

A Developmental Regionalism Approach to the African Continental Free Trade Area (AfCFTA)

Prof Faizel Ismail

Director at the Nelson Mandela School of Public Governance, University of Cape Town

The African Continental Free Trade Area (AfCFTA) was launched on the 21 March 2018 at a Summit of the African Union (AU), held in Kigali, Rwanda. President Paul Kagame declared that the launch of the AfCFTA was “historic”. Seen from the long lens of history, this was indeed a historic event. It was the most ambitious expression yet of the dream and vision of Pan-African leaders such as Kwame Nkrumah, Jomo Kenyatta, and others who had begun the long journey towards African unity and integration since the decolonisation and independence of African States in the late 1950s. The AfCFTA officially entered into force at the Summit of the AU on the 7 July 2019, in Niamey, Niger, and was scheduled to be implemented as from 1 July 2020. However, due to the impact of COVID-19 this date has been pushed out to 2021.

Several studies undertaken by the United Nations Economic Commission for Africa (UNECA) economic researchers predict that the AfCFTA has the potential to increase growth, raise welfare and stimulate industrial development on the continent (Karingi and Davis, 2016). However, there are also concerns that some countries, particularly the smaller and more vulnerable economies, may experience the negative impacts of premature liberalisation and fiscal revenue losses (Hoekman and Njinkeu, 2016). It is an opportune moment for African policymakers to ask a few pertinent questions. How can the AfCFTA advance inclusive growth and economic development of the African continent? How can the AfCFTA benefit all African countries? How can the AfCFTA lead to economic transformative and industrialisation of the continent? How can the AfCFTA also catalyse and advance the building and strengthening of democracy, good governance and peace and security in Africa?

This essay argues that adopting a “developmental regionalism” approach to trade integration provides the best prospects for the AfCFTA to catalyse the process of transformative industrial development, cross-border investment and democratic governance

in Africa. “Developmental regionalism” is defined as “cooperation among countries in a broader range of areas than just trade and trade facilitation, to include – for example – investment, research and development, as well as policies aimed at accelerating regional industrial development and regional infrastructure provision, such as the building of better networks of roads and railway” (UNCTAD, 2013). In its 2017 *Assessment of Regional Integration Report (ARIA VIII)*, the UNECA also makes the case for a comprehensive approach to the implementation of the AfCFTA. The report argues that “at the heart of the AfCFTA is a developmental approach that recognizes the need for trade liberalization to proceed, and at the same time, address supply capacities and promote structural transformation” (UNECA, AU and AfDB, 2017).

This analytical framework on regional integration thus draws on the work of Davies (1996), the United Nations Conference on Trade and Development (UNCTAD) (2013), and UNECA, AU and the African Development Bank (AfDB) (2017) and extends the concept of “developmental regionalism” to include cooperation among African countries in a regional integration framework on four parallel and interconnected pillars: a) cooperation on building mutually beneficial trade integration (fair trade integration); b) cooperation on industrial development and upgrading in regional value chains (transformative industrialisation); c) cooperation on investment in cross-border infrastructure and trade facilitation; and d) cooperation on the building of democracy, good governance and peace and security.

First pillar: fair trade

Africa’s member states have a wide variety of categories of countries that may require special attention and specific treatment. The 55 African member states are made up of 34 least developed countries (LDCs), 16 land-locked developing countries (LLDCs) and six small island developing states (SIDS).

Building trade agreements in favour of small and less developed economies will assist in contributing to fairer outcomes of the AfCFTA and a more balanced and mutually beneficial regional integration process.

African governments should ensure that their stakeholders - business (both big and small), trade unions and civil society non-governmental organisations (NGOs) - are included in the national consultation process and provide their negotiators with clear mandates for negotiations. African countries need to build effective institutions that are inclusive and enable the fullest participation of stakeholders in the negotiating process. This will improve both the quality and the sustainability of the AfCFTA agreements.

Second pillar: building regional value chains

Most African countries have been growing rapidly since the early part of the new millennium. Reflecting on this trend, the African Centre for Economic Transformation (based in Ghana) commented as follows: “the continent is growing rapidly, transforming slowly”. This prompted some development economists such as the Harvard based Dani Rodrik to argue that “structural transformation is essential to ensure labour-demanding employment and social inclusion” (Rodrik, 2013). Transformation involves the process of moving the economy away from being based on low value-added primary products towards higher value-added production and knowledge-based products. In the economic literature, these processes include *agricultural transformation, export diversification, building technological capabilities among firms and farms, industrial upgrading and industrial deepening*.

African countries are increasingly connected to the global economy through global value chains (GVCs). However, they are mainly suppliers of raw materials and other low-value manufactures and operate at the lowest rung of the ladder in GVCs. The good news is that while Africa’s exports are largely made up of commodities to the developed countries and to China, the composition of its intra-African trade is made up of more technology-intensive *manufactured* products.

Therefore, the development of regional value chains and the insertion of African firms into global value chains will, by their nature, facilitate increased intra-African trade of manufactures and could contribute to sustainable long-term growth. There are numerous industrial sectors in Africa that are

ripe for the development of regional value chains in agro-processing, pharmaceuticals, iron and steel and capital goods, clothing and textiles, leather and footwear and even in the automotive sector.

