# A Contribution to
# Building Sustainability into African Free Trade
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## Introduction

Historically, African countries recognised that political independence would be meaningless without ability for autonomous economic action. In the founding Charter of the Organisation for Africa Unity (OAU) is enshrined an economic purpose. Specifically, Article II (2) explicitly stated, "(b) Economic cooperation, including transport and communications" (OAU, 1963), represented one of her objectives. The Constitutive Act of the African Union further clarified the objective thus, "(c) accelerate the political and economic integration of the continent," and "(j) promote sustainable development at the economic, social and cultural levels as well as the integration of African economies" (AU, 2000, Art. 3).

## Tentative steps

It stands to reason that the tentative steps to establish the various regional economic blocs partly spoke to African economic aspirations. In other words, save the preceding Bank of the Central African States (BEAC) created in 1961, other economic blocs followed the foundation of OAU. Such regional economic communities range from the Economic and Customs Union of Central Africa (UDEAC) 1964; Customs Union of West African States (UDEAO) 1966; East African Community (EAC) 1967; Southern African Customs Union, integrating Common Monetary Area (SACU & CMA) 1969; to Economic Community of West African States (ECOWAS) 1975; and Economic Community of Central African States (ECCAS (fr. CEEAC) of 1983.

In this context, the African Continental Free Trade Agreement (AfCFTA) is a dream come true. In one breath, AfCFTA would provide the key impetus for the much-sought economic independence, perhaps through the expected integration, unrestricted movement of natural persons, especially expert labour, interchange of skills, and the eventual creation of a common market. In another, there is an inherent opportunity to sustain industrialisation of many African countries.

Table I: Africa Regional Economic Blocs

| Central Africa |
|---|
| ECCAS (CEEAC) 1983 Economic Community of Central African States |
| UDEAC 1964 Economic and Customs Union of Central Africa BEAC 1961 Bank of the Central African States<br><br>CEMAC 1994 Economic and Monetary Union of Central Africa |
| **Eastern Africa** |
| EAC 1967 East African Community (Revised 1996)<br><br>IGADD 1986 Intergovernmental Authority on Drought and Development<br><br>(Restructured as IGAD 1996 Intergovernmental Authority on Development) |
| **West Africa** |
| UDEAO 1966 Customs Union of West African States<br><br>CEAO 1973 Economic Community of West Africa UMOA West African Monetary Union<br><br>WAEMU 1994 West African Economic and Monetary Union<br><br>UDEAO 1966 Customs Union of West African States |
| ECOWAS 1975 Economic Community of West African States (Revised 1993) |
| **Southern Africa** |
| PTA 1981 Preferential Trade Area<br><br>SADCC 1980 Southern African Development Coordination Conference<br>SADC 1992 Southern African Development Community<br><br>COMESA 1993 Common Market for Eastern and Southern Africa CBI 1993 Cross Border Initiative |

## Hopes, fears and impediments

The literature on AfCFTA exude grand optimism concerning the good prospects of Africa's economic integration (AU, 2000). There are also controversies about AfCFTA and its impact in many African countries. In sum, the fears seem to relate to the inclusive potentials of social as well as essentially economic impacts.

## Value addition and rule of origin

First, on the economic front is the challenge of the primary production base of many African economies. The ten leading economies in Africa lack satisfactory sophistication of tools of labour and techniques of production thus, the comparative international intensity of labour. For example, in 2019, Nigeria's manufacturing, value added production stood at 12%, the same as South Africa's 12%

despite that the latter is more industrialised. The manufacturing and value addition is 24% in Algeria; 16% in Egypt; 16% in Morocco and 14% in Tunisia (2018). If we situate the intensity of labour within international comparative contexts of the leading world economies, industry component in the economic structure ranges from 40.5% for China to 25.1% for the European Union and 19.1% for the United States of America.

**Table II: Structure of selected developed economies**

| Country | Total GDP | Agricultural (%) | Industry (%) |
|---|---|---|---|
| China | 23,210,000 | 7.9 | 40.5 |
| European Union | 20,850,000 | 1.6 | 25.1 |
| United States | 19,490,000 | 0.9 | 19.1 |
| World | 127,800,000 | 6.4 | 30.0 |

**Source:** Based on data obtained from IMF (2020)

Table II partly indicates that the component of industrial goods contribution to GDP of Africa poorly compares not only with the countries selected but also, with Europe, North America and Asian economies, respectively.

The rules of origin conceptually assume the presence of domestic value addition to enrich trade facilitation, even within regional and continental economic zones. The precarious situation in Africa naturally raises the fundamental question of dumping by the possible abuse or exploitation of the weaknesses in the rule of origin not only by some African countries but also, external players.

Besides the contention of creating countless new jobs, larger regional production chains are necessary as they would inevitably flow into new models of value addition and competitive advantageous business relations.

