Ancharaz 2008), and up to 82 % in Cameroon (Khan and Baye 2008). The trade deficit with Africa reached $5billion in 2008 (SAIIA 2009). Even natural resources rich countries, such as Algeria and Nigeria have a trade deficit with China (Burke et al. 2008; SAIIA 2009). Similarly to Africa's trade with Europe and the United States, Africa's trade with China has not helped reduce the disparity between resource rich and resource poor African nations (Obuah 2012). Obuah (2012) suggests that the Africa-China trading relations maintains the status quo rather than challenge it.

This is especially concerning for some as many Chinese businesses continue to be state owned or closely related to the Chinese government (Ajakaiye 2006). African countries which import products that are also imported by China are also likely to suffer as they face import competition through increase in prices and a decrease in consumers' welfare (Ademola et al. 2009). The opportunities and challenges of trade relations with China will vary among African nations. The pattern of trade between China and African nations does not encourage diversification of Africa's exports and as Ademola et al. (2009) claims, does not encourage the use of trade as a tool for industrial development. Ajakaiye (2006) also claims that this may curtail the development of the manufacturing, service and knowledge industries amongst African nations.

Many also worry about the increased risk of Dutch Disease, which refers to the de-industrialization of a country's economy when exploitation of natural resources increases, raising the nation's currency and resulting in a less competitive manufacturing sector. This can thereby increase dependence on imports and a decrease in overall exports (Ancharaz 2008; Ancharaz and Nowbutsing 2010). Mauritius experienced the Dutch Disease in 1973–1974 with the sugar boom. To prevent further risk of the Dutch Disease, Mauritius developed a series of measures that helped in the diversification of exports and helped strengthen the economy (Ancharaz 2008). Some believe that these precautions helped in resisting globalization and the Chinese demands dictate the exports in Mauritius (Ancharaz 2008). Ancharaz and Tandrayen-Ragoobur (2010) indicate that despite the measures taken, Mauritius remains concentrated on sugar and a few other manufactured products. Overall, they assert Mauritius has fallen short in export diversification as a means of developing economic resilience.

Since the trade relations encourage the development of sectors like mining and oil exploration, there is a worry that financial and human resources will be diverted from sectors that are not supported by the trade relationship and that face increasing costs and aggressive competition from cheaper Chinese imports (Ademola et al. 2009). Bazika (2009) points to the impact, probably negative, China can have on intra-regional trade in Africa. For example, Chinese imports in Congo are more competitive than similar imports from Cameroon. Hence, China is straining the trade relationship between Congo and Cameroon.

6 Strategic Trade Agreement: A Beneficial Framework

Taking into consideration the opportunities and challenges, the relationship between China and SSA does require reassessment. As indicated by the conceptual framework below (see Fig. 1), the first step to trade agreements that can be beneficial to both parties is to formulate transparent agreements. Critics of the trade agreements often point to the lack of transparency in trade agreements with China (Chen 2009; Alves 2011). An example of this is the Jin Fei project in Mauritius (Ancharaz and Nowbutsing 2010). This lack of transparency not only create criticisms, suspicions and doubts of such agreements, but also limits the type of research that can be done on such agreements. Statistical information as well as the details of the agreements are not made available to the public, limiting the ability of researchers to examine the relationships between China and SSA in a scholarly framework. Research can aid in helping SSA decision makers develop better informed, evidence based decisions.

With the trade agreements available to the public, the option to seek the public's opinion can also be included.

With the hopes of developing sustainable economic relations with SSA, China has to address some of the criticisms that have been presented. One of the major criticisms is the importation of Chinese labour to SSA. Trade agreements should encourage the use of local labour with fair compensation (Geda 2008; Maglad 2008; Bazika 2009; Chen 2009). Local labour should not be considered only for physical labour jobs and other lower end jobs, but also for higher managerial opportunities. Employment opportunities should include training and skill development and opportunities for mobility within the company. Providing locals with fairly compensated employment along with opportunities of training, skill development and movement in the company will help develop an environment open to corporate social responsibility (CSR). Although examples of CSR are present, including China Jiangsu's donation of computers to the office of the Ministry of Foreign Affairs in Botswana and SinoHydro donated generators to a school it help build in Botswana (Chen 2009); CSR should be present within every agreement. The CSR agreements should be reflective of what the local community requires and what will contribute to the community's long-term sustainable development. Opportunities for local employees can act as the foundational steps for CSR in SSA. In addition to social responsibility, consideration for the environment and environmental impacts should also be a part of the agreements (Mwanawina 2008). Many of the SSA countries depend on their natural resources as an export to China. It will be obtuse to think these resources will be infinite. A sustainable environment can also contribute to the development of a healthy tourism economy. As such, the protection of the environment is not only beneficial as a goal in itself, but can be utilized as a business opportunity.

Literature illustrates that SSA can potentially benefit from technology transfer from China. Although it is early to provide evidence, many countries hope there will be spillover effects with technology transfer from China (Burke et al. 2008; Khan and Baye 2008). Again, it is important that technology that is being applied suits the local communities and their needs. Implementing technology that is not suitable to the local climate, social and cultural expectations may result in lost time and resources as well as further distrust and critique of trade agreements between China and SSA. On the other hand, it is important SSA decision makers are open to and have the skill and creativity to apply technology to the unique and diverse circumstances in SSA. Taking an active role and contributing to the education and development of skills of trade experts will also help formulate agreements that will have the interest of SSA first.

Another issue that is often brought forth by critics of China and Africa relations is the safety and quality of imported products from China (Obwona et al. 2007; Geda 2008; Tsikata et al. 2008; Bazika 2009). Not only can they cause health risks, but the dumping of low quality products can contribute to the plight of local businesses and industry. Trade agreements focused on infrastructure development and SSA's own investment into infrastructure can in the long run decrease dependence on China's imports, especially those of low quality and safety standards. Mauritius' investment into the spinning industry encouraged less dependence on

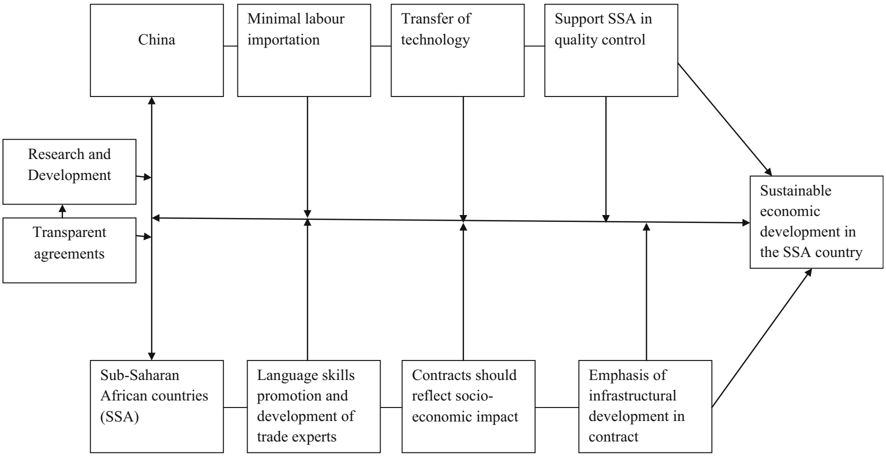

Fig. 1 A strategy for sustainable agreement between China and Africa. We acknowledge that SSA countries are not homogenous but this framework is applicable to all scenarios. Adekunle (2015) corroborates this conceptual framework

Chinese textiles (Ancharaz 2008). Developing strong infrastructure will help local markets development and can enhance diversification of exports.

SSA and Africa as whole initiating a more active role in representing their interest, becoming less dependent on Chinese products, and developing better infrastructure will most definitely transform the relationship between China and Africa. These will give them more negotiating power and the ability to benefit more from trade agreements. There is also the possibility of reducing African countries trade deficit with China. The exact shape of the transformation will depend on the decisions made by China and Africa countries in their trade agreements (Fig. 1).

7 Recommendations

Although there is the general impression that economic growth variations in Africa has narrowed in the past decade (Ademola et al. 2009), it is important to consider the unique circumstances of each nation when developing trade policy initiatives. Examining the trade relationship between China and Africa as a continent, does not reveal the various unique experiences and situations of the different countries in Africa. Africa as a continent is very heterogeneous and relations with China vary from country to country. There is a wide range of political, economic, social and environmental arrangements and situations in Africa. These experiences will have a significant impact on policy development. When making decisions about trade relations, the local context and state of the nation must be taken into consideration.

Strategies for African nations will also vary depending on whether they are resource rich or resource poor countries (see Adekunle and Gitau 2013). Ademola et al. (2009) suggest resource poor countries develop their manufacturing sector using China's strategy of labour intense and low wage. This way, they can compete against China's products. Although this may be an economically strategic solution, it does compromise the income and general livelihood of employees in that possible situation. This proposition may not fit with the expectations and lifestyles of the rising middle class in Africa. Resource rich countries will have to develop alternative strategies to deal with when the resources become scarce and limited. The current position of trade policies in resource rich countries assumes an infinite supply of resources.

Economic policy regulations can be summarized under the following points:

- Negotiate advantageous prices for natural resources exported to China to help maximize government revenue (Obwona et al. 2007; Bazika 2009; Omar 2012).
- Confirm that all businesses and contracts adhere to environmental and social laws and legal mechanisms (Odada and Kakujaha-Matundu 2008; Bosshard 2008; Bazika 2009; Chen 2009).
- Ensure all imports from China adhere to high quality and safety standards (Obwona et al. 2007; Geda 2008; Tsikata et al. 2008; Bazika 2009).
- Attract partners for joint ventures that emphasize knowledge and technology transfer and production and export diversification in Africa as well as local employment (Geda 2008; Maglad 2008; Bazika 2009; Chen 2009).
- Improve the business climate by improving infrastructure such as transportation and energy (Omar 2012). Administrative procedures and regulations should also improve as a way of attracting partners as well as monitoring trade relations (Obwona et al. 2007; Bazika 2009; Obuah 2012).
- Provide incentives for locals and intra-regional members to invest in various sectors (Obwona et al. 2007; Bazika 2009).
- Ensure transparency from all partners is build into all trade partnerships and relations. This entails having an open door policy to the records as well as communicating projects' progress and goals to the public (Chen 2009; Ancharaz and Nowbutsing 2010; Alves 2011).

8 Conclusion

Based on the analysis above and the expected trends, the trade relationship between China and Africa will only intensify (Adekunle and Gitau 2013). China's symbolic gestures also make the relationship between China and Africa even stronger. Going forward, there is a need to rebalance this relationship (see Adekunle 2015).

Although there are debates and disputes about the form and method of trade relationships between China and Africa, there is no contention about the fact that governments and all parties involved must be transparent (Ajakaiye 2006; Ancharaz and Nowbutsing 2010). Many scholars demonstrate with great frustration the lack of transparency and cooperation with Chinese firms for gathering data and statistics. This not only curtails the amount and quality of available research on China and Africa trade relations, but also has real world, practical impacts. The Jin Fei project in Mauritius was veiled with a great deal of lack of transparency, which upset many locals especially those who were displaced as a result of the project approval. Transparency about the processes of doing business contributes to knowledge and technology spillovers in host countries (Ancharaz and Nowbutsing 2010). This will allow the various trade relations and patterns to be evaluated and help in formulating more informed decisions in the future.

The former President of the Republic of Tanzania, Jakaya Kikwete provided a statement that describes well the future path that Africa ought to take in relation to its relationship with China. He believes that China will not transform Africa, but Africa will transform Africa (World Economic Forum on Africa 2006: 13). Africa ought to see itself not as a passive actor that is waiting for the impacts of the trade relations, but as an active player, formulating policies and programs that will steer the trade relationship towards a beneficial path for Africa.

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Enhancing Africa–India Regional Trade Agreements: Issues and Policy Recommendations

Chris Shimba Ochieng and Philip Musyoka

Acronyms

AU	African Union
EAC	East African Community
GATT	General Agreements on Tariffs and Trade
GOI	Government of India
GSTP	Global Systems of Trade Preferences
IBSA	India, Brazil and South Africa
MFN	Most Favoured Nations
NEPAD	New Partnership for Africa's Development
PTA	Preferential Trade Area
RTA	Regional Trade Agreement
SACU	Southern Africa Customs Union
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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1 Introduction

1.1 Background Information

The origin of trade agreements especially multilateral trade agreements was propelled by the need to stop further occurrence of another war after the Second World War. Towards this effort, a world trade system was formed in the form of International Trade Organization (Mercurio 2004) which later transformed from the General Agreement on Tariffs and Trade (GATT) to World Trade Organization[1] in 1995. Since then, Trade Agreements have continued to grow either in the form of multilateral or bilateral trade agreements.

According to past studies (World Bank 2012; Watson and Do 2007; World Bank 2005; Verachia 2010), trade agreements can either be welfare reducing or welfare improving. For its advocates, trade agreements are beneficial because they increase trade liberalization, market access and environmental protection (Watson and Do 2007). Due to these opposing arguments, it is important to gauge the overall trade benefits so as to tell whether it is welfare reducing or welfare improving. Similarly, this implies that different trade agreements must be looked into independently in telling their contribution to trading activities between the parties involved. This is one of the contributions of this chapter.

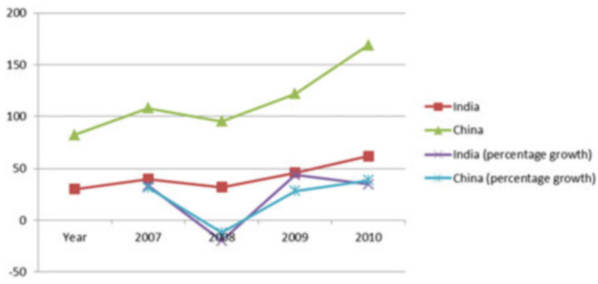
Generally, it is believed that there are great benefits/advantages associated with Trade Agreements. As a result and presently, countries have adopted Regional Trade Agreements[2] (RTA). However, the European Union remains the pioneer of RTAs and the exemplification of best practice. In this endevour, Africa continent has not been left behind (World Bank 2004). For example, most of the African countries do not only belong to more than two RTAs but are also pushing towards preferential trade arrangements in the continent. In the East African region, for instance, the members revived the once defunct East African Community to champion for their interests while continentally, there has been the formation and operationalization of the African Union and the New Partnership for Africa's Development (NEPAD). These agreements support the development of Africa's trading capacity in the global market.

Despite the regional agreements, Africa also engages in global agreements. While, previously the continent engaged in trade agreements mainly with the former colonies (the West) and the European Union, in the recent past, Africa seems to be headed East as most trade agreements/activities favour the Asian Continent. This in

[1]The initial functions of the WTO included: Providing a forum for negotiation among its members, administering the understanding on rules and Procedures governing the settlement of disputes, administering trade policy mechanisms, cooperating with IMF and other related agencies for reconstruction and development so as to achieve greater coherence in global economic policy among other functions (see WTO Agreement).

[2]It is believed that just like the overall benefits of Trade Agreements, Regional Trade Agreements ensure a non-discriminatory approach with mutual benefits to member states, reduce trade distortions worldwide and simplify the administration of international business transactions (Mercurio 2004).

Fig. 1 India and China Trade Volume with Africa in Millions US$. *Source*: Ministry of Commerce, Peoples Republic of China, COMTRADE



essence is not bad except there is need to find out whether Africa's interests are taken care of, whether Africa's welfare is improved in the process, and what challenges (if any) is posed to African Trade policy by this new development. These and many more are some of the objectives pursued in this chapter. Specifically the chapter narrows down to India in answering these questions.

The rest of the chapter proceeds as follows. The next section gives a deeper understanding of the India-Africa Trade Agreements, followed by an analysis of India-Africa trade Agreements highlighting the advantages and disadvantages. The final section then concludes by presenting policy recommendations and way forward.

1.2 Understanding the India-Africa Trade Agreements

India and Africa a rich history of trade relations dating back to 1966 (case of Tanzania) even before the WTO was officially formalized. This adds up to the already existing trade relations with the Asian continent, especially that of China. While China seems to benefit greatly in this trade than India in terms of the absolute trade volume, it is worth noting that India's trade volume is equally increasing. Specifically, looking at the percentage growth, both India and China are on neck to neck (see the percentage growth in the chart) (Fig. 1).

Despite this interesting competition between India and China for Africa, this chapter focuses only on the Africa-India trade agreements. Presently, India maintains both bilateral and multilateral trade agreements with most African countries[3] (GOI 2012). Interestingly, all agreements relate to the trade in goods with no mention of services trade. Though, the common goal sought by these trade agreements especially the former between India and various African countries is to

[3]Angola, Botswana, Cameroon, Ivory Coast, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Swaziland, Seychelles, Tanzania, Uganda, Zaire, Zambia and Zimbabwe are some of the countries that have entered into trade pacts with India. These trade agreements are entered into while recognizing the obligations of the existing multilateral trade agreements in which member countries belong to such as membership with the World Trade Organization framework.

accord each other 'most-favoured-nation-treatment' (MFN) in respect of imports and export licenses, customs duties, import and export taxes, transit of goods and investment opportunities, it exempts the contracting parties from the advantages enjoyed by others' neighbouring countries (GOI 2012).

India trade agreements with African countries are distinct and specific to each country in terms of trade products, the extent of agreement (trade facilitation, investment opportunities and other forms of economic cooperation). In addition, in some agreements, specific measures to address trade disputes such as dumping between parties are explicitly stated yet in all agreements, joint committees with meeting schedules are established to review[4] their implementation which ranges from one to 3 years.

On the other hand, India-Africa multilateral trade agreements are in various forms.[5] Overall, under the auspices of African Union, India-Africa Trade Minister's Forum involves all members of the African Union. Besides, India pursues multilateral trade agreements with specific regional blocks such as the Southern African Customs Union (SACU); India also seeks trade agreements under the South-South cooperation for example India, Brazil South Africa (IBSA) Dialogue Forum and India-SACU[6] and MERCOSUR[7], a trilateral trade agreement. Under the India-Africa Trade Minister's Forum, through the Pan-African e-Network project, India supports African countries to exploit e-commerce to further trade.

Globally, India and some African countries belong to the Global System of Trade Preferences among Developing Countries (GSTP), a PTA established in 1988 to increase trade between developing countries in the framework of the United Nations Conference on Trade and Development (UNCTAD).[8]

2 Analysis of India-Africa Trade Agreements

One of the India's motivations for entering into trade agreements with Africa is the need to secure energy resources such as oil and coal (Verachia 2010). According to this study, India's top African trading partners are oil exporters such as Nigeria,

[4]The reviews are meant to address any emerging issues and to ensure relevance of the trade agreements in the changing economic environment.

[5]India Africa Trade Minister's Forum aims at strengthening trade relationship between Africa and India by building trade related capacity; India-SACU aims at reducing trade barriers towards achieving a preferential trade agreement; and IBSA promotes international cooperation among member countries on trade.

[6]The SACU members are South Africa, Botswana, Lesotho, Swaziland and Namibia.

[7]is an economic and political agreement among Argentina, Brazil, Paraguay, Uruguay, Venezuela and Bolivia.

[8]Member countries from Africa are Ghana, Nigeria, Tanzania, Zimbabwe, Algeria, Benin, Cameroon, Egypt, Guinea, Libya, Morocco, Mozambique, Sudan, and Tunisia. Also, Burkina Faso, Burundi, Madagascar, Mauritania, Rwanda, and Uganda have applied for membership.

Angola, Sudan, Algeria and Egypt, among others. The drive towards coal and other resources such as copper, uranium, iron ore is the need to seek raw materials for Indian multinationals which translates into seeking market in Africa for Indian commodities. The same motivation is applicable for China except while China's approach in the engagement is state-led, India's is propelled by the business community and private sector investments.

In pursuing trade agreements with Africa, India is guided by three main pillars namely: capacity building and skill transfer, trade and infrastructure development and development assistance (Dogra 2011). In an attempt to show how these guiding principles has contributed to India-Africa trade, we begin our analysis by first showing how India and Africa has fared on over the year's trade-wise in terms of the trade volumes globally (Fig. 2).

From the graph, India's trade has been on the increase since the year 2000 except for the year 2009 when there was a slight decline. This decline could be attributed to the global economic crises experienced in 2008/2009. From the graph, we can also note that India's the imports have been higher than the exports throughout the years. This indicates the approach pursued by India in trade (import substitutability) (Fig. 3).

Unlike the Indian case, while everything else remains constant (Like India, Africa trade volumes have been increasing over the years except for 2009), for Africa the exports have been consistently higher than the imports except from 2009. As showed by Verachia (2010), the high exports indicate that Africa majorly exports raw products. Despite the difference, the gap between imports and exports is smaller than that of India.

Fig. 2 India trade volume in millions US$ globally. *Source*: World Bank

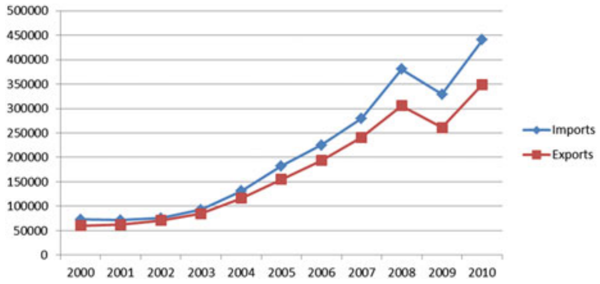
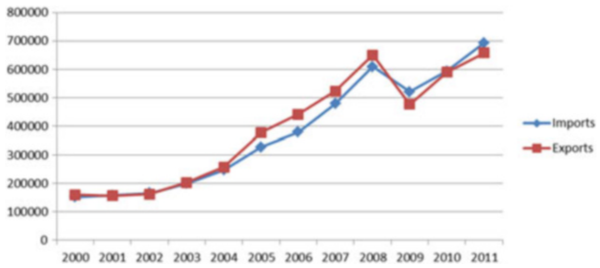


Fig. 3 Africa trade volume in millions US$ globally. *Source*: World Bank



Further, from the figures, though, Africa trade volumes are higher than that of India, the difference is small given Africa is a continent while India is only a country. For instance, India's average imports and exports values are US Millions $207,293.41 and US Millions $172,623.27 respectively, while that of Africa is US Millions $377,143.8862 and US Millions $388,036.8716 respectively. This shows that India's trade as a country is more than half of the whole of the African continent. This could be thought of in terms of the India's high population compared to Africa's (1.2 billion compared to 1 billion in Africa). However, we rule out this because Africa is ten times larger than India (30,065,000 KM^2 and 3,287,240 KM^2 respectively).

Based on the foregoing argument, in attempting to explain this huge trade volume difference, we agree with past studies that have shown that India-Africa trade engagement has been enhanced by the recent India-Africa Summit held in Addis Ababa in 2011, large number of Indians living in Africa, increased competition of Africa with China, provision of subsidies to Indian businesses by the Indian government, and the increase of development aid to Africa. Additionally, the fact that English, an official language in India is commonly spoken among many African countries could also be contributing to the increased trade (Verachia 2010; Dogra 2011). While these arguments could be true, the major question that remains unanswered is whether Africa benefits in this arrangement. In the next section we address this.

In terms of the effects of the Indian-Africa Trade Agreements, there is evidence that India imports more from Africa than it exports. Put differently, Africa exports more to India (see the graph below). For example, the bilateral trade between India and Africa grew from US$3 billion in 2000 to US$36 billion in 2007–2008, with India's imports from Africa growing from US$587.5 million to US$18.8 billion between 1990 and 2009 and exports increasing from US$436.8 million to US$13.2 billion during the same period (African Development Bank 2011). Since 2000, trade between India and Africa is growing at compounded annual rate of 24.8 %, only second to China-Africa trade at 26.3 % (Standard Chartered Bank 2012) (Fig. 4).

From general economic theory, a country that exports more is in better terms of trade and the figure shows that Africa exports more than its trading partner. So is the premise applicable for Africa? i.e. compared to India, Africa is in better terms of trade. As highlighted in World Bank (2012), this may not be true because having a better term of trade does not necessarily mean that the trade agreements with India

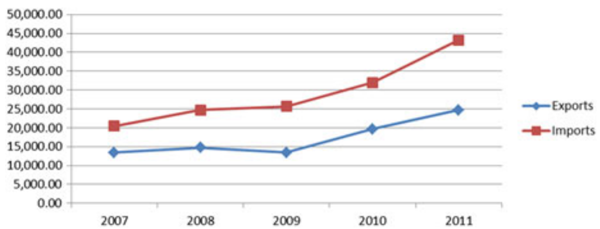
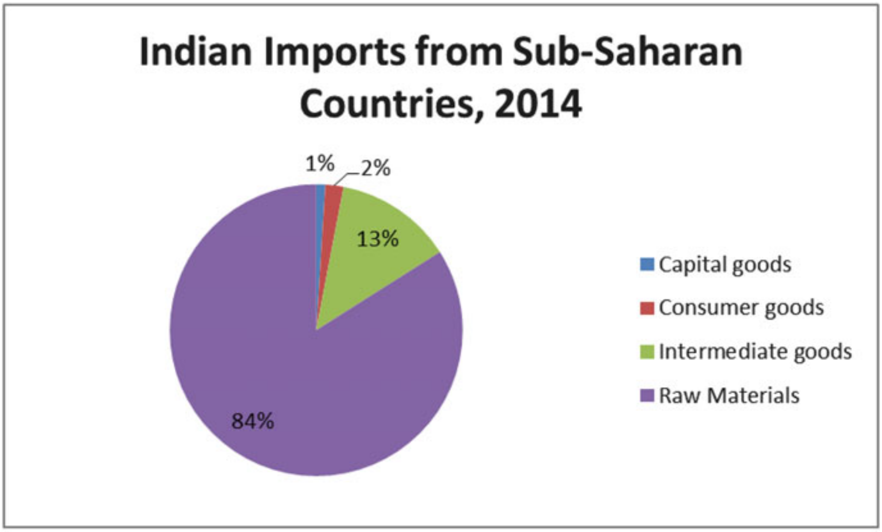


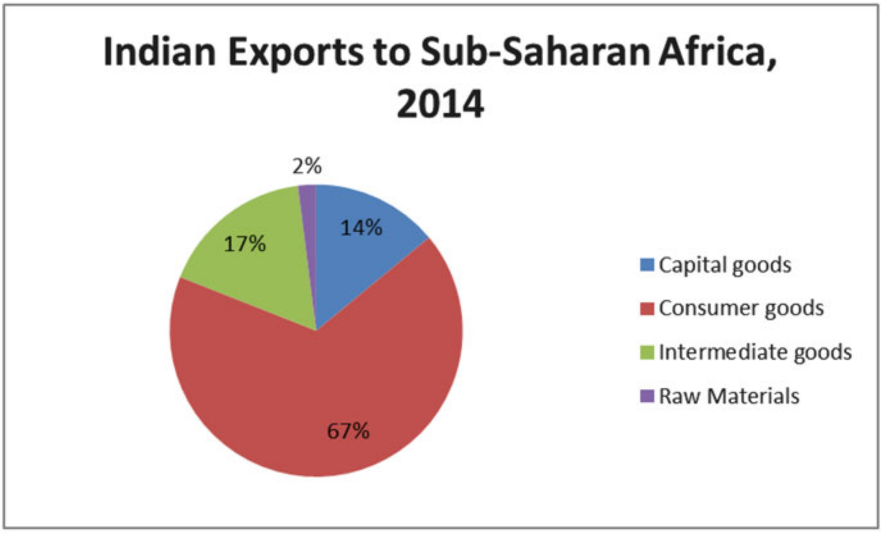
Fig. 4 India's exports and imports values from 2007 to 2011. *Source*: GOI, Export Import Data Bank

are welfare improving. In the study, it's important to move further into the trading commodities to conclude on trade agreement's benefits. We thus proceed to examine the type of goods tradable in this trade that arises as a result of the India-Africa trade agreements.

A discussion of a specific example of India and an African country trade agreement is Nigeria, which is India's largest trading partner in Africa and India is the largest trading partner of Nigeria globally (Government of India 2016). Other top trading partners of India in Africa include minerals-rich countries such as South Africa and Angola (Global Trade Atlas 2013). According to Confederation of Indian Industry and WTO (2013), bilateral India-Africa trade has grown by nearly 32 % annually between 2005 and 2011. Interestingly, crude oil tops the list of Indian imports from Africa. Other chief imports include raw materials such as gold, raw cotton, and precious stones. Meanwhile, imports of African countries from India are high-end consumer goods such as automobiles, pharmaceuticals, and telecom equipment (Mehra and Yaruingam 2015). The trade pattern between Nigeria and India mirrors the Sub-Saharan African situation shown in figures below.



