



Multilateralism and Bilateralism in International Trade

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Abstract

The contemporary international system is dominated by international trade. Therefore, it is the fundamental and critical aspect of international economic relations. The study investigated the how African states participate in common bilateral and multilateral trade relations. Its core objective is to study whether trade barriers have been made less cumbersome among the participating countries in African continental region. Common trade and international trade justify the essence of globalization. The wave of globalization has necessitated the flux of multilateralism and bilateralism among the participating nations in the international trade. Methodologically, the study adopted comparative theory of international trade. Its method of data collection is documentary method and analyzed through interpretive studies. As the international trade continues to take the centre stage in the international economic relations; States continue to engage in multilateral and bilateral trade relations. The operations of Transnational Corporations (TNCs) and Multi-national Corporations (MNCs) as non-state actors also engage in multilateral and bilateral agreements with the host states. Several agreements led to the establishment of General Agreement on Tariff and Trade (GATT) and World Trade Organization (WTO) remains conspicuous products of multilateralism and bilateralism in the international trade in the recent time. African Continental Free Trade Area (AFCFTA) is a multilateral agreement enacted by fifty-four members of the African Union (AU) in 2019 to boost trade relations among them. Its core benefit is to facilitate free trade and removal of trade barriers in the region Therefore, this study is set to examine the advantages and impacts of AFCFTA and other multilateral and bilateral agreements in Africa and the world at large.

Key words: multilateralism, bilateralism, trade agreements and international trade

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Introduction

The contemporary international system is dominated by competing interests hinged on multipolar and bipolar trading opportunities. International trade has brought nations together in term of agreement on mutual interest. Trade is the oldest and most essential interdependent interface between and among nations and at the moment has involved non state actors (Aja, 2002). The entrance and emergence of non-state actors have created new complexities and dynamics in international trade. It is important to note that the international system is complex and that states are not necessarily the key actors in the system. A major actor in the system is the global operator known as multinational corporations. These organizations participate in international relations is primarily not about power; it is first and foremost concerned with profit (Asobie, 2007:41). And these gains accrued from international trade. These organizations and multilateral organizations are also key elements in international trade. International trade is also key in the international economic relations, where multilateral trade. agreements take places. The current roles of World Trade Organization are significant in the management of international trade among nations. It is obvious the WTO replaced the GATT regime. It is important to observe that multilateral trading agreements could be likened to be international regime in certain areas in international economic relations.

Regional organizations have also boosted the formation of international trade regime. It could be bilateral or multilateral organizations. Regionalism reflects collective agreement and solidarity among members in a given geographical entity in trade, capital and labour flows, foreign direct investments, and integration policies in certain technical areas of common interest. The clear point to observe is that regionalism represents the willingness and determination of states with strong sense of interest, values, orientation and expectations to live and work together in both domestic and foreign policies in support of greater political and economic union and by extension security community (Aja Akpuru, 2002). It is on this premise that the AU and other regional organizations have made efforts in creating multilateral trade agreements in the region. Born out of the African multilateral regional efforts is the emergence African Continental Free Trade Area (AFCFTA) is a multilateral agreement enacted by fifty-four members of the African Union (AU) in 2019 to boost trade relations among them. This is a bold step in building



multilateral trade relation in Africa. Therefore, the study is hinged on examining the benefits (AFCFTA) as a typical multilateralism in Africa.

Conceptual Elucidation

The concepts of unilateralism, bilateralism and multilateralism have characterized the international relations and as well dominated the interaction of states while they engage in international trade. These concepts in the contemporary tend to depict the capacity and the capabilities of nation as they interact in international relation and international trade. International relations remains the sum total of social, economic and political processes that take place across the territorial boundaries states. Critical among these processes is the place of international trade. Bilateralism and multilateralism define and modify the behaviors of states in international trade. Therefore, it behooves on this study to look at the conceptualizations of these concepts before delving into the next stage of the study,

Multilateralism

In the extant literature, scholars have likened multilateralism to mean globalization. Both concepts are often used interchangeably. According to Oman (1994:27) globalization is often used in at least two different ways, with rather different implication in relation to their policy direction and focus. In one view, globalization is used to mean multilateralism in which sense the global trading system, multilateral trade liberalization and state policies are the key drive and focus. Globalization is by the way understood to mean multilateral lowering of policy impediments to the movements of goods and services across national as well as regional boundaries and this process is what can be referred as “multilateralism” Oman, 1994). In defense of this view, it is recalled that international trade is the key component and agent of globalization.

In another perspective, globalization (multilateralism) is seen more as a microeconomic phenomenon, driven by the strategies and behaviors of corporations; here it is the changing dynamics of global competition and international competitiveness among firm, as well as among countries that constitutes the principal focus of the debate (Offiong,2000). The approach above



subsumes and suffused multilateralism into globalization. International competitiveness among global firm signifies the essence of international trade.