In advancing regional trade integration in these sectors, African policymakers must recognise the need to carefully nurture small and medium sized enterprises and manufacturing. Thus, adequate policy space should be available to African states to build the necessary trade and industrial policies, laws, regulations and institutions to ensure safe and fair trade, and to build their infant industries. In addition, these industries will need adequate attention to laws and regulations to protect the integrity of Africa’s borders from illegal imports, sub-standard goods and third country trans-shipment. African countries must be able to protect themselves from unfair trade, sub-standard and dumped goods from the north and south, whether this is in the form of second-hand clothing or vehicles.

Cooperation between Africa’s emerging entrepreneurs and industries towards building regional value chains, and to compete more effectively in global markets, will advance transformative industrialisation, obtain a fairer share of the value we obtain from our commodities and our labour, and improve the lives of the people on our continent. The AfCFTA must facilitate this process.

Third pillar: cross-border infrastructure investment

As stated above, Africa is divided into 55 states of landlocked (16), least developed countries (34) and small-island developing states. The landlocked countries (Botswana, Burkina Faso, Burundi, Chad, Central African Republic, Ethiopia, Lesotho, Malawi, Mali, the Niger, Rwanda, South Sudan, Swaziland, Uganda, Zambia and Zimbabwe) may face very specific challenges. These countries all lack maritime access, are isolated from world markets and suffer high transit costs, which seriously constrain their overall socio-economic development. African countries are making significant progress in building their *hard infrastructure* (ports, road and rail to facilitate intra-regional trade) and *soft infrastructure* (customs cooperation at borders, port efficiency and reduction of roadblocks along major transport routes). For example, much progress has been made to improve the Abidjan-Lagos corridor, which handles more than two-thirds of West African trade, transport and transit activities, as well as modernising the ports in Côte d’Ivoire, Ghana, Togo, Benin and Nigeria.

Fourth pillar: democratic governance

A political sea-change has been underway in Africa since the end of the Cold War in the late 1980s and early 1990s. Most African states have begun accepting multi-party systems of governance in the new millennium. Multi-party elections have begun to replace military coups. Most African countries have embraced a culture of constitutionalism, rule of law and human rights.

During the AU Summit held in Durban, South Africa, in 2002, the New Partnerships for Africa's Development (NEPAD) Declaration on Democracy, Political, Economic and Corporate Governance was adopted. The declaration committed African countries to work together in pursuit of the following objectives: democracy and good political governance, economic and corporate governance, socio-economic governance and the creation of an African Peer Review Mechanism (APRM). The APRM is a voluntary platform for self-assessment and peer review of governance policies, procedures and institutions by AU member states aimed at institutionalising and consolidating democratic governance.

The APRM is an instrument that is voluntarily acceded to by AU member states. Countries voluntarily subjected themselves to being examined in governance areas within established guidelines. As of the 15 March 2020, the APRM has 37 members with Namibia and The Gambia being the most recent members to accede with at least 20 of its members having already undertaken a first country review. The APRM is unique in both scope and breadth, with the review process extending to all levels of government (executive, parliament and the judiciary) as well as the private sector and civil society organisations. Several academic writers have observed that the APRM is a truly indigenous and locally owned initiative designed by Africans for Africans. This is a truly remarkable achievement that the AfCFTA must build on.

The way forward

This essay has argued that all four pillars of the developmental regionalism approach have begun to gain traction across Africa and reinforce and strengthen each other in practice. This approach to regional integration in Africa has great potential to catalyse and accelerate a virtuous circle of regional trade integration, transformative industrialisation, cross-border infrastructure, democracy, inclusivity and

good governance across the continent. Policymakers need to make the necessary linkages, both conceptually and in practice.

The implementation of the AfCFTA could become a landmark and the transition to a new phase in the historic journey of Africa to realise the dreams of the Pan-African leaders for a peaceful, prosperous and integrated Africa.

References

- Davies, R. (1996) "Promoting Regional Integration in Africa: An Analyses of Prospects and Problems from a South African Perspective". *African Security Review*. Vol. 5. No. 5. 1996.
- Hoekman, B. and Njinkeu, D. (2016). *Policy Dimensions of Reducing African Trade Costs: Recent Research and Open Question*. Prepared for the African Economic Research Consortium research workshop on Integrating African Markets: The Way Forward. May 29–June 2, 2016 Nairobi, Kenya. Version: May 7, 2016.
- Ismail, F. (2020) "A Developmental Regionalism Approach to the African Continental Free Trade Area (AfCFTA)" *Journal of Reviews on Global Economics*, 2020, Vol. 9
- Karingi, S., and Davis, W. (2016). *Towards a transformative African Integration process: rethinking the conventional approaches*, New York: African Economic Research Consortium, June 2016
- Rodrik, D. (2013). *Africa's Structural Transformation Challenge*. Project Syndicate, December 12, 2013.
- Schwab, S. (2011) "Why the Negotiations Are Doomed and What We Should Do About It" Vol. 90. No. 3 *Foreign Affairs* (May/June 2011)
- Stiglitz, S. (2016) *The Euro: How A Common Currency Threatens the Future of Europe*. 2016, W.W. Norton Company
- UNCTAD, 2013. *Economic Development Report*. Geneva: United Nations.
- UNECA, AU and AfDB. (2017). *Bringing the African Free Trade Area About – Assessing Regional Integration in Africa VIII*. United Nations Economic Commission for Africa, African Union and African Development Bank. Addis Ababa, Ethiopia: United Nations Economic Commission for Africa.