

SYNTHESIS REPORT

THE AFCFTA

THE POLITICAL ECONOMY OF CONNECTING MARKETS AND PEOPLE

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Context

The African Continental Free Trade Area (AfCFTA) is *the* major, current initiative in Africa to promote socio-economic development. By creating a single market for goods and services, facilitated by movement of people and thus deepening economic integration in Africa, it seeks to promote an integrated, prosperous and peaceful Africa, as espoused in the African Union’s Agenda 2063.

It is also seen as a way to fundamentally change African economies. As the AfCFTA Secretary General put it on 1 January 2021 at the official launch of trading under the AfCFTA:

“we have to take active steps to dismantle the colonial economic model that we inherited and that has been sustained over the last 60 years. We have to stop being exporters of primary products to countries of the North. We have to create jobs on the African continent by developing our regional value chains and be self-sufficient in our own continental production.”¹

If this new economic model was an ambition at the outset, its resonance has increased with the COVID-19 pandemic and the conviction that “[i]ncreased intra-African trade is what will drive economic development post-COVID-19” (Mene, 2021).² Though the pandemic is a major economic threat, combined with the political backing for the AfCFTA, it may offer a critical juncture for pushing policymakers to address long-standing trade and economic reforms.

The promise of the AfCFTA

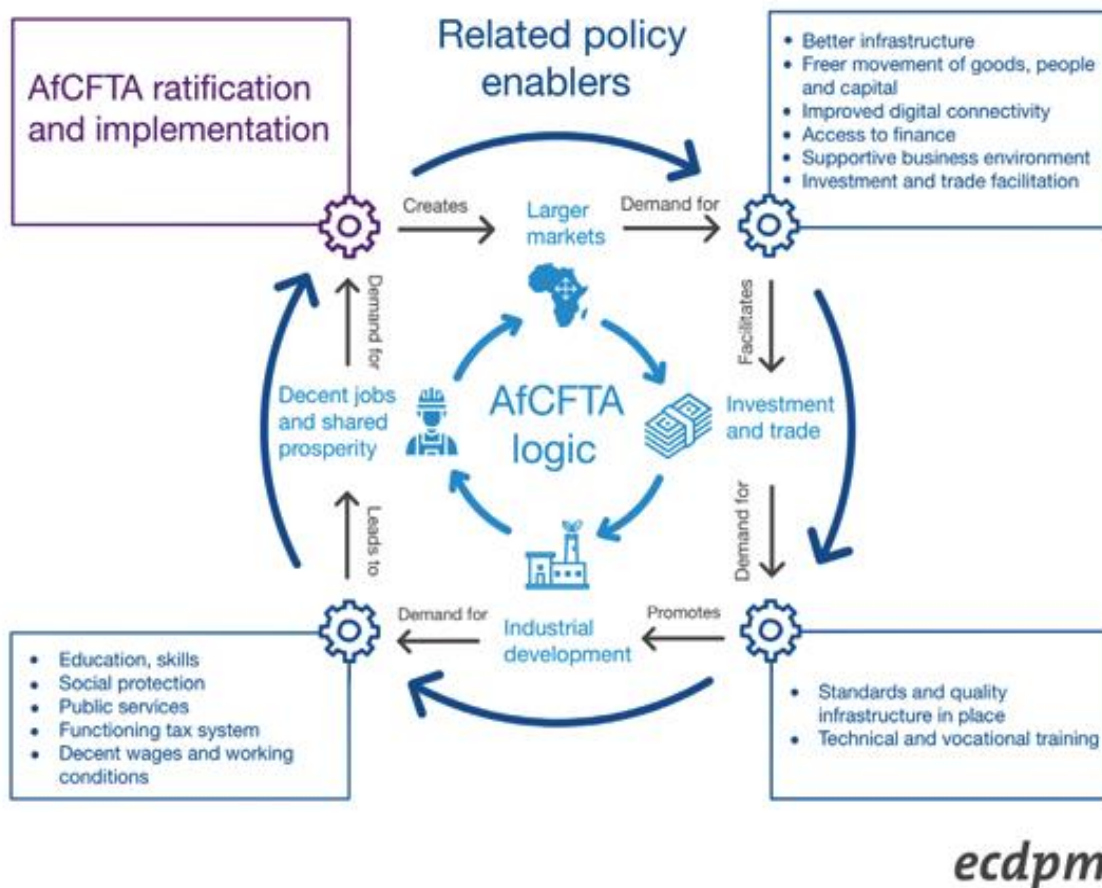
A lot of hopes are being attached to the AfCFTA, and indeed, models of the estimated benefits of implementing the AfCFTA seem broadly positive. The [first of our AfCFTA-focused outputs](#) provided an overview of the state of play of AfCFTA commitments and an overview of the literature on the AfCFTA and its expected benefits.

