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Pan-African Aspirations Drive a New Free Trade Pact

CHRISTOPHER CHANGWE NSHIMBI

The African Continental Free Trade Area (AfCFTA) agreement, which will soon take effect, is not a new idea but a step ahead in a historic project that springs from the aspirations of past and present leaders to unite Africa. This project has faced many obstacles; at times it has been derailed. Its would-be implementers overlooked elements crucial to making it materialize. They should no longer ignore the logic of bottom-up integration and people at the grassroots, such as cross-border traders, who put this logic into action and contribute to African unity.

African integration is a phenomenon that can be approached from two different perspectives: top-down or bottom-up. The first foregrounds engagement and cooperation among the 55 member nations of the African Union (AU). The second focuses on the realities and processes of integration on the ground. Despite their practical contributions to integration, grassroots actors and activities are sometimes hampered by policies crafted in the name of binding the continent together.

Four factors—political liberation, the desire for African unity, globalization, and the greater leverage that comes from presenting a united front in international affairs—drive Africa's pursuit of integration.

The first goes back to the colonial period, which aroused the Pan-African vision of setting the continent free and securing the right of its people to self-determination. Africans had been subjected to slavery and forced labor in their own land, which was forcibly expropriated. The European colonizers justified this exploitation by claiming that they had an obligation to civilize indigenous African peoples. This obligation, according to the colonizers, corresponded with their commercial, missionary, and economic ventures. Resistance was tantamount to violating natural law and justified the use of force and wars of conquest.

Africans, however, insisted on their humanity. They could reason and had the right and capability to govern themselves. Colonial domination and repression motivated subject peoples to seek emancipation—and African unity.

After African countries started gaining political independence, their leaders inscribed those aspirations in instruments of continental integration, such as the 1963 Charter of the Organization of African Unity (OAU) and the 1991 Abuja Treaty Establishing the African Economic Community. But the path was not smooth. Postindependence prosperity waned. Faced with underdevelopment, hard economic times, and global stagnation associated with the oil crisis of the 1970s, African nations used their platform at the United Nations to join with other parts of the global South to demand a New International Economic Order. Among other things, they called for rights to regulate multinational corporations in developing countries, improved terms of trade, tariff reductions by developed countries, and more development assistance. Ultimately, the NIEO cause made no concrete progress.

Disappointment with what was perceived as the failure of international financial institutions to accurately diagnose Africa's developmental challenges led to the approval of the Lagos Plan of Action for the Economic Development of Africa at an OAU conference in Lagos, Nigeria, in 1980. The Lagos Plan emphasized self-reliance, contrary to the World Bank's advice that Africa should look outward and formulate policies to integrate its in-

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dustries into the global economy. The OAU built on the Lagos Plan when it enshrined its commitment to establishing an African Economic Community in the Abuja Treaty. Continental free trade would be a key feature of this project.

FORKS IN THE ROAD

The path to the Abuja Treaty was fraught with internal disagreements. This was a legacy of divergent views among the founding fathers of independence concerning the best way to unite Africa. Nations that had formed the Casablanca Group—including Algeria, Egypt, Ghana, Guinea, Libya, Mali, and Morocco—advocated the political unification of all the independent states. Ghanaian President Kwame Nkrumah, a Pan-Africanist and architect of the OAU, argued that pooling the resources of Africa's independent countries in an integrated plan would greatly benefit their mutual development. This, he said, was the only way Africa could industrialize to levels comparable with the West. Nkrumah envisioned a confederal government and an economic union with a common African currency managed by a central bank.

Xenophobia threatens the project of African unification.

In contrast, the Monrovia Group—including Ethiopia, Liberia, Nigeria, Sierra Leone, Somalia, Togo, Tunisia, and Zaire—favored a moderate approach to African integration that would not require political union. In 1961, the Monrovia Group convened a conference that approved a Charter of the Organization of African and Malagasy States. This eventually became the basis for the OAU Charter when the OAU was established in 1963. Its aims included promoting African unity, solidarity, and cooperation, while eradicating the remnants of colonialism. The OAU was also committed to coordinating and harmonizing member states' economic policies.

