

Peterson Institute for International Economics

Is it time for Africa? Trade integration on the African continent

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[00:00:20.17] - Cecilia Malmström

Good morning. Good afternoon.

[00:00:22.05]

Good evening.

[00:00:23.04]

Welcome to this episode of Trade Winds. I am Cecilia Malmström. I'm a nonresident senior fellow at the Peterson Institute for International Economics in Washington. Today we are going to talk about trade in Africa. How is Africa coping with the current trade climate, the so-called reciprocal tariffs, and how is the Intercontinental Free Trade Agreement, AFCFTA, horrible acronym, actually developing? And we have two fabulous guests here to discuss this with us today. Trudi Hartzenberg, who is the Executive Director of the Trade Law Center in South Africa, TROLAC. TRALAC is a think tank who seeks to build trade-related capacity in Africa by assisting with expertise. And Trudi has also done research in the areas of trade, competition, industrial development, as well as the African integration process. We also have Professor David Luke, who is Professor in Practice and Strategic Director at the Feroz Institute for Africa at LSE in London. And also Extraordinary Professor at Northwest University in South Africa. He has a lot of experience in trade and development as well, trade and sustainability, and he is a board member of Trademark Africa. So you are both very welcome.

[00:01:40.26] - David Luke

Thank you.

[00:01:41.19] - Cecilia Malmström

So like many other countries in the world, around 90, also Africa and the African countries were given high tariffs at the so-called Liberation Day in April, when President Trump imposed so-called reciprocal tariffs across the world. And formerly, the administration, a little bit earlier this year, had also imposed 50% tariff on steel and aluminum, as well as 25% on trucks, vehicle parts, passengers, carts, etc. So at Liberation Day, A country like Lesotho got tariffs as high as 50%, Madagascar 47%, Angola 32%. Some tariffs afterwards were lowered, others not. And I think today we have almost 30 countries who have an extra tariff of between 10% and 50%, and South Africa still has 30%. So the response has of course been mixed. We're talking about a lot of countries. Some countries have tried to negotiate, others have offered to eliminate all tariffs on US goods unilaterally. So I thought we would try to map a little bit the situation today with our two guests. So if we start, what have been the effects and the reaction in Africa on these tariffs? Can you give an overall picture on what individual countries have done? Why don't you start, Luke?

[00:03:10.25] - David Luke

Yeah, great. Firstly, Cecilia, thanks for having me on your, on this program, and it's great always to be sharing a platform with, uh, Trudi. Um, I, I think, yes, we have seen the effect on jobs, um, uh, uh, in the apparel sector, uh, certainly in places like Lesotho, Kenya, uh, Ethiopia, which, uh, of course had its AGOA, um, concession withdrawn by the Biden administration, so predates the, um, uh, Trump tariffs. Um, but also I think on the South African, uh, auto sector. But ironically, since you're asking for the overall picture, the data shows that exports have held up, especially for agri-food exports and other commodities. South African exports, for example, to the US is showing a 37% increase during the first three quarters of this year. Africa's exports to the US surged in the first half of 2025. Reaching some 24 billion, which is up almost 25% year on year. Egypt, not in AGOA, but also Nigeria, which has the AGOA concession, show that these are countries that are benefiting. And as I said, South Africa also major growth, but also smaller countries have seen their growth with the US this year, increase so far, although of course data for the rest of the year is yet to, to come in.

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Um, so, uh, in terms of the US trade deficit with, with African countries, I think it has actually widened again. Ironically, the US recorded a \$3.7 billion goods deficit with Africa in the first for the first 6 months of 2025, slightly under— slightly wider, I should say, than for the same period in 2024. As regards the African response, yes, as you point out, different countries have tried to carve different paths in engaging the US. But also, I think Africa as a whole, trade ministers in various statements, the AFCFTA Secretary-General have all indicated concerns about the Trump tariffs. It is true to say that trade policy is not an exclusive competency of the African

Union Commission, something I've written about, but we are hearing one voice in expressing concerns about these tariffs, whether behind the scenes or trying to cut deals through diplomatic channels. Et cetera. Let me stop here. I do, would like to put all of this in a sort of bigger picture that's related to the multilateral trading system and so on. But I know you also want to get there because I think that just focusing on what has happened the last few months does not really bring out the challenges that we face.

[00:06:21.24]

But I know Kudi also would like to come in at this point. So let me stop here.

[00:06:27.21] - Cecilia Malmström

Thank you very much. And of course, we'll come to the bigger picture and we'll dig deeper into some of the details. But overall, I mean, there has been an increase in exports for many countries, which, which is good news for Africa. Trudi, you come— I see the beautiful mountain table behind you. Do you share this picture, which is, you know, of course concerns, and Dave alluded to some job losses, but still an increase in the exports and a widening of the trade deficit, which is really ironic.