On paper, the AfCFTA promises a virtuous circle of greater market opportunities, triggering more trade and investment, and allowing greater value addition and productivity growth – leading to more and better jobs with social inclusion, and thus further enlarged markets. These are reflected in the Figure 1.

¹ Mene, W. 2021, Statement by the Secretary-General of the AfCFTA Secretariat, H.E. Wamkele Mene, at the AfCFTA Start of Trading Ceremony Webinar.

² UN 2021, [AfCFTA: Implementing Africa’s free trade pact the best stimulus for post-COVID-19 economies](#), *African Renewal*.

Figure 1: The reinforcing logic of the AfCFTA and the role of policy enablers



But as the figure also illustrates, successfully creating the *inner* virtuous circle around the AfCFTA also requires the *outer* circle of additional supporting policies and decisions. That is, for the full benefits of the AfCFTA to accrue to African countries and citizens, numerous additional policy enablers – measures, reforms and investment – are also key, not least in infrastructure, transport corridors and logistics, the business climate in African countries, and indeed the movement of people.

The AfCFTA has benefited from high-level political momentum that has helped it in the formulation and negotiation stages, though these are still ongoing. This political support is partly underpinned by historical ambitions linked to pan-Africanism, and as the quotation above makes clear, by the idea of addressing an economic model that is associated by many with the colonial era.

But this solidarity in ambition faces greater challenges in reality. While the AfCFTA is a trade agreement – with an initial focus on lowering trade tariffs and removing non-tariff barriers to trade in goods and services – it seeks to go further in later phases to address issues of e-commerce, investment, intellectual property and competition.

As the above paper lays out, its ultimate success will depend on the degree to which governments can not only complete negotiations and implement agreed policies, but also invest in the additional necessary enablers – where these have often been previously identified as constraints to further *regional* integration.

It also depends on the incentives and interests around each of the different aspects of AfCFTA implementation, where competing interests both between and within countries and sectors are key to understanding how and where most impact will be felt, and therefore where and what kind of external support is necessary and useful.

4 of our ECDPM staff's views on the AU's role in African and global affairs:



Photo courtesy of [Paul Kagame via Flickr](#).

For Africa Day 2021, commemorating the founding of the African Union (AU)'s predecessor, the Organisation of African Unity (OAU), we asked our team working on African institutions and regional dynamics to share their thoughts on key processes shaping the AU's role in African and global affairs.

Bruce Byiers – The AfCFTA as a driver for cooperation on everything regional?

Poorva Karkare – It's all about industrialisation

Alfonso Medinilla – Africa's green recovery

Amanda Bisong – More coherent migration governance

You can read their different views [here](#).