On the plain of international relations, bilateralism and multilateralism are common concepts. Some writers disaggregate these on the basis of quantity, where bilateralism is hinged on the relationship between two sovereign states either on social, economic, political and commercial linkages, while multilateralism engages three or more states sharing and interfacing in politics , economic, cultural, social and commercial purposes (Keohane, 1990). Leaning on this conceptualization, the United Nations and other regional organizations are obviously multilateral international institutions. This definition suggests that the United Nation and these regional bodies can neither be unilateral nor bilateral in their relationship.

Furthermore, there are other scholars in International relations who involved a quality based approach in their definitions. Ruggie (1993) suggested that multilateralism entails and possesses the following indexes notably: indivisibility, generalized organizing principles, and diffuse reciprocity. The indivisibility in this regard involves multilateral approach centered around socially built public interest and good. On the other hand generalized organizing principles and diffuse reciprocity entail multilateralism which is opposed to discrimination and preferential bilateralism (Ruggie, 1993:11). Typically, international organizations that emerged after the World War II, such as the UN, the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT), and subsequently World Trade Organization (WTO) constituted the fundamentals of multilateralism, as they targeted and included all the countries of the world as affiliates. For instance, the Charter of the UN, its founding document, is based on several international rules that are applied equally to all nations, such as the principle of sovereign equality, prohibition of the use of force, and the principle of non-intervention. Atsushi (2017) submitted that “in sum multilateralism is at one end of a spectrum, based on norms and rules that sustain predictability in the international system and maintained (relatively) successfully by the strong leadership of the United States and its allied countries”. In addition, multilateralism in international trade involves the choice of all participating nations to engage in international trade across the boundaries of the nation states. Examples abound of multilateral deals that the U.S. signed: Besides the TPP, the North American Free Trade Agreement



(NAFTA) signed in 1994 between the U.S., Canada and Mexico, the Central American Free Trade Agreement (CAFTA) signed in 2004 by the U.S. with Costa Rica, Dominican Republic, Guatemala, and Honduras. African Continental Free Trade Area (AFCFTA) is a multilateral agreement enacted by fifty-four members of the African Union (AU) in 2019 to boost trade relations among them.

Bilateralism

Contending view on bilateral trade relation is concerned about the involvement of two states in international trade. Bilateral trade relation is centered on the agreement between two states. Bilateralism, by contrast, is based on preferentialism and changes its goals and priorities on a case-by-case basis. The collective security system under the UN Charter is clearly a product of multilateralism, but the collective defense system (known as collective self-defense) is based on preferentialism by the powerful states (such as the United States of America) and thus is a form of bilateralism. A typical example of bilateralism can be seen in the Asia-Pacific region where the United States formed a so-called hub-and-spoke type of alliances network (Hemmer & Katzenstein, 2002). In a similar vein, the North Atlantic Treaty Organization (NATO) could be seen as a product of bilateralism; however, some scholars believe that it is based on multilateralism among Western democracies in which shared norms and rules are applied to all on an equal basis (Weber, 1991).

Furthermore, bilateral agreement, also called a clearing trade or side deal, refers to an agreement between parties or states that aims to keep trade deficits to a minimum. It varies depending on the type of agreement, scope, and the countries that are involved in the agreement. Bilateralism is the conduct of political, economic, or cultural relations between two sovereign states. It is in contrast to unilateralism or multilateralism, which is activity by a single state or jointly by multiple states, respectively. Economic agreements, such as free trade agreements (FTA) or foreign direct investment (FDI), signed by two states, are a common example of bilateralism.

More examples of bilateralism include:

- (i) ASEAN – China Free Trade Area (ACFTA), in effect as of 1 January 2010.
- (ii) EU – Japan Economic Partnership Agreement (2018)



- (iii) US – EU United States (TTIP – Transatlantic Trade and Investment Partnership) currently undergoing negotiation.

International Trade

Many definitions have been offered concerning the concept of international trade. International trade is a key concept in international economic relations. The central focus on international trade is deliberate. It carries the contents of national wealth, productions regime, export-import behaviours, foreign direct investment and strategic trade policies (Aja Akpuru, 2002). International trade is the exchange of capital, goods, and services across international borders or territories because there is a need or want of goods or services. It is international trade that presents the most uniting aspect of globalization. The critical aspect of globalization include: economic, political and socio-cultural. The economic aspect of globalization is the international trade. It is the focus and major interacting point in international relations.

Theoretical tradition

Several theories suffice to analyze the trade relations among competing states. This study adopted in its investigation the comparative theory of international trade. Its core proponent was David Ricardo that countries can benefit from trade even if they do not have an absolute advantage in the production of any good, but if they opt for specialisation in those goods where they have relatively higher productivity

The World Development Report (2020) stresses that comparative advantage trade theory asserts that development led by the “global value chain” (GVC) creates mutual gains for both the companies and suppliers. The report notes: “GVCs allow countries to benefit from the efficiency gained from a much finer international division of labour. GVCs exploit the fact that countries have different comparative advantages not only in different sectors but also in different stages of production within sectors (Kalim, 2024). Kalim (2024) is the neo advocate of comparative international trade theorist and supports that proposition that states should rely on good and services where they have comparative advantage. This defines the essence of African Continental Free Trade Area (AFCFTA) and guide its policy directions.