[00:07:02.02] - Trudi Hartzenberg

It is so true, Cecilia. And thanks so much for having me, David. Always a good idea for us to chat. So thanks so much. I think David is mentioning the stats and Trollope will actually publish a paper at the end of the week which takes a look at data until August, September this year. And what he's outlined is absolutely the case that And for a number of countries, of course, we have seen increases in trade. But we do have to keep in mind that a case such as Lesotho is a reminder of some of the major challenges associated with unilateral preferential arrangements like AGOA. And every job loss there really, really matters. You know, at the peak, about 50,000 women were employed in the clothing textile pipeline because it was in fact a complete pipeline from textiles through to garment manufacture. The problem, of course, is that the industrialization strategy of Lesotho was anchored on a single sector and a single market, and it was extremely difficult for Lesotho to diversify its markets or its industrial structure. And I think this is perhaps one of the concerns I have, and one of the shocks to the global trading system that we see as a result of the US trade policy in particular, it's created enormous uncertainty.

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And I think that's really important. But I think it also reminds us that the WTO reform agenda, which we've been talking about for quite a long time now, really, really matters. But the deals for

least developed countries, and I think keeping in mind that most LDCs on the African continent, some 32 of the total 44 are on the African continent, and they've been beneficiaries where they have qualified, of course, to AGOA and equally to other GSP and unilateral arrangements. And we have to look at the detail of those agreements and rethink some of the structure of the preferential market access. For example, the rules of origin. Rules of origin to some extent lock a country like Lesotho into a particular production value chain configuration and to a particular trading partner. So I think, to be honest, and if we really want to put some positive spin on the conversation here, the US trade policy has been a massive shock, but a real wake-up call. And I think as far as the African continent is concerned, it has reminded us how important it is that we get the African continent in terms of its trade and integration agenda to be a serious focal point in terms of the trade policies of all the member states of the African Union.

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Of course, not all have benefited from AGOA. It was for sub-Saharan African country— eligible sub-Saharan African countries. But for some, it really was important in particular sectors. So I think this is, is an issue that we do need to take from this. And we've seen the negotiations and support programs around AFCFTA energized this year. And I think that's extremely positive. We've also seen a lot of focus on the industrialization agenda for the continent. And that is really important because so many of the countries on the continent are focusing on industrial policy, diversifying their productive structures, but also taking a look now at diversifying their trade relationships and partners with global partners, as they have not done in a number of years. So I think this is certainly set in motion a rethink of our own trade policy and integration agenda on the continent, but also how Africa seeks to engage with, with the rest of the world. And this is an opportunity really that we need to, to make sure that we don't miss out on. So miss the chaos because it certainly is rather chaotic. It has been. It is important that we take lessons But I think we have to keep in mind that, of course, the tariffs are only kicked in in August.

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And there've been so many exemptions, two rounds of exemptions, mid-September, early September, and then mid-November. And many of the exports from African countries are exempt. So the minerals, the petroleum products, and so on. And as of November, a number of agricultural products that we export are now exempt as well. So it's, it's been a very iterative tariff policy that the US has implemented, which has further created uncertainty. So some really interesting developments for us to take on board, but it makes the AFCFTA even more important than it was a year ago, and that's important for us to keep on board.

[00:12:37.05] - Cecilia Malmström

Yeah, you, you mentioned AGOA, and this is a, a non-reciprocal trade program that was launched by President Clinton in his days to boost sub-Saharan Africa's economic growth by giving eligible countries in Africa preferential access to, to the US market. It was supposed to be renewed, I think, last September, but now it has sort of ended by President Trump. And can we already see bad effects of that? Or is there ongoing negotiations maybe to try to amend it or to see what can be saved from it?

[00:13:15.14] - David Luke

Yeah, maybe I could jump in. Yes, there are ongoing negotiations to see if it could be restored in some form. As I understand it, these discussions are taking place in the US Congress where there's always been bipartisan support for this program and What we're hearing is that there is a proposal to extend it for 3 years, although we are yet to see that formalized and legislation actually passed. But let me make a bigger point to build on what Trudie has been saying about not only AGOA but also preferential access programs. I think these programs work when they are backed by investment, especially as in a context where Africa is looking at industrializing and so on. Excellent points that Trudie has made. So what we have seen is that where preferential programs are backed by investment, as we saw even in the case of Lesotho, that they did attract foreign direct investment that made the exports possible. We could look at other sectors that have been successful as exporters. It has always been because of investment. So investment is critical in ensuring that these programs work and do bring the benefits and help to diversify African economies and lead to industrial growth.