In 2002, the OAU transformed into the African Union. This was more than a rebranding exercise. Now that the OAU's major goal of liberating parts of the continent still under colonial rule had been largely achieved, Africa needed to refocus its energies. An indicator of the shift was the exclusion from the AU's Constitutive Act of clauses barring intervention in the affairs of a member nation that violated the rights of its citizens. Instead, the AU committed itself to intervention as well as democratic institutions and principles, popular participation, and good governance.

Through agencies it has since established to implement development programs (such as the New Partnership for Africa's Development), the AU works for unity and promotes continental trade, economic stability, and peace. The keywords in the AU's policies are "self-sustaining development" and "self-reliance." It aims to look within and transform Africa through integration, while also becoming a more effective participant in the global economy.

TANGLED REGIONS

International trade and financial flows, the movement of labor across borders, and advances in information and communications technology—these interconnections define globalization and modern globally networked society. In the last three decades of the twentieth century, Africa's participation in these activities became marginal. The decline in its share of global trade was evident in its exports, which dropped from 3.5 percent to 1.5 percent of the world's total exports between 1970 and 1999.

Such weaknesses drive AU member states to unite in order to strengthen their capacities and bargaining power, so that they can effectively participate in globalization and muster greater influence in international affairs. Of course, Africans have recognized the imperative to cooperate and integrate ever since the colonial era. But global developments now generate opportunities and challenges that are better managed if countries jointly address them.

Regional blocs are increasingly becoming actors in international affairs. The momentum to integrate the African continent and its subregions accelerated in response to examples like the European Union. African countries wanted to better position themselves as a unified bloc able to negotiate with the EU and other major regions and global actors.

In 2017, the Africa-EU triennial summits, which lacked a unified African representative, were upgraded to summits between the EU and the AU. This is only one of several Africa-EU partnership platforms. The EU engaged with North African countries in the Euro-Mediterranean Partnership, which was relaunched in 2008 as the Union for the Mediterranean; there is also a South Africa–EU Strategic Partnership. The EU's current focus in these forums is largely on stemming migration

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from Africa to Europe. To this end, it pours funds into programs to develop migrants' countries of origin and transit in the hope that this will discourage them from heading for Europe.

The EU has redefined the continent's existing regional groupings, such as the Southern African Development Community (SADC), by entering into economic partnership agreements with them—and with subregions within them. These are essentially trade agreements. In June 2016, the EU signed an agreement with six SADC member states. It is still negotiating one with six other members together with countries in the Horn of Africa, the Indian Ocean, and Central Africa. Critics of these pacts argue that they add up to an EU attempt to undermine Pan-Africanism—a divide-and-rule strategy to guarantee continued European access to Africa's resources.

Other global actors seem to be positioning themselves for the implementation of the AfCFTA. Besides the large increase in its trade with Africa in the past decade, China has expanded its presence on the continent through the construction of physical infrastructure, which may link up to its global Belt and Road Initiative. Chinese enterprises run huge cross-border infrastructure development projects including ports, railways, and roads meant to facilitate transport and boost trade in Africa. China has drawn criticism for investing in countries that have poor human-rights and governance records, without requiring accountability. Some see its actions as a new form of colonization through debt-trap diplomacy, whereby countries that fail to repay Chinese loans are forced to surrender control of resources and infrastructure—as happened in 2018 with a port in Sri Lanka.

Informal traders contribute to processes of regional integration from the bottom up.

But the AU does not lack agency or its own objectives. It develops policies and formulates legislation that member nations adopt to guide continental and regional integration.

Africa may have more regional organizations than any other continent. At least 15 of them are economic communities. Others are dedicated to river-basin resource sharing, peace and security, and environmental affairs. Most of the 55 member states of the AU belong to multiple organizations, resulting in a spaghetti bowl of regionalism.

This complicates African integration. It makes coordination and resource allocation difficult, leads to conflicting objectives, and renders some of the organizations redundant. It also explains why political will for integration is often lacking. Member states tend to honor only those regional or continental commitments they perceive as most beneficial to their own interests.