Source: World Bank, 2014



Source: World Bank, 2014

The two countries have a documented and effective trade agreement to foster trade relations and is based on equality and mutual benefit.[9] The trade agreement stipulates desires of both countries to pursue trade that is diversified and balanced. However, the implementation of trade between the two countries can be judged as exploitative in the case of Nigeria since it is heavily skewed in favour of extracting Nigeria's natural resource (mineral oil). Additionally, despite increasing trade volumes between the two countries, Nigeria loses on welfare impact of trade since it only exports primary products with little value addition. This is contrary to India which exports to Nigeria manufactured goods with significant value addition, creating jobs among other welfare benefits.

A review of literature shed more light on the implications of traded commodities in the many trade agreements between India and African countries. Both AfDB (2011) and Verachia (2010) illustrate that India's imports from Africa consist of energy and mineral resources such as crude petroleum, gold, and inorganic chemical products. On the other hand, African countries import manufactured goods, machinery, transportation equipment, food, and pharmaceutical products. While, import of machinery and pharmaceutical products by African countries is encouraged as it is used in the productive sectors of the economy, importing manufactured goods and food is not economically healthy as these Africa can produce with their own available materials. Moreover, from the list of India's imported products from Africa, it shows that India is using imported goods from Africa for productive purposes.

[9]Source: http://commerce.nic.in/trade/Nigeria.pdf

From the above and previous studies, there is indication that Africa may not be benefiting from the India-Africa trade agreements because it exports primary products to India and it imports processed and value added goods which reduces her trading position in this trading arrangement.

According to Yang and Gupta (2005), for better understanding of the effects of the India-Africa trade agreements it is vital to focus on whether the agreements have facilitated increased intra-regional trade, helped improve regional competitiveness, benefited Africa and also whether they have achieved their set objectives. This kind of analysis can add a lot of value to commodities approach. Unfortunately, due to data limitations, we were not able to go this way. However, in the next section, we went into finding out the benefits of specific India-Africa trade agreements.

India-Africa trade agreements especially the India-SACU trade agreement has increased trade by increasing the understanding of the market, assisting in the identification of new business opportunities, and providing a platform for trade networking (Yang and Gupta 2005). It has also provided an extra impetus to the rapidly increasing levels of multilateral trade among the member countries. Unlike the China-Africa trade agreements, India-Africa trade employs more locals in their development projects to Africa by capacity building them. In the global system of international trade, bilateral trade agreements between India and specific African countries have positively contributed to trade through the MFN liberalization.

Without disregarding the benefits of increased trade between the two partners, there have also been challenges. For instance, African countries incompatible interests which are in agreement with all member countries thus at times causing mistrust and commitment towards the implementation of agreements. Secondly, most of the Africa-India trade agreements have strict rules-of-origin conditions and allow trade for only limited products which has limited trade gains (World Bank 2005). Thirdly, most African countries have limited capacity to exploit opportunities arising from trade liberalization such as poor infrastructure, limited information on the regulation standards of trading nations and weak institutional support at home while Indian businesses receive better facilitation to exploit market opportunities in Africa (Overseas Development Institute 2008). Fourthly, there have been global price increases of major commodities that Africa trades with India such as food, minerals and energy. This has not yielded to trade gains as it is due to the inflexibility of trade agreements to respond to such dynamics in the market.

Additionally, in these agreements, India offers development assistance which is tied to certain conditions. For example, assistance for development projects is pegged on purchasing Indian goods. Also, Indian government subsidizes Indian firms venturing in Africa, something that is absent in the African case (Dogra 2011). Also, while India negotiates as a single country, in some cases, Africa enters in these negotiations as a continent consisting of many countries with varying needs and interests. This may not fully serve the interests of the individual member countries.

Reduced trade tariffs is one of the reasons why trade agreements are supported. However, from the graph below, we show that it is difficult to vividly support India-Africa trade agreements on this basis. Apparently, it is evident that country's tariff

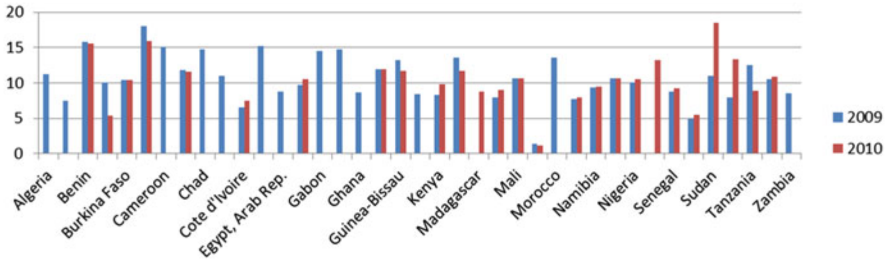


Fig. 5 India-Africa trade agreements and trade tariffs. *Source*: World Bank (2012)

structure does not influence the existence of trade agreement with India. Thus, countries that have not acceded to the WTO and therefore have relatively higher tariffs such as Sudan and Morocco as well those which have traditionally closed economies such as Tanzania and Burundi have existing trade agreements with India (Fig. 5).

A related concern is to consider how strategic the existing trade agreements between India and African countries are. What are the strategic benefits for African countries in trading with India? For instance, it has been argued that unilateral trade preferences alone cannot enhance conditions for development of regional value chains (United Nations Economic Commission for Africa 2015). It has been contended that African industries are not taking advantage of the trade agreements with India (Iwanow and Kirkpatrick 2009).

3 Conclusion and Policy Recommendations

3.1 Conclusion

Evidence presented in this chapter confirms that India, just like other Asian countries such as China is interested in pursuing acquisition of Africa's natural resources. Although Africa gains in infrastructure and skills development as well as development assistance, the trading arrangement presents a sub-optimal management of the continent's natural capital. Africa may not develop when its natural capital is exported in raw form without necessary value addition which supports other sectors of the economy. Further, it's important to note that capital accumulation and resource mobilization is one of the challenges to the growth of many African countries. Therefore, further depleting the scarce resource in form of trade agreements would be inappropriate for the macroeconomic goal of many African policies. Yet, India's strategic pursuit in trading with Africa is to secure sources of energy and other natural resources (Large 2010).

Further, the apparent Indian dominance in setting the terms of engagement with African countries especially at the multilateral level means that India pursues her best interest at the expense of the fragmented African countries under one continent. Also, treating African continent as a single trading bloc ignores significant differences such as the size of national economies, national rules and procedures, cultural differences and regional affiliations which potentially distort the objectives of such trade agreements. Moreover, India's subsidization of businesses trading with Africa disadvantages African competitors, thus leading to indirect dumping, loss of employment and general welfare in Africa.

Although trade balance between the two regions is in Africa's favour in terms of exports, Africa's exports to India comprise mainly primary products thus this does not yield better economic gain compared to their Indian partners whose imports from Africa is mainly for the productive sector. Also Africa has not been able to exploit economies of scale and to enhance competition due to its constraints caused by small market size, poor infrastructure and concentration on importing manufactured goods.

3.2 Policy Recommendations

While we do not recommend for the complete withdrawal of African countries from their trade agreements with India since Africa can hardly survive without this trade, we suggest the following measures to improve on the even distribution of the gains from this trade agreements:

By signing trade agreement, countries aim at creating equal business environment. However, since most of African industries are still at the infant stage, at times African countries should employ protectionist trade policy while deliberating on the nature of engagements especially on the types of goods tradable and tariffs. This therefore calls for a renegotiation of the existing trade agreements.

While signing a trade agreement, the involved parties should take cognizant of the significant differences in capacity between partners. Also, the partners should recognize the importance of co-operation in the promotion of competition, economic efficiency, consumer welfare and the curtailment of anti-competitive practices.

Further, we recommend that African countries focus on infrastructural improvement, improving market information flow, institutional support and adoption of import substitutability policy in order to maximize benefits from these agreements.

Finally, while addressing the aforementioned issues, it would be equally helpful to address the data related challenges so as to be able to quantify and prove any real positive effect of India-Africa trade agreements in terms of improving the standard of living.

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Understanding the Dynamics of India-Africa Trade Negotiation Game: Lessons and Policy Directions

Olayinka Idowu Kareem

JEL Classification F10 • F13 • C23

1 The Problem

Trade has been acknowledged as a veritable tool that countries can use to achieve sustainable development. Studies[1] have shown that the potentials of developing countries to achieve rapid and sustainable economic growth and reduction in the level of poverty in part depend on their integration into global markets. Integration into global markets involves economic interactions and cooperations among countries, which are define by the principles, conditions or agreements with which the relationship is based. According to Kareem (2010), the potential gains from global trade could be achieved if all participating countries can limit their barriers to trade through effective trade agreements, so as to encourage the free flow of goods and services. International trade agreements provide the avenues with which countries could promote and enhance trade among them bilaterally, regionally and multilaterally. Several trade agreements[2] have been put in place throughout the globe and some of these agreements involve Africa. Amongst these Africa trade agreements are the ones with India.

African and India share same historic link and this was more pronounced during the national liberation struggles of many African states in the postcolonial period

[1]See Martinez and Poole (2004), Porto (2006), Isik-Dikmelik (2006), Kareem and Kareem (2011).

[2]By the end of 2011, 509 RTAs had been notified to the WTO (Assessed from WTO website, August, 2013).

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when this was supported by India and made concerted efforts in the establishment of the Non-Aligned Movement (Sidiropoulos 2011). The relevance of India than any other South nations in the context of Africa was shown during the post—Cold War period and has become Africa's recent suitor. However, according to Sen (2004), hitherto, India lacks the high profile diplomacy that has characterized China's relations with the continent. He argued that many of the new cooperations have occurred through Indian private-sector companies, which was in contrast to the state-driven economic relations of China.

Recently, trade relationship between Africa and Asia has received greater attention, especially as some Asia countries are gradually replacing the traditional Africa's trading partners. This redirection in Africa trade is due to the potentials of trade, especially South–South trade that this cooperation will offer in terms of market access, investment, migration and development aid. China and India, in particular, are the emerging investors in Africa, going by their interest in the development of the continent and their quest for Africa's natural resources for the developmental use in their respective countries. The Indian interest in Africa is motivated by the need to tap and utilizes Africa's endowed resources for its own economy.[3] Thus, a somewhat asymmetrical trade relationship exist such that Africa's natural resources are imported by India, while its exports semi and finished products to Africa. Also, while India is one of the leading Asian countries' investors in Africa, Africa's outward foreign direct investment to India is still limited. More so, most of Africa's exports to this market are basically primary or crude products with limited export base. To this end, this study evaluates Africa–India trade agreements in order to determine its impacts. Thus, the study objective is to investigate the impact of Africa–India trade agreements on Africa's exports.

This study is divided into eight sections; aside the section above, Sect. 2 reviews the literature, while I presented the context within which the study is situated in the third section. Section 4 evaluates Africa's intra-regional trade performance, while a review of Africa–India trade agreements was done in the fifth section before the last section that concludes the study.

2 Review of the Literature

Several studies have been conducted to show the extent to which regional trade integration and trade agreements among developing and developed countries have enhanced trade flows among them. Some of these trade agreements are in form of bilateral, regional and multilateral. A perusal of the literature shows that there are very scanty studies that have critically evaluate the trade relationship between India and Africa (see Prakash et al. 2005; Pollio 2010; Tripathi and Leitao 2013),

[3]India is the world's fifth largest consumer of oil and shall be in third position by 2030 (Sidiropoulos 2011).

although, few other descriptive studies exist, but to the best of my knowledge, little or no study have specifically dealt with this issue using same approach as this study has done. For instance, Sidiropoulos (2011) evaluates the objective of India and South Africa's proposed economic cooperation in the context of Africa's development. He opined that both countries aspire to be seen as playing a positive development role and shouldering global responsibilities. According the author, India articulates its policy on Africa through national—interest prism, especially with regard to energy security, trade and terrorism; however, the development cooperation is a by-product of its engagement in Africa rather than a central driving force. South Africa is reassessing how it will articulate its national interest in the face of its African agenda and sees India in Africa as a positive development, especially in the areas of ICT, agriculture and human-resource development. The study concludes normatively that both countries aim at advancing their economic interest on the continent, which implies that an element of rivalry will set in; thus the development cooperation between the two sides in Africa is not a priority for either but using the private sector in this field is an important potential model.

A similar study was carried out by Broadman (2011) to examine the rationale behind China and India's trade and investment in sub-Saharan Africa. He opined that the quest for greater integration into global markets as really exposed African firms and workers to a high competition, which he said is an inevitable by-product of development of the globalized economy. According to him, both India and China firms have much in common in their African operations. The Multinational Enterprises (MNEs) of both countries play significant roles in facilitating mutual reinforcing links between trade and FDI in Africa, of which the impact is the inward FDI that is engendering the growth of Africa's exports. Firms of India and China can achieve greater economic of scale and higher productivity than their African counterparts. They can export goods from Africa that are more diversified and higher up the value chain than African firms in the same sectors. Also, their firms can integrate horizontally more extensively across Africa's internal market and foster exports from Africa to a wider set of markets outside the continent. The study by Roy (2012) gave a similar normative thought when it evaluates China and India as "emerging giants" in the context of Africa economic prospects. He unfolds the key facets of the growing, but with controversial ties between the nations and Africa; the ties that are underpinned by the flows of trade and investment. Further, he argues that despite the persistence of historical (colonial) basis in exchange tilted against Africa, there remains the potential to induce structural economic changes that could address the current imbalances. The study concludes that African states need to bolster their bargaining prowess to tackle the challenges stemming from the relationships.

A different approach was given to this economic cooperation by Elregal (2003), he did related work in a different way by examining the economic cooperation between India and Egypt by analyzing the constraints and prospects for greater cooperation. He shows the major problems to the trade cooperation by identifying inadequate interactions among private sector, policy makers and think tanks, lack of information on markets, economic statistics, policies, research, lack of information on economic complementarities and inadequate institutional mechanism, existence of tariff and NTBs, and insufficient investment relations. He concluded that there are prospect for this partnership as long as the identified obstacles have been removed. An econometric approach to this issue was carried out by Prakash et al. (2005). The study investigates the economic effects of Indo-East Africa trade using an input–output framework to model the growth effects of the trade and its differential impact on sectors. Their findings reveal that the growth gains of Indian economy from export to East African countries are quite high. Besides, Indian economy derives larder gain than the African economies. The trade sectors derive much greater gains than the non-trade sectors. The growths gains vary sharply among the sectors, the variation of gains among sectors depend upon strength and spread of linkages of trade sectors within the Indian economy. Thus, concludes that the Indo-East Africa trade has got tremendous potentials for growth and diversification. Pollio (2010) analyses comparatively, the desire of the EU, China and India to the governance of Africa. He looks at the extent to which China and India constrain the EU interregional strategy towards Africa by building on Heiner Haenggi's categorization to investigate the issue. He submits that the EU's, India's and China's respective regional and interregional policies are generating a competitive 'policies of interregionalism' in African context, where the EU is seeking to perform as a credible 'normative power'. In a systemic perspective, the EU is undoubtedly called to face the challenge rising from the alternative models of interregional cooperation. Using a gravity model, Tripathi and Leitao (2013) examine India's trade flows to its 20 major trade partners including two African countries (Nigeria and South Africa) for the period 1998–2012. They apply a static and dynamic panel to find evidence that political globalization and cultural proximity have direct influence on bilateral trade and that economic size as well as common border exerts positive impact on trade.

Besides the aforementioned studies on Africa–India trade relations, some other studies exist on Africa's trade relations within the continent or with other South countries. For instance, Mayday and Steinberg (2008) examined whether south–south trade agreements increase trade using commodity-level evidence from the Common Market for Eastern and Southern Africa (COMESA). They opined that there have been proliferation of trade agreements between south–south countries, yet the impact of these agreements is largely unknown. Their study examines the static effects of south–south preferential agreements stemming from changes in trade pattern. They estimate the impact of the Common Market for Eastern and Southern Africa (COMESA) on Uganda's imports between 1994 and 2003. Detailed import and tariff data at the 6-digit harmonized system level were used for more than 1000 commodities. Based on difference-in-difference estimation strategy, the paper finds that this is in contrast to evidence from aggregate statistics; COMESA's preferential tariff liberalization has not considerably increased Uganda's trade with member countries on the average across sectors. The effects, however is heterogeneous across sectors. They concluded that there is no evidence of trade diversion effects. An intra-Africa was examined by Abdoulahi (2005) when he evaluated the regional integration efforts in Africa towards the promotion of intra-African trade. He argued that the growth of intra-regional trade has been a major pre-occupation of African countries and regional economic communities in their efforts to integrate regional economies. Despite the importance accorded to this issue, and the adoption of several regional trade agreements, the total proportion of trade between the regional economic communities remains weak. The study thus presents an overview of efforts made by African countries and their regional economic communities to promote intra-African trade through the implementation of trade liberation schemes as well the corresponding impact on intra-regional trade. He also presents the measures and mechanisms as well as a minimal programme to be implemented in order to achieve the objective of expanding intra-African trade.

UNCTAD (2013) report shows that although intra-Africa trade has been increasing in nominal and real terms but its share in Africa's total trade has been very poor. Aside this, its share in global trade has been very weak, which indicate that the continent still need to improve on its regional economic integration that has been agenda of the governments. The report suggested that in order to improve intra-regional trade in Africa, governments must carry along private sector in trade agreements since they are the ones that exports and knows where the shoes are defective. Thus, the report encourages more implementation of trade agreements within the continent to ensure better regional integration. In similar vein, Radalet (1999) examines the potential for success for trade-focused regional trade integration agreements in sub-Saharan Africa with a particular focus on Southern Africa. He surveyed the existing literature on regional integration and attempts to distill the most relevant lessons about success and failure for the current integration initiatives in the region. It finds that there is little reason to expect significant economic gains from formal trade agreements at this time. Such agreements, in and of themselves, are unlikely to yield appreciable benefits unless they are preceded by decisions within member countries to follow more general open trade strategies. Indeed, it is possible that they could be detrimental to the economies involved, either because they might encourage import substitution on a regional basis or simply because they absorb scarce administrative and financial resources. More open trade policies coupled with more disciplined fiscal and monetary policies, perhaps augmented by regional cooperation efforts on transportation and communications infrastructure appears to be a more promising initial strategy.

3 Africa–India Trade Performance

The synergy that exists between Africa and India can be measured from the recent trends in Africa–India trade relations whereby the bilateral trade has risen from about $4.5 billion in 2000–2001 to $25 billion in 2006–2007 before reaching its peak in 2012–2013 with the value of $71 billion, which is about 1500 % increase in trade. This increment is due to the rise in both exports to and imports from India (see Fig. 1). Africa's export to India rose from $2 billion in 2000–2001 to $4 billion

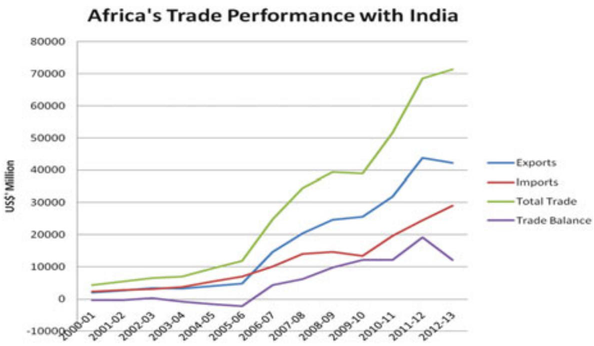

Fig. 1 Africa's trade performance with India. *Source*: India Ministry of Commerce and industry (MOCI)

in 2004–2005, which means that its exports double or increase by 100 % within the spate of 4 years. The value of export later rose to over $24 billion 4 years later, an increase of more than 500 %, before reaching its peak in 2011–2012 with about $44 billion. However, the current Africa's exports value to India dropped by 2 % in 2012–2013 to $42 billion. Besides, the recent marginal drop in Africa's export to India, the continent has recorded in absolute terms, a consistent in its exports to this market. In terms of its imports from India, Fig. 1 shows that there had been consistent rise in imports except 2009–2010 when there was slight decrease in imports. For instance, Africa's imports from India increased from $2 billion in 2000–2001 to about $6 billion in 2004–2005, which is more than 100 % increment, and later got to $15 billion in 2008–2009 before reaching its peak in 2012–2013 with the value of $29 billion. It should be noted that Africa's imports increase in 2012–2013 despite the drop in its exports to India.

Figure 1 also show the trade balance in this trade relations, which indicates that from 2000–2001 to 2005–2006, Africa recorded negative trade balance except for 2002–2003, however afterwards, the continent is net exporter in the trade relations. In fact, the positive trade balance that was $4 billion in 2006–2007 rose to by 200 % in 2009–2010 to $12 billion and later got to $19 billion in 2011–2012 before decreasing to $12 billion in 2012–2013 periods. Examining the growth rates of this trade, Fig. 2 shows that Africa's export growth in the India market has been inconsistent over time, that is, it has been oscillating. For instance, the growth rate of export was 29 % in 2001–2002, which later dropped to 25 % in 2004–2005 before getting to the peak in 2006–2007 with 202 % and fell to 37 % in 2011–2012 and got a negative growth rate (4 %) in 2012–2013. However, the growth rate of its imports from India has been positive all through the years under consideration except 2009–2010, such that it rose from 21 % in 2001–2002 to its peak of about 47 % in 2010–2011, which later fell to 18 % in the current period of 2012–2013. An oscillatory trend was also exhibited in the growth rate of imports.

An examination of the origin of Africa's exports to India shows that Nigeria accounted for the largest exports to India, followed by Angola and South Africa. Table 1 presents the 20 most leading Africa exporting countries to India within the period under consideration. Nigeria being the largest origin of Africa's exports to

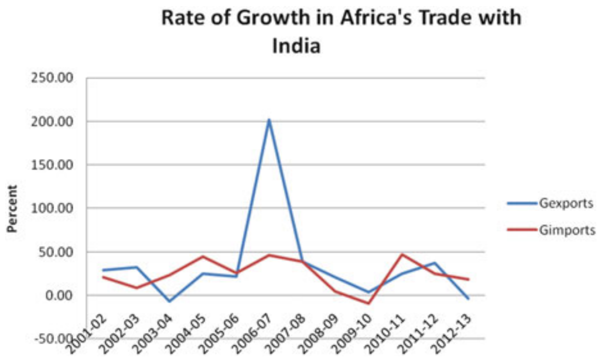

Fig. 2 Rate of growth in Africa's trade with India. *Source*: India Ministry of Commerce and Industry (MOCI)

India in 2012–2013 accounted for about 33 % of total exports. Angola, South Africa and Egypt accounted 20 %, 19 % and 6 %, respectively. The lowest three countries among these 20 leading Africa exporting countries to India are Sudan, Swaziland and Congo DR; these countries accounted for 0.3 %, 0.14 % and 0.05 %, respectively. A critical examination of the leading origin of Africa's exports to India indicates that South Africa was the most leading country as at 2002–2003, followed by Egypt and Morocco. South Africa still maintain its lead up till 2005–2006, followed by Morocco and Senegal, however afterwards, Nigeria has been the leading Africa's exports origin to India. In terms of the destinations of Africa's import from India, Table 2 shows that South Africa is the current leading importer of India's products, followed by Kenya, Egypt and Nigeria. In 2012–2013, South Africa recorded over $5 billion worth of imports from India from $485 million in 2002–2003. Kenya imports from India increased from $240 million in 2002–2003 to about $4 billion in 2012–2013; Egypt had about $3 billion imports in 2012–2013 from $299 million in 2002–2003; while Nigeria imported $450 million worth of India products in 2002–2003, but later rose to $2.7 billion in 2012–2013. Out of the 20 largest Africa's importing countries of India products, Togo, Tunisia and Congo DR are the bottom of the list in 2012–2013 with import value of $300 million, $299 million and $147 million, respectively.

4 Africa's Intra-Regional Trade Performance by Economic Groups

There have been several trade talks between countries all over the world that eventually culminated into bilateral, regional, multilateral and plulateral trade agreements. These agreements sometimes might be within the sub-region, e.g., Western Africa, Southern Africa, Northern America, etc., which then lead to trade groups, e.g., ECOWAS, COMESA, SADC, FTAA etc. The essence of these trade alignments is to enhance and promote trade among members of the groups. Also, sometimes, the trade agreements cover the whole region, e.g., African Union

Table 1 Destinations of Africa's imports from India (US$' million)

	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013
South Africa	484.9	539.7	983.6	1526.7	2244.7	2660.8	1980.3	2058.5	3912.4	4731.2	5106.5
Kenya	240.0	229.6	426.5	576.5	1313.8	1584.6	1362.1	1452.0	2182.0	2277.5	3770.25
Egypt	298.8	367.7	444.6	672.3	758.3	1398.8	1699.9	1403.9	1982.4	2421.9	2898.4
Nigeria	450.0	565.9	644.4	873.9	901.1	1085.4	1529.3	1408.7	2098.9	2702.0	2739.4
Mauritius	164.7	203.2	258.1	199.4	735.9	1088.8	1006.9	453.4	853.9	1400.5	1301.7
Tanzania	115.7	175.9	173.8	243.4	288.4	588.0	1051.4	920.5	1474.8	1614.7	2152.3
Algeria	66.9	122.2	231.1	271.4	333.6	377.17	653.1	574.2	781.9	835.7	1088.6
Mozambique	46.8	69.2	81.3	127.5	190.9	442.5	427.4	328.4	605.2	533.4	1001.0
Sudan	105.4	107.5	317.3	294.6	402.8	407.5	485.1	461.1	488.5	717.4	754.9
Ethiopia	62.1	80.5	55.5	74.7	114.5	198.3	247.7	253.7	273.7	464.2	748.8
Ghana	105.9	182.8	183.0	200.8	460.4	795.1	537.9	390.5	579.77	800.4	744.1
Senegal	51.5	26.8	69.2	93.5	152.1	198.2	144.8	188.7	210.2	365.1	490.2
Angola	37.4	70.6	72.9	151.6	200.3	261.5	370.5	635.1	675.4	454.3	488.8
Benin	64.5	52.7	47.1	96.6	151.4	276.3	204.4	221.8	263.7	654.7	479.1
Morocco	127.4	87.8	112.4	127.5	164.1	208.4	242.8	250.5	318.6	372.1	426.4
Djibouti	37.5	73.7	128.6	230.3	307.4	460.7	360.0	265.8	319.9	475.3	411.9
Cote d'lvoire	49.0	98.2	101.0	106.1	141.5	258.0	94.8	122.3	94.2	282.5	396.0
Togo	71.8	47.0	263.3	91.1	121.8	225.8	143.4	163.5	204.9	355.0	300.0
Tunisia	59.1	68.2	74.4	82.6	109.1	124.3	213.1	213.6	282.3	285.6	298.8
Congo DR	53.5	61.3	93.2	111.6	134.6	4.19	15.3	10.1	6.7	6.9	147.3

Source: India Ministry of Commerce and industry (MOCI)

Table 2 Origin of Africa's exports to India (US$' million)

	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013
Nigeria	78.3	75.7	48.4	72.5	7022.2	7612.0	8900.4	7287.9	10,787.7	14,757.8	13,826.0
Angola	7.2	–	0.9	3.3	245.4	1024.7	1386.3	4242.8	5112.1	6625.1	8243.1
South Africa	2097.6	1900.5	2196.8	2471.4	2464.9	3605.4	5513.4	5674.5	7140.6	10,971.8	8047.1
Egypt	227.0	98.3	152.6	220.4	1741.3	1985.5	2121.3	1692.4	1354.6	3002.4	2584.6
Libya	3.0	10.4	13.6	11.9	134.8	1230.7	684.6	622.6	969.1	38.3	1702.2
Morocco	200.1	255.8	362.0	456.3	491.0	499.4	948.2	861.5	839.6	1658.5	1300.4
Gabon	21.1	22.5	42.8	42.1	115.3	120.9	175.1	180.6	307.7	146.6	816.4
Algeria	1.1	4.5	6.3	14.7	749.8	1239.0	1052.6	995.3	1816.2	2111.4	684.1
Tanzania	91.3	109.4	131.6	119.7	98.0	166.4	190.6	238.1	326.6	239.7	679.4
Guinea	14.9	4.3	27.6	22.3	342.1	685.8	288.8	320.2	102.2	262.2	528.3
Cote d'lvoire	86.2	99.8	160.0	193.9	180.6	198.5	321.6	298.2	250.8	466.3	381.4
Senegal	172.8	145.1	181.1	292.5	72.7	149.83	216.3	237.0	205.7	84.1	372.2
Zambia	14.4	18.6	23.0	40.6	86.2	73.2	208.4	102.2	32.1	168.8	321.8
Ghana	18.7	33.0	51.3	78.9	101.2	140.6	172.6	147.0	159.8	341.0	281.7
Benin	38.3	53.2	79.8	77.5	80.6	71.6	112.62	123.8	153.4	261.2	253.4
Tunisia	93.7	64.8	94.9	101.1	144.1	155.3	601.8	252.8	301.2	164.5	213.0
Togo	12.9	20.7	46.0	79.2	76.0	61.0	135.2	69.4	91.9	150.3	180.4
Sudan	24.5	31.2	22.9	32.6	89.1	433.1	415.5	475.0	613.8	430.8	133.3
Swaziland	0.8	1.7	3.1	23.6	61.3	37.5	39.8	33.0	109.5	46.0	59.6
Congo DR	3.3	5.3	22.0	43.9	59.7	13.8	117.1	144.7	9.8	0.9	19.9

Source: India Ministry of Commerce and industry (MOCI)

(AU) New Partnership for African Development (NEPAD) initiative and it could be between regions of the world e.g., African, Caribbean and Pacific (ACP). However, the main aim of it is to increase the trade relations among them through reduction in trade and non-trade barriers in member countries.