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Another point I think I'd like to make, in a sense to add a note of caution, is sometimes I hear people say that the AFCFTA is an alternative to schemes like AGOA or other preferential schemes that African countries participate in. I think that we need both. We need schemes like AGOA and other concessional trade schemes, such as the one announced by China for 53 African countries in June, but also the long-known trade schemes of the EU and others. So we need them, but we also need the AFCFTA. We need both. And we need investment. Because without that, it's not going to work. I've always said that investment is the other side of the coin of trade. The market access is not enough. And I think, as I said, several sectors, you can look at this, whether it's even the South African automotive sector with the original equipment manufacturers, the OEMs, from EU, Japan, and so on, played a key role in the investment, the technology know-how, etc., they've brought. So I'd just like to underscore that this is such an important thing. And some of the other points that Trudie has made, such as revisiting rules of origin and so on, are equally important.

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But I would not understate the importance of investment as well.

[00:16:40.15] - Trudi Hartzenberg

Cecilia, if I could just come in there very quickly. I think David is absolutely right in highlighting the importance of investment, in particular foreign direct investment, to expand productive capacity and diversify productive capacity. Unless we transform our productive structures on the continent, we are effectively systemically limiting not only intra-Africa trade, but the way we continue trading with the rest of the world. And now is an opportunity to really think about the implementation of the AFCFTA. And for me, the trade facilitation agenda of the AFCFTA is absolutely critical. Trade facilitation actually is, I would say, an expression of regional industrial policy. Because reducing trade frictions, facilitating cross-border trade, looking at harmonization of transport and related regulations reduces the cost of doing business, improves the investment environment, and improves competitiveness, whether we're trading with global partners or with next-door neighbors. So it's so closely linked to the industrial transformation, which is absolutely essential for the continent. If we simply implement the AFCFTA as traditional free trade agreement, to be honest, it will not deliver a great deal for us. So we really have to look at the industrialization agenda and those trade-industrial policy linkages are absolutely critical.

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Just as far as our global partners are concerned, I think, David, you've mentioned China. This is so, so important. We've seen some big players stepping up now, coming to say, but we would like to engage with you. We're making an offer of duty-free, quota-free access. And of course, what China does have in mind is eventually negotiating free trade agreements. So, framework agreements have been provided by China. We believe that about 20 African countries have already signed them, and they will lead eventually. So there's, I guess one could say, a kind of a built-in agenda to move towards FTA negotiations. And we're starting to see some of that happening in the Southern African Customs Union, where a number of partners have knocked on the door to say, we want to negotiate FTAs. And of course, The US is one of them. So as we speak, there have been serious efforts to develop a tariff offer by Sanku to the US during the last weeks. So the negotiations, I think, with global partners are now very much on the agenda. And we really have to look at this ecosystem of trade governance streams how they interact with one another and make sure that ultimately they will benefit our trade development industrialization agendas.

[00:20:00.22] - Cecilia Malmström

So you both point out that the current situation with the Liberation Day and the tariffs have accelerated a sort of awareness that we need to speed up what we're actually doing. And there's a variety of tools you can use, of course. Of course bilaterally try to see what can be improved. And then you have these regional agreements within Africa. You mentioned SACU and you have the African Intercontinental Free Trade Area, which is for those who are not experts in this, 54 African countries with the aim to create, well, a single market of 1.5 billion people, which is of course huge. And if when it happened, it would be the biggest free trade area in the world. I think. So do you feel that also among the many African countries that there is this awareness that we need to speed up the intercontinental integration process? But also you mentioned new other contacts, diversifying trade partners with China, you mentioned, and we have Europe and we have others as well.

[00:21:11.02] - Trudi Hartzenberg

Is this—

[00:21:11.25] - Cecilia Malmström

it's still early days since liberation day, but is this happening? Or is it just you think it should happen?

[00:21:20.04] - David Luke

No, let me jump in. No, I think all of this is happening. A lot is going on at the same time. And for us, I imagine even Trudi, who actually chronicles these things in her excellent Talaq newsletter, it's sometimes difficult to keep up with all what's happening. But, you know, firstly, let me just make this key point that we all need to keep in mind. Africa is the world's poorest continent. This is well known, but I think we need to keep this in mind. 60% of the world's extreme poor now live in Africa. That's at \$1.50 a day. Poverty rates have fallen elsewhere, but not as fast on the continent. On our continent. Also, we need to keep in mind Africa still accounts for less than 3% of world trade, and when it comes to world output, Africa accounts for about 3.8% of world output. Also to keep in mind that formal intra-African trade is only about 15%. We also have fast-growing population, the demographics, 1.3 billion people. This can either be a dividend or it could be a time bomb. So it's just to, I think, just put things in perspective here. I think engagement with multiple partners, of course, is important.