Rationalization is among the proposed solutions to the tangle of affiliations. Consolidating some of these groups might help them focus on the goal of unity. The AfCFTA constitutes Africa's major effort to rationalize the multiple trade regimes among the regional communities by creating a single economic area that will be based on common trade rules.

The AU has recognized only eight regional economic communities as the building blocks of African integration. It plans to construct the AfCFTA and eventually the African Economic Community on this foundation. The Abuja Treaty maps out a detailed six-stage process through which the AU aims to achieve this goal by 2028.

HIGH HOPES

The AfCFTA will create a common market for goods and services that includes all 55 African countries in the AU. African heads of state and government decided to create the AfCFTA in 2012 and launched negotiations in June 2015. The talks leading up to the agreement marked the first phase, covering trade in goods and services. Further negotiations continue in a second phase focused on investment, competition policy, intellectual property rights, and possibly e-commerce.

After three years and 10 rounds of negotiations, the final text of the AfCFTA was presented at the March 2018 AU summit in Kigali, Rwanda, where 44 member states signed the agreement. While it was just the beginning of the ratification process, the signing was in itself a significant achievement, marking a major step toward African unity—even though the two largest economies in Africa, Nigeria and South Africa, declined to sign the pact at the Kigali summit. Five more countries, including South Africa, signed on at a July 2018 summit in Nouakchott, Mauritania. The South African Parliament ratified the agreement in December 2018. At the time of writing, Nigeria still had not signed.

On April 2, 2019, the process reached an important milestone when Gambia's parliament approved the deal, making it the 22nd country to

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ratify AfCFTA. AU member states had agreed that the pact would become binding after 22 of them ratified it. The agreement will take effect 30 days after the AU has received all 22 instruments of ratification.

When it comes into force, the AfCFTA will cover a total land area (excluding island states) of approximately 11.7 million square miles, measuring some 5,000 miles from north to south and 4,600 miles from east to west. The members will have a collective gross domestic product of $2.5 trillion and a market of 1.2 billion people. Africa's youthful population is projected to double to 2.4 billion by 2050.

The AfCFTA will ease intra-African trade by progressively lowering tariffs from the current level of 6.1 percent. Tariff liberalization initially will be applied to 90 percent of goods. The other 10 percent, including sensitive goods to be listed by individual countries and regional communities, will be addressed later. The agreement also calls for continental harmonization and convergence of standards and procedures to facilitate trade.

Estimates based on studies conducted by the African Trade Policy Center at the UN Economic Commission for Africa project that the AfCFTA will boost trade within Africa by over 50 percent, or about $35 billion, by 2022. Intra-continental trade will rise from the present range of about 12-16 percent of Africa's total trade to levels comparable with other regions of the world, such as the EU (64 percent) and the Association of Southeast Asian Nations (24 percent).

Larger markets are likely to draw investment to regional infrastructure development. More efficient trade will enhance the global competitiveness of African markets, create employment opportunities, and improve social welfare. Africa will be positioned to achieve greater product diversification and industrialization, a goal that has long proved elusive, as well as peace and stability resulting from greater trade and other joint economic and infrastructure arrangements.

ADVERSE EFFECTS

Yet it is questionable whether implementation of the AfCFTA will be entirely smooth. A lack of political will hampered progress toward previous regional goals. Disparities among African countries in economic development, technology, physical infrastructure, and human resources raise the further question of how the benefits of integration will be distributed. Stronger economies are likely to benefit more than weaker ones, since they will attract more trade and investment. Will benefits be distributed to the losers of integration?

Some studies suggest that about two-thirds of intra-African trade comprises manufactured goods, whereas most of Africa's trade with the rest of the world consists of raw-material exports and imports of finished goods. Nearly 90 percent of Africa's trade is with the world outside the continent. Contrast this with the EU, for example, where nearly two-thirds of total trade is intra-regional.