Africa has nine such trade groups that are spread across the sub-regions and also between sub-regions. Each trade group tends to promote trade among its member so as to accelerate the level of growth in each country economy for poverty reduction. These trade groups encourage trade among themselves since access to developed markets have not been easy, which in the essence will enhance trade among developing countries (South–South trade). Table 3 indicates the level of intra-trade among these trade groups and other trade groups outside Africa. From the table, MRU has the lowest trade among their members. In 1980, the level of trade that took place among member countries was US$7 million, while in 1990 they recorded no trade at all, but by 2005, the figure has increased to US$6 million. However, the level of intra-regional trade increase substantially in this trade group and by 2010, it got to $268 million, which more than 4300 % growth rate. CEPL as followed as another least traded trade group as in 1980 they have US$2 million, which is just 0.1 % of the trade group total exports, though the share of the trade among themselves increase to 1.3 % of the total exports of the group in 2005 before getting to 1.6 % in 2010.

ECOWAS had the highest intra-trade among the trade groups in 1980 and by 1990; they recorded US$661 million and N1.5 billion, which is 9.6 and 8 % of their total exports for these years respectively. However, from 1995 up till the year 2010, SADC had the highest intra-trade in the continent. For instance, in 1995, SADC posted US$4.2 billion as their total intra-trade, which is about 12 % of the total exports of the trade group. The total value of intra-trade among countries in the SADC continues to increase over time while the share of the intra-trade in the total exports of SADC has been oscillating. For example, SADC intra-trade increased from over US$4.3 billion in 2000 to US$7.5 billion in 2005 and later to about $16.6 billion in 2010. Meanwhile, the share of this intra-trade from the total exports of the trade group decline from about 11 % in 1995 to 9 % in 2005, which later rose about 11 % in 2010 (see Table 4). Another prominent trade group in Africa that trade among themselves is the UEMOA. This trade group recorded US$460 million worth of trade among themselves in 1980 and by 2000; it has gotten to US$741 million, which later increase to about US$1.4 billion in 2005 and $2.2 billion in 2010. This trade group though in nominal values of their intra-trade did not match those of ECOWAS, SADC and even UMA, but in terms of the share of this intra-trade, this group happens to have the highest as this share increased from 9.6 % in 1980 to 10.3 % in 1995 and later rose to 13.4 % of the total exports in the group in 2005 before getting to about 15 % in 2010. Contrary to this, the UMA that had its share of intra-trade in the total exports of the group increased from 0.3 % in 1980 to 3.8 % in 1995, but by 2005, it has declined to 2 %, however, it picked up in 2010 to 3 % (see Table 4).

The implication of the above is that though African countries have been trading among themselves and there has been growth in the nominal value of this trade,

Table 3 Intra-trade of economic groups (US$ million)

Trade group	1980	1990	1995	2000	2004	2005	2006	2007	2008	2009	2010	Type of trade
CEPL	2	7	8	10	19	22	24	30	73	64	81	South/South Trade
COMESA	555	889	1025	1328	2294	2716	3489	4519	6845	6348	8286	South/South Trade
ECCAS	89	163	163	191	238	272	334	255	449	440	561	South/South Trade
ECOWAS	661	1532	1875	2715	4366	5497	5957	7341	9355	7320	9105	South/South Trade
MRU	7	0	1	5	6	6	8	10	242	211	268	South/South Trade
SADC	106	1070	4190	4383	6589	7585	8571	15,225	19,024	12,691	16,556	South/South Trade
CEMAC[a]	75	139	120	96	174	198	245	305	355	300	383	South/South Trade
UEMOA	460	621	560	741	1233	1390	1545	1917	2281	1938	2244	South/South Trade

(continued)

Table 3 (continued)

Trade group	1980	1990	1995	2000	2004	2005	2006	2007	2008	2009	2010	Type of trade
UMA	109	958	1109	1094	1375	1926	2400	3076	4570	3222	3977	South/South Trade
FTAA	167,719	300,694	525,317	855,646	967,638	1,110,713	1,239,932	1,334,200	1,482,191	1,110,069	1,393,458	South/North Trade
NAFTA	102,218	226,273	394,472	676,142	737,591	824,550	902,066	951,550	101,3245	768,771	955,597	North/North Trade
ASEAN	12,413	27,365	79,544	98,000	141,934	165,064	194,321	216,424	251,285	198,906	267,974	South/South Trade
EU	490,029	1,028,801	1,394,152	1,618,916	2,499,933	2,666,398	3,087,605	3,628,678	3,987,061	3,054,707	3,351,711	North/North Trade
ACP	2351	4565	9596	11,970	19,418	22,952	26,871	38,071	47,139	36,540	46,323	South/South Trade

Source: Author’s compilation from UNCTAD handbook of statistics (several years)
[a]Formerly UDEAC

Table 4 Intra-trade of economic groups as percentage of total exports of each group

Trade group	1980	1990	1995	2000	2004	2005	2006	2007	2008	2009	2010	Type of trade
CEPL	0.1	0.5	0.5	0.8	1.2	1.3	1.3	1.3	2.1	2.2	1.6	South/South Trade
COMESA	5.7	6.3	6.0	5.1	5.7	4.9	4.5	4.6	5.5	7.3	7.5	South/South Trade
ECCAS	1.4	1.4	1.5	1.1	0.9	0.6	0.6	0.6	0.4	0.7	0.7	South/South Trade
ECOWAS	9.6	8.0	9.0	7.6	9.3	9.3	9.3	9.2	8.8	10.0	9.0	South/South Trade
MRU	0.8	0.0	0.1	0.4	0.3	0.3	0.3	0.3	1.9	1.6	1.9	South/South Trade
SADC	0.4	3.1	10.7	9.4	9.7	9.1	9.2	11.8	11.4	11.2	10.9	South/South Trade
CEMAC[a]	1.6	2.3	2.1	1.0	1.2	0.9	0.9	1.1	0.8	1.2	1.2	South/South Trade
UEMOA	9.6	13.0	10.3	13.1	12.9	13.4	13.4	15.1	15.9	13.3	14.8	South/South Trade
UMA	0.3	2.9	3.8	2.3	1.9	2.0	2.0	2.3	2.5	2.9	3.0	South/South Trade
FTAA	43.4	46.6	52.5	60.7	60.0	60.3	60.2	56.3	55.2	53.8	54.5	South/North Trade
NAFTA	33.6	41.4	46.2	55.7	55.9	55.8	55.6	51.3	49.5	48.0	48.7	North/North Trade
ASEAN	17.4	18.9	24.5	23.0	25.8	26.2	25.3	25.2	25.5	24.5	24.3	South/South Trade
EU	61.8	67.4	66.4	67.2	67.3	66.5	67.3	67.3	67.3	66.5	67.2	North/North Trade
ACP	40	6.3	11.1	10.4	11.7	11.0	11.0	12.1	12.2	13.6	13.2	South/South Trade

Source: Author's compilation from UNCTAD handbook of statistics (several years)
[a]Formerly UDEAC

however, in terms of its share in total exports, this has been on a decline over time. This simply means that Africa has not been trading with Africa, and that most of Africa trade is with the rest of the world. Also, it can be deduce that Africa has not been forthcoming in the promotion of South–South trade, which is as a result of the trade restrictions being imposed among these countries.

In contrast to this above, intra-trade in other continents of the world are both increasing in values and share in total exports. For instance, FTAA recorded US $167.7 billion worth of intra-trade in 1980, which is over 43 % of its total exports. In 1990, the intra-trade has increased to about US$301 billion and by 2000; it has risen to over US$855 billion, which later increased to over US$1.1 trillion in 2005 before getting to over $1.3 trillion in 2010. The share of their intra-trade also increased from about 47 % in 1990 to 52.5 % in 1995 and later rose to 60 % in 2005, but later decline to about 55 % in 2010; this could be as a result of the global economic crisis. NAFTA also followed this trend as they increased the share of their intra-trade from their total exports from over 33 % in 1980 to 46 % in 1995 and later rose to about 56 % in 2005, which declined to about 49 % in 2010. ASEAN recorded 17 % as its intra-trade share from their total exports in 1980, which later increased to about 19 % in 1990 and by 2000 it has gotten to 23 % and rose later to 26 % in 2005, but slightly dropped to 24 % in 2010 due to the economic crisis. The EU countries have been trading very well among themselves over the years as this is shown in Table 5 where they recorded about 62 % of their total exports from trade among themselves in 1980. This rose to 67 % in 2000, but later declined to less than 67 % in 2005 and virtually maintained the figure up to 2010. Trade among ACP countries also got an increasing share from their total exports. In 1980, the share of the trade among themselves was 4 %, however, by 1990; it has gotten to 6 % and later rose to 11 % in 2005 before getting 13 % in 2010.

The basic thing to deduce from this is that other continents have been trading among themselves; even the trade between Africa, Caribbean and Pacific countries (ACP) has been increasing over the years. This means that trade between North–North countries have been growing, which indicates that developed countries always trade among themselves and this trade constitute a very large proportion of their total exports at any given time. The reason for this increased trade in North–North, especially in EU and NAFTA is that these trade groups were able to secure reduction in trade restrictions among its member countries, which in turned enhanced trade in the groups. It could also be seen in Table 5 that in America both the developed and developing countries often trade together. This is seen in the proportion of the trade among FTAA member countries in the total exports of the trade group. This means that in America, South–north trade is highly encouraged and promoted. The South–South trade also received a boost in the Asian countries as most of these countries trade among themselves; this is seen in the contribution of ASEAN intra-trade in total exports in the trade group. Intra-trade between Africa, Caribbean and Pacific countries though has been growing over the years; its share in ACP total exports is still low and needs to be enhanced by promoting further trade among these countries by reducing any act of barrier that hindered the movement of commodities among the member countries.

Table 5 Ongoing Africa–India preferential and free trade agreements

s/n	Country	Agreement	Issues involved	Current status
1.	Egypt	Egypt–India Free Trade Agreement	Trade in goods	This negotiation was first launched in April 2001 and by January 2002, a Joint Working Group (JWG) was created to supervised the negotiations in which before the end of the year, an agreement with limited scope (preferential) was signed. In 2003, the two countries exchanged their list of products to be granted preferential treatment under the agreement, and afterwards, no progress has been achieved or recorded
2.	Mauritius	Comprehensive Economic Cooperation and Partnership Agreement (CECPA)	Trade in goods, services, investment and economic cooperation	The chapter on Trade in Goods (PTA) has been finalized, it includes; tariffs, text of PTA with rules of origin, operational certification procedures and trade defence measure. Negotiations were held on Trade in Services with the view of creating a liberal, facilitative, transparent and competitive services regime. The Trade in Investments negotiations also took place to improve the legal framework existing in both countries, including the bilateral Double Taxation Avoidance Convention (DTAC) and Bilateral Investment Promotion and Protection Agreement (BIPA). There had

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Table 5 (continued)

s/n	Country	Agreement	Issues involved	Current status
				been delay in the finalization of the chapter on Trade in Services and Trade in Investment due to the disagreement on the definition of "Enterprise" and treatment to "Shell Companies". This led to a standstill of the negotiations. The proposal of India to modify DTAC was rejected my Mauritius, and this has put on hold the CECPA negotiations until the modifications are accepted by Mauritius
3.	Southern Africa Customs Union (SACU) that comprises; South Africa, Botswana, Namibia, Lesotho and Swaziland)	Comprehensive Free Trade Agreement (CFTA)	Trade in goods	The last round was held in October, 2010, in which SACU presented a revised text of the PTA as a working document. As at the round, both sides agreed on the following: the text on "Dispute Settlement Procedure"; to use the text proposed to India on "Customs Cooperation and Trade Facilitation" and "Technical Barriers to Trade (TBT)" as the working text; and to use the text "Sanitary and PhytoSanitary (SPS)" proposed by SACU as the working text. However, the fear of revenue loss from the implementation of an FTA is a sensitive issue for South Africa, which probably explains the lethargy shown by

(continued)

Table 5 (continued)

s/n	Country	Agreement	Issues involved	Current status
				SACU authorities. This CFTA is still under consultation and study, but there is hope that this PTA might be concluded by the end of 2013
4.	Developing Countries including Africa and India	Global System of Trade Preference (GSTP)	Trade in goods	The market access modalities adopted by the Ministers are: base on the principle of across the board, line-by-line, linear cut of at least 20 % on dutiable tariff lines; product coverage to be at least 70 % of dutiable tariff lines; product coverage shall be 60 % for participants having more than 50 % of their national tariff lines at zero duty level; tariff cuts shall be made on the MFN tariffs applicable on the date of importation, alternative, participants may choose to apply the cuts on the MFN tariffs applicable on the date of conclusion of the third round; and the negotiating committee shall also consider proposal for the revision of the GSTP rules of origin. Cuban, Egypt, India, Indonesia, Korea, Malaysia, Mercusor and Morocco during this period submitted their schedules and bilateral negotiations were held to finalize the schedule. Countries like Cuba, Egypt, India, Indonesia,

(continued)

Table 5 (continued)

s/n	Country	Agreement	Issues involved	Current status
				Korea, Malaysia, Mercusor and Morocco who have submitted their final schedules their Ministers would be signing the two documents
5.	Common Market for Eastern and Southern Africa (COMESA)	Free Trade Agreement	Trade in goods	A Joint Study Group (JSG) has been set up to look into the possibility of a Free Trade pact

Source: Compiled from India Ministry of Commerce and industry (MOCI)

5 Africa–India Trade Agreements

Africa has embraced trade liberalization in the last two and half decades, although, could be said to be gradual but it has opened up it economy through trade and investment. Regional integration within and outside the continent are also introduced and expanded with several regional trade agreements between Africa and its trade partners. Recently, Africa's direction of trade is gradually changing from its traditional trade partners, especially the quad countries [Canada, European Union (EU), Japan and USA] towards the Asian countries, particularly China and India. India, being the focus of this study has really increase it trade with the continents given its potentials markets and natural endowments. India's rise in trade with Africa was facilitated by the various trade agreements it had with countries in Africa. Although, in the period before 2005, the trade between these trade partners was at the lowest ebb, which was due to Indian reluctant attitude to international trade. According to Sen (2004) India did not have any broad vision informing their trade policy priorities and that it sometimes appears that India is uncomfortable with both the multilateral process and the concepts of liberalization that is built into the multilateral trading order. In spite India disposition to international trade relations, it has about 30 trade agreements with some African countries in order to boost trade amongst them and this is dated back to 1960s. In fact, India has had trade agreements with Africa as far back as 1966 and 1968, and this was with Tanzania and Cameroon and later with Senegal in 1974. As at the last count, India has had many trade agreements with different African countries. An important thing to note is that, all these bilateral trade agreements that India had with African countries are characterized by the principle of Most Favoured Nation (MFN) with some exceptions to this MFN treatment, which could be seen in the summary table of these agreements. At the moment, there have been no concluded free or preferential trade agreements (FTA/PTA) between African countries and India.

Recently, more efforts have been made to further negotiate preferential or free trade agreements in these trade relations in order to further deepen the bilateral trade relationships among them. For instance, Egypt is having Free Trade Agreement (FTA) negotiation with India in trade in goods. This negotiation was first launched in April 2001 and by January 2002, a Joint Working Group (JWG) was created to supervised the negotiations in which before the end of the year, an agreement with limited scope (preferential) was signed. In 2003, the two countries exchanged their list of products to be granted preferential treatment under the agreement, and afterwards, no progress has been achieved or recorded.

India is also having another preferential trade negotiation with Mauritius, which is called Comprehensive Economic Cooperation and Partnership Agreement (CECPA). The negotiation is based on mutual benefit in trade in goods, services, investment and economic cooperation. A Joint Study Group (JSG) was constituted in November, 2003 to study the modalities of the propose agreement and its report was submitted in November, 2004. In April 2005, both sides agreed to set up a High Powered Negotiation Team for the processing and finalization of recommendations of the JSG reports within a period of 12 months, and this was done accordingly. So far, ten rounds of negotiations have been held by this team. The following Memorandum of Understanding (MoU) on CECPA was signed in October 2005 between the two countries: MoU in the field of Customer Protection and Legal Metrology; MoU between Bureau of India Standards (BIS) and Mauritius Standards Bureau (MSB); MoU between India Institute of Public Administration (IIPA) and Government of Mauritius; and MoU on Preferential Trade Agreement (PTA).

Thus, the chapter on Trade in Goods (PTA) has been finalized. This includes; tariffs, text of PTA with rules of origin, operational certification procedures and trade defence measure. Negotiations were held on Trade in Services with the view of creating a liberal, facilitative, transparent and competitive services regime in the two countries and to strengthen cooperation in services sector. The Trade in Investments negotiations also took place in order to improve the legal framework existing in both countries, including the bilateral Double Taxation Avoidance Convention (DTAC) and Bilateral Investment Promotion and Protection Agreement (BIPA). However, there had been delay in the finalization of the chapter on Trade in Services and Trade in Investment due to the disagreement on the definition of "Enterprise" and treatment to "Shell Companies". This led to a standstill of the negotiations since the tenth round of negotiations that was held in October, 2006. The proposal of India to modify DTAC was rejected my Mauritius, which has put on hold the CECPA negotiations until the modifications are accepted by Mauritius.

Another preferential trade agreement that is on-going is the one between Southern Africa Customs Union (SACU) that comprises; South Africa, Botswana, Namibia, Lesotho and Swaziland, and India, which is called the Comprehensive Free Trade Agreement (CFTA). The JWG was set up in December, 2002 and by September 2004, it proposed a PTA. However, by December 2005, both sides have agreed on a comprehensive FTA. So far, five rounds of negotiations have been held. The first round was a technical discussion, held in Pretoria, South Africa, October 2007, while the second was held in Walvis Bay in Namibia, February 2008 to negotiate the PTA. A

MoU was signed in November, 2008 at New Delhi during the third round to facilitate negotiations and the fourth round took place in Pretoria, October 2009. The last round was held in October, 2010, in which SACU presented a revised text of the PTA as a working document. As at the round, both sides agreed on the following: the text on "Dispute Settlement Procedure"; to use the text proposed to India on "Customs Cooperation and Trade Facilitation" and "Technical Barriers to Trade (TBT)" as the working text; and to use the text "Sanitary and PhytoSanitary (SPS)" proposed by SACU as the working text. However, the fear of revenue loss from the implementation of an FTA is a sensitive issue for South Africa, which probably explains the lethargy shown by SACU authorities. This CFTA is still under consultation and study, but there is hope that this PTA might be concluded by the end of 2013.

The Global System of Trade Preference (GSTP) is an on-going agreement among developing countries of which Africa and India are active participants. The GSTP agreement was signed in April 1988 at Belgrade after the first round of negotiations and came into force in April 1989. The GSTP came into existed as a result of a long process of negotiations during the Group of 77 (G77) developing countries Ministerial meetings. This agreement was rectified by 44 countries and they have become participants. A framework was established in the agreement for the exchange of trade concession among the members of G77 by laying down rules, principles and procedures for the conduct of negotiations and implementation of outcomes of the negotiations. GSTP coverage arrangement extends to the areas of tariffs, para-tariff, non-tariff measures, direct trade measures including medium and long term contracts and sectoral agreements. A significant part of the basic principle of this agreement is that it is to be negotiated step by step, improved upon and extended in successive stages. To further deepen this agreement, Ministerial modalities were adopted in December, 2009 with specific flexibility to members like Algeria and that are in the process of their WTO accession. The market access modalities adopted by the Ministers are: base on the principle of across the board, line-by-line, linear cut of at least 20 % on dutiable tariff lines; product coverage to be at least 70 % of dutiable tariff lines; product coverage shall be 60 % for participants having more than 50 % of their national tariff lines at zero duty level; tariff cuts shall be made on the MFN tariffs applicable on the date of importation, alternative, participants may choose to apply the cuts on the MFN tariffs applicable on the date of conclusion of the third round; and the negotiating committee shall also consider proposal for the revision of the GSTP rules of origin. In line with these modalities, intensive negotiations were held in 2010 for the finalization of the schedules of members. Cuban, Egypt, India, Indonesia, Korea, Malaysia, Mercosur and Morocco during this period submitted their schedules and bilateral negotiations were held to finalize the schedule. However, India unilaterally offered a tariff reduction of 25 % on 77 % of its tariff lines for least developed countries (LDCs). In December 2010, a Ministerial meeting of the GSTP negotiating committee was held in Brazil for signing of the "Final Act Embodying the Results of Sao Paulo Round" and the "Sao Paulo Round Protocol on the Agreement on GSTP". Countries like Cuba, Egypt, India, Indonesia, Korea, Malaysia, Mercosur and Morocco who have submitted their final schedules their Ministers would be signing the two documents.

Aside the above on-going negotiation, India is exploring the possibility of having PTA/FTA with other regional economic communities in Africa. In fact, a Joint Study Group (JSG) has been set up to look into the possibility of a Free Trade pact with the 19—nation of Common Market for Eastern and Southern Africa (COMESA). The following are the FTA/PTA between Africa and India that is under negotiation.

Besides the aforementioned trade agreements and ongoing trade negotiations, there have been some other initiatives that are put together by these trading partners to facilitate trade among them. For instance in 2008, the first India–Africa Summit was held in New Delhi, although this was a smaller affair in relative to the Forum on China–Africa Cooperation (FOCAC) summit in Beijing 2 years earlier. Also, the Indian initiative of Pan-Africa e-network has been used to engage and work with regional bodies in Africa as well as supporting the New Partnership for Africa's Development (NEPAD). India has concurred with the action plan of the African Union on most of the issues discussed in the 2008 framework document signed in Delhi. Thus, the basic impetus of India engagement in Africa is the mining and hydrocarbons. The uranium mining, which is vital to powering India's nuclear energy sector, is another factor that has elicited great interest from Indian firms.

In March, 2012, at a meeting held in New Delhi, representatives of African governments and India acknowledge the role of the Pan-African Institutions being set up by Indian government under the auspices of the "India–Africa Forum Summit", for capacity building and resources development across the different areas, which include: India-Africa Institute of Foreign Trade; India-Africa Diamond Institute; India-Africa Institute of Educational Planning and Administration; India-Africa Institute of Information Technology, India-Africa Food Processing Cluster; India-Africa Integrated Textile Cluster; India-Africa Centre for Medium Range Weather Forecasting; India-Africa University for Life and Earth Sciences, India-Africa Institute of Agriculture and Rural Development; and India-Africa Civil Aviation Academy. In addition, the India–Africa Business Council (IABC) was set up to explore mutual cooperation in some of the core sectors like agriculture (including agro-processing), manufacturing, pharmaceuticals, textiles, mining, petroleum and natural gas, information technology and IT enabled services, gems and jewellery, banking, financial services (including microfinance), energy, core infrastructure (including roads and railways). Also, the Cotton Technical Assistance Programme was launched in the C4 countries (Burkina Faso, Benin, Chad and Mali), Malawi, Niger, Nigeria and Uganda. This programme enables India government to provide assistance to the African states in building capacity, technical expertise and thereby enhancing their competitiveness.

6 Conclusion

This study evaluates the effects of Africa's trade agreements with India on Africa's trade performance, especially exports. It has been shown that these trade agreements have improved Africa's exports access to this South market. Thus, at this juncture, it is important to note that the objective of this study has been adequately achieved and accomplished by empirically investigating qualitatively, the export impact of the agreements that Africa had with India, which is a case of South–South trade.

Therefore, we conclude that, although Africa's exports have potential absorptive capacity and market access, their extensive and intensive margins are rather inadequate despite the positive impact of the trade agreements. Further, Africa's exports have not adequately explore Indian market not because the trade agreements are not adequately implemented or adhere to, but due to the domestic exports constraints that crippled the number and volume of exports. The study also emphasize the fact that products of relevance to African countries are more likely to be confronted with non-tariff barriers, due to the fact that these negotiated trade agreements did not adequately address NTMs, which are said to be more important in recent global trade as tariffs are gradually dying. To this end, Indian NTBs are the major trade policy instruments that are obstacles to the trade relations. However, since most of the ongoing PTA/FTA included the NTMs as part of the agreements, efforts should be made by Africa to really emphasize on the need to reduce the implementation of restrictive NTMs in this market. While future agreements must ensure that negotiations on NTMs, especially the technical barriers to trade (TBT), are part or included in the areas of negotiations. Hence, a policy of bilateral trade liberalization is advocated for Africa with India and other emerging Asian countries, since countries in Africa are at different level of development.

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Advancing Regional Trade Interests between Africa and South Korea: Emerging Issues, Concerns and Policy Options

Gbadebo Odularu and Chinedu Samuel Okonkwo

1 Introduction

Over the years, an increasing number of developing countries have continually given considerable focus to South–South trade agenda in particular and international trade as an effective vehicle towards macroeconomic transformation and diversification. It has become evidently clearer to African countries that trading beyond their borders will enhance their prospects for economic growth and technological advancement. As the world shrinks into a global village with modern structures and systems, trade amongst nations is expanding rapidly. Besides the gains of trade, which primarily is to greatly supplement the wealth of nations, trade can also enhance the standard of living as well as drive up development. Notwithstanding, there are many drawbacks to trade within and between nations all over the globe.

1.1 A Brief Overview on South Korea's Global Trade Issues

International trade drawbacks differ in many nations in terms of the political structure, natural and physical endowments, technological advancements and capital availability amongst others. The most common barriers to trade are tariffs and quotas (Odularu, 2015).

This article was co-authored with Professor Odularu when I was a graduate student at the School of Economics, University of Nottingham, United Kingdom.

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South Korea and Africa are not exempted from issues associated with regional trade agreements (RTAs) and global trade. In Korea for example, trade relations with some US farmers have been strained due to concerns of zebra chip disease in potatoes. The infection is harmless to humans but is said to affect the quality of the products. Concerned over the possible infection of potatoes from three states (Idaho, Oregon and Washington) in the US, Korea banned fresh potato imports in August 2012 (USITC 2013). This restriction affected both table-stock and chip-stock potatoes although the restriction for chip-stock potatoes was relaxed 2 months later. It is worthy to note that these restrictions were put in place despite the Korea-US Free Trade Agreement (FTA) which came into force in March 2012. In response, affected farmers in the US questioned the credibility of the restriction and expressed frustration over their inability to take advantage of the trading opportunities presented by the Korea-US FTA.

Furthermore, animal disease has also contributed to trade obstacles in Korea such that after the beginning of the outbreak of foot-and mouth disease in early 2000, meat trade was significantly disrupted. Consumption and production of meat in Korea dropped drastically despite being one of the major importers of meat in the world. The discovery of 'mad cow' diseases also known as *bovine spongiform encephalopathy* (BSE) in Washington subsequently led to the ban of beef imports into the South Korea in late 2003. It is worth noting that the ban was put in place after just one case of 'mad cow' disease, which does not literally drive cows insane, was discovered. Trade in beef between US and Korea remained bleak after 2003 until 2008 when an agreement was reached to fully reopen the beef export market between the two countries. Total import fell by over 50 % in 2004 from 2003 levels and by 2011 beef imports were yet to attain the 2003 levels. Hence, potential trade prospects were hampered and probable revenue lost as a result of sanitary and phytosanitary concerns. Hence, precautionary policy measures through restrictions have been a trade concern to trading beyond boarders.

Another potential threat to trade in South Korea is the possibility of an international commotion especially in terms of war. South Korea has gone through some turbulent times and only emerged as one of two sovereign states after the end of Korea under Japanese rule following the end of World War II in 1945. Despite the end of WWII and the division of Korea over 70 years ago, tensions still run high between North and South Korea. Consequently, trade relations are also affected from time to time and potential business is limited by lack of economic cooperation and political flex of muscles. For instance, irrespective of various meetings, discussions, and declarations including the peace declaration signed by both parties in 2007, the alleged sinking of a South Korea's warship by the North in March 2010 rekindled the tension between both sides. North Korea denied the allegation and responded by cutting off ties with the South as well as repealing the earlier signed non-aggression agreement. Following the dispute, South Korea cut off trade with the North.

Based on this introduction, this study discusses the bilateral trade relations between South Korea and Africa within South–South RTA policy space. It finally provides policy options towards enhancing beneficial trade partnerships between Africa and South Korea.

2 A Brief Background and Some Stylized Facts

Amongst many countries seeking to establish a strong trading relation with Africa is the Republic of Korea (popularly known as South Korea), a small nation located in East Asia.