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As Turi has been saying, the continent needs to transform its economies, whether it's— we're thinking you want to call this industrial development or whatever, but we need to change these numbers. That's the point I'm trying to make here. And we need to do this by engaging with partners outside the continent as well as embarking on trade reforms and speeding up trade reforms within the continent. So I think this is how the AFCFTA has to be seen. But also, I think we need to understand that the AFCFTA is opening up trade between the African regions because the trade within the African regions— and there are 5 regions that are recognized as such in the African Union: North, South, East, West, and Central— so trade within the regions is relatively liberalized. We have huge problems with non-tariff barriers, and that's part of the trade reform agenda that Trudius was alluding to. So what the AFCFTA brings is liberalization across the continent in a way that opens up the market for achieving investments that— for investments that can achieve scale. Investments that are too small for the individual regions, but it does mean that all of these things have to happen at more or less the same time.

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We're also dealing with issues around energy. I've talked about productive capacity and the role that investment could play in this. Also, reforms on services. I think services Just as important because we are not necessarily following in on the African continent, the traditional movement from agriculture to industry to services. I think all of this is going on at the same time, just given the kind of global economy that we are now in where all these different sectors do interact with each other to generate productive capacity. And so on. So I think all of this is happening at the same time. And one more point to throw into this is that we need to get our governance systems right, inclusive governance and so on. And out of 54 African countries, I'll say the vast majority are dealing with this in a way to ensure that the benefits are widely spread and so on. So, so much has to happen at the same time, which means that sometimes the results may be seen as meager, slow, but so much is happening at the same time and it all does need to happen at the same time.

[00:25:53.29] - Trudi Hartzenberg

And the—

[00:25:55.10] - Cecilia Malmström

Yes?

[00:25:56.20] - Trudi Hartzenberg

Sorry about that. If I could just— No, of course.

[00:26:00.11] - Cecilia Malmström

Yes.

[00:26:01.10] - Trudi Hartzenberg

This reality check is so, so important. Trade and regional integration more broadly is extremely difficult on such a diverse, vast continent. And I'm reminded that I'm sitting in Cape Town and it's 6,000 kilometers to Abuja, Lagos, to Nigeria. But the non-tariff barriers that David has mentioned, this is so, so important. I mean, there's evidence, ample evidence if one takes a look at what happens at border posts, where incremental improvements in governance, rethinking one-stop border posts, how they work at a bilateral level, is extremely important along the trade corridors. And the trade corridors are not only for trading, but it's also providing production linkages so that trade, industrial the flip side of one another is absolutely critical to keep in mind. But we also have conflict and coups on the continent. And so it really is multiple challenges at home and in the global system that we are looking at. And I think the domestic policy reform processes, domestic governance improvements, this is more important than ever before and a rethinking of what that actually means in a 21st century reality with global shocks to the system, as we've seen, is really important. What does industrialization mean for countries like Malawi, small landlocked least developed countries?

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And David is right, the answer may not lie in poor manufacturing. It may lie in services or in agriculture. So one has to think very differently about the policy prescriptions that can assist these smaller countries, that they are not left behind. Because what we see with the AFCFTA, there's minimal trade at this stage under the AFCFTA regime. But South Africa and Egypt are the two biggest beneficiaries so far. You see very little AFCFTA trade, for example, by SMEs. The trade is still concentrated within the regional economic community trading arrangements and that will not change in the medium term. So there are those realities that we have to reckon with. But it's a big agenda and we have to tackle on all fronts, so to speak. And I think that's, that's the challenge right now. But this is also where regional integration, cooperation, collaboration can be extremely powerful. So we think not only in a national context, but we think about cross-border economic linkages. We also think about issues like movement of persons, and this is still one of those areas where West Africa leads, undeniably so. But in other regions, sometimes it's one step forward and a step back again.

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It still remains a very, very sensitive area, but absolutely essential if we are going to see those economic integration opportunities materialize. Thanks.

[00:29:28.12] - Cecilia Malmström

So it's been 5 years since the AFCFTA— it's a horrible acronym, actually, I stumble in my mouth all the time— entered into force. And of course, you have all these difficulties with the heterogeneity of the continent and the different stages. But 5 years, has there been any lessons that you have documented that can lead the way forward and to sort of guide so that more countries also can start benefiting from it, or that the regional areas within Africa, that they can use it in a better way. I think accelerated also by the pressure outside now with, with the tariffs from the US and the turbulent general trading climate. And we'll come back to the WTO in a short moment.