Optimists say this is Africa's century. But they base this on the robust GDP growth (second only to Asia's) recorded in the first dozen years of the twenty-first century, largely driven by revenue from exporting raw materials. That commodities boom coincided with renewed calls for Pan-Africanism or an African renaissance from the likes of former South African President Thabo Mbeki.

With the AfCFTA, Africa may have a more solid basis for a renaissance. It is at last poised to diversify its external trade and grow a balanced export base including agricultural and manufactured goods. The shift to exports that are less dependent on commodities has the advantage not only of guaranteeing stable trade; it will also help create jobs that are more labor intensive.

Another aim of the trade agreement is to expand business opportunities for micro, small, and medium-sized enterprises (SMEs), which account for about 80 percent of businesses in Africa. The Protocol on Trade in Services calls for improving their export capacity, whether they are in the formal or informal sector (though it is somewhat vague as to how this will be done). Since most African countries export raw materials, lowering tariffs on trade within the continent will create opportunities to add value and produce intermediate goods that can be channeled into regional value chains. This will give SMEs a chance to penetrate global markets in the long run.

Notwithstanding these prospects for widespread benefits, the AfCFTA probably will have adverse effects on small economies and less developed countries, if Africa's experience with structural adjustment programs that accompanied market liberalization in the 1980s and 1990s is any guide. Firms exposed to greater competition are prone to downsize and outsource certain functions or hire workers on temporary contracts without benefits or legal and social protections.

Tariff liberalization is likely to hurt economies that have limited productive capacities. Most de-

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veloping countries in Africa depend on tariffs for government revenue. The AU will have to decide how to deal with such challenges.

It might consider how other regions of the world devised solutions based on their own experiences. The EU devotes over a third of its total budget to its structural and cohesion funds, intended to assist less developed regions and reduce disparities in wealth, income, and opportunities among the EU's member nations.

Further potential AfCFTA challenges relate to implementation. Poor infrastructure, lengthy customs procedures, and non-tariff barriers to trade—such as import bans and licenses, or unreasonable product labeling and packaging standards—are among the obstacles the AfCFTA seeks to address. It must also contend with an overall lack of harmonization and standardization of policies, programs, and procedures.

BORDER CROSSINGS

Transnational labor mobility will be integral to the continental free trade area. Some services that are going to be traded across nation-state borders will require people to go along with them. Ideally, the free movement of goods and services should coexist with the free movement of people.

With the AfCFTA, Africa may have a more solid basis for a renaissance.

A protocol on Free Movement of Persons, Right of Residence, and Right of Establishment was introduced alongside the AfCFTA at the March 2018 AU summit in Kigali. Article 14 of the protocol calls for free movement of labor among AU member states. The provision derives from the Abuja Treaty, which sets out a vision of labor exchanges between African countries, from those with labor surpluses to those facing shortages.

However, only 30 countries signed the Free Movement Protocol in Kigali. That was 14 fewer than signed the AfCFTA at the same summit. International migration within Africa is politically sensitive—all the more so when it involves the migration of unskilled and semiskilled workers.

It is also important to note that more international migration occurs within Africa than to destinations outside the continent. These flows are mostly between proximate states, and concentrated in the eight regional economic communities. The Economic Community of West African States (ECOWAS) has the highest level of intra-regional migration.

Migration within Africa is largely driven by disparities between regional hegemons and their neighbors. Nigeria accounts for about 75 percent of total ECOWAS GDP, while South Africa generates about 61 percent of the SADC's GDP. Contrast this with Namibia, for example, whose share in the latter group's GDP is just 1.8 percent, or less developed countries like Malawi, 59 percent of whose population lives in extreme poverty.

The marginalized populations who work in the informal sector in most African countries tend to gravitate toward the more prosperous regional hegemons as they search for opportunities. Many of them, including cross-border traders, are entrepreneurial.

While some countries and regional groupings increasingly recognize informal cross-border trade, others continue to ignore it. And some countries criminalize such trade, treating it no differently than underworld activities such as trafficking in drugs, small arms, and humans.