The second problematic could centre around the scenarios of the industrialisation of Africa. One dominant theme is that the industrial model may take many forms, including a return to the modernisation of traditional sectors and economic practices. This trajectory was abandoned with the widespread adoption of the neoliberal economic experiments in the 1990s.

However, it seems that the most viable, one hopes, the likely route would be similar to the import substitution industrialisation strategy of the 1960s to late 1980s. The development path is significant not as a rehash but to harvest the visible schemes of the mastery of modern technology and management as well as the large-scale organisation of labour, which were lost in the crisis of neoliberalism. It is also, a chance to approach the future with hope, rising up and whipping away the dust from a hard fall from modernisation.

## AfCFTA and workers

One of the social impacts would relate to the character of the AfCFTA itself. Currently, there is an emerging body of evidence that AfCFTA may not be worker friendly. This may be partly due to the incestuous imitation of the European Union (EU) model of the structuring of the free trade agreement. To be precise, the experience flowing from the EU, especially of its supra-national bureaucratisation seems to have become problematic, at least, as accented by the rumpus of Brexit.

Since the AfCFTA imitates the practices of EU, it would be interesting if as Douglas (2015) found in a study of low-wage policies in the EU, similar serious challenges would emerge from AfCFTA. That could disarticulate AfCFTA with low-wage production within the paradox of realizing adequate exports to and from low-wage African nations.

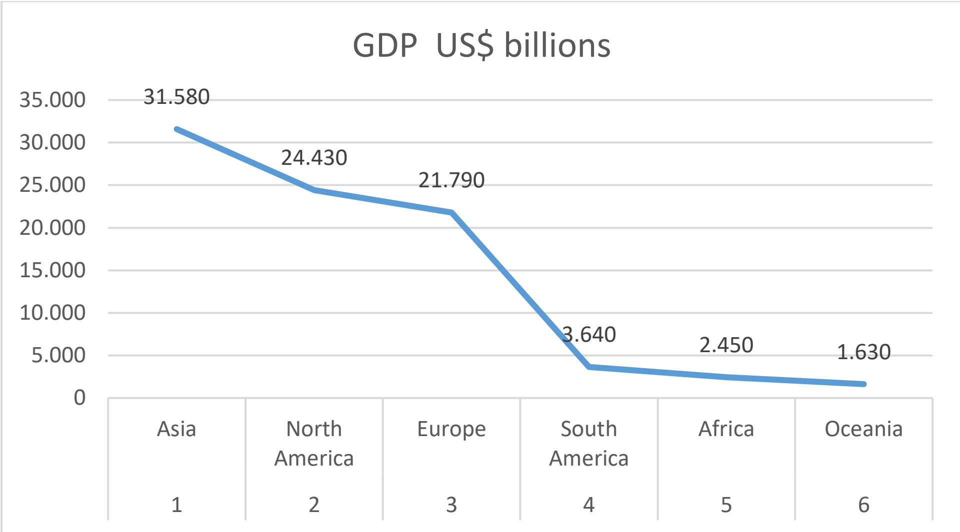
The corollary potential social impact of the predominance of privileging the bureaucracy (Mandel, 1992) with all the weaknesses that entail would be challenging as well. The recent Nigerian experience tends to lend a practical validation of the bureaucratic privileged implementation scheme of AfCFTA. At least, it accounts for the initial resistance of the organised Labour and private sector to Nigeria's early accession to the AfCFTA, due to the "lack of consultations with the local business and workers community" (Nsaikila, 2018, p. 2).

Nigeria's later assent and ratification would feed into the favourable outcome of the impact assessment studies carried out on the AfCFTA implementation on Nigeria's economy.

## Major challenges ahead

AfCFTA currently has other major challenges vis-à-vis existing continental free trade areas. IMF data suggests that Africa's GDP represents less than 3% of the global annual production. For instance, Europe's GDP of US$21,790billion is almost ten times the size of Africa's US$2,450billion. The GDP of North America standing at US$24,430billion and Asia's at US$31,580billion, (IMF, 2020). respectively trumps that of the putative AfCFTA by wider margins.

**Figure I: GDP by Free Trade Area (2019)**




Based on data obtained from IMF (2020)

Another worrisome challenge would be in the movement of natural persons, currently constituting major difficulties for Africa. This is evinced by the prevailing tendency of some leading Asian economies to export the detritus of their population to Africa.

The widespread informality in economic practices in Africa is yet another sticky point. For example, in Nigeria, the informal sector accounts for close to 85% of employment. This fact could be extended to many other African countries. Hence, with all the difficulties of casualization, poor remuneration, anti-unionisation practices, precarious labour relations and so on, AfCFTA has steep hurdles to scale or avoid.

These hopes and fears underpin some of the controversies dogging the AfCFTA. However, we contend on the upbeat note that if the promises of AfCFTA are well managed, it would yield bountiful opportunities to chart the new path to sustainable economic outcome for Africa and realize the dream of the African visionaries, thinkers and workers.