[00:30:25.21] - David Luke

Yeah, I, you know, from what we're hearing, um, um, you know, over 10,000, um, individual transactions have taken place under the AFCFTA. Uh, but, you know, as Trudi and I have both been pointing out, um, uh, most of intra-African trade, um, occurs under the regional, uh, economic, um, communities. And I think that's a reality I think that's not going to change in the near future. The AFCFTA, all the same, has been important also for experimentation, and we've seen some interesting sandboxes. The Pan-African Payment System, I think that's one of these experiments looking at how countries can use their own currencies who are playing system to pay for trade finance and so on. We're also seeing some interesting sectoral developments. For example, the African Association of Automotive Manufacturers come up with this proposal to consolidate the automotive sector on the continent, possibly with 3 hubs: South Africa, Morocco, possibly Nigeria, and to build value chains across the continent that are centered on these hubs. Again, looking at scale, looking at the efficiencies that come from scale. Some would say that this might be a sort of nascent Autopact sort of emerging within the African continent, as we saw in the case of North America, for example, that NAFTA was built on the original North American Auto Pact, so on.

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So I think we're seeing these sorts of developments that are related to having a continent-wide perspective that the AFCFTA brings. And by the way, Cecilia, Some just simply say AFTRA instead of trying to get through the acronym. So AFTRA might work. So I think you're seeing these sorts of developments also in the transport sector. We're seeing new investments that are being announced in shipping, Nigeria, in aviation and air freight by Ethiopia. And so on, and

plans to scale up. So I think these are just indications that the market, businesses, are seeing an opportunity and responding to that, which is the way that the AFCFTA is supposed to work. But then the reality, as we said, is that yes, the regional economic community is still important. Africa is a massive continent, and I think Trudi just alluded alluded to this when she said she is 6,000 kilometers away from Lagos. Africa is a continent of 30 million square kilometers. So the regional aspects are going to remain important, especially for the transport corridors, the sorts of reforms. You alluded to the fact that I'm on the board of TradeMark Africa, and much of the work that we do at TradeMark Africa has to do with the corridors, the border reforms, customs, transit facilitation, and so on.

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So, but, you know, I think the AFCFTA is giving momentum and, of course, strong political buy-in as well to the AFCFTA. So, as a vehicle or tool for not only for trade but for development, I think that's the way we need to see the AFCFTA I think Trudie also made this point, and I think from that perspective, I would say that the glass is half full, not half empty, so to say.

[00:34:28.12] - Cecilia Malmström

Celia, you both mentioned— Yes, can I just ask, you both mentioned investment and you said, Dave, that there were some increased investment in critical sectors, and you also mentioned the need of investment. And there is actually a question from the audience from Adam Hemphill, who said, what are the key barriers to investment currently and how can you best build build investment confidence and unlock future investment within the AFDA? Maybe you want to incorporate that in your answer.

[00:35:00.25] - Trudi Hartzenberg

I could perhaps just come to that. Just a couple of other points linking to what David has mentioned about the AFCFDA— I'm back to the acronym— is that it has generated significant interest and Sometimes we're actually surprised at the global interest that the AFCFTA has generated. So there is enormous interest. And of course, investment location decisions, understanding what the investors are looking for, is absolutely critical. We've seen some of the beneficiaries of the AFCFTA, the early traders, are in fact foreign investors. In the case of South Africa, in a number of cases that has actually been the case. There are a number of prerequisites. So when one typically looks at how investors decide on a particular location, the issues that David mentioned early on around energy are absolutely critical. But the energy sector in itself has become a particularly important focus for investors. And we are seeing in some countries quite significant— excuse me— progress towards renewables, for example. So

this is an area of innovation in terms of both generation, transmission, and distribution to reach the remote parts of many countries, so away from the large grid transmission arrangements, for example, to microgrids and so on.

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So this has become, I think, an extremely important area. But I'm going to leave more discussion to, to David on the FDI. I do want to just mention the Protocol on Women and Youth in Trade in the AFCFTA. And this for me is one of the highlights. It was not envisaged in the original plan and design of the CFDA. So it's actually a homegrown and African-grown bottom-up, as we sometimes say, initiative. And what it has done through extensive engagement across the continent— and I really want to recognize what the AFCFTA Secretariat has done here— is to develop what is a very important catalog of all the systemic challenges that women and youth face in terms of accessing trade, but also broader economic opportunities. And it doesn't provide all the solutions because the solutions have to come from other areas, both within the AFCFTA Protocol on Investment, for example, on intellectual property, trade and services, where access to finance could potentially be addressed to some extent in terms of the commitments that, that the state parties make., but also in the complementary initiatives, the role, for example, of institutions like the African Development Bank, Afriqsa Bank, the African Union Commission, regional development banks, national development banks, where there's a great deal of innovation in terms of addressing some of the systemic broad range of access to finance issues.