Methodology

Methodology is the mechanics for the gathering of data in a social research. It embodies the type of research design to be used in the study. This study adopted the ex post facto research design. It also adopted documentary method of data collection. The data were collected from the internet, journals, book and other secondary sources. It applied interpretive and content analyses as preferred analytic tools.

The Impact of Multilateral and Bilateral Linkage in Africa: A Focus on AFCFTA

The study has examined the concept of multilateralism and its coterminous with globalization. Multilateral trade binds the comity of nations together on the altar of common trade in goods and services. Multilateral trade drives the international economic relation. Both multilateral and bilateral linkages are key and essential in building the international economic relations among nations in the international system. This study under this section looked at the multilateral trade with proper focus on AFCFTA.

The African Continental Free Trade Area is an initiative of the African Union with a view to building multilateral trade bloc in Africa. African Continental Free Trade Area is a free trade area, which was established in 2018. It came into existence through the creation of the African Continental Free Trade Agreement comprising 54 of the 55 members of the African Union. It is the largest in the world in the area of multilateral participating nations since the inception of World Trade Organization. Accra the capital, of Ghana remains the secretariat of the AFCFTA (AU Summit, July 2018). The core objectives of the AFCFTA agreements include:

- (i) create a single market, deepening the economic integration of the continent
- (ii) establish a liberalized market through multiple rounds of negotiations
- (iii) aid the movement of capital and people, facilitating investment
- (iv) move towards the establishment of a continental customs union
- (v) achieve sustainable and inclusive socio-economic development, gender equality and structural transformations within member states



- (vi) enhance competitiveness of member states within future Africa and in the global market
- (vii) encourage industrial development through diversification and regional value chain development, agricultural development and food security
- (viii) resolve challenges of multiple and overlapping memberships

The AFCFTA agreement has the potential to become a game changer and bring some great opportunities for entrepreneurs, such as:

- (i) Improving the intra-African trade landscape and export structure;
- (ii) Creating a sound global economic impact;
- (iii) Developing better policy frameworks;
- (iv) Fostering specialization and boosting industrialization;
- (v) Strengthening regional and inter-state cooperation;
- (vi) Increasing employment and investment opportunities, as well as technological development;
- (vii) Providing the opportunity to harness Africa's population dividend.

The study having explored the benefits and the opportunities of the AFCFTA at the moment; it is important to look at the key challenges AFCFTA facing the multilateral bloc in Africa. These challenges are identified in the activities of the Regional Economic Communities. These are non-trade barriers (NTBs) constraining intra-Africa trade: some examples are discussed below:

East African Community: Intra-EAC trade continues to be constrained by NTBs such as unexpected changes in the rules and procedures for exporting goods; intra-EAC import bans of key commodities such as confectionery, cooking oils and fats, carrots, grains, sugar, milk and liquefied petroleum gas (LPG); the re-testing of goods prior to entry into specific markets and entry restrictions for textiles manufactured by firms in the Export Promotion Zones benefitting from national tax incentive schemes.



Economic Community of West African States: The ECOWAS Trade Liberalization Scheme aims at ensuring the free flow of goods within this Regional Economic Community (REC), but various obstacles still undermine free intra-REC trade. These barriers include repetitive checkpoints, required illegal payments and harassment of traders and transporters, transit fees on goods exported via specific ports and inconsistency in weighbridge calibrations.

Southern African Development Community: Intra-SADC trade remains low (19% in 2017) due to tariffs, NTBs, underdeveloped trade-related infrastructure, weak manufacturing capacity, and poor implementation of trade commitments. The more prevalent NTBs include import permits, a resurgence in the requirement for pre-shipment inspections, discriminatory application of regulations, VAT on transit goods, inefficient border operations and unofficial roadblocks.

In the light of the above challenges confronting the AFCFTA, the benefits and the overall benefits of multilateral trading bloc will come to the fore as the multilateral organization continues to thrive on.

Conclusion

First, the study looked at the conceptualization of the key concepts under investigation. They include bilateralism, multilateralism and international trade were properly defined to the understanding of the readers. Their conceptualizations were linked with international relation perspective and how they are applied in international trade. The study looked at how international trade is coterminous with the concept of globalization. Globalization is also coalesced with multilateralism and showed how multilateralism reinforces globalization in the contemporary practice.

The second aspect of the study looked the historical formation of AFCFTA under aegis of the African Union in the year 2018. Its objectives and opportunities were examined. The paper looked at the challenges facing the multilateral bloc as the major issues militating against the Regional Economic Community (REC). These issues impinge greatly on the activities of AFCFTA in a bid to muster the supposed benefits for the region.



Conclusion and Recommendations

A number of recommendations accompany research paper that can offer policy directions and guide. The study therefore offered the following recommendations:

- (i) The study therefore, recommends that the 55 members of AFCFTA should adhere strictly to the trade protocols and terms of the multilateral agreements to ensure the unfettered growth of trade in the region.
- (ii) The study recommends that a level playing ground should be provided for all African countries participating in trades within the region.
- (iii) Adoption of common trade exchange would benefits the region economically.

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