Intra-African traders and migrants also face hostile receptions from poorer citizens in some countries. Migration sometimes triggers xenophobic outrage in host communities when people fear that foreigners are stealing the jobs of locals. Political leaders may encourage such fears. On March 26, 2019, for example, African foreign nationals including Malawian truck drivers were attacked by locals in Durban, South Africa, ahead of national elections in May. About 350 Malawians fled their homes for shelter in town halls and police stations; some returned to Malawi. This kind of xenophobia threatens the project of African unification, undermining social cohesion at the grassroots and policy convergence at the continental level.

GRASSROOTS TRADERS

Informal cross-border traders deal in various goods, ranging from primary agricultural products to manufactured items, industrial goods, and services. Most of their trading activities, however, are not captured in official statistics. This leads some scholars and policy makers to assume that they are dealing in illicit contraband.

But these traders make a positive contribution to society. They generate income and employment, help sustain local livelihoods, and contribute to poverty alleviation. Because they tend to be self-

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employed, they create work for themselves, and some employ family members and relatives. They may also employ other people, such as porters and drivers to help load and transport goods. Most of these traders have risen out of extreme poverty. Their earnings allow them to build houses and pay their children's school fees and other bills.

Informal traders contribute not only to the countries where they operate but also to processes of regional integration from the bottom up. They source and then distribute goods among members of regional economic communities. Studies conducted in the Common Market for Eastern and Southern Africa (COMESA), for instance, show that they have established elaborate distribution networks that extend beyond the region—and to remote areas that formal businesses cannot reach.

Data that indicate intra-Africa trade is low tell only one side of the story. It would be higher if informal cross-border trade were included. COMESA and the East African Community (EAC) both recognize the potential contribution informal traders can make to integration. Data from COMESA show that they account for approximately 30 percent of the region's total trade.

COMESA and the EAC run an initiative called the Simplified Trade Regime, which helps traders adhere to rules of origin for the goods in which they deal. Most informal traders are semiliterate or illiterate and have difficulty with complex customs documents and procedures. Countries that participate in the program exchange tariff concessions and create a common list of qualifying goods. Traders can obtain simplified certificates of origin and customs documents. Desk officers at the borders help them complete forms and answer trade-related questions.

Women comprise about 70 percent of informal cross-border traders in Africa. The dominance of women in the informal sector reflects their limited access to formal work. Women tend to be less educated and take poorly paid jobs that require little or no skills. High levels of unemployment among men may push their female relatives to seek work in the informal sector to support their families. If not well managed, the AfCFTA is likely to exacerbate these conditions.

RISK AND REWARD

While the AfCFTA promises great economic benefits for Africa, there may also be social costs. If countries aggressively liberalize their markets, some people will lose their jobs—and most of them will fall to the margins in the informal sector. This is what happened after most African countries implemented structural adjustment programs in the late 1980s and early 1990s. Unlike people already operating in the informal sector, new entrants may not have coping strategies to fall back on.

Informal workers face many difficulties, including arbitrary confiscation of merchandise, harassment, and other forms of abuse, not to mention the lack of job security and benefits. But the AfCFTA might ease their plight: by reducing tariffs, it could encourage them to formalize their businesses and gain the same protection as formal firms.

Many people who dwell in African borderlands engage in cross-border vocations. But some of them cannot afford the fees to obtain national passports, let alone the African passport launched by the AU in 2016. To date, that passport is only accessible to African elites. And even for them, it is no guarantee of free movement. A Nigerian tycoon known as Africa's richest person, Aliko Dangote, alleged at a 2018 AU trade summit that a member state had denied him a visa.

There is a seeming contradiction in the common identity championed by the African Union. While its policies give the impression that the group is a united actor in international affairs, the criminalization of informal cross-border traders by most member states and xenophobic attacks on them in some countries raise doubts about African unity. Yet the cross-border activities of these traders help integrate African economies from the bottom up. Despite the challenges they face, people on the ground are always on the move and cannot be constrained.

As the continental free-trade area takes shape, it will inevitably face teething problems. A key to success will be persuading stakeholders at all levels—from micro to macro—of its legitimacy. Constant consultation and communication is essential to realizing Africa's long-standing ambition to unite. ■

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