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And I think this is really a template for implementing an inclusive free trade area. So I think this is something that we are at TRALAC very excited about, but it will have to be implemented very, very carefully, anchored in the national and the regional context and building on what exists already. But very exciting. David, I would like to hear more about FDI.

[00:38:51.29] - David Luke

Yes, truly. Yeah. No, I think it's great that you mentioned the importance of the Protocol on Women and Youth. Again, this is another innovation, one of these AFCFTA sandboxes that we are seeing that is emerging. On investment, I've always said that the continent as a whole has a strange relationship with FDI. And what I mean is that you see FDI going into some places where you would have thought the risk is extremely high, you know, conflict areas and so on. But that's usually FDI that is in the mining sector, extractive sectors, and so on. So So we've seen that aspect. We've seen less FDI go into manufacturing and agriculture, some FDI into

services, especially financial services, transport, logistics, business services, related aspects of tourism. Certainly African countries need to do more in terms of facilitating investment, attracting investment, aftercare investment, and so on. And many countries are stepping up in this area. But it's not just a matter of the risk, because as I've said, you will see investment going into very high-risk areas and so on. I think also there's a question of perception that needs to change. As much as African countries are undertaking reforms, so I think the perception of risk needs to change.

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Certainly, manufacturing needs to attract more investment. Agriculture needs to attract more investment. I've recently done a book on food security and food trade, and one of the One of the issues that we discuss in the book is how little investment has gone into the agricultural sector, a sector that is so promising on the African continent. And, you know, that this is both foreign investment as well as local investment. But foreign investment in African agriculture is, is paltry, it has to be said. Although that, of course, has to be seen in relation to the bigger picture of global agricultural reforms that are needed within the framework of the WTO, because why would you want to invest in a sector that— or to produce products that are heavily subsidized in other places? I know that they— we're going to have a conversation soon on the WTO, but that is one of the issues here, that for African agriculture to thrive, we need to look at the sort of global picture as well. But even domestic investment, again, our book, we show very clearly that African savings is not going into African agriculture for various reasons, bottlenecks, relating to collateral and land as collateral for finance and so on, because the African agricultural sector is mostly smallholders.

[00:42:27.13]

And so I don't want to get into the thickets of all of this, but basically to say that it's a complex issue when we are discussing investment, that it does We see investment going into high-risk areas, but we also seeing investment not going where it is really needed in agriculture, in manufacturing and so on.

[00:42:51.15] - Trudi Hartzenberg

Hmm. Zelig, if I could just add one sentence to that, I think David's absolutely right. Of course, the drivers of resource-seeking investment are very different from what we see in manufacturing. But recently, South Africa concluded a Clean Trade and Investment Partnership with the European Union, and this is focused very much on the green and the just transition, focusing on renewables, on renewable value chains and so on. And these kind of sector

agreements, which are really about leveraging investment but also transfer of technology and green industrialization, energy security through renewables and so on, I think are really interesting to have a look at in terms of promoting investment, attracting investment. And I think the kind of sector agreements that we are seeing more of globally are quite interesting here as well. And David has referred, of course, to the auto sector and the auto sector strategy for the continent. And concluding agreements with global partners here, I think, could be a very important framework for leveraging investment in those specific sectors.

[00:44:10.02] - Cecilia Malmström

Yes, under the Global Gateway project, the EU is trying to invest in strategic sectors and also trying to— when I, in my former life, when I was EU Trade Commissioner, was involved in trying to negotiate regional trade agreements within Africa and And the AFTA didn't exist at that time, but the thinking was already there. And the sort of thinking was that these regional trade agreements would be stepping stones towards a bigger integration. And then, of course, the EU internal market has a totally different story than what you're trying to do in Africa. But are there lessons? And there's also a question about this. Are there lessons that could be learned from the EU integration process that you think could be useful for Africa as well?

[00:45:00.09] - David Luke

Recently been doing some work on East Africa, and I think one of the clear lessons is that the asymmetrical structure of these agreements need to be maintained. Actually, my own writings have gone much more— have been much more provocative in terms of how I see asymmetry and so on. But, you know, I think that is clearly an approach that we need to maintain. Maintain, just again, given how far behind I would say most African countries are and how far they have to go to achieve convergence. So I think that's a big lesson from the EPAs, I think we call them, the Economic Partnership Agreement. Yeah, that these asymmetry is going to be important. Also, I think Toguti alluded to this, These new sort of clean trade investment agreements that are looking at sustainability and looking at specific sectors and so on that the EU is now developing under the Gateway, I think that's also going to be important. And beyond this, it also has to be said that the EU has been a big investor in African trade facilitation. We know this in several of the corridors, the work, the support in East Africa in particular.