Like South Korea, Africa has had its share of trade issues which affects its participation in the global market for exchange of goods and services. One of such drawbacks manifests in poor awareness and weak coordination of local producers. Many African economies generally have low coordination abilities in organising the private sector. As a result, it has not been able to take full advantage of opportunities of the international market including South-South regional trade agreements (RTAs). Illy (2012) notes that even within the WTO it is recognised that as long as the failures in the supply-side and technical constraints of African communities are not properly tackled, Africa would find it difficult to derive any benefits from the South-South RTAs and the multilateral trading systems. For instance, local producers in African countries are not aware of certain South-South RTAs and laws even where they exist and it is seemingly the case that government trade officials are also oblivious to the existence or application of these laws. An example is the existence of anti-dumping laws which have been in force since 2003 for West African Economic and Monetary Union (WAEMU) countries. Within 10 years of the existence of the law, only one case of dumping was reported. Therefore, in some countries where dumping has been prevalent in industries such as textile, many African countries have found it difficult to compete internationally and even locally. Notwithstanding, few countries are taking the initiative of playing a greater coordination role of the private sector. An example is Mauritius which has incorporated a capacity building programme for the private sector in its agenda for trade remedy (Illy, 2012).[1]

Africa has in recent years experienced great political instability in comparison to its counterparts around the world. It is glaring that constant shakeups in the political economy and political concerns have restraining effects on South-South RTAs. It is easily observable that South-South RTAs portend massive potentials for Africa but the uncertainty of political stability constrains considerable quantum of South-South regional trade flows and potentials. Local producers bear the brunt of this flux in the political economy, making it difficult for local producers to effectively take advantages of the opportunities of the continuously globalising world. Not

[1]Bhuglah (2011) in Illy (2012).

very evident is the possibility of constrained trade participation as a result of development cooperation between African countries and the emerging donor countries. It is arguable that foreign aid is used as a means of export penetrating in order to establish strong trade ties. However, many African countries are still aid dependent and this can lead to its compromise in south-south RTAs and multilateral trade for fear of severing development assistance. Hence, it is arguably the reason for the continual dumping of substandard products in Africa which, in itself, is counter-developmental. It is about time development assistance is geared towards pro-trade investments. Both Stiglitz and Charlton (2006) and Bora et al. (2007) agree that 'aid for trade'[2] would support 'building supply capacity and trade-related infrastructure' in developing countries as well as mitigate trade reform issues, increase trading capacity and improve development.

Other obstacle to South-South RTAs from Africa's perspective is the relative high costs, deficiency of expertise and weak trade infrastructure. The time and cost of setting up pro-trade institutions are enormous and the competent expertise required to drive them are usually lacking in emerging Africa. Hence, most countries in Africa tend to lag behind when it comes to setting up legal frameworks to drive effectively South-South regional trade initiatives. Furthermore, inadequate infrastructure such as poor transportation network in many African countries can prevent local producers from accessing the ports (Deen-Swarray et al. 2013). Poor storage facilities will also drive up costs, and this is aggravated by absence of steady electricity and water supply for production. For example, in Uganda, IMF (2010) notes that the road sector accounts for 96.4 % of total cargo freight but only 4 % is paved. Additionally, only 18 % of Uganda's population have access to power in comparison to Kenya's 23 % as against Malaysia's 100 %.[3] Such obstacles have led to farmer's frustration. It has increased the cost of trading with Uganda and undermined their competitiveness in both global and southern regional markets.

Beside obstacles earlier outlined, there are many other country specific and general barriers to South-South regional trade opportunities in Africa. These include macroeconomic instability and poor structural reforms (including financial reforms) which have made many African economies inflexible, undiversified and unable to absorb overseas shocks. Another crucial point is economic uncertainty which has ushered in a sense of unpredictability due to lack of transparency in decision making in African countries as well as poor governance which has engendered the unproductive use of public funds such as in establishing white elephant projects.

Among the emerging Asian countries—China, India, Malaysia, South Korea—which organize annual for a, and also maintaining S-S RTAs with African countries, South Korea remains a latecomer, but it stands out, not in terms of trade volume but in terms of peculiar market access and business strategies. A critical

[2]Aid for trade basically referred to aid given to tackle trade-related constraints and associated costs in developing countries.

[3]WorldBank World Development Indicators (2015).

analysis of South Korea's regional trade with Africa, compares favourably and strongly with Africa's regional trade with other emerging Asian countries like China, Malaysia and India. One of the strategic strengths that South Korea possesses in strengthening its RTAs with African countries is its world-class capability in ICTs, modern manufacturing procedures, and global market access techniques. As a latecomer to South–South RTA with Africa, South Korea is gradually strengthening its trade and finance capacities to catch up with Chinese and Indian counterparts. However, South Korea's S-S RTA comparative advantage lies in the experience and know-how gained from its peculiar trade, business and market access strategies since the 1950s, therefore providing a formidably suitable model for African countries (Odularu, 2009).

3 Africa's Economic Trade Structure

Over the last few years, Africa is still buzzing with considerable growth. Africa is resource rich with generally diverse economic structures. Many economies such as Ethiopia and Central African Republic are based predominantly on agriculture which accounted for over 50 % of GDP in 2009. Notwithstanding, the range of agricultural commodities is limited.[4] However, some other African economies such as Botswana, Seychelles and South Africa are less dependent on agriculture which represented <5 % of their GDP in 2011.[5]

African countries have continually surged ahead despite the turbulence in the global economy. The African economy has grown consistently. Since the new millennium, the lowest growth rate experienced was recorded in 2009 during the heat of the global economic crisis which had a ravaging effect on financial activities all over the world. However, Africa still grew by almost 3.9 % (AfDB, 2015). According to AfDB et al. (2015), Africa grew by 3.9 % and 3.7 % in 2013 and 2014 respectively. Also, from Fig. 1, the growth in per capita GDP has not done so badly given that Africa's population has been growing at slightly over 2 % annually. The per capita trend seems to mirror that of GDP growth rate though at lower rates.

Africa has made efforts to increase its stake in both global and southern regional trade markets. However, Africa has remained heavily reliant on primary commodities which have dominated its total exports for the past few decades. While Africa's share of oil and minerals exports continues to increase, its share of global merchandise exports has not been able to keep up with the same level as that of its energy trade. The share of merchandise exports in Sub-Saharan Africa (SSA) has increased only marginally over the last decade. From 2000 to 2011, it increased by a paltry 1 %. As seen in Fig. 2, SSA's share of world exports increased from 1.46 % to 2.11 % between 2000 and 2011.

[4]The limited range of agricultural commodities include Cocoa, Coffee, Cotton and Tea.

[5]World Trade Indicators 2013.

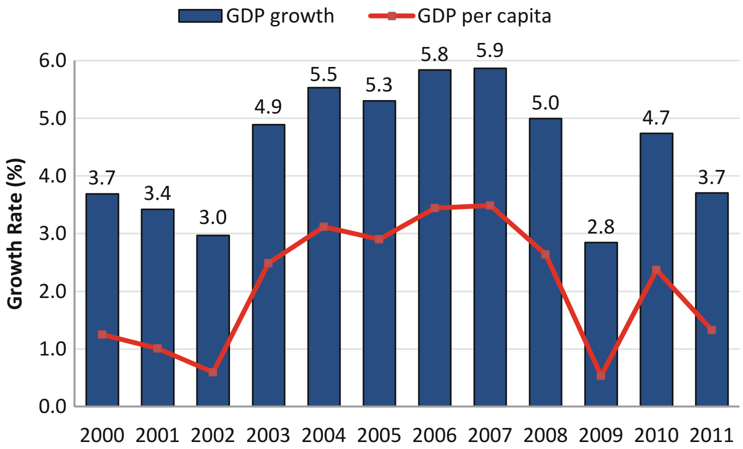

Fig. 1 Africa's real GDP growth and GDP per capita growth. *Source*: AfDB, OECD, UNDP and ECA (2015). 'Sustainable cities and structural transformation.' African economic outlook 2013

Fig. 2 SSA's share of merchandise and total exports

Africa has increasingly become more dependent on primary commodities. As a share of its total merchandise exports, primary commodity accounted for 82 % of exports in 2008 which is an increase from 69 % in 2000. Only few countries such as Mauritius, Morocco, South Africa and Tunisia have been able to diversify into the manufacturing sector (Afari-Gyan in Evenett 2010). This has also drawn a lot of concerns in regional trade and development circles. Based on United Nations classification of least developed countries, two-thirds of African countries fall under this category and hence, diversification has been a constant recommendation as a way out.

As seen in Fig. 3, the United States, China and India, in that order, are the largest markets of African exports in 2009. A fifth of all SSA exports are sold to America as against 12.6 % in China and 6 % in India. On the demand side, China, USA and

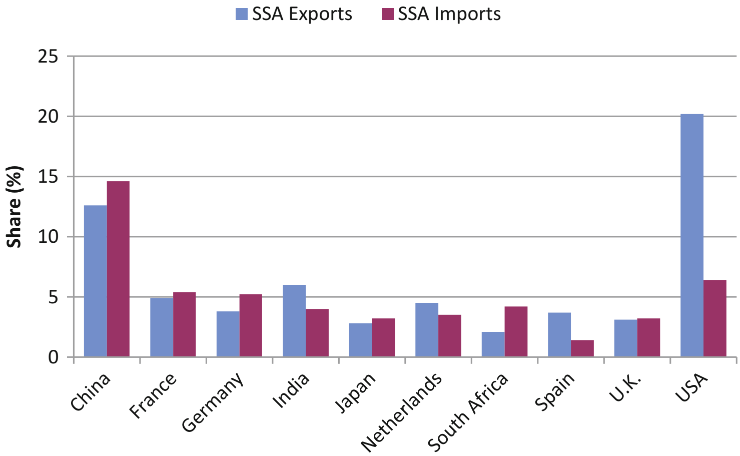

Fig. 3 Share of trade with trading partners 2009

Table 1 Sub-Saharan Africa principal trading partners

	SSA EXPORTS ($Bn)			SSA IMPORTS ($Bn)		
TRADE PARTNERS	2010	2011	2012	2010	2011	2012
World	294.47	372.31	369.65	296.36	363.33	379.38
Advanced economies	162.12	204.83	187.35	133.64	159.53	155.30
Emerging and developing countries	128.42	151.86	168.73	152.71	192.34	211.16
Developing Asia	72.22	85.23	98.81	71.23	94.18	106.30
Europe	4.61	5.13	5.24	7.13	10.87	10.62
Middle East and north Africa	4.82	5.53	6.56	25.34	29.41	31.66
Western Hemisphere	11.36	15.58	14.23	9.78	13.89	14.31

IMF Direction of Trade Statistics (2013)

France are top exports to SSA. China leads the other top exporters with 14.6 % which amounted to $37.13 billion. China's export to SSA in 2009 was led by shipments of electrical and machinery, automobiles, textile, footwear and metals (Iron and steel). The United States was the second largest exporter to SSA with a share of 6.4 % which was followed closed by France at 5.4 % in 2009. Furthermore, by regional blocks, trade in SSA has also grown gradually. In Table 1, from 2010 to 2012, SSA's trade with Emerging and Developing Countries grew by 31.4 % and 38.3 % for exports and imports respectively. For Developing Asia, exports grew 36.8 % in 2010 and 49.2 % in imports for same period. Despite the trade prospects, Africa's import seem to be rising faster than her exports hence; making her more of a south-south regional trade consumer than a producer.

4 A Comparative Analysis of Africa and South Korea Economies

Africa is the second largest continent in the world. Its unique geographical location gives it a variety of climatic conditions which is known to support a wide range of agriculture. Given the recent global economic turbulence and the resultant effect on global economy, attention is currently beamed on Africa as a potential source of investments. A comparative analysis cannot fully be undertaken between Africa and South Korea for obvious reasons. However, it will be interesting to understand the economic outlook and analyse features of both economies.

Population of Africa is estimated at 1.15 billion as opposed to that of South Korea which stood at 50.4 million as of 2014. However, while Africa's population grew by 2.30 % from 2005 to 2010, Korea's only grew by 0.48 % for the same period.[6] Due to its relatively large population size, Africa presents a large consuming market. There are arguments that Africa's rising population may put more strains on its economic resources and adversely affect its economy. However, counter arguments tip Africa to become a supplier of cheap human capital in the near future but with condition that Africa develops its human capital appropriately.

GDP per capita has also recorded steady growth in both nations. In 2011, Africa's real GDP per capita stood at $922.5 which represented a 1.3 % growth from the previous year.[7] In comparison with Africa, South Korea recorded a real GDP of $21,226 in 2011 which is a growth of 3.7 % from the previous year. This makes the real GDP per capita for the Republic of Korea 23 times that of Africa in 2011. Most African countries are classified as low-income or lower-middle income economies. However, Korea is a high income economy which puts it at the top of such classification.

The South Korean economy has been internationally active in trade. In 2012, South Korea became the 8th leading exporter in the world. It also achieved over $25 billion trade surplus consecutively for 4 years. South Korea's major exports include petroleum and petrochemical products, semiconductors, machinery and cars. In 2011, exports accounted for 56 % of South Korea's GDP. Korea's real exports figure stood at $550.4 billion in 2011 which increased 10 % from the previous year. Real import for 2011 was recorded at $460.6 billion which increased 6 % from the previous year. Major trading partners include China, Japan, European Union (EU) and the United States.

Unlike South Korea, Africa is not as industrialised. Majority of African countries rely on agriculture and natural resources. As a result, primary commodities and agriculture make up the bulk of African exports. Due to its undiversified economy,

[6]UN Population Commission, World Population prospects: The 2010 Revision.

[7]This statistic represents that of Africa as a whole. For SSA the value was $978.3 which is a 4.5 % increase from the previous year.

most countries are exposed to potential risk of economic volatility should anything happen to their primary trade commodity. Notwithstanding, Africa has gradually recorded growth in exports. For example, in 2011 Africa's exports accounted for 33.8 % of GDP which is a 2.4 % jump from 2010 levels. Real imports amounted to $349.5 billion in the same year which was growth of 11 % from the previous year. Major importers from Africa include China, France, India and the United States. Major exporters to Africa are same as major imports from Africa but with inclusion of Germany and South Africa.

Both South Korea and Africa have massive growth prospects. South Korea which is a member of the G20 has a diversified economy with strong private sector inclusion which has driven exports. South Korea's economy is highly industrialised with top brands such as Samsung, LG and Hyundai which are popular household names all over the globe. Africa, which is human resource rich, is majorly dependent on primary commodities and agriculture. Hence, private sector participation in global trade is very weak with many bottlenecks of doing business and generally low levels of innovation. According to the World Bank and International Finance Corporation (IFC) 'Doing Business 2012' report,[8] most African counties huddle up at the bottom of the 'ease of doing business' ranking as against South Korea which claimed eight position. Hence, for Africa to maximise its south-south regional trade and growth potentials, prospects it would have to tackle the challenges of doing business while also fully integrating the private sector for an export led growth.

5 Evolution of Africa-South Korea Regional Trade: Issues and Magnitude

Governments play a significant role in achieving economic prosperity. Hence, the State must effectively and efficiently coordinate its economy in order to achieve economic success. Setting up strong trading strategies for trade within and outside its borders as well as constantly reviewing them are necessary steps in order to claim greater share of world trade. As foreign borders become more accessible, South Korea and Africa are also taking the opportunity of south-south RTAs to advance business relations through effective trading strategies.

South Korea has made remarkable progress in great strides. It is the first former aid recipient to become a member of the Development Assistance Committee and the first of such countries to Chair the G20 Summit which it did in November 2010. This achievement has come through effective trade strategies which include development of trade infrastructure. Most of the aid received by Korea in the early 60s seem to have been used for pro-trade investments. For example, as an aid recipient in 1962, South Korea received $17 million in development assistance from the World Bank which it used for expanding and improving its railroad infrastructure.

[8] Comprehensive Rankings also available from doingbusiness.org/rankings.

That same year exports grew by 13.1 % and real GDP accelerated to 9.5 % the following year.[9]

Prior to the 1970, agriculture, which accounted for a good share of Korean exports, received significant investments. However, Korea continued to invest in other enabling projects such as transportation infrastructure, education and finance. In the 1970s, Korea engaged in comparative advantage identifying strategies. The growth strategy was to identify and provide financial support for productive economic activities, machinery, electrical and chemical industries received significant support in this period to position them competitively in the global market. Korea recorded significant success such that it no longer required assistance from the IDA.[10] Inflationary pressures in the 1980s ushered in difficulties for the economy. Consequently, for the first time since the rapid growth in Korea, real GDP declined by 1.5 % in 2008. In response, a local currency was devalued in the same year and a flexible exchange rate regime was introduced. As a result, this bolstered international competitiveness with real GDP and exports climbing to 6.2 % and 16 % respectively in 1981. Since the 1980s, Korea has placed more emphasis on the manufacturing sector as a major driver of its exports such that in 2011 manufacturing share of merchandise exports accounted for 85.8 % as opposed to 2.3 % for agriculture.[11] Korea has been relatively quick in its response to economic shocks through effective structural and financial reforms. Since the early 60s, Korea has never experienced a consecutive decline in both real GDP and exports even after the economic crunch in 2009. However, Korea is keen on maintaining its growth by consolidating on south-south regional trade opportunities through effective and workable S-S regional trade agreements.

South-South RTAs in particular, and multilateral trade agreements have become more popular in a bid to expanding trade in many countries. South Korea currently has nine FTAs in force and with several others such as the Korea-Canada and Korea-Mexico FTAs.[12] Korea's biggest FTA is the Korea-US FTA (KORUS FTA) which came into effect on 15 March, 2012. Since KORUS FTA entered into force, Korea has not rested on its oars. The most recent South Korea FTA is the Korea-Turkey FTA which came into force in May 2013. Obviously, Korea has been aggressive in expanding beyond its borders by negotiating agreements which remove trade barriers such as tariffs. According to the WTO 2016 RTAs mapping,[13] though talks are on-going, the Republic of Korea has (signatory and

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[9]World Development Indicators Dataset.

[10]International Development Association (IDA) is an arm of World Bank which assists the poorest countries.

[11]World Trade Organisation Database (http://stat.wto.org).

[12]World Trade Organisation Regional Trade Agreement Database.

[13]This mapping is available online at: https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm

non-signatory)[14] RTAs (participation in good and services RTAs) with the following African countries: Algeria, Morocco, Tunisia, Libya, Egypt, Sudan, Tanzania, Mozambique, Zimbabwe, Ghana, Nigeria, Cameroon, Benin and Guinea. However, it is hard to believe that Africa still represents very insignificant proportion in South Korea's export and import markets. In fact, according to the International Monetary Fund (IMF) Direction of Trade Statistics (DOTS),[15] for the past three decades, no African country ranks among the Republic of Korea's first 20 importing and exporting partners of goods. The three countries which sparingly rank between the 28th and 35th importing partners within this period are Angola, Nigeria and South Africa. Based on this statistics, this implies that ongoing RTAs being signed between Korea and Africa appear to be sub-optimally utilized.

As evident in Figs. 4 and 5, and over the past two decades, Korea has largely remained Africa's net trade exporter in its goods trade balance sheet. Except in the late 1990s, Korea's net export to Africa has been in the average of +50 %. However, in the past half-decade, the positive trade data seems to be turning in favour of Africa due to the downward trends in Korea's net exports to Africa. The period coincides with the period that an increasing number of RTAs were signed between Korea and Africa, thereby opening up Korean market access and trade opportunities for Africa.

On the African side, many African countries obtained national sovereignty in the 1950s and early 1960s. At that time, agriculture was the major driver of exports in many African countries. However, the discovery of resources soon changed the composition of trade in Africa. Africa has not implemented many trade strategies partly due to political instability and incessant tussle in government, a situation which is still common.[16] Over the years Africa has not significantly diversified its economy though the clamour continually reverberates in the development arena. Aside South Africa, which is the continent's most diversified economy, Egypt, Morocco and Tunisia are also top diversified economies in Africa. However, the latter three countries are majorly engaged in traditional industries especially food processing and textile (Economic Commission for Africa (ECA) 2007).

African exports of industrial goods are dominated by primary commodities. As a recommendation, the ECA (2007) proposes participation in regional and international trade agreements as an avenue to diversify its export of industrial goods. However, Africa would have to address various trade barriers including upgrading pro-trade infrastructure to take full advantage of emerging south-south regional trade agreements. Even within Africa, the African Economic Community (AEC)

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[14]According to the WTO, its RTAs statistics are based on notification requirements rather than on physical numbers of RTAs. Thus, for an RTA that includes both goods and services, WTO counts two notifications (one for goods and the other services), even though it is physically one RTA.

[15]IMF Direction of Trade Statistics (DOTS) on Republic of Korea's exporting and importing partners is available on: http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&ss=1454703973993

[16]Recently Gadhafi's Libya was toppled, the Central African Republic experienced a coup in March 2013 and Egypt is currently experiencing a political quagmire.

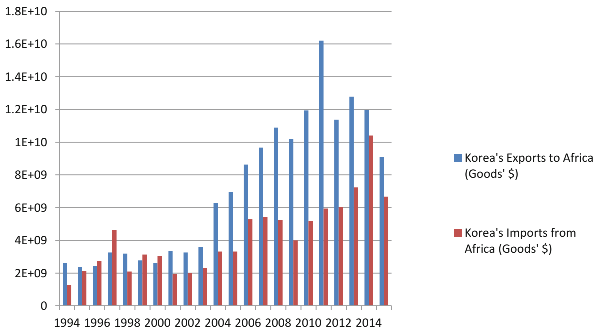

Fig. 4 Direction of exported and imported goods between Korea and Africa (US$). *Source*: IMF Direction of Trade Statistics (DOTS). Available online at: http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&ss=1390030341854

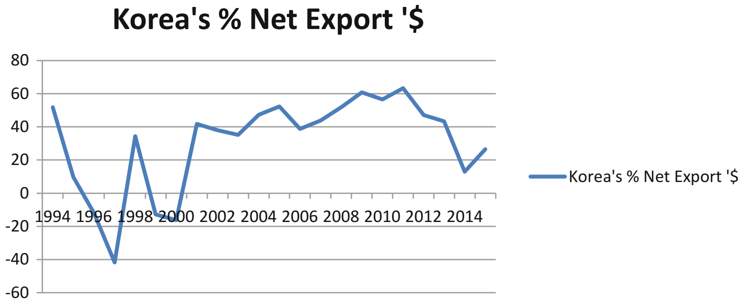

Fig. 5 Percentage trade surplus between Korea and Africa (%). *Source*: IMF Direction of Trade Statistics (DOTS). Available online at: http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&ss=1390030341854

was established in 1991 to integrate Africa. However, 23 years later, the AEC is yet to achieve its goal of integrating the five sub-regions[17] of Africa. The inability to integrate the sub-regional economic blocs may be as a result of earlier identified trade intra and inter-regional issues. Moreover, Africa is also composed of many Regional Economic Communities (with several nations overlapping in membership) which might have complicated the primary agenda of the AEC.

The only agreements between South Korea and African countries are the Protocol on Trade Negotiation (PTN) and the Global System of Trade Preferences among Developing Countries (GSTP) which came into effect on February 1973 and September 1989 respectively. Egypt and Tunisia are the only current African signatories to the PTN while that of GSTP include 14 African economies.[18] It is worthy of note that these agreements are old and both are Partial Scope Agreements

[17]The five sub-regions include North, East, Southern, West and Central Africa.

[18]Note that former Sudan, from which South Sudan was created, is a member. See WTO database for full list.

(PSA) which cover only a few products of interest to stakeholders. It is plausible that trade agreements between parties at different levels of development will not provide equal trade opportunities. The richer party will be more at an advantage to the detriment of the economically poorer party. This may be a possibility between South Korea and many African countries today.

6 Concluding Remarks: Opportunities and Policy Options for Advancing Regional Trade and Business Deals Between Africa and South Korea: ASKRTIIM

Based on the analysis provided in this chapter, Korea has exported many goods and services to Africa, thereby making Korea one of the strategic South–South regional trading partners to Africa. As of 2015, the total Korea-Africa trade is about USD16 billion, in which 60 % represents the total Korean exports to Africa, while 40 % represents the total Korean imports from Africa (IMF Direction of Trade, 2015). In terms of trade composition, Africa provides raw materials, energy and ready-markets to its emerging middle-class consumers. This provides compelling evidence that Africa and Korea will continue to benefit strategically from their ongoing South–South RTAs. In fact, in terms of trade in services provided in the RTAs, Korea is next to Japan and China, as the third largest and most active Asian project financier in Africa.

More specifically, due to the significant and burgeoning RTA opportunities between South Korea and Africa, this study provides some information on South Korea's firm trade structure and diversified exports market strategy in Africa, of which same cannot be stated. In other words, most of increased exports from a few African countries to South Korea are unprocessed agricultural and mineral commodities. Invariably, this shows considerable RTA potentials for Africa to access the South Korean market. This could be possible through the heightening of Africa's trade potentials and developing profitable and viable trade initiatives between South Korea and selected African countries.

Africa is increasingly being perceived as the world's future trade and economic opportunity hub. Empirical evidence has revealed that no nation has optimally maximised its market access policy space without utilizing the power of science, technology and innovation. In other words, science and innovation are vital in the transforming the Korea–Africa RTA policy space. In fact, the role of commercial science in enhancing Korea–Africa trade opportunities, competitiveness and market access in the two regions cannot be over-emphasised. Thus, it is imperative for Africa to partner with Korea by investing more resources into regional trade related science and technology programmes. Without a clear articulation and religious operationalization of the Korea-Africa RTAs, enhanced economic competitiveness and diversification will result in a mirage.

Every year, the South Korean Ministry of Foreign Affairs and Trade hosts Africans as trainees and also sends experts and volunteers abroad to transfer trade knowledge and know-how (Park, 2010).

There have been joint South Korea–Africa conferences and Korea-African Economic Cooperation (KOAFEC) Action Plans on trade and development issues, indicating the readiness on both sides to trade and do business with each other. Also, there has been an establishment of new KOICA offices and South Korean embassies in selected African countries. In other words, South Korea needs to further establish its representative trade offices in African countries, thereby strengthening South Korea's outreach to trade effectively with Africa and access its regional economic market. These trade and representative offices will work with African stakeholders to increase the export of higher-value products and services to South Korea; intensify the exchange of market intelligence between South Korea and Africa by creating a sustainable partnership platform; and facilitate the transfer of South Korean knowledge, technology and capital to Africa.

Based on the joint Korea–Africa RTA goals, as well as the Korean and African governments' interests in deploying regional trade instruments for transforming their respective economies, this chapter proposes a Africa-South Korea Regional Trade Innovation for Impact (ASKRTIIM),[19] which will be aimed at strengthening joint African-Korean trade and business networks, share best practices and expand investment opportunities. In order to further expand the Africa-South Korean trade relations, ASKRTIIM should comprise market-access-based mechanism and innovative trade park or zone which will build on the current trade programs between Africa and South Korea, and to be driven by the principles of mutual cooperation, non-preferential treatment and win–win collaboration. Just like the Lekki Free Zone project in Nigeria, South Korea and selected African countries need to initiate an innovative trade, economic and market access park for light manufacturing, enterprises expansion, ICT, warehousing, logistics and infrastructure, green power generation, and shipping. This proposed park will attract Foreign Direct Investment (FDI) to Africa, improve Africa's processing and export capacity, and foster joint trade and economic development. This initiative should maximize S-S regional trade and integration policy space in creating inclusive jobs in both regions. ASKRTIIM should emphasise the Korean-African Marketplace and Trade, which will aim at promoting Korean-African trade, and using foreign trade to advance Korean technologies, to conduct activities of Korean-African economic and trade cooperation in various forms, and to promote the development of economic and trade relations between Korea and Africa. Korean enterprises should be established

[19]Interestingly, none of the ongoing South Korea–Africa programmes appears to focus directly on trade and market access. For instance, the supplementary Technical Cooperation Agreement of the Korea Africa Economic Cooperation (KOAFEC) Trust Fund was signed on October 16, 2012, based on the primary objective of knowledge-sharing and deepening the impact of Korea–Africa cooperation through six priority areas: infrastructure and natural resources; information and communication technology; knowledge sharing on Korea's economic development experience; human resources development; agricultural development; and green growth partnership.

for scaling their trade and to investments relations on the African continent and play a bigger part in helping Africa achieve higher and more sustained transformational trajectory.

While collaborating with African governments' to drive science and technology-led economic transformation, Korea-Africa relations need to place much emphasis on regional trade due to the role of international trade programmes in creating jobs and wealth. Further, ASKRTIIM will respond favourably to the new wave of viable national and regional trade initiatives in Africa. ASKRTIIM will aim at validating demand-driven regional trade innovations for increased capacity, thereby generating and up-taking trade innovations and implementing businesses initiatives for enhancing economic competitiveness, and wealth creation. ASKRTIIM should also aim at strengthening joint regional trade initiatives by promoting equitable, balanced, demand-driven, multi-stakeholder engagement and mutually beneficial collaborations between Korea and African partners. Enhanced economic transformation in Africa means more favourable South–South regional trade relations with Korean companies.

