# Multilateral Trading System and Regionalism in Africa: The West African Experience, 2000 – 2017

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## ABSTRACT

Contemporary multilateral trading system is anchored on the principles of the World Trade Organization (WTO) which has continued to regulate global trade in line with the capitalist aspirations of the global North. The central objective of this study is to investigate whether the contemporary multilateral trading system undermines regionalism in West Africa. The study is anchored the theory of complex interdependence, while documentary approach was employed as the method of data collection. We noted that advanced capitalist countries have continued to exploit the multilateral trading system under the auspices of the WTO to reinforce the mono-cultural and non-complementary nature of West African economies. More specifically, there has been proliferation of Bilateral Trade Agreements (BTAs) between individual West African countries and European Union which opens up African economies for exploitation of European countries through unequal trade. Consequently, West African countries trade more with developed countries of Europe than they trade among themselves leading to insignificant intra-regional trade. The paper recommends that current efforts aimed at regional integration should be sustained beyond paper agreements. We further advocate for evidence-based reforms that would ensure adoption of developmental state strategy to facilitate diversification of economies, provision of subsidies for small and medium scale industries so as to reduce the non-complementary and mono-cultural character of West African economies.

**Keywords: World Trade Organization; Regionalism; West Africa; Trade; Integration**

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**Introduction/Problematique**

Trade is an integral aspect of inter-state relations in the global community. The advent of globalization has intensified the volume and complexity of trade among members of the international community. This explains the constant attempt to regulate international trade through institutional mechanisms like the General Agreement on Tariff and Trade (GATT) and currently, the World Trade Organization (WTO).

Meanwhile, it needs to be stressed that globalization has remained a major factor facilitating and necessitating regulation of global trade. Globalization is an outcome of this expansionary character of capitalism (Okoli, 2008; Amin, 2010; Okolie & Okoli, 2014). Globalisation is a multi-dimensional phenomenon which includes trade, financial and investment liberalization on a global scale (Khor, 2001; Anyanwu, 2012). It is a process that brings about the integration of national economies into the global economy involving increasing volume of transnational capital flows through rapid and wide-spread diffusion of technology (See Okolie 2006; Khor 2001).

Globalization presents both risks and opportunities to countries of the world. Some scholars tend to eulogize globalization and argue that the benefits of globalization outweighs its risks (see Kose et al, 2009; Prasad et al, 2003), other studies have pointed out the adverse effects of globalization especially for Third World countries and Africa in particular Okolie (2006); Soludo, (2008); Arestis & Basu 2003). The fact remains that every country struggles to maximize the opportunities and mitigate the risks of globalization.

Regional integration has been adopted as a strategic response to the challenges of globalization by most regions. Hence, there has been proliferation of regional and sub-regional groupings in various parts of the globe: the European Union (EU) in Europe; the Association of South East Asian Nations (ASEAN) in Asia; the North American Free Trade Agreement (NAFTA) in America; MERCOSUR in Latin America; ECOWAS in West Africa; SADC in Southern Africa; Common Market for Eastern and Southern Africa (COMESA); only to mention a few.

Despite this effort, Africa remains a mosaic as most of these regional economic groups have not been able to achieve their major objectives rather, what has emerged is a multiplicity of regional economic communities (RECs) and overlapping membership by African countries (see figure 1 below). Intra-regional trade in Africa has not been encouraging while attainment of monetary union in the subregion remains a mirage. This study attempts to investigate shapes the contour of regionalism in Africa with specific focus on the West African sub-region.