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I think that is a model that could be followed elsewhere and indeed being copied in West Africa and other places through institutions like Trademark Africa and so on. So, I mean, the EU has been a great partner for Africa, although of course it's been a relationship that we know has not

been an easy one as well. But all the same, on balance, I think many positives to take away from the engagement with the EU.

[00:46:54.12] - Cecilia Malmström

One area where I think Europe and Africa do agree is, of course, the importance of multilateral institutions. And we have seen the erosion of WTO for a long time now and the inability to make decisions and to sort of put the whole organization up to modern trade. And there are lots of attempts and there will be a ministerial conference in Yaoundé in Cameroon in March, which is now in full preparations. And I don't think anybody expects big groundbreaking results, but at least maybe some sort of process could start there. And there are different initiatives taking the different group of friends or their different mini initiatives to target sectoral areas where progress maybe could be made. How do you see this? And this is, of course, challenges that started long before President Trump, even before President Trump won. So this has been a global challenge to do this. But I think Europe and Africa can agree, and many other countries as well who are active in Friends of Multilateralism, we can agree that we actually do need more than ever global rules and a predictable environment for trading. And most trade actually still does happen within the WTO rules.

[00:48:22.28]

So what do you expect in Cameroon?

[00:48:27.28] - Trudi Hartzenberg

Yeah. Yeah, perhaps just, just a couple of thoughts here. The recent General Council meeting which actually still ongoing. It's only the 17th and they are still meeting. The preparatory work, I think, has been really interesting because there has been quite broad submission of items for discussion in preparation for MC14. And certainly the US has made submissions, the African Group, but also individual African countries. And I think the MC14 taking place in Africa has been also a little bit of a boost to African countries to recognize the importance of the multilateral trading system. It's almost as if we're— when you're about to lose it, we see the value of that. And Cecilia, you're absolutely right. Although the trade under multilateral rules, MFN, has declined from 80% to 72% this year, That 72% is still extremely important, but very important are the foundational principles of the multilateral trading system. And we've got to keep in mind that this system matters most, in my view, for the small and the vulnerable. And that applies to countries as well as to enterprises. And I think as far as, as Africa is concerned, This is absolutely critical for us. So the stability, predictability, legitimacy, transparency that comes with the multilateral trading system is extremely important.

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Of course, we recognize, as you say, that there have been more than 15 years now that we've been talking about reform and we know there are challenges. How do we take it forward? And I think certainly the conversation that is emerging about What are the core principles that we all can subscribe to in terms of a multilateral trading system is really important. You know, then it becomes more technical in terms of decision-making. How do you take the agenda forward to fill governance gaps? Because, of course, we haven't seen development of, of, of WTO rules in key areas where the global economy is simply straight ahead. And these governance gaps mean they will be filled and they will be filled when we are not at the table. And I think this is, is a major risk. So we're looking at, for example, the digital climate. There's a whole range of really important issues where multilateral rules are increasingly important. So I found it quite interesting at COP just recently in Brazil, trade became one of the most contentious discussion issues. And that was really good news. And this was prompted very much by the unilateral climate measures that have been proliferating in recent years.

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We're recognizing that we really need to put this on the agenda. So mainstreaming climate in trade policy and mainstreaming trade and climate policy is really an important area for many African countries. That are incredibly vulnerable to climate risks, as we've seen. So a lot more to discuss. David, look very much forward to hear you on this as well.

[00:52:00.04] - David Luke

Well, truly, so often we agree with each other on many of these things. But again, you know, yes, indeed, I think we are seeing the value of the WTO in these fraught at times, but it's also clear that we do need an approach that does indeed reaffirm the fundamental principles but allow for the flexibilities that different countries at different stages of development do need to pursue the policies that beneficial to them. So how you square that conundrum is, is difficult. But nonetheless, I think we need to go in that direction. You mentioned climate and sustainability. Again, this is an important area. And here also, I think there is scope to have multilateral to take multilateral approaches. The EU, as you know, has been a prime mover in this, in this area, and I think there are many who criticize the, the approach that the EU has taken on its CBAM, on its deforestation, etc. So I think there is scope to look at how we could achieve the same objectives within multilateral international framework like the WTO. And I think that those conversations are also important. I mentioned agriculture. You know, of course, this is a difficult area and it's not—I don't want to be simplistic because I do understand, of course, that much of the subsidies that

go into agriculture do make food available on the planet, which is why, We do have sufficient food on the planet, but the knock-on effects, including on African agriculture, I think that's something that needs to be looked at afresh in a new way.

