

*Book Review:***AFRICA IN THE NEW TRADE ENVIRONMENT:
MARKET ACCESS IN TROUBLED TIMES.**

By Souleymane Coulibaly, Woubet Kassa, and Albert G. Zeufack, (Eds.), World Bank Group (2022), pages 327, ISBN (paper): 978-1-4648-1756-4

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The World Bank has produced a timely and comprehensive assessment of the African continent's trade prospects and challenges with *Africa in the New Trade Environment: Market Access in Troubled Times*. At a time when the African continent is blazing a new trail in global trade policy with the African Continental Trade Area (AfCFTA) and when other countries are evaluating their approach to trade policy vis-à-vis Africa, the book presents an invaluable economic lens through which to consider the possibility these approaches hold and the contradictions they present. The book also raises some very important questions in light of “[k]ey [c]hanges in the [t]rade [e]nvironment”¹, such as rising protectionism, regionalism, the COVID-19 pandemic, and the Fourth Industrial Revolution, which will have significant implications for Africa's trade potential now and in the future.

At the start of the book, Coulibaly, Kassa, and Zeufack discuss Africa's trade and investment patterns (imports and exports are on the rise but still represent a small share of global trade) and raise questions with respect to sectoral and geographic shifts, pushing the reader to reevaluate the role that trade agreements and trade preference programs with traditional partners, namely the EU and US, have played and could continue to play; what increasing trade patterns with Asia means for the continent; and the significance of regional integration and value chains. The “key changes” noted above are interwoven with this assessment, putting the trends in a more contextual and urgent light.

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1 WORLD BANK GRP, AFRICA IN THE NEW TRADE ENVIRONMENT: MARKET ACCESS IN TROUBLED TIMES 5 (Souleymane Coulibaly et al. eds., 2022), <https://openknowledge.worldbank.org/server/api/core/bitstreams/d4c515f5-e1ed-5f8e-8a1b-fde2eb35dd7c/content> [hereinafter AFRICA IN THE NEW TRADE ENVIRONMENT].

Key changes in the trading environment are particularly relevant in the context of trade agreements and preference programs with Europe and the United States. These include the EU's Economic Partnership Agreements (EPAs) and Everything But Arms (EBA) program and the U.S. African Growth and Opportunity Act (AGOA). The book poses the question of whether the objective of using these instruments to foster development will still resonate "in a protectionist world." The authors further question whether leveraging "regional integration to scale up supply capacity, and global integration to scale up demand", as presented in the World Bank's 2009 World Development Report "Reshaping Economic Geography" still holds sway.

Signs of shifts in the foundation of trade instruments have been apparent for some time. Europe long shifted away from trade preferences to reciprocal deals in the form of the EPAs, and, during the last AGOA authorization, members of the U.S. Congress pressed for a shift towards reciprocal programs and away from unilateral trade preferences in order to ensure that U.S. enterprises do not lose in the process. With AGOA's expiration looming in 2025, this question will likely surface again, with trade preferences hanging in the balance.

In Chapter 6, "The Promise and Challenge of the African Continental Free Trade Area," Kassa, Edjigu, and Zeufack discuss the significance of the AfCFTA in the context of both the "key changes" and its potential for structural transformation. Citing a study by Mevel and Karingi², the authors note an anticipated increase in intra-African trade of over 50 percent once the AfCFTA is operationalized, with most gains in the manufacturing sector. Over time, trade will increase even more significantly, particularly if non-tariff measures and trade facilitation are a focus, as another study by Saygili, Peters, and Knebel shows.³ However, the book asserts that Africa is the "most fragmented continent" with "thick borders" made up of a complex web of tariff and non-tariff restrictions impacting trade. In particular, the AfCFTA could reduce market fragmentation and meaningfully address non-tariff measures (NTMs), which will be critical for transformation within Africa's markets and through global value chains (GVCs). NTMs are an issue outside of the African