**The new international division of labour**

There is also a debate about the role of multinational corporations (MNCs) in the industrial development of Africa. One strong criticism is that MNCs would exploit the hunger for industrial development, undermine small and emerging industries, and out-compete indigenous enterprises.

This argument has merit but also troubling in the literature of late development. The Brazilian economist and later political leader, Fernando Henrique Cardoso had critiqued the argument over half a century ago and distilled what he termed the new international division of labour centred around MNCs. Despite the recent decline of the dependency theory in the analysis of the underdevelopment of countries of the global south, it appears likely that the MNCs debate could verge in other directions.

The drawbacks inherent in the Cardoso theory tend to derive from rather short shrift or lack of grounding in the Marxian theory of labour. Consequently, one angle of the intellection could be to interrogate the role of MNCs in the gamut of possibilities to address the underdevelopment in the global south.

Of course, the discussions would necessarily take on board the crisis of overproduction in Brazil, extensive social stratification and Brazilianisation in the contexts for analysis.

Nevertheless, the role of MNCs in the spread of industrial ethic in some late development countries tends to sunder theorists and blurs the binary of either positive or negative. Therefore, while development scholars may reconcile themselves with the gains of industrialisation, it is significant that the positive industrial outcomes should also take account of the role of the state in the preferential management of the economic variables.

The African experience with MMCs has been less than salutary, perhaps, as the gains of industrial-technological knowledge had not been adapted to the concrete environment. This point may have other discursive trajectories. For example, could be the derivatives of the tenuous degree of commitment of the political leadership; relative ease to corrupt the national elite and unexplained tendency of the bureaucracy to shut eyes to the flouting of the investment rules. In other words, the various domestic investment laws in many African countries were derided by the subornation of those who should enforce the laws.

The African challenge with MNCs may also be partly due to the absence of long industrial and sustainable business traditions. As

Samir Amin found, the situation in Africa continued to be defined by the conditions of weak national business groups, incurably unable to launch and sustain industrialisation (Amin, 1974).

The policy response to the conundrum of subdevelopment would naturally call for solidarity-based reconciliation of interests between winners and losers in the requisite investment contracts. In brief, interactions in individual societies and business practices across sectors need to receive greater charitable attention and treatment.

**Future development of Africa**

Despite all the limitations, we are inclined to align with the upbeat suggestion that a different model of economic integration is feasible and would be helpful for AfCFTA.

**Industrialise Africa**

Industrialisation is needed to make African businesses competitive both internally, pan-African and for Africa nation-states to occupy a niche in international economic relations with other free trade areas.

Therefore, industrial development is essential to build sustainability into Africa free trade and rescue African youth demographics. It stands to reason that industrial development holds the key to resolving some of the economic challenges confronting African countries. In a word, the current crisis of youth unemployment in Africa is increasingly oiling the wheel of voluntary slavery.

It is important to stem the tide of boat people streaming from Africa and daring all obstacles posed by the volatile Mediterranean Sea to enter Europe. Interestingly, some blame the EU thus, "The responsibility for these deaths lies squarely with European Union (EU) member states," said MSF humanitarian affairs advisor, Hassiba Hadj Sahraoui. "[This is the] inevitable outcome of their murderous policies of non-assistance and the active blocking of nongovernmental organization (NGO) rescue ships" (MSF, 2020).

**Source:** Migrants from Africa and elsewhere rescued from a smuggler's boat by an Italian naval ship in the Mediterranean. Photo: UNHCR/A. D'Amato

Similarly, in the long march of human convoys trying to enter the United States through South America is alleged to include migrants originating from Africa (Jervis, 2019).

African migrants wait to be admitted outside of a migration facility in Mexico, June 12, 2019.
**Source**: *Quartz Daily Brief*, June 23, 2019

## Win-Win for the Youth of Africa

Many young persons of Africa have become victims of human traffickers; some transmogrified into drug mules; or recruited into organised criminal gangs and many lose their lives in the seas, the festering cocoons of crimes and lawlessness.

In all, Africa has come to the brass tacks with AfCFTA and can win rather than losing in the relationship with economic actors, ordinarily external to the continent. Individual member-states of the AfCFTA can also win not at the expense of investors.

And AfCFTA may constitute more than the panacea for the lack of domestic job opportunities but also, the best chance for Africa to redeem itself, seize the future and reclaim her people.

## Trade liberalisation and social development: A contradiction in terms?

To answer the question that the organisers of this discussion posed, it goes without saying that trade liberalisation and social development represents a fundamental contradiction in terms. Trade liberalisation represents a continuation of the bad policies, which have failed. To liberalise trade without a commensurate place in the international division of labour would impoverish and undevelop Africa. The sorrowful experience of the past is popular in the literature as representing the concuss of the events, which led to the lost decades of development in Africa.

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