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And I think we need new thinking, new research, such as what we have done to show the specific effects on products. We drill down to look at products like maize, rice, poultry, even livestock and so on. So I think that kind of approach with new thinking on these issues so that we could move towards more equitable solutions are going to be important. But overall, certainly the African Union African group is quite active in the preparations for MC14, and, and some of these issues are very much on, uh, among their priorities. So I think we, we do need the WTO, there's no question about that. Small countries have seen the value of the WTO in this, in, in, in, in recent months. The issues issues that have come up in recent months. But we do need to be looking seriously at reform and to actually find solutions. We've been talking about these things for a long time, as was mentioned. The 2020— it was 2001, so it's now 25 years since Doha and all that. But so much has happened since Doha, but we do need to to look at how we could ensure a multilateral system that is predictable, that is based on those fundamental principles of non-discrimination and so on, but can also be flexible enough to deliver for smaller, smaller, smaller countries and flexible enough to accommodate the specific sectoral concerns, such as in agriculture, that small countries have.

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So I know it's complex, but I do hope that we can inch by inch somehow move in that direction.

[00:56:21.21] - Trudi Hartzenberg

Cecilia, if I could—

[00:56:22.07] - Cecilia Malmström

One of the ways to achieve flexibility is, as most countries and scholars are proposing now, is to move towards more plurilateral agreements that could later be incorporated into a bigger multilateral framework? Because as you said, it is really hard to get all of the membership to agree and it will be even harder now. And I know that some individual African countries are involved in these ongoing plurilateral negotiations that are going. So do you see this? But I know South Africa has been quite skeptical and there's a question here and the country South Africa is blocking a gap-filling initiative in the WTO on investment? How can this be overcome? Sorry, Judy.

[00:57:08.08] - Trudi Hartzenberg

If I could just say one sentence about this, because if we look at the African Continental Free Trade Area and Protocol on Investment, Protocol on Digital Trade, we see a very significant overlap with the plurilateral agendas and the WTO. So it means effectively that all the AFCFTA state parties that are in the process of ratifying these protocols because they are required to do so, actually buy into those agendas. And I think we really need a conversation among the state parties to take this together through the African Group to MC14, because investment facilitation for development Absolutely the agenda that we have committed to under the Protocol on Investment. And similarly, when it comes to the Digital Trade Protocol and the other examples as well, South Africa, my country, has been certainly an outlier in many respects, sometimes siding with India on these issues. But I think we are more open now, and perhaps I shouldn't speak on behalf of the country as I certainly detect a more openness now about discussing these issues than we have seen for a long time. There used to be an in principle decision not to participate in any plurilaterals simply because they were plurilateral and not multilateral.

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But given the crisis that we face now, it is a position which really seriously needs to be considered because otherwise we will remain stuck with a collection of agreements which does not reflect the reality of the governance needs of the global economy. And that would be a missed opportunity in my view.

[00:59:06.29] - Cecilia Malmström

You agree, David?

[00:59:10.06] - David Luke

I know our time is almost up, but let me say that I think plural approaches can work, but you still need to address the fundamental imbalances in the multilateral rules as they, as they stand, including on agriculture. So I don't think it's enough to put the plurilateral approaches on top of these imbalances without really dealing with them. So that's again, I know, a conundrum. How do you resolve that while also translating to plurilateral approach is because a plurilateral approach will not solve the problem in agriculture, for example. You do need to deal with that first. So, but yeah, but I think we're in a crisis in a sense, and we need to find ways that we could be able to move forward with an agenda that's expanding. We've not even talked about digital digital issues or services, there's not been enough time and so on. So we have a huge agenda because the global economy is changing and we all need to change our approaches

along with that. But you still need to deal with those imbalances. And I think that has been at the core of the problem. And if you look at what the African Group is saying, it's basically that that's a priority for them.

[01:00:37.02] - Cecilia Malmström

There's so much we haven't had time to discuss. You mentioned digital services. I wanted to go into critical minerals as well. But time flies. You've been very generous with your time. So we will just have to come back to this maybe after Cameroon meeting to see what happened, where do we go from now. But Trudie and David, thank you so much for joining this episode. Thank you to you who have been watching and wishing you all happy holidays and a happy New Year and see you in January. Thank you so much.

[01:01:07.25] - David Luke

Thank you too, Cecilia and Trudie, and best wishes for the season and the New Year.

[01:01:13.28] - Trudi Hartzenberg

Thank you so much, and to you Cecilia, David, and everyone as well.