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Africa–Brazil Regional Trade Agreements: Looking Forward with Proactive Strategies

Bamidele Adekunle and Mariama Deen-Swarray

1 Background

Brazil has entered into various trade agreements with different countries in Africa, each unique in its own way. Trade between Africa and Brazil has seen tremendous growth over the years, amidst continued challenges. This increase in trade is partly attributed to the fostering of political relations between the two regions. The Brazilian Development Bank (BNDES) has been behind the promotion of trade between the two regions and continues to put in place measures and take steps that can further enhance this relation. Efforts to establish closer ties with Africa remain a priority in Brazil's foreign policy.

There has been a tremendous improvement in infrastructure development, regional integration and an increase in financial and commercial liberalization programs among countries in the South, which has created an enabling environment for growth in trade and economic development. For example, the trade between the Brazil and Africa increased from US$4 billion in 2000 to US$29 billion in 2013 - Sub-Saharan Africa (SSA) accounted for around 45% (Rotberg 2016) reaching its highest in absolute terms at US$26 billion in 2008 (UN Comtrade Database).

However, studies have shown that Brazil's trade with Africa is largely concentrated within a few countries. For example, in 2014, Nigeria, Angola and South Africa were the largest trading partners with Brazil. Over the years, trade has been predominantly in the mining, energy (oil and gas), agriculture, automobiles and

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infrastructure sectors. Brazilian exports were mainly manufactured products, while imports were primary commodities (de Renzio et al. 2014). This is an indication that there are yet potential areas that could be explored and that there is a possibility to expand and engage in trade with many other African countries that are currently not trading partners.

The role that Africa can play in Brazil's growth and development and vice versa cannot be overemphasized. The cultural and historical similarities as well as the technical and institutional expertise of Brazil acts as further advantage in fostering ties between the two regions. However, these are not without constraints. There is lack of adequate infrastructure to facilitate the movement of people and the transportation of goods across the two continents. Limited access to credit, corrupt practices, lack of macroeconomic stability and inadequate legal frameworks in most African countries pose a serious challenge for enhancing trade between the two regions. Some of the African nations are still in the transition phase and others are recovering from years of civil wars and political unrests.

The South–South trade partnership has continued to increase in recent years with economically strong countries in the developing world taking the lead in initiating such collaborations. Africa-Brazil trade has deepened with specific countries, in particular South Africa, with which there is a pre-existing relationship.

2 Structure of Africa-Brazil Trade Agreements

The Africa-Brazil trade agreements have shown positive results (see sect. 3 and 4). The prevailing situation was enhanced by BNDES, though this has been hindered by lack of guarantees from African partner states (World Bank and IPEA 2011).

Brazil's partnership with Africa comes in the form of trade, cooperation as well as technology and skills transfer. The country has entered into deals with several African countries, namely Mozambique, Angola, Democratic Republic of Congo, and Nigeria to promote the exploration of biofuel, and the production of ethanol from sugar cane and palm oil (World Bank and IPEA 2011).

Though Brazil pursues different areas of interest in Africa, its main focus is in natural resources and this makes up the bulk of its imports from the continent. Concentration of trade between the regions in general is fairly limited to a few products, with exports mostly in agriculture and manufactured goods. It's main exports into Africa include sugar, meat, ore, vehicles and machinery, whilst major imports from the continent include fuel and oil, and fertilizers with the former accounting for 85 % of total imports in 2010 (TRALAC 2011).

Statistics show that Brazil's trade with Africa has improved in the last few years whilst trade with its traditional partners namely Europe and the United States has declined. In 2000, Africa contributed 3.9 % to Brazil's trade with the world and by 2012 this figure had increased to 5.7 % (Alves 2013). Though a relatively small increase compared to Brazil's trade with China, which increased from 2.08 % to over 15 % in 2010 (Jenkins 2012), the drop in trade with Europe and the United States show that there are prospects for Brazil and Africa to deepen trade relations.

The partnership between Africa and Brazil also focuses on promoting trade through creating small and medium enterprises (SMEs). Through the the Brazilian Agency for the Promotion of Exports and Investments (APEX), there have been trade fairs to provide the opportunity for SMEs and entrepreneurs to interact in both regions. These fairs have resulted in several trade deals and collaboration mainly in the food and beverages sector, the clothing and footwear sector, the cosmetics sector, automotive parts and electronics sectors as well as the housing and construction sector (as cited in IPEA 2011).

The dominance of Brazil in its relation with Africa is obvious. This is evident in the form and structure of the trade that takes between the two regions, where Brazil sets up businesses and production plants in Africa and exports the products. Examples of this are the Brazilian company, Marcopolo S. A., in South Africa that manufactures buses and exports to other African countries and the investment in a sugar cane plantation in Ghana. However, Africa benefits from these investments as is the case with Ghana, where the sugar cane plantation allows the country to diversify its export base to include ethanol. Through it's Foreign Trade Board, Brazil provided capital in 2011 to promote agriculture in Africa, providing an opportunity for farmers to buy equipment from Brazil and also provides support for the development of oil-fields in Africa (World Bank and IPEA 2011).

Noteworthy also is Brazil's focus of strengthening ties with specific African countries. Aside from relations with Lusophone countries in Africa, Brazil has demonstrated great interest in South Africa. The India-Brazil-South Africa (IBSA) partnership, formed in 2003 to allow South–South cooperation in various areas (World Bank and IPEA 2011), including international trade, is a typical example. This has led to an increase of Brazilian business interests in South Africa. This forum provides a platform for South African businesses in the IT, mining, finance, infrastructure and pharmaceutical sectors to expand to Brazil. The Industrial Development Corporation in South Africa and the Brazilian Development Bank have taken the lead in fostering financial cooperation that will enhance trade and economic ties between the two countries (African Development Bank 2011).

Trade relations between Brazil and South Africa also mirror the imbalance in trade. The South African economy, one of Brazil's key trading partners in Africa, continues to be an exporter of mainly primary products with a few of these products processed. On the other hand, its import consists of mostly industrial products (Smet 2007). Despite the deepening relationship between South Africa and Brazil, there are still untapped potential markets that could be explored. However, this is contingent on the removal of non-tariff barriers on potential products.

Africa has become a place of opportunity for Brazil to expand not only its trade and investment, but to pursue energy production in particular biofuels. In turn, it is expected that Brazil will bring its technical expertise into the continent that can contribute to socio-economic development (AfDB 2011). Brazil is however in the process of developing its oil reserves and the nature of trade between the two regions makes this a cause for alarm as there are chances that Africa's exports to Brazil will decline once the country has completed this development (Seibert 2011).

3 Africa-Brazil Trade Dynamics

The trade relationship between Brazil and African countries has a particular trend that needs to be properly understood before pro-active and sustainable trade agreements can be developed. The figures below present a few of these characteristics using data from five Africa countries as reference. The countries included were Egypt, Nigeria, Algeria, Cote d'Ivore and South Africa. These countries were selected because of their volume of trade with Brazil and availability of data.

Generally, both imports and exports increased over time (2007–2011) with 2011 having the greatest volume of imports and exports. In 2011, there was a difference of about US$10 billion between exports and imports. In other words, these African countries exported more than they imported from Brazil (Fig. 1).

Furthermore, an examination of the trade trend in each country (Figs. 2 and 3) indicates that exports to Brazil have been on the increase while imports fluctuate from year to year.

As seen in Fig. 2, Nigeria is the leading African trading partner with Brazil. The exports from Nigeria show an increasing trend in the amount of commodities sold to Brazil except between 2008 and 2009 when there was a decline. Nigeria's main export is crude oil and this is possibly because of the lack of functional refineries in the country to process the raw product to Kerosene, Diesel, Petrol and other

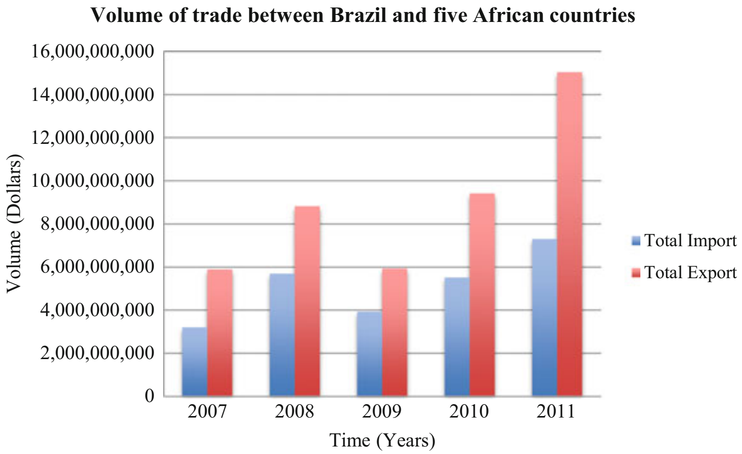

Fig. 1 Trade (imports and exports) between Brazil and five African countries

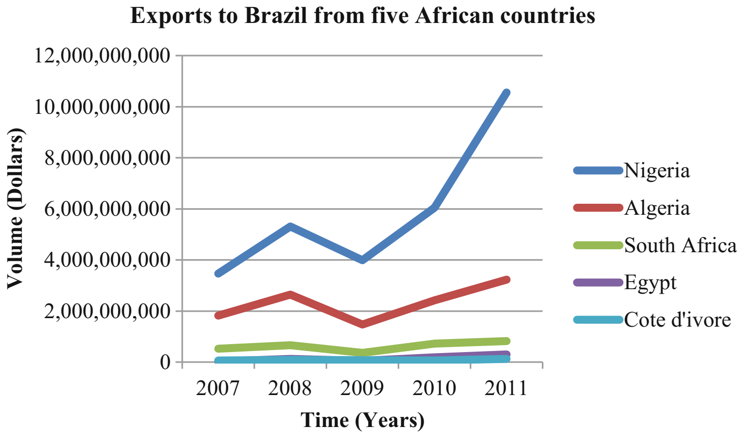

Fig. 2 Exports to Brazil from five African countries

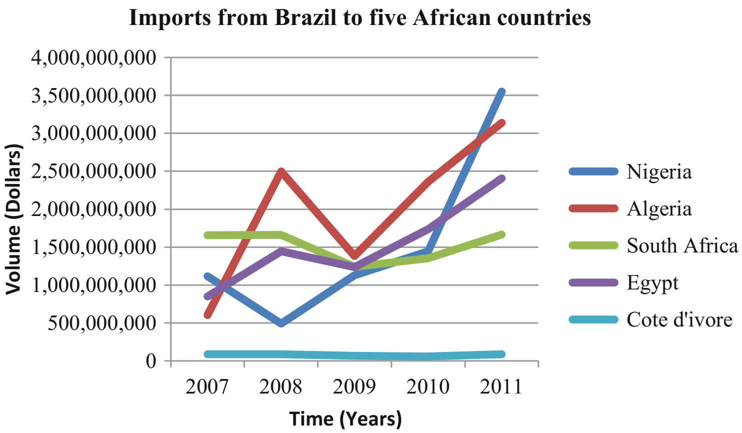

Fig. 3 Imports from Brazil to five African countries

fractions. Brazil is also promoting the production of biofuels in Nigeria through the use of sugarcane and palm oil (UN COMTRADE 2010). Algeria follows closely after Nigeria as a major exporter to Brazil, also exporting crude oil.

Countries such as Egypt imported more than the country exported to Brazil within the examined period. There were annual fluctuations in the import volumes but generally there has been an increasing trend since 2009 (Fig. 3). This could partly be explained by better relations between the two countries, for example, the provision of farming technology and expertise that improved crop yield in Egypt. The same situation was observed with South Africa, this can probably be attributed to the fact that South Africa does not have mineral resources that are of interest to

Brazil and it's not a major oil producing country. According to UN COMTRADE (2010), the major imports from Brazil to South Africa are automobile parts.

4 Current Trade Agreements and the Impact on Trade Performance

There have been a lot of incentives and initiatives to boost Brazil's exports to Africa. In 2008, the Program Integration with Africa resulted in a US$265 million disbursement, which was increased to US$360.5 million due to the strengthening of the Productive Development Policy (PDP) to promote the expansion of the country's national economy (World Bank and IPEA 2011). The PDP also initiated a 3-year agreement between BNDES and the Brazilian Agency for the Promotion of Exports and Investments (APEX), which emphasized diversification in the exports from Brazil to Africa. A new plan was developed in 2011 called the Larger Brazilian Program, which has in place measures to support trade among others.

The development of sugarcane-based ethanol processing plants have also been part of steps taken by the Brazilian Development Bank (BNDES) to foster Afro-Brazilian trade, with a credit line to Angola that resulted in a strategic partnership agreement in the ethanol industry between the two countries. This was also extended to Brazilian companies in Ghana and Mozambique (Barros 2010) as a way of having partners in Africa, in the country's bid to expand its supply of biofuel. The Brazil-Africa collaboration extends further by bringing in third party countries as seen in the biofuel industry with the tripartite agreement involving Ghana, Brazil and Sweden for sugarcane produced in Ghana to be exported to Sweden.

In 2006, a partnership was formed between South Africa, Brazil and India, under the IBSA Dialogue Forum. The Incubation Crusade Program has been pursued under this initiative to be able to accommodate entrepreneurs and companies from all three countries, with the aim of making these companies and their services global. South Africa is also part of the BRICS (Brazil, Russia, India, China and South Africa), an initiative that strengthens South–South partnership (World Bank and IPEA 2011).

Despite all these attempts at fostering trade relations, trade between Africa and Brazil is yet to reach 10 % of Brazil's global trade. The largest relative contribution of Africa and Sub-Saharan Africa (Table 1) to Brazilian trade with the world was recorded in 2007 with 7.08 % and 4.67 % respectively (World Bank and IPEA 2011). Though Africa's share of trade with Brazil has increased between 2000 and 2010, the figures have been on a downward trend since 2008. This fall was attributed to the drop in commodity prices between 2008 and 2010. The financial crisis in 2009 also resulted in a decline in Brazil-Africa trade, which had grown by

Table 1 Brazil's trade with Africa and Sub-Saharan Africa: 2000–2010 (%)

Region	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Africa	3.83	4.67	4.68	5.06	6.54	6.57	6.78	7.08	6.98	6.11	5.32
SSA	1.85	2.88	2.80	3.09	4.07	3.68	4.43	4.67	4.55	3.93	3.18

Source: World Bank Report based on data from the UN Comtrade database (http://comtrade.un.org/db/)

about 9 % between 2005 and 2009, not including South Africa. Nonetheless, South Africa's exports to Brazil grew by about 3 % in 2009 (ITF 2010). From 2000 to 2010, Brazilian exports to Africa increased from 2.44% to 4.54% reaching the peak of 5.68% in 2009 (UN Comtrade database).

Success has been mainly in the primary sector where the exports of such goods accounted for close to 30 % of Brazil's exports to Africa and this figure in relative terms more than doubled for Sub-Saharan Africa. Interestingly though, Brazil's exports have only been concentrated in few Sub-Saharan countries. These countries accounted for 51.36 % of total exports between 2000 and 2010, with South Africa contributing 18.93 % to this figure. The other export recipients include Nigeria, Angola, Ghana and Senegal, contributing 15.05 %, 12.53 %, 3.26 % and 1.58 % respectively to total exports into Sub-Saharan Africa (World Bank and IPEA 2011).

Furthermore, according to World Bank and IPEA (2011) Africa contributed about 5.21 % of Brazil's total imports in 2000, increasing to about 9.10 % in 2008. Sub-Saharan Africa made up 2.18 % of imports to Brazil in 2000 and about 5.72 % in 2008. There has however been a fluctuating trend in import figures with a decline in 2005 and again in 2009. The large increase in SSA's share of Brazilian imports in 2004 came at a period when the country's trade with other regions fell.

Brazil's import sources in SSA are Nigeria, Angola, South Africa, Congo DRC and Cote d'Ivoire, making up 59.53 % of the country's total imports. Nigeria is the biggest import source for Brazil accounting for 46.81 % of total imports mainly in crude and refined oil, and natural and manufactured gas (World Bank and IPEA 2011).

Africa's share of Brazil's exports and imports increased from 2.4 % and 5.2 % respectively in 2000 to 5.1 % and 9.1 % respectively in 2008. This figure is however said to be much less than those recorded in 1985 (Seibert 2011). Brazil is the world's second largest ethanol producer and of the more than 5 billion litres exported in 2008, Nigeria and Ghana imported 97.8 million and 19.7 million respectively (AfDB 2011).

Though the trends show a rise in exports, Brazil's trade balance with Africa continues to be negative. Brazil's imports from the continent come mainly from the oil producing countries, notably Nigeria and Algeria. Angola, South Africa and Egypt are considered the greatest consumers of imports from Brazil. Egypt imports a large volume of food products from Brazil. Brazil however has more significant trade relations with lusophone countries in Africa (AfDB 2011).

5 Strategies Towards Sustainable Trade Agreement

5.1 History and Importance

Brazil and Africa have always been partners, including shared history through the transatlantic slave trade until the abolition of slavery (IPEA 2011). In the last decade the two regions have re-established connections, and this is expected to contribute positively to their growth and encourage trade between emerging countries. Brazil's continued rise as a world economic power and Africa's rapid growth in recent years reveal new and positive dimensions in development cooperation which, if properly nurtured, will ensure sustainable trade between them (World Bank 2011).

Since the traditional aid model has been fraught with problems and failure in addressing the root causes of poverty, there is a need for alternatives to technical and financial cooperation (World Bank 2011). Out of these alternatives have come diverse partnerships established among various developing countries. In particular, Brazil has established numerous partnerships with Africa that have intensified and increased trade by more than six times; promoted exchange of knowledge in biomedical and agricultural research; and provided financial assistance towards development aid projects (AfDB 2011; Stolte 2012). Brazil's purpose of partnering with Africa to assist with the continent's development is emphasised by the strong historical and cultural ties between them, and this sets the country apart from its fellow BRICS partners who are also investing in Africa (IPEA 2011). These ties are also complemented by the shared tropical climates, as well as the geophysical similarities in soil. Such conditions make Brazilian knowledge and technologies easily adaptable to many African countries (da Silva 2009; World Bank 2011).

5.2 Sustainability Through Strategic Partnership

Trade between Brazil and Africa has been enhanced significantly by economic partnerships. Such partnerships as Brazil's Common Market of the South (MERCOSUR) with South African Development Council (SADC); the Community of Portuguese-speaking Countries (CPLP), and the Economic Community of West African States (ECOWAS) contributed to increasing trade from US$4.2 billion to US$27.6 billion between 2000 and 2011 (Stolte 2012). Similarly, political and cultural partnerships have deepened ties between the two regions, thus, increasing the exchange of knowledge and contacts between them (Stolte 2012). Moreover, such partnerships are significant for sustainable trade partnerships, since the interactions between leaders on both sides of the Atlantic influence the policy decisions made.

Another strategy towards sustainable trade between Brazil and Africa is through technical expertise transfers and financial assistance. Currently, Brazil has contributed to Africa's development through financial assistance for and transfers of technical expertise to the region. The country has also forgiven the debts of African countries (Rizzi et al. 2011) and risen as a new donor in Africa. Also, Africa receives more than 50 % of Brazil's technical cooperation resources, going towards developing technical support in Agriculture, Energy, and Infrastructural Development (IPEA 2011). Information transfers can further be enhanced through joint research between Brazilian and African institutions (World Bank 2011).

As a donor, Brazil has differentiated itself from other donor organizations by making a concerted effort to circumvent some of the biases and mistakes it has observed as an aid recipient. For instance, in comparison with the Organisation for Economic Co-operation and Development (OECD), Brazil's resources do not come with concessional financial terms and are non-refundable (IPEA 2010a). Secondly, contributions are made to multilateral institutions that are led by and/or include developing countries, while the OECD seems to contribute only to those with the most influential members more likely from the North (OECD 2003; IPEA 2010b). Brazil's method of resource provision removes the burden of repayment and will allow recipients to operate more freely. Also, making contributions directly to institutions that include developing countries rather than more influential third parties will give the former greater control over how these resources can best be put to use. Such a strategy can only strengthen partnerships between the two regions as it fosters trust and shows no ulterior motive on Brazil's part.

The *expansion of investment to more non-Lusophone Nations may be a proactive strategy that promotes the visibility of Brazil in Africa*. Brazil's direct investment has been in Lusophone Africa because of the common language and historical ties, especially in Mozambique and Angola. Direct investment and franchising is significant in Angola because of the unique relationship formed between them in the early moments of Angola's independence (Iglesias and Costa 2011). Major Brazilian companies like Petrobas and Odebrecht have been operating in Angola for at least three decades, and are among the biggest private employers in the country (Stolte 2012). However, even though Lusophone Africa is Brazil's main destination for direct investment, majority of its trade is concentrated in a specific group of non-Lusophone African nations, and has ample room to diversify its investment as well as strengthen relations with other African countries (IPEA 2011). This can further be enhanced by implementing programs such as language training in both regions that will help close the language barrier and facilitate communication.

On another note, there exists a knowledge gap of Brazilians on Africa, and any information they have is limited to Angola or Mozambique (IPEA 2011); as a result, large companies and small and medium enterprises (SMEs) are usually limited to those countries when it comes to trade and investments. Establishing education policies will help close this gap and increase trade between SMEs and large companies with more African nations. Similarly, other organizations operating in those regions (e.g., World Bank) can be challenged to examine the current and potential impacts of their activities related to the South–South relationship through the lens of the Brazilian-African model. By doing so, they have the potential to add to the impact of interactions between Brazil and non-Lusophone countries (IPEA 2011).

Adequate transportation is a also a key to sustainable trade. It is a key infrastructure that facilitates the movement of goods and services, and therefore must be adequately and efficiently provided for trade to be easy. It is a challenge to move goods within Africa because of bad roads and minimal or non-existence of rail transport. Poor connectivity in transportation continues to hinder business between Brazil and Africa, because air flights and maritime routes between the two regions are inadequate in frequency and in number (IPEA 2011). Trips take longer times because of longer routes and red tape surrounding ocean transportation (Kadri 2011). Any future trade agreement should develop policies that will encourage direct flight between Brazil and major African cities and cross Atlantic shipping lines. All areas of logistics enhancement and the implementation of the World Trade Organization's (WTO) trade facilitation agreement (TFA) by both parties should be encouraged. The elements of WTO TFA include single window, one stop joint border posts, automation, and harmonization of processes and procedures (see Adekunle and Filson 2015). Furthermore, macroeconomic stability should be ensured because it facilitates trade. If macroeconomic variables are volatile, trade is compromised.

Finally, *Brazil-Africa trade will be enhanced with increased access to credit facilities*. Under the present arrangement, funding for Brazil-Africa interactions has largely favoured big companies in their internationalization especially in the infrastructure, natural resources, and construction sectors (Stolte 2012). Smaller companies in other sectors have therefore been less enthusiastic about investing in Africa due to either limited or a lack of funding, and this has restricted growth and diversification of trade. Although the Brazilian Development Bank (BNDES) has increased its funding for direct investment in Africa, there is still a discrimination against the small and medium enterprises and the service sector (Stolte 2012). Due to the challenges of the this century, there is an urgent need for diversification of trade between the two regions, for example, increasing the proportion of funding to sectors such as food, beverages, and clothing will significantly increase volume and diversity of trade between the two regions. This can be done through other financial institutions operating in Africa and Brazil; banks such as the Africa Development Bank and Ecobank for instance can take advantage of the growing trade relations to provide funding opportunities to stimulate further investment (AfDB 2011). In other words, any proactive and strategic plan for the future should encourage the disbursement of funds to different sectors of the economy and must include the participation of financial institutions based in the African country or region.

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Part II
Recent Issues on Selected Intra-African Regional Trade Agreements (RTAs)

Understanding Bilateral Trade Flows and Negotiating South-South RTAs: Lessons and Policy Directions for the Tripartite Free Trade Area Agreement (TFTA)

Musibau Adetunji Babatunde and Gbadebo Odularu

1 Introduction

At independence, most African countries embraced regionalism as a framework to address obstacles to intra-African trade and improve the competitiveness of their small and fragmented economies. The framework of integration was largely based on the linear model of market integration, in which groups of countries shift progressively from a free trade area to a customs union, a common market, an economic union and eventually a political union, by reducing barriers to economic and non-economic transactions amongst participating countries. However, the implementation record has been poor.[1] Regional initiatives have largely failed to uplift the economic conditions of African economies and ensure sustainable growth and development, and intraregional trade as a proportion of total trade remains much lower in Africa than in other developing regions.

There are several reasons for the weak regional trade performance in Africa, one of which is that the approach to regional integration on the continent has so far focused more on the elimination of trade barriers and less on the development of the productive capacities necessary for trade. Developmental regionalism encompasses cooperation in the area of trade, with an emphasis on the promotion of intraregional trade and integration into the global economy (UNCTAD 2013). Consequently the

[1] Intra-regional trade still continues to be poor and the productive capacities of most of the economics below average.

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regional initiatives remained limited and uneven in their impact (Mercurio 2011). It is in this context that the needs for a paradigm shift to the Tripartite Free Trade Area Agreement (TFTA) enhance and reinvigorate the African integration agenda has become evident (UNCTAD 2013). The Tripartite Free Trade Area Agreement (TFTA), which was officially launched on June 10, 2015 goes some way towards addressing these issues by bringing together three of Africa's major regional economic communities—the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA).

Over the last few decades, several initiatives to boost intra-regional trade have been undertaken by the three regional economic communities that are now coming together to form the TFTA. Statistical evidence reveal that merchandise exports among the members of this new FTA have steadily increased from $2.3 billion to $36 billion between 1994 and 2014—more than a 12-fold increase over 20 years. Over that period, the share of intra-regional trade in total exports increased from 7 to 25 %. While these shares are still compared low to European (70 %) or Asian (50 %) standards, the trend clearly suggests that trade among the Tripartite members grew faster than their trade with the rest of the world.

At full implementation, the CFTA would offer African countries considerable benefits, and gains would be even higher if trade liberalization is complemented by trade facilitation measures, elimination or reduction of non-tariff barriers, strengthening of regulatory frameworks and improved infrastructure. has been estimated, for instance, that the removal of tariffs on intra-African trade could raise their share in total African trade from about 10.2 to 15.5 % from 2010 to 2022. With enhanced trade facilitation measures the gains would double to reach 21.9 %. Moreover, most of the increase in trade from the removal of tariffs would be felt in the manufacturing sector, as intra-African trade has a relatively higher industrial content than trade of African countries with the rest of the world. Further boost to intra-African trade would arise from the removal of non-tariff barriers, and gains would be augmented if informal traders are better integrated into the formal trade channels (Andriamananjara 2015). The TFTP is expected to represent more people than NAFTA or the European Union.

However, certain challenges still exist with respect to the implementation of the TFTA despite the identified benefits offered. The objective is therefore to understand the benefits of the TFTP and the likely obstacles that may limit its prospects. This will enable us to draw up lessons that will enhance the smooth implementation of the TFTP. The rest of this study is divided into five sections. Section 2 highlights the stylized facts while Sect. 3 sets the agenda. The benefits and obstacles to the TFTP are highlighted in Sects. 4 and 5. The lessons learnt are summarized in the concluding section of Sect. 6.

2 Stylized Facts: Intra-African Trade

Trade is widely accepted as an important engine of economic growth and development. There are many regions and countries of the world that have been able to lift their peoples from poverty to prosperity through trade. While the African economy is characterized by a relatively high degree of openness, trade has not served as a potent instrument for the achievement of rapid and sustainable economic growth and development for many of the countries. As a consequence, Africa remains the most aid-dependent continent of the world, unable to eliminate poverty through trade. A key feature of Africa's trade, which has had some adverse implications for its impact on economic growth and development, is its high external orientation and relatively low level of intra-regional trade. Intra-African trade stands at around 10 % compared to 60 %, 40 %, 30 % intra-regional trade that has been achieved by Europe, North America and ASEAN respectively (AU 2012). Even if allowance is made for Africa's unrecorded informal cross-border trade, the total level of intra-African trade is not likely to be more than 20 %, which is still lower than that of other major regions of the world (Kamal and Mahdy 2016).