**Theoretical Framework**

In the light of the above, we predicate our analysis on the complex interdependent theory as developed by Robert Keohane and Joseph Nye. Their basic assumption is that the world has become more interdependent in economics, communication and human aspirations and the very nature of relationship among actors in the international environment is changing. According to them, complex interdependence refers to the various complex transnational connections (interdependencies) between states and societies. The theory does not see one country as being perpetually dependent on another, but that all countries share in a complex web of interconnectedness and interdependence (see Okolie, 2015). Essentially, Keohane and Nye enunciated three basic characteristics of complex interdependence as outlined below:

1. there exists multiple channels that connect societies. These channels can be in the form of interstate, transgovernmental and transnational relations;

2. the agenda of interstate relationships consists of multiple issues that are not arranged in a clear or consistent hierarchy. This means inter alia, that military security does not consistently dominate the agenda, distinction between domestic and foreign issues becomes blurred while inadequate policy coordination on these issues involves significant costs;

3. military force plays a relatively minor role in international relations mainly because "it is not used by governments toward other governments within the region, or on the issues, when complex interdependence prevails".

In anticipation of the problems of inequality and exploitation, the theorists introduced the concept of 'regimes' to mitigate anarchy and enhance mutual cooperation (Keohane & Nye, 1987). Thus, the main actors of this era are renegotiated global regimes and other non-territorial actors such as multinational corporations, international organizations and institutions etc.

**Contemporary Multilateral Trading System**

The WTO emerged on 1st January 1995 as a result of the Final Act concluding the Uruguay Round which was signed on 15 April 1994, during the ministerial meeting at Marrakesh Morocco also known as the Marrakesh Agreement. The WTO replaced the General Agreement on Trade and Tariff (GATT) as the contemporary global institution that regulates trade between member states and provides a framework for negotiating and formalizing trade agreements, it also provides dispute resolution process aimed at enforcing participant's adherence to WTO agreements, signed by member states and ratified by their parliaments. Presently, all ECOWAS members are also members of the WTO (see Appendix I for dates of accession). Essentially, the WTO through its principles and various other agreements reached under its supervision facilitates multilateral trade liberalization globally. As noted by Okoli (2015), some WTO principles that guides contemporary international trade include:

**1. Non-discrimination Principles:** The nondiscrimination principle which guides the global trade policies has two major components: the Most-Favoured-Nation (MFN) rule, and the national treatment principle both of which are embedded in the main WTO rules on goods, services and intellectual property.

The Most-Favoured-Nation (MFN) component of the nondiscrimination principle applies unconditionally and is a basic pillar of the WTO for trade liberalisation, it requires that a product made in one member country be treated no less favourably than a “like” (very similar) product that originates in any other country. The “national treatment” component of the nondiscrimination principle attempts to ensure that liberalisation commitments are not offset through the imposition of domestic taxes and similar measures. It requires that foreign goods be treated no less favourably, in terms of indirect taxation than like or directly competitive domestically produced goods (Khor, 2001).

**2. Reciprocity**. The reciprocity principle was conceived as a way to discourage or prevent nations from enacting unilateral trade barriers. Under this principle, all members are to lower their trade barriers together to ensure free flow of global trade. Furthermore, the principle ensures better access to the global market by all member countries and also facilitates multilateral trade liberalisation. It ensures that a nation obtains a reduction in foreign import barriers as a quid pro quo for a reduction in its domestic trade restrictions. Through this principle the WTO ensures free flow of trade across national borders via the elimination of all forms of barriers to trading among nations.

**3. Binding and enforceable commitments**. This principle ensures that market access commitments are implemented and maintained. This is because trade liberalisation commitments and agreements to abide by certain rules have little value if they cannot be enforced. The principle further ensures that once tariff commitments are bound, it is important that member states do not resort to other, non-tariff, measures that have the effect of nullifying or impairing the value of the tariff concession.

**4. Transparency**. This principle enables the WTO to actually monitor the trade policies of member countries and to ensure that member countries are committed to trade liberalisation. The principle of transparency requires access to information on the trade regimes that are maintained by members. The principle ensures that all relevant laws, regulations, judicial decisions, and administrative rulings of member countries be made public. Again, by this principle WTO members are required to respond to requests for information by other members, and to notify changes in trade policies to the WTO.