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- 2 Simon Mevel & Stephen Karingi, Deepening Regional Integration in Africa: A Computable General Equilibrium Assessment of the Establishment of a Continental Free Trade Area followed by a Continental Customs Union, Presented at the 7th African Economic Conference 17-19 (Oct. 4, 2012), https://aec.afdb.org/sites/default/files/2019/12/04/deepening_regional_integration_in_africa_a_computable_general_equilibrium_assessment_of_the_establishment_of_a_continental_free_trade_area_followed_by_a_continental_customs_union.pdf.
 - 3 Mesut Saygili et al., U.N. Conference on Trade and Development, *African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions*, 5, U.N. Doc. UNCTAD/SER.RP/2017/15/Rev.1 (Rsch. Paper No. 15, Feb. 2018), https://unctad.org/system/files/official-document/ser-rp-2017d15_en.pdf.

continent too, as the book points out; for example, European food standards affect farmers' access to markets and can significantly increase implementation costs.

So how could the AfCFTA drive more transformational change? In both the book's overview and the AfCFTA chapter, the authors discuss impact and the relevance of the classical theoretical framework developed by Viner in 1950, noting that "the classical theory is very restrictive for evaluating the impacts of regional integration initiatives such as the AfCFTA." They argue instead for a framework that evaluates effects on employment, productivity, investment, and structural transformation.

The authors also rightly highlight the importance of legal and regulatory change in capturing gains from trade. Intraregional trade, as exemplified by the AfCFTA, holds the promise of important enhancements in resilience to shocks, diversification, economies of scale, and conflict reduction.⁴ However, the extent of these gains will be subject to improvements in regulatory and logistics performance. As the authors argue, Africa's trade networks, in the form of both physical and soft infrastructure, need to be enhanced and regulatory systems strengthened if the gains of trade are to be realized.

The AfCFTA is designed to address these gaps, although its implementation will not be easy as the book readily acknowledges. For starters, the AfCFTA has the formidable task of bridging rules across Africa's Regional Economic Communities (RECs), which are meant to form the "building blocs" of the AfCFTA, yet the AfCFTA does not provide a roadmap on how to do so. Further, much of the AfCFTA's success will rest upon national law, with domestic policy and regulatory reform acting as a key driver for trade performance. National strategies and policies within the AfCFTA Member States will be of paramount importance, as will meaningful improvements in regional infrastructure and a reduction in non-tariff barriers (NTBs) between the parties.

However, there are two important aspects of transformational change that the book does not explore in depth. First is the connection between Africa's regional integration and the trade agreements and programs maintained by Africa's trading partners. Whether reciprocal or unilateral, trade instruments maintained by Africa's trading partners vis-à-vis the continent are fragmented⁵, presenting a

4 AFRICA IN THE NEW TRADE ENVIRONMENT, *supra* note 1, at 241-43.

5 David Luke et al., *The European Union is Undermining Prospects for a Free Trade Agreement with Africa*, LONDON SCH. ECON. & POL. SCI (Dec. 14, 2021), <https://blogs.lse.ac.uk/africaatlse/2021/12/14/european-union-is-undermining-prospects-for-free-trade-agreement-with-africa-epa-afcfta/>.

significant challenge for structural change and sometimes undercutting rather than supporting regional integration.

The book suggests the need to prepare for a new “era” of reciprocal agreements, rather than preferential arrangements, yet many experts caution against this approach. The U.S.-Kenya Trade Agreement was meant to be a step towards a reciprocal trade model between the United States and African negotiations, but negotiating reciprocal trade agreements has proven to be a slow and politically fraught process. The EU’s reciprocal agreements in the form of EPAs have been heavily criticized as working against Africa’s regional integration, despite their capacity building component. As LSE’s David Luke argues, their asymmetrical nature⁶ poses challenges for Africa’s market development, and they can work against regional integration⁷ due to their structure and design. Further, a recent Brookings Institution article weighing the pros and cons of reciprocal versus preferential arrangements argues (drawing upon World Bank data), argues that trade preference programs are better positioned to offer the possibility of structural change.⁸