African countries do not trade much with each other (Tables 1 and 2). Africa's current internal trade is low—making up only about 10 % of its total trade. Most of its exports go to the world's advanced economies, and most of its imports come from those same advanced economies. Other regions of the world enjoy significantly higher levels of internal trade. For the developing countries in Asia,

Table 1 Africa's intraregional trade as a percentage of the continent's total trade, 2002–10

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Percent	10	9	9–10	8–10	8–10	9	9–10	10–11	10–11

Source: Kimenyi et al. (2012)

Table 2 Value of the exports and imports of the top ten African interregional traders, 2010 (millions of dollars)

Exports to the rest of Africa		Imports from the rest of Africa	
Country	Value	Country	Value
South Africa	12,097.161	South Africa	7,059.620
Nigeria	7,599.004	Zambia	3,319.483
Cote D'Ivôire	3,663.154	Ghana	3,261.322
Egypt	2,896,594	Zimbabwe	2,859.942
Kenya	1,953.564	Cote D'Ivôire	2,563.625
Angola	1,803.362	Nigeria	2,404.335
Algeria	1,381.670	DRC	2,157.381
Zambia	1,368.961	Kenya	1,933.762
DRC	1,220.823	Mali	1,757.390
Morocco	1,059.572	Morocco	1,604.929

Source: Kimenyi et al. (2012)

intraregional trade as a share of total trade was roughly 17 % in 2010; for the member countries of the European Union, the same figure was more than 60 %. And it is particularly of concern that intra-African trade does not seem to be converging to these international levels; in recent years, it has been marked by only marginal improvements (Kimenyi et al. 2012).

This implies that they have been unable to fully harness the synergies and complementarities of their economies and take full advantage of the economies of scale and other benefits (such as income and employment generation) that greater market integration would have provided. There are situations where products and services could have been sourced competitively from other African countries but were procured from outside the continent. Given that Africa's major trade is with the outside world and the exports are heavily concentrated on primary commodities, the continent has been particularly vulnerable to external macroeconomic shocks and protectionist trade policies. This is evident from the past global economic and financial crisis which has had adverse impact on the continent's economic performance. While Africa cannot delink itself from the increasingly interdependent global economy from trading with the outside world, the continent can reduce its vulnerability to external shocks and improve its trade and economic performance if its market integration is deepened, increase its production capacities and the countries do more of their external trade with each other.

Therefore, it is imperative for Africa to promote intraregional trade. Boosting intra-African trade and deepening regional market integration will represent a necessary response to the challenges facing Africa in the multilateral trading system and the global economy. By fostering competition among African countries, this is also expected to assist in enhancing Africa's capacity to prepare it to compete more effectively on the global market. Although intra-African trade is not a panacea for development, it is quite important. It can help the continent's industries become more competitive by creating economies of scale and weeding out producers that are less productive in the marketplace. It can establish and strengthen product value chains and facilitate the transfer of technology and knowledge via spillover effects. And it can incentivize and spur infrastructure development and attract foreign direct investment (FDI).

For these reasons, expanding intra-African trade (Table 1) is a key to accelerating economic growth on the continent. It is especially important for the continent's many small, landlocked countries that face tremendous challenges trading internationally (Kimenyi et al. 2012). Current trade patterns in Africa promote specialization in primary commodities and agricultural goods; some suggest that increased trade within Africa could allow for a diversification of production profiles through the cultivation of other comparative advantages (Matfees 2015).

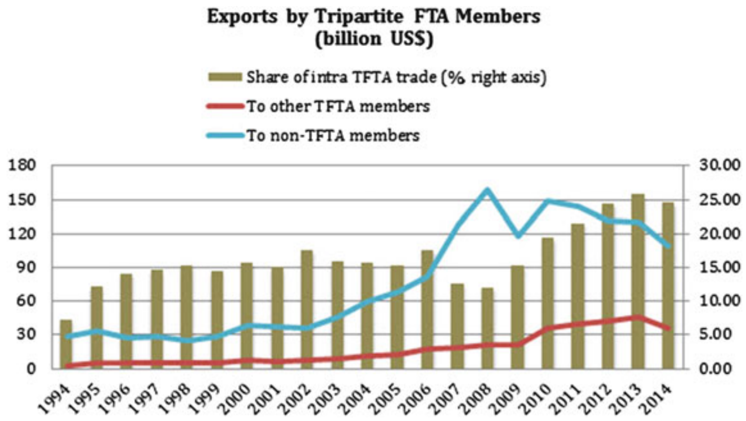
However, there is the prevalence of informal trade on the continent. For instance, it has been estimated that Uganda in 2006 exported $231 million worth of goods, informally, to the five countries that border it—an amount that is roughly 86 % of its official export volume to these states (Lesser and Moisé-Leeman 2009). This is a rational response to the costs and red tape involved in exporting products through the formal economy. In this sense, the existence of informal trade is inextricably tied to formal trade. Consequently, addressing the root causes of the formal trade will also mean addressing the factors that undermine the informal trade. Moreover, informal trade deprives national governments of tariff revenue and foreign currency, hinders their ability to form appropriate trade policies, and often triggers bribery and corruption.

Thus, before African countries can fully exploit the benefits associated with increased trade with each other, they must first address the barriers to the movement of goods and people within their countries. It is difficult to imagine how Africa will be able to move goods from Cape Town to Cairo when in some cases it is unable to move goods from one city to another within the same country.[2] Hence, the creation of a regional body tasked with promoting economic integration in Africa to reap efficiency gains that come with free trade is a logical response to the paltry levels of intra-continental trade. The proposed Tripartite FTA is intended to foster intra-regional trade in the tripartite region through a number of complementary programmes in the following areas:

- Promotion of customs cooperation and trade facilitation
- Harmonization and coordination of industrial and health standards
- Combating of unfair trade practices and import surges
- Use of peaceful and agreed dispute settlement mechanisms
- Use of simplified rules of origin that recognize inland transport costs as part of the value added in production
- Relaxation of restrictions on movement of business persons taking into account certain sensitivities
- Liberalization of certain priority service sectors on the basis of existing programs of the three organizations
- Promotion of value addition and transformation of the region into an information and knowledge-based economy through a balanced used of intellectual property rights and information and communications technology
- Development of robust infrastructure programs designed to consolidate the regional market through interconnectivity of all modes of transport and the promotion of competitiveness through adequate supplies of vital resources

The TFTA's aim is to promote development through increased economic integration of North, East, and South Africa; the project is part of a larger regional integration strategy that places high priority on infrastructure development, industrialization, and free movement of business persons. As it currently stands, Africa is the least economically integrated region in the world, as measured by intra-regional trade flows. Trade between African countries, as a share of the continent's total trade has hovered at 10 % for decades; the proportion in Europe and Asia, by contrast, is close to 60 % (Matfees 2015).

[2]While parts of northern Kenya were experiencing major food shortages in January 2011, farmers in the Rift Valley had food surpluses and were imploring the government to buy their excess crops before they went to waste. Businesses must be able to exploit.



Source: Andriamananjara (2015) (Color figure online)

The TFTA is considered by regional policymakers and some analysts to be a big deal and potentially a game changer for the African trading system and the more than a half a billion citizens of the member states. Indeed, the deal is expected to be the launching pad for the establishment of the even more ambitious Continental Free Trade Area that is expected to cover all of Africa. In the process, the launch has demonstrated the possibility of collective action among 26 very heterogeneous nations and shows the feasibility of harmonizing three very different preferential trade regimes into one unified scheme.

The new free trade area covers an area of 17.3 million square kilometers.[3] When fully implemented, the TFTA will create a large market with 626 million customers (about 8 % of the world's population) with a rapidly emerging middle class. At the same time, it would also represent a large supply of young, dynamic, and potentially very productive labor force members. If properly harnessed, this abundance of customers and workers could attract substantial amount of domestic and foreign investment, which in turn could boost economic growth, employment creation, and wealth generation across the region. By fostering economic linkages, and complementarity among its member countries, the TFTA could, in principle, further spread this dynamism; especially if it helps member economies improve their competitiveness and participate in regional and global value chains (Andriamananjara 2015).

The TFTA agreement is made up of 45 Articles and 10 Annexes. Luke and Mabuza (2015) articulated the core of what was agreed in the phase 1 of the TFTA to include tariff liberalization, disciplines on non-tariff barriers, rules of origin, trade remedies and provision for dispute settlement lie at the core of what was agreed. Other provisions include elimination of quantitative restrictions, customs cooperation, trade facilitation, transit trade, infant industries, balance of payments,

[3]This is similar to the size of Russia and more than four times the size of the European Union.

etc. For example, it was agreed that 60–85 % of tariff lines will be liberalized upon entry into force of the Agreement and the remaining 40–15 % to be negotiated over a period of 5–8 years. This presents a challenge for countries that have fairly liberalized trade regimes (with more than 80 % of their tariff lines at 0 % MFN) vis-à-vis the principle of building on the acquis.[4]

3 Benefits of Establishing the Tripartite FTA

The rationale for establishing the TFTA is hinged on the perceived benefits of integration of the three RECs. A well negotiated and crafted comprehensive Tripartite FTA agreement should provide its contracting parties with numerous benefits, not only in the area of trade but in many associated areas. Some of the benefits that will accrue to partner states in the proposed Tripartite FTA include (Uni Assignment n.d; Competition and Tariff Commission 2015):

3.1 Opportunity for Increased Foreign Direct Investment and Infrastructure Development

Countries in the tripartite region are in dire need of foreign direct investment to stimulate economic growth including Zimbabwe. The TFTA is expected to act as a pull factor for investment in the whole region and thus attract new investors in fields such as agriculture, energy, financial services, manufacturing, mining and telecommunications which are crucial for economic development. Zimbabwe currently has a lot of untapped resources such as diamonds in Marange, and coal methane gas in Lupane amongst others. These greenfield projects have remained on the cards for over 10 years due to lack of takers. The enlarged market is expected to attract investors into these and other areas thereby boosting the country's export earnings. The mere establishment of the FTA will most likely also stimulate investment in joint infrastructural development programmes as partner countries seek to unlock all the potential benefits of trading under the TFTA. Zimbabwe will likely benefit through its participation in projects such as road network and power development programmes as the regional bloc takes off.

[4] At the time of the TFTA launch, not all Tripartite countries had finalized their tariff offers.

3.2 Improved Competitiveness of Products

The elimination of import duties under the proposed TFTA will enable members to import necessary raw materials within Africa at a cheaper cost. In turn, this will reduce the cost of production of goods manufactured for export from those materials making them more competitive on the regional and international markets. Presently, Zimbabwean companies source some of their essential raw materials from outside Africa, at huge transport and logistics costs. This tends to increase the cost of production resulting in the final price of the commodity being uncompetitive on the local, regional and international markets. Sourcing products within Africa under the TFTA arrangement will greatly cut on transport costs, reduce production costs and thus make the products more competitive on price. However, in tandem with this, there will be need to revamp and modernise production processes to eliminate operational inefficiencies associated with dated technology in production systems, which have contributed to the uncompetitiveness of some of the country's products on both the local and international markets.

3.3 Exploitation of Untapped Natural Resources

With 49 % of Africa's total land mass, the combined COMESA, EAC and SADC region is endowed with numerous valuable natural resources which, with an increase in FDI, would be exploited for the benefit of the region. Presently some of the resources remain untapped due to low FDI in areas such as mining, forestry, agriculture, energy and manufacturing.

3.4 Enlarged Market and Increased Market Access for Products

The main benefit of the Tripartite FTA is that it will be a much larger market, with a single economic space, than any one of the three regional economic communities and as such will be more attractive to investment and large scale production. The three RECs (COMESA, EAC and SADC) have a combined population of over 500 million people, and a combined gross domestic product (GDP) of USD 624 billion. The 26 countries in the three RECs constitute half of the African Union (AU)'s membership and their combined population constitutes 57 % of the AU's total population. The Tripartite FTA will therefore create an enlarged market for producers and traders in the partner countries to the FTA. In addition, the establishment of the Tripartite FTA is set to eliminate tariff and non-tariff barriers and other restrictions of commerce thus enhancing partner countries' market access to the expanded market of the Tripartite FTA. If successfully implemented, all partner countries to the Tripartite FTA will then be able to trade freely with more than half of the African continent. Furthermore the localised regional market access will culminate in minimal logistical challenges in distributing products within the tripartite region.

3.5 Increase in Economic Growth

The establishment of the Tripartite FTA will create potential to increase economic growth arising from the larger regional market. Across all spheres, there is unarguably more economic activity in a large market than a small market. The benefit of such increased activity is the economic growth of the whole tripartite region thus alleviating poverty among the population of the region. This is in line with the objectives of the Abuja Treaty. A much larger market due to the TFTA will help to maintain economic growth at 6–7 % per year. At this rate the combined GDP of Africa is projected to reach $29 trillion by 2050, which would be equal to the current combined GDP of the EU and the US (Juma and Mangeni 2015). With additional policies, such growth will contribute significantly to spreading prosperity and reducing poverty.

3.6 Elimination of Challenges Associated with Overlapping Membership

The tripartite arrangement will assist to address some current challenges resulting from overlapping membership by advancing the harmonization and coordination initiatives of the three RECs to achieve convergence of programs and activities. In this way the arrangement will greatly contribute to the continental integration process. Of the 26 countries in the tripartite region, 13 already belong to at least two regional groupings (Uni Assignment n.d). There is certainly need to tackle overlapping trade arrangements of the three RECs, which are becoming increasingly problematic as a result of deepening regional integration. The need for the three RECs to harmonize or merge their programmes cannot therefore be overemphasized.

3.7 Opportunity for Increased Foreign Direct Investment

With the increase in trade, cross-border investments among the three REC countries have also increased over the years thereby confirming the fact that trade is a catalyst to sustainable economic growth and development. Despite this increase in investment, countries in the tripartite region will still need foreign direct investment to continue stimulating economic growth and revival in their countries. The Tripartite FTA would help improve the investment climate in the whole tripartite region and thus attract new investors in fields such as agriculture, mining, forestry, manufacturing, financial services, telecommunications and energy which are key for the economic development of the tripartite region.

3.8 Stimulant for Increased Industrialization

The bigger market that the Tripartite FTA would create for Tripartite region and the attendant higher demand for products will motivate business in the tripartite region to seek partnerships with foreign investors to expand their production capacities and open new industries that can produce diverse products in order to exploit the new and bigger African market. Increased industrialization in the tripartite region as a result of the FTA will ensure value addition of primary products so that they fetch better returns on the global market. The value addition of the region's raw materials will directly benefit the producers and contribute to wealth and employment creation within the tripartite region. The possibility of joint infrastructural development programmes by countries in common corridors in the FTA region will also provide further stimulus for industrial expansion across the whole region as connectivity improves and manufacturers seek to exploit cost benefits arising from proximity to essential raw materials.

3.9 Improved Competitiveness of Products

The elimination of import duties under the proposed Tripartite FTA will enable countries in the tripartite region to import necessary raw materials from their counterpart in Africa at a cheaper cost. This in turn would reduce the cost of production of goods manufactured for export from those materials thereby makes them more competitive on the regional and international market. The larger market also means that countries can specialize in areas where they have a competitive advantage. Given the different natural and other endowments of the different countries in the tripartite region, competitive advantages of the partner states in the Tripartite FTA will definitely vary. Such advantages and variations can be attractive factors for investment. Presently, countries in the region have to source some of their essential raw materials from outside Africa, sometimes at huge transport and other shipping costs. This tends to increase the cost of production resulting in the final price of the commodity being uncompetitive on the local, regional and international markets. Sourcing the products from Africa under the Tripartite FTA arrangement would greatly cut on transport costs, reduce production costs and thus make the products more competitive at least on price.

3.10 Exploitation of Untapped Natural Resources

The total land mass of the combined RECs is about 49 % of Africa's land mass. The tripartite region is endowed with numerous valuable natural resources such as such as mining, forestry, agriculture, energy and manufacturing. However, with an increase in FDI, the natural resources would be exploited for the benefit of the region. The Tripartite FTA will create a conducive climate for investment to exploit its untapped natural resources through cheaper and more efficient processes of beneficiation and other value addition processes, again making the end products more valuable and competitive on the global market.

3.11 Development of Good Infrastructure

The existence of good infrastructure is an attractive factor to new investment. The TFTA will serve as an impetus for investment in Africa's cross-border infrastructure. It is estimated that Africa needs to invest nearly $100 billion annually in infrastructure over the next decade. Less than half of this target is met currently. One of the reasons for the low level of investment has been poor coordination across the different trading blocs. The mere establishment of the FTA will most likely stimulate investment in joint infrastructural development programmes as partner countries seek to unlock all the potential benefits of trading under the Tripartite FTA. In order for it to bring forth the envisaged and potential benefits to the partner countries, one would expect the Tripartite FTA to seek to cover, key among other areas, trade in goods and services, investment, competition policy, technical barriers to trade, services, rules of origin, intellectual property and dispute settlement. Such a coverage and scope would make the FTA fairly comprehensive. Building infrastructure will also create additional jobs and foster the development of engineering services.

3.12 Elimination of Challenges Associated with Overlapping Membership

Of the 26 countries in the Tripartite, 13 countries already belong to at least two regional groupings of which Zimbabwe is also amongst these. The overlapping trade arrangements of the three RECs are increasingly posing challenges as a result of deepening regional integration. Therefore, the TFTA arrangement will address challenges emanating from overlapping membership by advancing the ongoing harmonization and co-ordination initiatives of the three RECs to achieve convergence of programmes and activities.[5]

In addition, the conclusion of the agreement will generate the impetus for the creation of similar arrangements in western Africa, bringing economic powerhouses such as Nigeria into a continental free trade area. In fact, negotiations for an overarching agreement will be launched in 2015, with the projected creation of an Africa-wide free market in 2017. Also, the signal of larger markets will also help to stimulate trade in services. The first beneficiary is likely to be the financial sector, which will be able to lend to larger industrialists seeking to benefit from economies of scale. Such financial services will reinforce the increase in cross-border investments by emerging African firms that are serving as regional champions of industrial development (Juma and Mangeni 2015).

4 Obstacles to a Tripartite Free Trade Area Agreement

4.1 Uncertainty of Trade Agreements

When considering increased trade between two agriculturally-dominant African countries, it is not immediately apparent which country will have the comparative advantage in their existing agricultural production—this uncertainty stunts regional economic integration. Presently, agricultural producers in Africa are among the continent's most economically protected groups. The Overall Trade Restrictiveness Index found that total trade in Sub-Saharan Africa faced 14.4 % tariff rates, with agricultural goods facing an average tariff rate of 24.9 %. The dismantling of these protections will almost certainly be politically difficult, given agricultural production's broad base in African countries. If the TFTP is to succeed, it must reduce the uncertainty facing African agricultural producers. This will require the development of compensatory mechanisms for those who lose from the introduction of free trade. Unfortunately, the lack of state capacity in a number of the TFTP's member-states will problematize or prevent implementation of these programs. It would appear that the key to regional integration may lay in improved domestic political capacities (Matfees 2015).

4.2 Regional Integration

At present, every country in Africa is a member of at least one REC, and most belong to two or more. But these proliferating memberships in RECs may have

[5] Such a scenario is a welcome development for Zimbabwe as the local industry is still undergoing resuscitation and the country is still to decide on which FTA to join.

drawbacks. In fact, some observers suggest that multiple memberships might, ironically, be hindering regional integration—and by extension, intraregional trade rather than enhancing it. They point out that multiple memberships impose high costs in time, energy and resources on African governments and force them to juggle competing regulations.

4.3 Economic Diversification

Many African countries specialize in the same products as their neighbors, especially commodities like oil and gas. With few complementary goods to exchange with each other, these countries cannot exploit the gains to be made via comparative advantage. In other words, their lack of economic diversification limits the usefulness of—and therefore the levels of—intra-African trade. That said, the reverse is also true: the lack of intraregional trade limits the abilities of these economies to become diversified.

4.4 Conflict

Political tension, conflict and violence also diminish the capacity for African states to engage in intra-continental trade. These factors lead to low levels of economic growth, destroy needed export infrastructure, and slow and reverse regional integration.

4.5 Infrastructure

Infrastructure is and has always been a major issue for Africa, especially for Sub-Saharan countries. Like conflict, infrastructural deficiencies reduce economic growth and productivity, and raise transportation costs. According to a 2010 report from the UN Economic Commission for Africa, only about 30 % of African roads are paved and, as a consequence, shipping a car from Japan to Abidjan costs $1500, while shipping that same vehicle from Addis Ababa to Abidjan would cost $5000 (UNECA, AU and ADB 2010). Africa's maritime ports have their own problems; the same report estimates that the continent's port productivity is only 30 % of the international norm. It is likely that part of the reason for this underperformance is the unequal usage of the continent's ports; only six of its 90 total ports (three in Egypt and three in South Africa) handle 50 % of its trade. A related issue deals with cost; the port in Durban—Sub-Saharan Africa's busiest port—charges more to dock a ship than any other major harbor in the world and double the world's average (Njiforti 2014).

4.6 Border Issues

Africa's notoriously bad customs environment poses yet another impediment to intra-African trade. The high fees that custom offices charge is part of the problem; according to the *Doing Business 2011* report, Sub-Saharan Africa is the world's most expensive region to trade within (World Bank and International Finance Corporation 2011). The costs to businesses in time delays is another issue; the same *Doing Business* report shows that delays are up to three times as long in Sub-Saharan Africa compared with other regions of the world. One culprit for this is excessive bureaucracy. The former secretary-general of the East African Community once described the congestion at the border between Zambia and Zimbabwe as rife with duplicated paperwork and procedures that could involve up to 15 government agencies (World Bank and International Finance Corporation 2011).

The regional economic communities (RECs) in Africa have been established to streamline transactions within their respective sub-regions. In addition to the free movement of capital, intraregional trade and development strategies require the free movement of people across national boundaries. At one level, people need to be able to easily cross borders to explore opportunities and determine the feasibility of efforts to engage in trade. At another level, the free movement of labor allows for the optimal utilization of human capital as skills go to regions, industries and countries where they command the highest value. Extortion and abuse at the borders are some of the many barriers that prevent the mobility of people intra-regionally in Africa. In this policy brief, we focus on two issues: the inconsistent implementation of the REC protocols; and irregular or illicit migration flows, which we believe can be improved by increasing policy coordination and border management capacity between trading partners.

4.7 Africa's Competitiveness Challenge

In both economic theory and history, industry is the sector that leads the process of structural change. In Africa average manufacturing labor productivity is more than three times greater than in agriculture. But, the vast majority of Africa's economies lack globally competitive industries and services. The 1980s and 1990s were marked by a shift in manufacturing production capacity out of the continent (Page 2012). Africa's share of manufacturing in GDP is less than one half of the average for all developing countries and, in contrast with developing countries as a whole, it is declining. Its share of global manufacturing (excluding South Africa) fell from 0.4 % in 1980 to 0.3 % in 2005, and its share of world manufactured exports fell from 0.3 to 0.2 % (UNIDO 2009). The decline in African manufacturing production and exports was also accompanied by a decline in their diversity and sophistication (Page 2012).

4.8 Physical Barriers: The Infrastructure Deficit

Africa's infrastructure deficiencies—lack of adequate road, rail, water and other physical infrastructure—continue to hamper trade within and between African countries. According to the World Bank's Rural Accessibility Index, only 34 % of the rural population in Sub-Saharan Africa lives within 2 km of a road that is passable in all weather (Taiwo and Moyo 2012). Similarly, the region has some of the worst urban connectivity in the world, with only 128 m of road per 1000 residents, compared with 700 m per 1000 residents in other low-income regions (Carruthers et al. 2010). Roads account for 80–90 % of all freight and passenger movement in Africa. Road density is an effective proxy of how well connected areas of a country are. Africa has a road density of only 16.8 km per 1000 km^2, compared with 37 km per 1000 km^2 in other low-income regions (Taiwo and Moyo 2012). Likewise, rail density in Africa is only 2.8 km per 1000 km^2—much lower than the 3.4 km per 1000 km^2 in other low-income regions. Air travel within Africa continues to be more expensive per mile than intercontinental travel. Africa's inland waterways present an excellent opportunity to connect cities and countries. Five rivers—the Nile, Congo, Niger, Senegal and Zambezi—and three lakes—Victoria, Tanganyika and Malawi—could be utilized to move goods across the region. However, due to political instability, social unrest, and the lack of high-level government support for such projects, Africa's waterways remain the region's greatest untapped connectors. Addressing Africa's transportation infrastructure deficiencies will require an innovative combination of strategies, including prioritizing maintenance, creating mechanisms to engage the private sector, leveraging China's growing interest in the region, and increasing connectivity between existing infrastructures (Taiwo and Moyo 2012).

4.9 Cultural Barriers: Consolidating Citizenship

As a result of ethnic fragmentation, citizenship is in practice defined not by nationality but rather by ancestral land in many African countries. For instance, much of the violence observed in and around the city of Jos in northern Nigeria occurred because the Hausa/Fulani lay claim to the territory by virtue of possession, while other groups lay ancestral claims to the land for which they believe they are true native sons. Similarly, in Kenya much of the post-election violence observed in 2008 in the Rift Valley was due to unresolved grievances by groups that believed that their rights to their ancestral lands were being infringed upon or usurped by members of other groups that had settled on those lands (Kimenyi and Mbaku 2011; Taiwo and Moyo 2012). The potential for conflict limits the ability of individuals to settle in or secure property outside one's ancestral home and presents a significant obstacle to trade within and across African countries. Ethnic fragmentation has broader implications for productivity and trade. While there are no one-size-fits-all solutions, African governments must address these barriers for the TFTA to be effective.

4.10 Institutional Barriers: Coordination Failures

It is important that African countries harmonize interstate/ interprovincial commerce rules and regulations. Police roadblocks and checkpoints are often cited as major barriers to commerce within and across African countries. At these checkpoints businesses are required to pay taxes, transit fees and bribes. For example, there are about 47 roadblocks between Douala and Bertoua in Cameroon. Similarly, one must pass through 27 police checkpoints when traveling from Mombasa, Kenya to the Ugandan border. Businesses are often unable to predict how many roadblocks they will encounter and how much it will cost to get through them (UNCTAD 2007). This uncertainty deters them from engaging in commerce outside their local area of operation. Part of the strategy to consolidate the rules and regulation for commerce must include processes to eliminate these roadblocks. The second issue is the persistent interference with ground transportation, especially truck transportation, which is characterized by arduous customs and roadblock checks. For example, it takes 4 and 5 days, respectively, to secure export and import customs clearance and technical controls in Uganda (Othieno 2012).

4.11 Regulatory Barriers to Trade

The reduction of tariff barriers following the implementation of the EAC's customs union in 2005 resulted in an increase in the use of non-tariff barriers as a tool for regulating trade.

(a) Customs Clearance and Standards and Certification
Before the importing or exporting of commodities within the EAC, a trader must obtain an import declaration form (IDF) issued by an appointed government agency in the partner states. The issuance of IDFs involves numerous agencies, which conduct the procedures for the inspection, verification of dutiable value and certification of compliance. The result of having numerous agencies partake in the issuance of IDFs is often duplication of effort and wasted business time. Additionally, in some cases, inspection bodies have not established inspection posts at major entryways, thus forcing traders to travel long distances for customs clearance. Also, EAC member countries apply numerous certification and conformity assessments to ensure technical quality standards in intra-EAC trade. However, there are differences in product standards and agencies that are accredited to undertake the standardization procedures. Some agencies accredited to conduct standardization in

one country are not recognized by officers in another country—a problem that adds to the cost of conducting certification and wastes time (Muluvi et al. 2012).

(b) Rules of Origin

Currently, EAC member countries do not have their own specific rules of origin; instead, they apply the ones adopted by the Common Market for Eastern and Southern Africa. These rules of origin stipulate that a good must wholly be produced or contain imported content of no more than 40 % of the cost, insurance and freight value of the materials used in production. The procedure for obtaining the certificate of origin is cumbersome and lengthy, which itself is costly for the business community (Muluvi et al. 2012).

(c) Licenses and Permits

Licenses required within the EAC include a business license, an import/export license, a road transportation license and a municipal council license. The procedures for obtaining these various licenses vary across countries. In addition, there is a lack of preferential treatment to EAC-originating businesses. This makes cross-border registration of businesses a difficult, cumbersome and expensive process. In most EAC countries, manual processes are used in business names searches, registration and the payment of relevant charges. Moreover, multiple licenses are required for the production, distribution and sale of goods, resulting in duplication and prohibitive costs of doing business in the region (Muluvi et al. 2012).

(d) Immigration Procedures and Language Barriers

For citizens of EAC member countries, visas are not required for travel within the community. However, movement of people across the region is restricted to passport holders or those with temporary travel documents, and a majority of EAC residents do not hold such documentation. In addition, the requirement for the yellow fever vaccination by Tanzania has been identified as a major bottleneck to trade. Although this is justified on the basis of health concerns, the procedures for its application and the fee of $50 for those who apply at the entry points pose a challenge. Therefore, the cost of movement across boundaries has a significant impact on cross-border trade. English is the agreed-upon language across the EAC for the purposes of administration, public trade facilitation and private transactions. However, for francophone Burundi, customs officials still insist on documents being translated into French. To fulfill this requirement, traders must incur extra costs and time. Translation can involve traveling to Bujumbura to have the documents certified before transportation commences (Muluvi et al. 2012).