**Regionalism in West Africa: An Overview**

Economic cooperation among West African states predates their colonialism and independence. What is however, significant in the post-colonial era is the renewed vigour with which the post-colonial states pursued economic cooperation and effort to institutionalize their cooperation. This effort is traced back to 1975 when 15 West African states established the ECOWAS with the aim of promoting economic cooperation and integration in the sub-region as outlined in Article 3 of the ECOWAS Protocol which states summarized the goal of ECOWAS as:

i. Promote cooperation and integration leading to the establishment of an economic union in West Africa in order to raise the living standards of its peoples, and to maintain and enhance stability, foster relations among Member States and contribute to the progress and development of the African Continent.

Furthermore, Article 3(2d &e) set out the stages for achieving the envisaged common market and ultimately an economic union through:

i. The liberalization of trade by the abolition among Member States of customs duties levied on imports and exports, and the abolition among Member States, of non-tariff barriers in order to establish a free trade area at the Community level;

ii. The adoption of a common external tariff and a common trade policy vis-à-vis third countries;

iii. The removal between Member States of obstacles to the free movement of persons, goods, service and capital, and to the right of residence and establishment.

Again, 2(e) of the Protocol provides for the establishment of an economic union through the adoption of common policies in the economic, financial, social and cultural sectors and the creation of a monetary union.

**West Africa, Multilateral Trading System and Proliferation of Bilateral Trade Agreements**

One feature of contemporary trading system is the proliferation of Bilateral Trade Agreements (BTAs) between African countries and European countries in such a manner that further deepens the structural challenges of African countries as suppliers of raw commodities in the global market. Much of those BTAs are entered into under the auspices of the EPAs. The EPAs are legally binding bilateral contracts between the European Union and individual African countries. Once signed, EPAs require that within a decade, about 80% of that country's market should open to European goods and services (McDonald, Lande & Matanda, 2013).

The Economic Partnership Agreements are traced to the 1970s following the independence of most African countries from British colonization and the quest for Britain to renew economic relationship with the erstwhile colonies. Hence, in 1975 the Lome Convention was entered into in Togo by the EU and 71 ACP countries. Essentially, the Lome Convention granted unfettered access to EU markets of agricultural goods and minerals by exempting such goods from tariffs and duties except those competing with EU's agricultural goods. In return to export of agricultural goods to EU, the EU will invest in the ACP countries and grant them aid worth three billion Euros for development purposes. The Lome Convention would be renegotiated every five years with increase in financial aid and investment from EU via the European Development Fund (EDF).

With the emergence of WTO in 1995, the Lome Convention came under serious attack and was brought to an end in the year 2000. Upon the expiration of the Lome Convention, the EU entered into another partnership agreement with the ACPs in the year 2000 known as the Cotonou Partnership Agreement. The Agreement had the following features in line with the basic provisions of the WTO principles:

1. Reciprocity: this implies that both EU and ACP countries would provide market access to each other.
2. Differentiation: This was introduced in recognition of the varying needs and levels of economic development of the different states. Each ACP country was allowed to offer market access when they were ready;
3. Conformity to the World Trade Organization: This means that the letters and spirit of the Agreement will conform to the WTO principles on international trade.
4. Block Negotiation: the agreement would be between the EC and a defined group of countries such as the East African Community (EAC), ECOWAS or SADC, among others

Basically, the Cotonou Agreement established the prerequisite to negotiations on Economic Partnership Agreements (EPAs) between the EU and ACP states which may ultimately lead to an EU-ACP Free Trade Area. The EPAs were to be negotiated between EU and seven groups of ACP countries until 2008, five of which were African countries. But by 2008, the EU and Africa had failed to agree on a set of EPAs. Hence, what the EU resorted to was to start bilateral negotiations with single African countries under what is known as Interim Economic Partnership Agreements (IEPAs) which were temporary solutions before the EPAs were agreed upon (Sommer, 2011).