The preference programs have notable gaps as well. For example, AGOA has historically been underutilized, and it affords much greater benefits to some countries than others due to its product coverage. Like other trade preference programs, AGOA also does not cover dynamic sectors like digital and financial services⁹, which could be critical to more transformational reform. This is important in terms of impact and growth and because of the current circumstances stemming from another “key change”, the COVID-19 pandemic, and the pandemic-induced recession, which has impacted sub-Saharan Africa the hardest.¹⁰

Market access under AGOA is also subject to a number of conditions, ranging from rules on intellectual property to human rights measures. There is currently a discussion in the context of the U.S. Generalized System of Preferences (GSP) Program, the foundational preference program on which AGOA is built, around

6 *Id.*

7 KATRIN A. KUHLMANN & MWANGI S. KIMENYI, BROOKINGS AFR. GROWTH INITIATIVE, BUILDING REGIONAL MARKETS: AGOA AND THE ECONOMIC PARTNERSHIP AGREEMENTS 19 (2012), https://www.newmarketslab.org/_files/ugd/7cb5a0_1eef8172aa944c659b609f2cc0d7ae06.pdf.

8 Gracelin Baskaran, *US-Africa Trade Relations: Why is AGOA Better Than a Bilateral Free Trade Agreement?*, BROOKINGS (Sept. 24, 2020), <https://www.brookings.edu/blog/future-development/2020/09/24/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/>.

9 Claire Klobucista, *AGOA: The U.S.-Africa Trade Program*, COUNCIL ON FOREIGN RELS., <https://www.cfr.org/backgrounder/agoa-us-africa-trade-program> (last updated Mar. 18, 2022, 1:55 PM).

10 *Id.*

expanding conditionality to include new provisions on labor, environment, and even women's economic empowerment that would likely influence the next phase of AGOA as well. While very important to inclusive and sustainable trade and development, a goal of the AfCFTA, how these issues are approached and whether African nations are part of that approach will matter.

Solutions to the fragmentation and asymmetry that exist are not easy to come by. For starters, U.S. and EU programs should be as closely aligned with the AfCFTA as possible, reinforcing the African continent's own plans for market integration and transformation without creating alternative, competing frameworks. The book stops short of such a recommendation, placing much of the responsibility for improved trade performance on the shoulders of the African continent, but Africa's trading partners could play a different role as well. Such alignment would certainly affect both the timing and substance of outside initiatives and could also argue for following Africa's lead on issues that are now part of the next stage of the AfCFTA, including investment, competition, intellectual property, digital regulation, and gender and youth.

As a second and related aspect of this challenge, outside approaches have sometimes brought about policy and regulatory changes that may not be in the continent's best interests in the short- or long-term. While the book is right in pointing out the importance of regional and national legal and regulatory reform within the continent, the potential for transformational change in Africa's markets also depends upon the global system of trade rules and the trade policies of Africa's partners, which have not always been designed with Africa's needs in mind.

It is surprising that the book does not note the shift in global trade governance, as evidenced by the crisis in trade rules and negotiations under World Trade Organization (WTO), as another "key change in the trade environment" that will affect Africa's potential for transformational change. With regionalism on the rise, the void left by the WTO is likely to be taken up by regional trade agreements, highlighting the possibility of the AfCFTA to reshape global trade rules as well.¹¹

While facilitating market development is an important goal, shaping trade rules to ensure gains to local companies and citizens is another. In this light, rules imported from elsewhere may not be adequate, and it may well be time to rethink some of the multilateral approaches as well. Again, following the AfCFTA's lead

11 Katrin Kulhmann & Akinyi Lisa Agutu, *The African Continental Free Trade Area: Toward a New Legal Model for Trade and Development*, 51 GEO. J. INT'L L. 753, 763 (2020).

would be very beneficial, and perhaps the more nuanced approach to assessing trade agreements' impact proposed in the book could be extended to encompass tailored changes in laws and regulations that address local priorities. In this light, the AfCFTA could be an instrument for even more transformational change than the book envisions, and balanced trade rules (and trade agreements) could well be the missing link.