4.12 Multiple and Overlapping Memberships

Multiple and overlapping memberships are largely seen as significant obstacles to regional integration in Africa because they hinder harmonization, and normalization as well as the enforcement of rules of origin (Hartzenberg 2011). For example, the EAC is already a Common Market and has four of its members in COMESA and one in SADC. Five SADC Member States (Botswana, Lesotho, Namibia, Swaziland, and South Africa) are members of the Southern African Customs Union (SACU). Similarly, in other regions of Africa, the issue of multiple and overlapping memberships persists. In the Central African region for instance, Cameroon is in both CEMAC and ECCAS; Burundi and Rwanda both of which are members of EAC are also members of CEPGL and ECCAS while DRC is in CEPGL, ECCAS and in SADC. In this scenario, DRC and Angola as members of ECCAS are not in any form of trade integration arrangements with other countries while CEMAC is a Customs and Monetary Union. Similar conditions prevail in West and North Africa with many countries in UEMOA, which is also a Customs and Monetary Union being members of ECOWAS as well as members of CEN-SAD (Hartzenberg 2011).

4.13 Varying Stages of Economic Integration Among RECs

There is exceptional difficulty in negotiating FTA agreements between countries that are at different levels of integration in trade. Countries not participating in any form of integration process such as. Angola, DRC, Eritrea and Ethiopia present special challenges. At the regional level, some RECs practise different levels of trade liberalization which cannot easily be matched by all the participating RECs (UNECA 2011). For example, EAC is already a CU with its common external tariff (CET) arrangements. Thus, while EAC might be charging duties on some imports from outside the region some of which could be as high as high as 100 % both COMESA and SADC advocate for free trade with outsiders. A similar scenario prevails between UEMOA and ECOWAS as well as between CEMAC and ECCAS. With an inter-REC FTA, the CET and the duties will be harmonized to eliminate the divergences in the CET. Where there are divergences and states have not reached agreements on the rates to charge, as an interim measure, a reduced rate of CET is allowed to operate while negotiations continue on the rate to charge by the states under an inter-RECs trading regime (UNECA 2011).

4.14 Multiple and Undifferentiated Products

Africa is widely dispersed geographically with multiplicity and diversity in product types that receive minimal form improvement and value addition. There are also vagaries in the degree of technical know-how and technological advancement in the production, processing, consumption and trade on the products. For example, in the SADC region, South Africa has well developed agricultural and industrial manufacturing sectors with high export earnings and gross domestic product (GDP). Angola has oil and diamond and trying to rebuild after long years of civil war; Zambia has land but falls in the category of poor and less developed countries (LDCs); and Zimbabwe has had its economy and agricultural sector highly affected by the political situation that prevailed (UNECA 2011).

4.15 Lack of Political Will

One of the most challenges to establishing an inter-REC FTA is the lack of political will and serious commitment from some Member States of the RECs. The reluctance to cede power to a supra-national body and failure to implement commitments made at the RECs level is a common error of some of the participating countries in inter-RECs negotiations. Governments are reported to fail to implement agreed regional commitments Failure to comply with commitments made at regional meetings and absence in regional meetings that deliberate on the inter-RECs FTAs signify some lack of political commitment. Some countries have also devoted more time and committed more resources to study the Tripartite FTA arrangement in its totality to evaluate the merits of the agreement and its likely impact on their national interests and their economies (UNECA 2011).

4.16 Financial Constraint

Establishing inter-RECs, FTA is capital intensive and would require a huge financial outlay to provide the facilitating and complementary infrastructure. Furthermore, many of the counties in the RECs are financially weak and fall in the category of least developed countries (LDCs), and hence lack the capacity to undertake such investments. There is the direct financial requirement to set up necessary trade-related infrastructure such as roads, water ways, airways, information and communication technology (ICT), and for providing adequate human capacity, and for addressing compensation and adjustment costs arising from revenue and income losses due to the establishment of the regional FTA.

5 Concluding Remarks and Policy Directions for Africa's TFTA Within South-South RTAs

An enlarged market created by the establishment of the Tripartite FTA presents increased market opportunities for the trade in goods and services produced within the FTA thereby stimulating increased industrialization, production, employment, income generation and poverty reduction, among other economic and social benefits. The three RECs will need to focus their efforts on making the FTA a sustainable project. In order for it to bring forth the envisaged and potential benefits to the partner countries, one would expect the Tripartite FTA to seek to cover, key among other areas, trade in goods and services, investment, competition policy, technical barriers to trade, electronic commerce, customs cooperation, rules of origin, intellectual property and dispute settlement.

The enlarged TFTA will usher in a new trade agenda and competitiveness will define winners and losers of the game within the region. Accordingly, the local industry has to spruce up its act if it is to recover and wad off competition from other member states within the TFTA if it is to subsist. The majority of plant and equipment within the industry is obsolete and subject to frequent breakdowns. In this regard, local manufacturing firms have to be proactive and source long-term capital to purchase modern and efficient technologies so as to tape the potential benefits of an enlarged market. In tandem with this, Government on its part has to create the right environment for industry to thrive in and this include ensuring that the key enablers such as electricity, water and telecommunications are available timeously, in adequate quantities and at competitive rates.

According to Juma and Mangeni (2015), there are critical lessons for future negotiations from the process of establishing the TFTA. First is political will. This was demonstrated by the decision of presidents to approve a work program, create a roadmap for negotiations and stick to the timetable. The work was done through technical groups. Trade and Industry ministers met three times over the 4-year period to agree on the consolidations, review progress and adopt the outcomes. The presidents met twice to launch negotiations in 2011 and to sign the agreement and launch the TFTA on June 10, 2015. A second lesson is the importance of a continuous learning process and experimentation. The three trading blocs served as laboratories that generated lessons for technical negotiations. The importance of incremental learning has prompted COMESA to establish a school of regional integration that will start its operations in 2015. The school will serve as a platform for sharing lessons learned through integration.. In the following paragraphs, brief justifications are given on the necessity of including some of these key areas.

5.1 *Elimination of Tariffs and Quotas on Trade in Goods*

The inclusion of liberalization of trade in goods in the FTA agreement would be necessary and unavoidable in the Tripartite FTA since duty and quota free movement of goods is always a key aspect of any FTA. The removal of tariffs on intraregional trade will reduce the costs of procurement of essential raw materials and therefore of production. This would make the region's products cheaper, more accessible to the region and more competitive on the global market. However, the Tripartite FTA should allow for parties to protect their sensitive industries through a regime of sensitive products on which duty and quota free market access is restricted but only for a maximum period of 2 years after entry into force of the agreement. This period should allow for gradual tariff alignments and adjustments by the concerned parties before all trade in goods in the tripartite region becomes free.

5.2 Liberalizing Trade in Services

Although relatively a sector that many developing countries consider delicately sensitive and new, it is important to note that free trade in services would immensely benefit the tripartite region. Individual countries in the tripartite region have varying strengths and competitive edges in different service sectors. Allowing for free trade in services would thus promote mutually beneficial service trading arrangements between and among different countries in the FTA region. The nexus between trade in goods and services needs to be always recognized, appreciated and strengthened as without certain services even the liberalization or freedom of trade in goods would not achieve the intended objectives. It is gratifying to note that, in the tripartite region, the three RECs have already noted the importance of trade in services in their regions. The FTA will have to liberalize trade in certain services considered essential for the whole region.

5.3 Investment

Tripartite region is in dire need of FDI and all other forms of investment. Investment is urgently and desperately needed in agriculture, mining, manufacturing, infrastructure development, telecommunications, and financial services. The Tripartite FTA should provide for opening up of more investment opportunities in the region in these areas. It should further see the establishment of an investment protection framework and mechanism in order to allay any reservations that would-be investors might have. The need will therefore arise for the Tripartite region to respect bilateral protection agreements already in existence with other countries in the region and beyond. This will entail a need for the Tripartite FTA Agreement to, among other things, clearly provide for the attraction and protection of foreign direct investment. At the multi-lateral level, GATS provides for foreign investment in services under Mode four of service supply. Any agreement on investment in the proposed Tripartite FTA will have to be consistent with the principles provided for in the WTO Agreement on Trade-Related Investment Measures (TRIMS) (Luke and Mabuza 2015).

5.4 Competition Policy

The need for fair competition in the Tripartite FTA is important if regionally and mutually beneficial trade is to be achieved. The Tripartite FTA agreement must cover competition issues. For Tripartite region, negotiating for a tripartite competition policy will be easier as the country has already been involved in the setting up of a similar regional policy under COMESA. The Tripartite FTA will therefore do well to simply build on what COMESA and the EAC have already established regarding competition policy. Currently, the WTO does not have any disciplines on competition. However, through the WTO principles of non-discrimination, monopoly, national treatment and others as enshrined in the multilateral agreements on trade, competition is somewhat indirectly covered to some extent.

5.5 Technical Barriers to Trade

Presently there are disparate technical standards in different countries in Africa on various commodities. Notably some efforts must be made in COMESA and SADC to harmonize standards in the regions. Hence, there will be need for the Tripartite FTA to provide regional standards that are applicable to all members so that there is common understanding and agreement on standards. This would obviate the incidence of having to comply with different standards as goods or services move from one country or region to another, thus removing technical barriers to trade. The WTO Agreement on Technical Barriers to Trade (TBT), in Article II, prescribes the minimum requirements that any technical regulations, including those in an FTA, should satisfy. The harmonized standards under the Tripartite FTA would have to conform to those requirements.

5.6 Electronic Commerce

With the increase in global trade, electronic commerce has become necessary so that trade transactions are expeditiously undertaken as a way of facilitating trade. Although this is a fairly new area for Africa, it would be beneficial to the tripartite region if the Tripartite FTA agreement makes provision for cooperation and development in this area. The WTO does not have any agreement on e-commerce presently.

5.7 Customs Cooperation

The role of customs in the successful implementation of the Tripartite FTA is crucial. This is because it is the efficient implementation of the Tripartite FTA arrangement that delivers the intended benefits to the FTA members and Customs plays a very significant part in ensuring duty free, expeditious and smooth cross-border movement of goods in an FTA. Border delays constitute a very high component in the landed cost of both imports and exports in Africa. The need for cooperation in customs in order to ensure efficient and facilitative customs procedures as goods move across the borders in the FTA cannot be overemphasized.

5.8 Rules of Origin

FTAs use rules of origin to ensure only FTA-originating goods enjoy duty and quota-free market access in the FTA. It will be necessary that the Tripartite FTA develops a set of rules of origin that are not too restrictive while being effective in distinguishing FTA-originating goods from non-FTA originating goods. The currently existing rules of origin under COMESA and those under the EAC would make an appropriate starting point for the development of the rules of origin for the Tripartite FTA as they are similar in architecture. In this regard harmonization of the rules of origin under the Tripartite FTA would mainly entail bringing on board the SADC rules of origin into the architecture of the more user-friendly EAC and COMESA rules. More importantly, the Tripartite FTA rules of origin would need to promote value addition within the FTA region and allow for sourcing of goods locally through the cummulation of origin in which a commodity may be progressively processed in more than one FTA partner state before being exported (Uni Assignment n.d).

5.9 Intellectual Property

The need to provide protection to intellectual property rights has gained currency and acceptance with most individual countries having some form of laws on the protection of such rights. Intellectual property is directly linked with innovation and in a free trade area such as the proposed Tripartite FTA, innovation is to be encouraged hence the need for protection so that its good benefits can be ethically and formally exploited by all parties to the Tripartite FTA while protecting the same against piracy. The Tripartite FTA should therefore make provision for trade in intellectual property. The principles enshrined in the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) should make the basis for such provisions in the Tripartite FTA Agreement (Uni Assignment n.d).

5.10 Dispute Settlement

In any trading arrangement, there is always the possibility and potential for disputes between the trading partners. Unless a good dispute settlement mechanism exists, some disputes can even threaten the continued operation of a trading arrangement. The Tripartite FTA would therefore need to provide for an appropriate dispute settlement system to resolve any disputes that may arise. Ideally the dispute settlement mechanism should encourage consultation and engagement by the parties involved and if that fails then the matter can be taken before a tribunal or panel established for the purpose whose decision would be final. Whatever form and structure it will take, the Tripartite FTA's dispute settlement mechanism should conform to and be consistent with the principles enshrined in the WTO's Dispute Settlement Understanding (DSU).

5.11 Financing Arrangements

Policymakers should come to terms with the importance of the infrastructure maintenance. Maintenance projects are often neglected and underfunded, even though they are significantly more cost-effective than creating new infrastructure or rehabilitating decrepit infrastructure. It is time for infrastructure maintenance to become a national priority in African countries. National agencies should be created to ensure the maintenance of infrastructure and draw upon infrastructure usage fees and/or government earmarked funds. For effective oversight and management of resources, these national agencies need to have certain institutional features. They need an independent auditing process, mechanisms that allow for transparency in decision making and revenue collection, the ability to coordinate with local governments, and the obligation of providing full public information on contracting and operations. In addition, citizens should be informed through public notice boards detailing how much has been allocated for infrastructure maintenance in their given locale, so that they can hold governments accountable when the quality of infrastructure declines.

Even when the negotiations are concluded and all the outstanding issues resolved, the actual implementation of the FTA could still be a difficult, risky, and lengthy process. It will require significant consultations with all relevant stakeholders and real political will from regional and national policymakers. In addition, the agreement needs to be ratified by the national parliaments of the bulk of the member states before it becomes in force. Given its importance, communicating what TFTA is, what it is not, and what its promises are to the general public is crucial as national parliaments move to vote on its ratification.

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Leveraging Trade Facilitation (TF) Measures to Maximize the Benefits of Regional Trade Agreements (RTAs) in West Africa

Gbadebo Odularu and Adenike Odularu

1 Introduction and Background

In the initial phase of the rule-based system of international trade, contracting parties of General Agreements on Tariffs and Trade (GATT) were only concerned about tariffs levied on imports. However, over time, during the various rounds of negotiations under the auspices of GATT, it was realized that international trade suffered more from non-tariff measures and non-transparent trade regimes of the contracting parties. This realization initiated the effort to negotiate various Multilateral Agreements especially in the field of application of Sanitary and Phyto Sanitary Measures, Technical Barriers to Trade and the Agreements relating to combating unfair trade practices. In 1996 at the Singapore Ministerial, trade facilitation[1] was highlighted on the WTO agenda as one of the 'Singapore Issues' along with investment, competition, and government procurement.

It is relevant to note that trade facilitation was also the only one of the 'Singapore Issues' retained during the Doha Round (WTO, 2016). As an increasingly crucial

[1]There is no standard definition of trade facilitation in the sense that WTO defines it as the simplification and harmonization of procedures involved in managing the data and information flows required for the movement of goods in international trade; while RTAs have a broader understanding that TF extends also to behind-the-border issues, including non-tariff measures such as sanitary and phytosanitary (SPS) measures, standards, technical regulators and conformity assessment procedures.

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global trade issue which evolves continously over time, trade facilitation was instrumental to the successful outcome of the 9th WTO Ministerial Conference held in Bali, Indonesia in December 2013. Moreover, the WTO D-G, noted that the 'Agreement on Trade Facilitation' is a 'low hanging fruit' largely because of the generally agreeable nature of the issues and the consensus on the gains that it will generate. In addition, the relatively high costs of complying with customs and border procedures as well as other non-tariff measures make West African countries highly uncompetitive, thereby undermining their capacity to integrate into the regional and global value chains (ICTSD, 2012).

A Trade Facilitation Agreement provides an opportunity for countries to assess their commitments based on their perceived strengths and needs. One of the documented reasons for low intra- and inter-regional trade in West Africa is that trade facilitation[2] with trade partners in developed countries is more user-friendly and stable. This suggests that enhancing trade facilitation could promote intra- and inter-regional trade within the context of RTAs. As well, trade transaction costs are highest in the developing countries partly because of their limited capacity to undertake the additional burden of trade costs. In a global attempt to address and re-address these challenges, the main outcome of the World Trade Organization's 9th Ministerial Conference in Bali, Indonesia, in December 2013 was an **Agreement on Trade Facilitation (ATF)**.[3] The Agreement on Trade Facilitation will be binding on all 164 WTO Member States at all levels (WTO, 2016). However, because of selected implementation concerns among the developing countries, especially the Least Developed Countries (LDCs), ATF includes some flexibilities, such as provision for technical assistance for its implementation. Suffice to note

[2]Trade Facilitation involves simplifying and harmonizing international trade processes and procedures. These procedures in essence include a wide range of activities, practices and formalities involved in collecting, presenting and processing data and other information required for the movement of goods in international trade. Some of the important trade activities that are part of the trade procedures are import, export, transit, custom clearance and other government agencies regulations. These are part of what form the nucleus of trade facilitation measures. Also, one of the essential ways to compliment efforts in trade facilitation by any nation is the frequent update of its customs procedures to align with modern technological standards.

[3]The 12 Articles which are provided with the ATF include:

Article 1: Publication and availability of information.

Article 2: Prior publication and consultation.

Article 3: Advance rulings.

Article 4: Appeal or review procedures.

Article 5: Other measures to enhance impartiality, non-discrimination and transparency.

Article 6: Disciplines on fees and charges imposed on or in connection with importation and exportation.

Article 7: Release and clearance of goods.

Article 8: Border agency coordination.

Article 9: Movement of goods under customs control intended for import.

Article 10: Formalities connected with importation and exportation and transit.

Article 11: Freedom of transit.

Article 12: Customs cooperation.

that, trade transaction costs are highest in the developing countries partly because of their limited capacity to absorb such costs.

Based on this background, this paper attempts to provide an overview of the RTAs in West Africa. Further, it examines and discusses the trade facilitation provisions and issues within the context of West African RTAs. This discussion uses information from the WTO's RTA database to provide a comprehensive description of the trade facilitation content of existing RTAs in West Africa. In conclusion the paper proposes policy suggestions to leverage TF for the benefits of RTAs in West Africa.

2 Major RTAs in West Africa

The World Trade Organisation (WTO) World Trade Report (WTR) 2015[4] states that trade facilitation (TF) has been part of the negotiations for many regional trade agreements (RTAs). More than 90 % of notified and enforced RTAs have TF provisions.

The prospective economic and social benefits of RTAs could be substantial for West African countries. When the fifteen West African states established ECOWAS in 1975, the stated goal was to 'promote economic integration in all fields of economic activity, particularly industry, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters.' After about four decades of implementing regional trade initiatives in West Africa, there have been strikingly mixed results and outcomes (Deen-Swarray, Adekunle and Odularu, 2013). The statistical evidence indicates that agriculture still contributes about 20 % of total economic activity. This has not significantly changed. Statistics reveal that West African countries trade more with third world countries, which suggests the RTAs may not have brought significant structural change either in economic activity or in the labour force.

In spite of the fact that considerable quantity of West African trade occurs within the framework of its regional trade agreements (RTAs), the effective role of trade facilitation (TF) in fostering regional trade in the context of RTAs is yet to be fully recognized and optimized (Odularu, 2006). Invariably, this should be understood in the context of the convoluted entanglements of RTAs and mega-RTAs, as well as their seemingly progressive roles towards multilateral trading system. Further, a review of TF performance and indicators in West Africa shows that there are huge disparities between and among ECOWAS member states.

[4]WTO World Trade Report 2015. Accessed in 2015: https://www.wto.org/english/res_e/booksp_e/wtr15-2b_e.pdf

Table 1 Regional trade agreements notified to the GATT/WTO and in force by West African Countries

Country/ Territory	Goods notifications (RTAs)	Goods notifications (Accessions)	Services notifications (EIAs)	Services notifications (Accessions)	Physical RTAs
Benin	3	0	0	0	3
Burkina Faso	2	0	0	0	2
Cape Verde	1	0	0	0	1
Chad	1	0	0	0	1
Côte d'Ivoire	3	0	0	0	3
Ghana	2	0	0	0	2
Guinea	2	0	0	0	2
Guinea-Bissau	1	0	0	0	1
Liberia	1	0	0	0	1
Mali	2	0	0	0	2
Mauritania	0	0	0	0	0
Niger	2	0	0	0	2
Nigeria	2	0	0	0	2
Senegal	2	0	0	0	2
Sierra Leone	1	0	0	0	1
The Gambia	1	0	0	0	1
Togo	2	0	0	0	2
Total	28	0	0	0	28
West African % of total Africa RTAs	25.45454545	0	0	0	25.45454545
African RTAs	110	5	6	0	110
West African % of global RTAs	1.516793066	0	0	0	1.490947817
Global RTAs	1846	141	639	65	1878

Source: rtais.wto.org/Export/ExportPreDefRepByCountry.aspx

RTAs[5] continue to serve as an effective strategy for strengthening trade relations among African countries in general, and West African States in particular (Cissokho et al. 2013). Using the Table 1 to assess the general picture of RTA in West Africa, it is evident that a few countries like Benin and Ivory Coast, have about three goods notifications (RTAs), while others have only one or two. One other observation is the measure of popularity of RTAs in West Africa. Within Africa, West African RTAs contribute to as much as 25 % of the total RTAs in Africa. However, globally, West African RTAs' contribution to the global RTAs is about

[5]According to the United Nations Conference for Trade and Development (UNCTAD), RTAs are used as a generic term for bilateral or plurilateral free trade agreements, customs unions, and common markets. Non-reciprocal preferential trade agreements such as Generalized System of Preferences (GSPs) are excluded.

1.5 %. This is not surprising in the sense that West African countries boast one or two RTAs, while some European countries utilise between thirty and forty RTAs.

2.1 *Global System of Trade Preferences Among Developing Countries*

One of the cross-regional RTAs operational in West Africa is the Global System of Trade Preferences among Developing Countries (GSTP). Historically, the formation of GSTP began in Mexico City in 1976 when the Group of 77 first articulated the establishment of a global system of trade preferences among developing countries. Further, in Arusha and Caracas, the Group formulated the principles that underpin the GSTP. Finally, in Belgrade in 1988, developing countries that participated in the negotiations adopted the text of the Agreement on the Global System of Trade Preferences among Developing Countries. In 1989, the Agreement entered into force. Since 1990, a technical cooperation agreement between the Secretary-General of UNCTAD and the GSTP Committee of Participants has extended technical and administrative support to the GSTP.

In terms of its composition, it is a plurilateral RTA which was signed on 13 April 1988 but entered into force on 19 April 1989. Its date of notification was 25 September 1989. It covers goods in general and it cuts across all the regions of the world, including Asia, West Asia, North America, Central America and Europe. The West African countries which are signatories or parties to include Republic of Benin, Republic of Ghana, Republic of Guinea, and Republic of Nigeria. The GSTP Agreement recognizes that 'economic co-operation among developing countries is a key element in the strategy of collective self-reliance and an essential instrument to promote structural changes contributing to a balanced and equitable process of global economic development and the establishment of the New International Economic Order.[6]

2.2 *West African Economic and Monetary Union (WAEMU)*

One of the RTAs in West Africa is the West African Economic and Monetary Union (WAEMU). In terms of its composition, it is a plurilateral RTA which represents a customs union. It was signed on 10 January 1994 but entered into force on 1 January 2000. Its date of notification was 27 October, 1999. It covers goods in general and the signatories or parties include: Republic of Benin, Burkina Faso, Republic of Cote d'Ivoire, Guinea Bissau, Republic of Mali, Republic of

[6]For more information on the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP), visit the: http://www.unctadxi.org/Secured/GSTP/LegalInstruments/gstp_en.pdf

Niger, Republic of Senegal and Togo Republic. The internal trade liberalization set forth by WAEMU provides for the 'elimination of all customs duties, quantitative restrictions or measures with equivalent effect applied to goods originating in the territory of the Parties that meet the requirements established in the Annex to the Agreement (Art. 76(a)).' It also prohibits the introduction of new custom duties, quantitative restrictions and measures with equivalent effect on trade between Parties (Art. 77 (a) and (b)). In accordance with GATT Art. XXIV:5, WAEMU assumes that duties and other regulations of commerce imposed at the institution of such a union in respect of trade with third parties will not be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of the Union. The Council of the Union decides, by a two-thirds majority, on the timetable and modalities of liberalization (Art. 78).

The WAEMU RTA is comprised of the following trade provision–accession, anti-dumping measures, competition, customs-related procedures, dispute settlement, exceptions (general or for security) export restrictions, rules of origin, safeguard measures, sanitary and phyto-sanitary measures, subsidies, technical regulations, standards, and technical barriers to trade. A discussions on each of these provisions of the Agreement are provided in Table 2.

2.3 Economic Community of West African States (ECOWAS)

One of most active RTAs in West Africa is the **Economic Community of West African States (ECOWAS)**. In terms of its composition, it is a plurilateral RTA which represents a customs union. It was signed on 24 July 1993 but entered into force on 24 July 1993. Its date of notification was 05 July 2005. It covers goods in general and the signatories or parties include: Republic of Benin, Burkina Faso, Republic of Cote d'Ivoire, Cape Verde, Republic of Ghana, Republic of Guinea, Guinea Bissau, Liberia, Republic of Mali, Republic of Niger, Republic of Nigeria, Republic of Senegal, Sierra Leone, The Gambia and Togo Republic.

The ECOWAS RTA is comprised of the following trade provision—anti-dumping measures, customs-related procedures, dispute settlement, exceptions (general or for security), export restrictions, investment, rules of origin, safeguard measures, tariff-rate quotas, technical regulations, standards, technical barriers to trade. The WTO Committee on Trade and Development on ECOWAS revised Treaty[7] is well spelled out in the WTO literature. Further, a summary fact sheet of the ECOWAS

[7]docsonline.wto.org/imrd/gen_redirectsearchdirect.asp?RN=0&searchtype=browse&query=@meta_Symbol%22WT/COMTD/N/21%22&language=1&ct=DDFEnglish

Table 2 Provisions of the agreement

Provision	Relevant Article(s)	Additional information
Rules of origin	Title III of the Annex	Rules of origin are set out in Title III of the Annex to the Agreement. Chapter I deals with non-processed products, as specified under Art. 4. Chapter II covers handcrafts, whereas Chapter III covers industrial products. For the latter, to be considered as an "originating product" at least 60 % of input materials must come from the countries of the Union. For industrial products manufactured in the Union from imported inputs, the originating status is acquired if the value of the imported product is less than 60 % of the total raw material used in the production process and when the value added is at least 40 % of the ex-factory price of the industrial product. These percentages may be modified by the Council of Ministers. The originating status is proved by a "certificate of origin" issued by the competent authorities of the exporting country
Standards-related measures	Art. 80	The Council, by a two-thirds majority, may adopt measures to ensure the harmonization and mutual recognition of the technical and sanitary measures and regulations and certification procedures in effect in each Member State
SPS measures	Art. 36	Member States are required to harmonize their respective sanitary and phytosanitary regulations
Safeguard mechanisms (intra-trade)	Art. 86	The Council, by a majority of two-thirds may establish modalities for the adoption of safeguard measures by Member States, whenever serious difficulties occur in one or more economic sectors. The adoption of safeguard measures is to be approved by the Commission before such measures enter into force. Safeguard measures cannot exceed a period of 6 months and are renewable
Anti-dumping and countervailing measures	Art. 83	The Agreement takes into account the need to protect Member States from the practice of dumping by third countries
Subsidies and State aid	Art. 83	The Agreement takes into account the need to protect Member States from the use of subsidies by third countries
Customs-related procedures	Art. 82(a), (b) and (c)	The Agreement provides for the harmonization of customs-related measures and procedures
IPR	None	
Government procurement	None	
Competition	Art. 88	The Agreement prohibits anti-competitive behaviour, the abuse of dominant position and the adoption of public aids aimed at distorting fair competition within the common market. The Commission, under the

(continued)

Table 2 (continued)

Provision	Relevant Article(s)	Additional information
		supervision of the Court of Justice, is responsible for the application of competition policy
Investment	None	
General exceptions	Art. 79	Member States may adopt measures to prohibit or limit trade in goods for the following reasons: to protect public morals, human, animal or plant life or health, national treasures of artistic, historic or archaeological value, exhaustible natural resources and intellectual and commercial property. Member States must notify the Commission of any restrictions adopted
Accession	Art. 103; Art. 104	Any African State may become a member of the Union. The conditions governing accession will be set forth in an agreement concluded between the Member States and the candidate. The accession agreement must be approved by the Conference of Heads of State and Government. Moreover, any African State may request to participate in one or more Union policies as an "associate member"
Dispute settlement	Art. 38; Art. 39	Any dispute regarding the interpretation or implementation of the provisions of the Agreement will be settled by the Court of Justice
Relation with other trade agreements	Art. 84; Art. 85	The procedure for concluding trade agreements with third countries is set out in Art. 84. Within international organizations, Member States of the Union are represented by the Commission
Institutional provisions	Title II	The Union comprises the following bodies: The Conference of Heads of State and Government (paragraph 1); the Council of Ministers (paragraph 2); the Commission (paragraph 3); and the Court of Justice and Court of Auditors (Section III). An Inter-Parliamentary Committee has also been established to foster dialogue and integration among Member States

Source: WTO Website: rtais.wto.org/rtadocs/97/FactualDocs/English/WAEMU.doc#FPS

RTA is available on the WTO website. In addition, this summary is captured in Tables 3, 4, and 5 as the ECOWAS internal trade liberalization provisions; common external tariffs; general trade-related provisions, respectively.