Ghana and Ivory Coast are some of the West African countries that have signed the IEPA. The experience of both countries shows that with the signing of the IEPAs, imports and exports to the EU has increased (see tables 1 and 2).

**Table 1: Imports and Exports Between EU and Ghana, 2000 - 2011**

| Year | Imports | Exports |
|---|---|---|
| 2000 | 1.281.391.328 EUR | 1.172.702.195 EUR |
| 2001 | 971.766.037 EUR | 1.079.647.637 EUR |
| 2002 | 1.050.059.139 EUR | 1.130.466.864 EUR |
| 2003 | 1.010.411.536 EUR | 1.057.795.968 EUR |
| 2004 | 1.194.851.845 EUR | 1.037.905.950 EUR |
| 2005 | 1.251.168.625 EUR | 977.693.233 EUR |
| 2006 | 1.459.283.359 EUR | 1.114.121.017 EUR |
| 2007 | 1.698.440.387 EUR | 1.143.857.594 EUR |
| 2008 | 1.926.685.940 EUR | 1.250.844.908 EUR |
| 2009 | 1.751.933.934 EUR | 1.096.947.670 EUR |
| 2010 | 2.180.981.517 EUR | 1.458.954.828 EUR |
| 2011 (as expected) | 2.683.774.268 EUR | 2.660.631.696 EUR |

Source: Sommer, G. (2011). The Economic Partnership Agreements Between the European Union and the African-Caribbean-Pacific Countries: The Impact on Trade Flow Between EU-Ghana and EU-Ivory Coast

**Table 2: Import and Export between Ivory Coast and EU, 2000 - 2011**

| Year | Imports from EU | Exports to EU |
|---|---|---|
| 2000 | 1.443.053.428 EUR | 2.059.126.409 EUR |
| 2001 | 1.339.477.559 EUR | 2.176.754.832 EUR |
| 2002 | 1.278.752.893 EUR | 2.649.048.668 EUR |
| 2003 | 1.112.136.606 EUR | 2.677.059.047 EUR |
| 2004 | 1.181.742.128 EUR | 2.207.094.186 EUR |
| 2005 | 1.127.060.924 EUR | 1.978.433.731 EUR |
| 2006 | 1.149.827.354 EUR | 2.493.059.096 EUR |
| 2007 | 1.346.371.003 EUR | 2.733.679.237 EUR |
| 2008 | 1.488.832.356 EUR | 3.169.481.844 EUR |
| 2009 | 1.503.234.459 EUR | 3.053.522.561 EUR |
| 2010 | 1.743.164.432 EUR | 3.216.498.399 EUR |
| 2011 (as expected) | 890.728.952 EUR | 3.583.789.192 EUR |

Source: Sommer, G. (2011). The Economic Partnership Agreements Between the European Union and the African-Caribbean-Pacific Countries: The Impact on Trade Flow Between EU-Ghana and EU-Ivory Coast

Furthermore, leaders of ECOWAS countries approved the signing of the Economic Partnership Agreement with the European Union during the 45th ordinary session of the ECOWAS heads of state and government in Accra, Ghana on July, 10 2014 (African Agenda, 2014).

## Conclusion and Prognosis

The study examined whether the multilateral trading system impacts negatively on regionalism in Africa with specific focus on West Africa. Our preliminary findings suggest that there has been increase in bilateral trade agreements (BTAs) between African countries and developed industrial countries especially the European Union. These BTAs engender increased trading relationship between African countries and European on terms determined by the Europeans. It is the contention of this paper that if African countries continue signing and implementation of BTAs with European Union, intra-regional trade will be hampered in Africa with negative implications for regionalism.

## Recommendations

- African countries should negotiate in bloc with European Countries on terms favourable for African industrialization;
- There is need to support and protect local small and medium scale industries from harsh competition arising from importation of similar goods from Europe through invoking WTO principles that allows LDCs to protect their SMEs.

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