3 The Rationale for TF Measures Within the Context of RTAs in West Africa

In January 2012, the African Union Summit decided to establish a Pan African Continental Free Trade Area (CFTA) by suggested date of 2017. It also endorsed the Action Plan for Boosting Intra-African Trade, endorsing its Framework, Road

Table 3 Internal trade liberalization provisions

Import duties and charges	Article 35 (Liberalization of Trade) Article 36 (Customs Duties)
Export duties and charges	Article 3 (Aims and Objectives)
Non-tariff measures	Article 35 (Liberalization of Trade) Article 40 (Fiscal Charges and Internal Taxation) Article 41 (Quantitative Restrictions on Community Goods) Article 44 (Internal Legislation)
Sector-specific rules	Chapter IV (Cooperation in food and agriculture) Chapter V (Cooperation in industry, science and technology and energy) Chapter VI (Cooperation in environmental and natural resources) Chapter VII (Cooperation in transport, communications and tourism)
Product exclusions	None

Table 4 Common external tariff

Provisions	Article 35 (Liberalization of Trade) Article 37 (Common External Tariff)

Map and Architecture. Building on the *acquis* of the Community of Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC) grand Tripartite FTA, the Summit Decision prioritizes various clusters in the Action Plan, one of which is dedicated to Trade Facilitation.

The Trade Facilitation Cluster contains several proposed interventions:

- Harmonization and simplification of customs and procedures, documentation and regulations-including reduction in the number of customs documents, harmonized documents within RECs, and border operation hours. This is envisaged to be done within the short-term.
- Establishment of One Stop Border Posts (OSBPs) at all key border posts and the reduction of time taken for goods crossing by 50 % as well as integrated border management through harmonized and simplified customs procedures, standards, regulations and documentation(Deen-Swarray M, Adekunle B, Odularu G. O. 2013). This is also envisaged to be done in the short-term.
- Creation of inter-connected centers of trade information exchange in the short-term.
- Improving the state of African infrastructure.

Some of the direct synergies identified between the TF Cluster of the Action Plan for Boosting Intra-African trade and the WTO Trade Facilitation negotiations include the following:

- Streamlining customs procedures;
- Harmonization and standardization of border procedures;
- Minimizing costs and time frames.

Table 5 General trade-related provisions

Provision	Relevant Article(s)	Additional information
Rules of origin	Article 38	The rules governing products originating from the Community shall be contained in the relevant Protocols and Decisions of the Community
Standards-related measures	Article 3	The Community shall ensure the harmonization of standards and measures
SPS measures	None	
Safeguard mechanisms (intra-trade)	Article 49	In the event of serious disturbances occurring in the economy of a Member State, the State concerned shall, after informing the Executive Secretary and the other Member States, take the necessary safeguard measures pending the approval of the Council. These measures shall remain in force for a maximum period of 1 year and may not be extended beyond that period except with the approval of the Council
Anti-dumping and countervailing measures	Article 42	Member States undertake to prohibit the practice of dumping goods within the Community. In the event of alleged dumping the importing Member State shall appeal to Council to resolve the matter
Subsidies and state aid	None	
Customs-related procedures	Article 46	Member States shall, in accordance with the advice of the Trade, Customs Taxation, Statistics, Money and Payments Commission and the provisions of the Convention for Mutual Administrative Assistance in Customs Matters, take appropriate measures to harmonize and standardize their customs regulations and procedures to ensure the effective application of the Chapter and to facilitate the movement of goods and services across their frontiers
IPR	None	
Government procurement	None	
Competition	None	
Investment	Article 3	The Community shall ensure the harmonization of national investment codes leading to the adoption of a single Community investment code
General exceptions	Article 41	A Member State may introduce or continue to execute restrictions or prohibitions affecting the application of security laws and regulations; the control of arms, ammunition and other war equipment and military items; the protection of human, animal or plant health or life, or the protection of public morality; the

(continued)

Table 5 (continued)

Provision	Relevant Article(s)	Additional information
		transfer of gold, silver and precious and semi-precious stones; the protection of national artistic and cultural property; the control of narcotics, hazardous and toxic wastes, nuclear materials, radioactive; products or any other material used in the development or exploitation of nuclear energy
Accession	None	
Dispute resolution	Article 76	Any dispute regarding the interpretation or the application of the Treaty shall be amicably settled through direct agreement without prejudice to the provisions of the Treaty and relevant Protocols. Failing this, either party or any other Member States or the Authority may refer the matter to the Court of the Community whose decision shall be final and shall not be subject to appeal
Relation with other trade agreements	Chapter XVII, Chapter XVIII and Chapter XX	The integration of the region shall constitute an essential component of the integration of the African continent. Member States undertake to facilitate the coordination and harmonization of the Community's policies and programmes with those of the African Economic Community. In realizing its regional objectives, the Community may enter into cooperation agreements with other regional communities. The Community may conclude cooperation agreements with third countries. To this end, the Community shall also cooperate with the organization of African Unity, the United Nations and any other international organization
Transparency	None	
Institutional provisions	Chapter III, Articles 52 and 53	Chapter III provides for the establishment of the following institutions: the Authority of Heads of State and Government; the Council of Ministers; the Community Parliament; the Economic and Social Council; the Community Court of Justice; the Executive Secretariat; the Fund for Cooperation, Compensation and Development; and Specialised Technical Commissions. It also details the composition and function of each of these institutions. The Agreement also establishes a Committee of West African Central Banks and a Movement of Capital and Capital Issues Committee

Source: rtais.wto.org/rtadocs/36/RelatedDocuments/Factual%20Abstract/English/ECOWAS%20(FA)%20(goods).doc

Accompanied by more efficient customs procedures and reduction in delays at African ports, the creation of the CFTA was expected to lead to an increase in intra-African trade to up to 22 % by 2022 (compared to 10 % in 2012). It is an indisputable fact that trade fosters development. However, in order for international trade to continue to promote development, countries need to enhance regional trade competitiveness. Thus, trade facilitation, through its contribution to a reduction in the transaction costs of international trade, remains a potent tool in national and regional trade competitiveness strategies.

In addition to stimulating trade competitiveness and export growth, trade facilitation efforts also promote foreign direct investment (FDI). A considerable proportion of FDI comes in the form of production facilities, which are designed to produce commodities for export to other countries. Regional trade facilitation efforts can attract some FDI to small economies which, in turn, can advertise themselves as gateways to a large and growing regional markets rather than just a small domestic market. Furthermore, it increases the participation and contribution of small and medium scale enterprises (SMEs) in international trade. Regional trade facilitation is particularly of interest to AU member countries, due to the negotiated preferential access to the EU markets through the proposed economic partnership agreement (EPA).

4 Priorities of RTAs Initiatives in Promoting Trade Facilitation in West Africa

Key RTAs determinants influence trade facilitation approaches, processes and outcomes. This chapter further examines the a few RTAs priorities, features and underlying philosophies that promote trade facilitation in West Africa. The sub-section highlights significant regional trade facilitation issues and analyses their implications for West Africa. An increasing number of South–South RTAs keep incorporating many trade facilitation articles partly because of the benefits arising from South–South RTAs, as well as, the boost provided by intra-regional trade which in turn promotes regional economic integration, and attracts FDI (Carrere, 2006, Shahid, 2011, Zidi and Dhifallah, 2013, Yasui 2014).

In the ECOWAS region, export diversification strategy has been adopted to aid TF with a view to making trade policy reform increase trade and attracts Foreign Direct Investments (FDI) inflows within the region. More specifically, the TF project, with the support of the European Union (EU) is an initiative aims at developing the transport sector in West Africa. In order to accelerate effective facilitation of road transport, ECOWAS and UEMOA Commissions elaborated the Regional Road Transport and Transit Facilitation Programme for West Africa by harmonizing their transit facilitation programmes; establishment of joint control posts at borders along inter-State corridors and updating of the road transit information system.

The EU also provided ECOWAS' Commission with 63.8 Million Euros funded from the 9th EDF Regional Indicative Programme (RIP) to finance a technical assistance "Transport Facilitation team" and identified sub-programs aimed at reducing constraints in the trans-border movements of passengers, goods and vehicles and enhancing regional integration in West Africa. The project is also aimed at assisting ECOWAS and UEMOA in the implementation of specific activities related to the various transport sectors: road, air, rail and maritime.

The implementation of ECOWAS Common External Tariff (CET); Implementation of Axle Load and Technical Standards of Truck Vehicles; Abidjan-Lagos Trade and Transport Facilitation Project; Sealink Project, Borderless Alliance initiative, high level task force on TF are projects and polices geared toward the aid of TF in the region.

The on-going Continental Free Trade Area (CFTA)/Boosting Intra-African Trade (BIAT) is another step towards regional and Africa's integration (Babatunde and Odularu 2012). This indicates the importance African countries including ECOWAS members states attached to TF. The priorities of RTAs that promote trade facilitation in West Africa include:

- Development of trade facilitation related institutions in the region: Since the absence or shortage of trade facilitation institutions at the national level stymies regional cooperation efforts, regional organizations are required to encourage the development of national trade facilitation institutions in order to make the regional efforts more effective.
- Development of trade finance infrastructure: The availability and type of trade financing is often an important factor as to whether a potential trade transaction will succeed or fail, particularly for the benefit of SMEs. Regional organizations may work toward the development of forums where trade finance infrastructure development may be discussed.
- Development and harmonization of e-commerce laws and regulations: Systematic use of e-commerce and paperless trading procedures, as in Singapore or other 'trade hub' countries, has been identified as an effective way to facilitate trade and reduce international transaction costs. However, the development of electronic trade requires a sound legal and regulatory framework that will allow effective protection and control of traders. Regional organizations should work together in promoting and building capacity for the development of harmonized, e-commerce legal frameworks in the region.
- Development of transport and Information and Communication Technology (ICT) infrastructure: An integrated approach to transport and ICT is needed to balance competing priorities in the development of rail and other infrastructure, as well as to select the most effective route on a commercial basis. The role of the private sector in providing and managing infrastructure facilities along transit corridors could be enhanced in this area.
- Formalization of the operation and facilitation of transit transport arrangements: The need to ensure a consistent, and to the extent possible, harmonized, legal

regime for transit transport across the region to avoid overlapping and sometimes contradictory obligations.
- Simplification and harmonization of transit transport documentation: With the potential growth in transit transport through landlocked countries, both landlocked and neighbouring transit countries can benefit from actions taken to increase the efficiency of transit transport. Further, there is a dire need to consider equitable approaches to the charging of transit/road maintenance fees.
- Adoption or implementation of standard tools and practices for trade facilitation: While trade facilitation is increasingly attracting the attention of many trade negotiators, regional organizations in Africa have a significant role to play in encouraging the adoption of widely accepted international trade standards, tools and practices, including relevant trade and transport facilitation conventions (e.g., the Revised Kyoto Convention).

5 ECOWAS's Interests in Leveraging Trade Facilitation Measures for Maximising the Benefits of RTAs

In addition to supporting trade facilitation measures objectives, ECOWAS aims at deploying trade facilitation instruments for realizing its RTAs. This is based on the regional government's desire to simplify and shorten the time spent at the regional seaports and land borders stations for the clearance of goods. The real challenge is to have a balance between facilitating trade without compromising on the border controls; and at the same time respecting its RTAs. The timing and extent of commitments by ECOWAS member states would depend upon their implementation capacities. Further, there must be adequate linkages between any new obligation and the capacity of developing countries to implement import and export procedures.

Trade facilitation is vital to enable the RTA implementation process to foster inclusive growth and trade. It does not mean a lowering of control standards or a threat to revenue collection. On the contrary, it enables the maintenance and the improvement of both the regulatory compliance, standard and revenue collection, while also allowing trade to flow more efficiently with the RTAs. In particular, by promoting modern control techniques (risk assessment, intelligent profiling, etc.), it can enhance ECOWAS's ability to protect itself against the risks of fraud, criminality and the increasing threat of international terrorism.

A successful trade facilitation agreement would further stimulate trade and increase the ability of the world's trading system to deliver improved prosperity to everybody. For such an agreement to work, it would have to reduce trade bottlenecks, be capable of objective assessment and deliver measurable benefits to all concerned, particularly to developing and least developed countries. It would also enable West Africa to have easier access to markets of developed countries, and to those of other developing countries in the context of South–South trade.

Trade facilitation is crucial to the performance of the economy. For instance, the adoption of destination inspection and use of scanners have also helped greatly in selected West African countries. There is a strong linkage between trade facilitation and economic development.

The importance of international trade to the regional economy cannot be overemphasized. As the region gets more integrated into the global economy, the challenges of meeting the requirements of global trade increases. In addition to human capacity building, the development of ports and other related infrastructure are important indicators of the preparedness of a region to overcoming the challenges of limited intra-regional trade, as well as the South–South trade flows.

Creating the necessary enabling environment, not only for investment and trade facilitation, but also for greater utilisation of the excellent facilities of West African seaports, it is imperative for the West African region to regain its pr-eminent position on the African trade and investment landscape. In this regard, though regional and bilateral trade agreements can help to achieve the objectives of trade facilitation, they cannot be a substitute for a multilateral trading system.

6 Conclusion: Policy Recommendations for Leveraging TF Measures to Maximise the Benefits of RTAs

Trade, both regional and intra-regional, has remained one of the strategic cornerstones for transforming the West African economy at least since the attainment of independence more than five decades ago. In fact, policy shapers, governments, political leaders, economists, researchers and private sector operators generally agree that intra-regional trade as a potent tool for regional integration, would both be politically and economically beneficial to West Africa in general and its member states in particular.

Like every other development policy, RTAs and its impact on trade flows will result in losers and winners. Thus, the pain of the losers is the immediate cause of unilateral and selective intervention that obstructs the free flow of commodities. It requires strong and brave political leadership to govern with the longer term benefits of RTAs in mind. However, the goals of successfully negotiated RTAs still remains elusive in West Africa after decades of concerted efforts at promoting access to regional markets for commodities and labour.

Based on the fact that TF mechanisms adopted under RTAs may take multifaceted approaches ranging from mutual recognition, certification, simplification of trade procedures, enhanced connectivity, use of ICT, policy coordination, border coordination and cooperation, among others. ECOWAS needs to further enhance the capacities of member states to enable them to trade more efficiently, thereby easing the adoption of international standards, which will facilitate subsequently facilitate RTA schemes. In addition, this will enable further regional advancement of TF as well as create synergies with the emerging multilateral TF agreements. It is critically important that ECOWAS' TF measures focus on international standards which will facilitate moving from implementation within the West African sub-region towards subsequent multilateral implementation. In addition, international standards will facilitate the implementation of TF measures across and between West African countries that are signatories to different RTAs, provide them with common standards for TF, and minimize overlaps where member states belong to several RTAs.

ECOWAS officials and decision makers should further identify and share the value, lessons and other workable TF practices from the incorporation of national TF programmes into West African RTAs. The officials should also monitor core TF performance and indicators, as well as keep abreast of developments concerning multilateral processes. Further, given that TF measures are not very advanced among ECOWAS member states and their trading partners, this has huge cost implications which stem from poor trade facilitation at border crossings, weak regional enforcement systems and inefficient regional transit procedures.

There is a need for ECOWAS to establish an intra-regional policy dialogue on trade facilitation and regional trade agreements (RTAs). The dialogue should aim at ensuring compatibility and synergies between West African, African and global trade facilitation patterns, all geared towards fostering regional and global commerce. This policy dialogue will provide the space for West African and international organizations, governments, and business to agree on how to leverage West African RTAs to enable the subsequent adoption of international standards for still greater trade facilitation. Lastly, the platform will ensure that adequate progress is made in the deployment of trade facilitation instruments to enhance further negotiation and the successful implementation of RTAs.

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Conclusion: Emerging Issues, Strategic Priorities for South–South RTAs Research, and Economic Policy Directions for Africa

Gbadebo Odularu

1 Introduction

The World Trade Organization (WTO) continues to provide the global platform for the setting and governance of trade rules towards global economic growth and stability. In fact, the evidence is compellingly positive that the multilateral trading space remains the most progressive approach towards boosting global economic transformation and growth.

In addition to fostering the expansion of global trade, the proliferation of South–South RTAs serves as successful springboards towards achieving multilateral trade agreements. One of the challenges being faced by Africa is the overlapping nature of the South–South RTAs, thereby increasing the costs and complexity that businesses (and most especially SMEs[1]) encounter and posing as barriers to doing businesses in Africa. As reaffirmed during the historic Nairobi Package, RTAs remain complementary to, and not a substitute for, the multilateral trading system.

The points must be emphasised that South–South RTAs cannot substitute for the multilateral trading system due to the fact that trade facilitation, services liberalization, farming and fisheries subsidies issues can only be solved efficiently through the WTO systems. In addition, the multilateral trading architecture allows for the transparent participation of the smallest and most vulnerable countries, thereby strengthening the integration of developing countries into the global value chains.

The South–South RTAs that exist within Africa, and those that operate between African countries and non-African countries are clearly different in terms of their histories, evolution, objectives, structures, institutions, and capacities. In other

[1]Small and Medium-Scale Enterprises (SMEs).

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words, partners exhibit different levels of norms, practices, and systems. It is these asymmetries that are at the heart of the various challenges being faced in optimising the South–South RTAs policy space. Here, the question is whether these differences promote cooperation and trade opportunities or they are fraught with different challenges? What problems are being posed by both sides of the South–South RTAs? Do gaps exist between expectations on both sides? Do partners have the capacities to achieve common goals and objectives? Given the cliché that it takes 'two to tango', will South–South RTAs between African countries and other non-African countries be optimally beneficial to both sides? And if an optimal state of welfare could not be attained by the two partners, whose music will they dance to? Why are the South–South RTAs so many, varied, and on an increasing trend? Based on this background, this study provides an overview of the various South–South RTAs in Africa on one hand and between African countries and other countries in the Southern part of the world. The various sections in this study have adopted both political and economic perspectives to negotiating South–South RTAs and policy directions for Africa.

2 Emerging Issues in the Evolution of South–South RTAs

It is well documented in the literature that Africa's intra- and inter-regional trade are quite insignificant (Cissokho et al. 2013). Research on the impact of RTAs on fostering regional integration and trade in Africa is currently in a state of anxiety and socio-economic discomfort (Odularu and Tambi 2011). This study has reviewed some of the most recent RTAs policy research, which have adopted a variety of approaches, perspectives and methodologies with diverse policy implications, thereby, generating a bouquet of desirable policy conclusions.

This study has discussed RTAs dynamics from an Africa's perspective. It also discusses South–South RTAs kaleidoscope, mapping the African topography of RTAs, and looking at main trends and characteristics of South–South RTAs proliferation in Africa. If RTAs tools are well utilized, South–South RTAs policies could provide the formidable springboards for Africa's development. Though the numbers of RTAs have increased dramatically and the scope broadened over the past decades, the political economy of negotiating South–South RTAs remains that a few African governments have reluctantly signed them. However, fostering market access as well as preserving existing reciprocal preferences continues to remain the driving forces behind negotiating South–South RTAs. These developments exist in parallel with the global liberalization of trade and commerce, thereby expanding the bouquet of South–South RTA benefits to include strengthening of regional policy coordination, adoption of pro-poor policy reforms, and addressing socio-economic policy issues (Deen-Swarray, Adekunle and Odularu, 2013; Odularu, 2013).

This study has highlighted some of the critical issues in negotiating South–South RTAs, and the roles that partnering countries could play in order to benefit maximally from this hybrid RTAs. It proffers policy recommendations on how South–South RTAs could promote commercial and entrepreneurship opportunities that transform economies and alleviate poverty in Africa. It also brings to light the lessons learned from other successful RTAs and the challenges they face in building and maintaining a successful RTA, and how they overcome these hurdles. Some of the questions being addressed in this study include *inter alia*:

- What are the innovative approaches for improving the quality, relevance and outcomes of South–South RTAs in Africa?
- How can African countries be more effectively integrated in their negotiated South–South RTAs?
- What are some of the broad trends that are being observed in Africa's RTAs, and what implications do those trends have for economic opportunities for Africa today and in the future?
- How are different stakeholders in African countries preparing themselves to benefit from the increasing number of negotiated South–South RTAs?
- What approaches have proven to be effective for Africa to benefit maximally from South–South RTAs?
- How are African Governments engaging in South–South RTAs-related policies and programmes that affect them at national, sub-regional and regional levels?

While South–South RTAs negotiations represent concerted and major efforts which are aimed at promoting access to regional markets and boosting economic transformation, they also presents significant challenges for Africa (ICTSD, 2012). With 55 fragmented countries, some landlocked,[2] but all competing for market accesses both domestically and externally, while attempting to surmount numerous development hurdles which include *inter alia*, inadequacy of political will, infrastructural deficiency, policy reversals, institutional and regulatory constraints, etc.

3 Strategic Priorities for RTAs Research Issues

This study has offered an introduction into the world of modern South–South RTAs. It goes beyond the traditional paradigm of trade creation versus trade diversion to address the economics and dynamics that are contained in Africa's RTAs today. The study also maps the landscape of South–South RTAs, summarizing the theoretical arguments as well as the political economy of South–South RTAs. It proceeds to discussing the current practice in the main policy areas typically covered in RTAs (from agricultural policy, manufacturing policy, rules of origin, customs unions, trade remedies, product standards, technical barriers, to

[2]The list of the 14 landlocked countries in Africa include: Burkina Faso, Burundi, Central African Republic, Chad, Lesotho, Malawi, Mali, Niger, Rwanda, South Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

behind the border issues related to investment, trade facilitation, competition, environment, migration, and dispute resolution).

One of the greatest biggest research priority areas from this study is the investigation of some of the unmeasured channels through which South–South regional trade deals affect economic outcomes. As discussed in the study, there exist reasonable estimates of the direct impact of South–South RTA on trade facilitation, commodity exports and economic outcomes. Though there exists reasonable estimates of the direct impacts of RTAs on economic growth, it is possible that the regressions are wrong, it is also possible that important pieces are missing in the simulation exercise. Examples include:

- It is clear that RTAs in general, and particularly African-related South–South RTAs will create economic discomforts and currently unseen uncertainties in the lives of households and the operations of firms. For example, a firm that is constantly losing its domestic markets to a South–South RTA. These effects may significantly lower economic fortunes.
- Anecdotal evidence suggests that South–South RTAs may distort the decisions of households and firms regarding what commodities are produced away from what would be optimal in the absence of these RTAs.
- In an African economic space which is characterised by spaghetti of South–South RTAs, some industries, such as tourism, may never get off the ground and similarly firms may be reluctant to invest in large trade opportunities.

A relevant research agenda will comprise a workable framework for understanding the dynamics of South-South RTAs from Africa's perspective, and focus in particular on the challenges being confronted by the sphagetti bowls of existing RTAs in Africa.

These aforementioned research priorities and other similar ones could be quantified and incorporated into simulation models.

Poor infrastructure remains one of the major obstacles towards Africa achieving the full economic growth potential of South–South RTAs (Deen-Swarray, Adekunle and Odularu, 2013). With Africa seen as one of the world's fastest growing economic hubs, meeting the demand for critical South–South RTA infrastructure will promote regional trade flows and competitiveness in Africa.

The challenge of finding an enabling ecosystem for making South–South RTAs beneficial for Africa should also foster an inclusively driven African economic transformation. This should be assessed within the political economy drivers of the South–South RTAs processes, given Africa's expanding middle class, greater investment inflows than in the past, and more remittances from the Diaspora.

Another priority area for research regarding the economic effects of negotiating South–South RTAs is the role of land constraints (and land grabbing) in influencing agricultural trade options available to Africa. In other words, the multiplicity of South–South RTAs in Africa is increasingly leaving room for some investors to take advantage of African resources.

Lastly is the role of knowledge management as an important driver of South–South RTA policy dialogues, planning and implementation. One of the main purposes of prioritizing South–South RTA research is the acquisition of new knowledge on its dynamics, and its potential benefits towards advancing innovation within the multilateral trade agenda. Thus, there is the need to continually push the frontiers and discoveries of South–South RTA research in order to harvest bountiful fruits for Africa in the nearest future.

4 Policy Directions for Africa

One of the striking trends of the global (including African) trading landscape is the proliferation of South–South RTAs. Further, South–South RTAs encourage closer economic integration among countries in the southern hemisphere, thereby contributing to members' inclusive growth and trade policies. As African countries continue to engage in increasing number of South–South RTAs, especially as the RTAs scope expands, this could result in greater regulatory confusion, severe implementation challenges, distorted regional markets and inconsistencies in the rules and procedures among and between different RTAs on one hand, and the multilateral framework on the other hand. Thus, increasing amount of efforts must be devoted to gathering more information on South–South RTAs towards enhancing transparency, increasing understanding of their impact on WTO members' interests, and documenting the benefits of South–South RTAs for grouping members as well as WTO members.

Within the South–South RTAs policy space, there is a need to develop joint strategies towards financing trade-related infrastructure investments. In the same vein of developmental regionalism and the on-going laudable initiatives such as BRICS Development Bank, there is a need for a South–South trade programme which provides certain proportion of the trade surplus accumulated in the South to be used in supporting the financing of trade-related infrastructure investments in Africa in particular and the larger South in general.

While pursuing joint trade agenda, and reinforcing national trade programmes, South–South RTAs should offer new opportunities for Africa in terms of market access, services trade facilitation, FDI flows, intellectual property, remittances flows and exchange of proven and tested technologies and innovations Odularu (2011).

South–South RTAs provide some level of market access among their members. Though discriminatory by nature and a seemingly complete departure from the MFN[3] principle, South–South RTAs, with special focus on Africa, can foster and strengthen rather than undermine the global trading architecture. For policy actions,

[3]Most Favoured Nation (MFN) remains the vital cornerstone of the multilateral trading system. Though south-south RTAs are beneficial to it members, it effectively excludes other economies contrary to the WTO's most favoured nation principle, which mandates equal treatment for all trading partners.

net economic impact of South–South RTAs should be based on the RTA's architecture, its choice of internal parameters, type of trade regime, depth of trade liberalisation, sectoral coverage, and scope of overlapping with other RTAs. All these policy recommendations cannot be effective and achievable without a multi-sectoral commitment as well as inter-sectoral negotiations.

Africa's seemingly discouraging South–South-regional trade growth potential represents a major policy challenge for the continent which requires a bold policy action. Addressing intra-African competitiveness divergence is essential to fostering trade flows in Africa. South–South RTA, being a potent trade policy instrument, will ultimately influence the nature of Africa's regional and international trade relations, policy choices and behaviour of the operating actors. In January 2012 African Heads of State and Government endorsed decision (Assembly/AU/Dec.394 [XVIII])[4] to boost intra-African trade by deepening Africa's market integration and using regional trade initiatives as instruments for the attainment of socio-economic development (Odularu, 2013). Building on the outcomes of the January 2012 Summit and considering the need to "sustain the CAADP momentum" by developing and linking different agricultural value chains through trade, the AU joint Conference of Ministers of Agriculture and Ministers of Trade agreed to boost intra-African trade as a key to agricultural transformation and ensuring food and nutrition security in Africa Odularu, 2013. There is further need for strengthening Africa's capacity towards the development of South–South RTAs negotiation strategies.

Another interesting and potentially beneficial outcome of this study from a policy making perspective is to highlight the interaction of South–South RTAs with improvement in living standards and inclusive economic growth. If South–South RTAs fail to result in improved household livelihoods in Africa, part of the reason may be because successfully negotiated South–South RTAs lead to rapid economic growth, which undoes the positive productivity effects of poverty alleviation. If this is the case, it suggests that the economic paybacks of South–South RTAs can be unlocked by pairing successful South–South RTAs with, for example, better non-trade policies in the education, health and other social sectors. Another policy that can unravel the economic benefits of successful South–South RTAs is openness to FDIs, which can mitigate the shortage of capital (and thus jobs) that arises when economies lose jobs due to engagement in RTAs deals.

South–South RTAs remains an exciting trade subject that affects the macroeconomic life of every African economy. South–South RTAs tools, instruments, processes and negotiation procedures considerably influence trade and investment flows in Africa, thereby providing the need for decision makers to pay significant attention to all South–South RTA issues and developments. The content of this book has introduced some of these related issues which are of relevance to

[4]See AUC Decision AU/TD/CFTA/AP/DSF (I): Draft strategic framework for the implementation of the action plan for boosting intra-African trade and for establishing the continental free trade area, 2012.

economic policy and research agenda in Africa. The knowledge captured in this book will benefit African trade and business policy makers as increasing number of South–South RTAs become globalised over time.

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