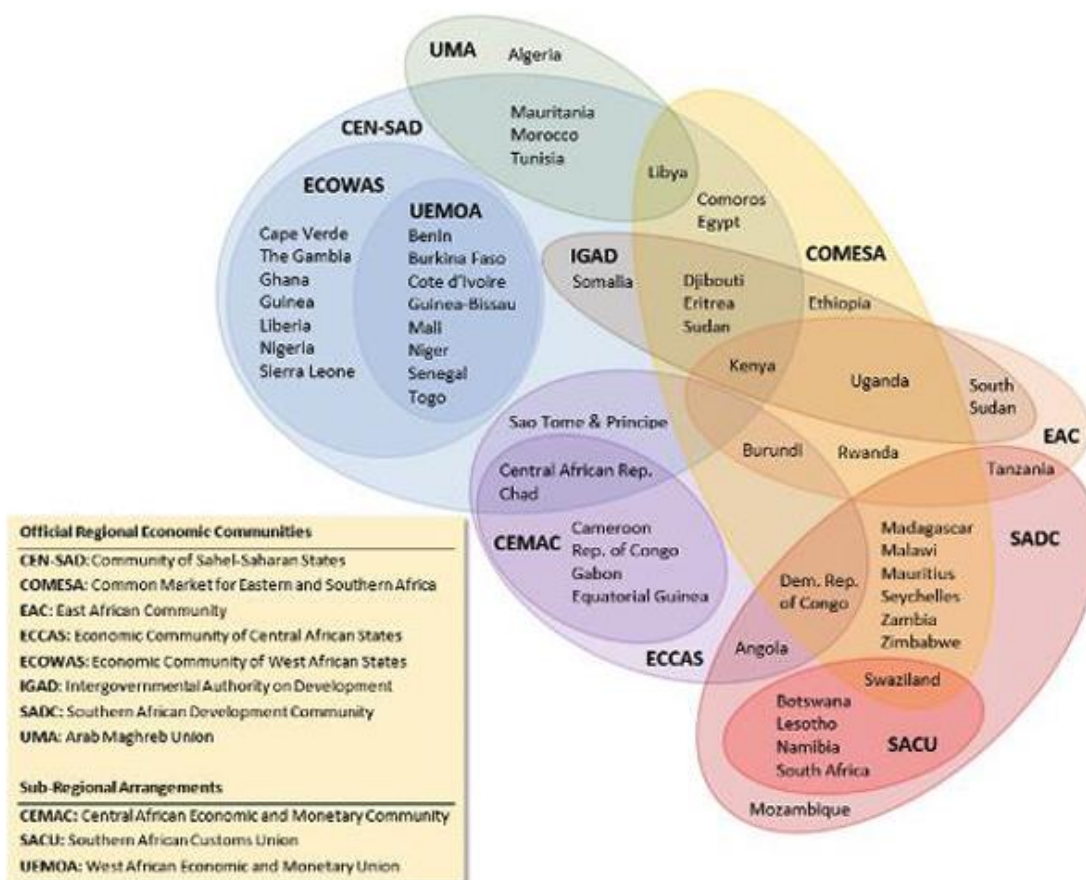
The AfCFTA, RECs and movement of people – simplifying regimes?

Connecting people and markets within and between African countries and regions is a longstanding aspiration, and a core part of the AfCFTA. The AfCFTA explicitly seeks to:

1. address the challenge of **multiple and overlapping regional economic community memberships** and speed up regional and continental integration processes, and
2. contribute to the **movement of people**, which aligns with the African Union Free Movement Protocol (AU-FMP).

The need for some streamlining seems clear from the figure 2 showing existing trade agreements between African countries.

Figure 2: Africa's Overlapping Regional Trade Arrangements Source



Source: Ng and Mumford 2017

However, looking at the AfCFTA agreement and how it will in fact build on pre-existing regional agreements – with multiple regional free trade areas and customs unions that will continue to exist and govern intra-regional trade – **we find that rather than streamlining regimes, the coexistence of continental and regional frameworks for trade and the movement of people will rather imply a separate, additional trade regime with separate, parallel processes.** That is, the AfCFTA and the FMP will coexist with a regional subset of distinct trade and free movement regimes in negotiations, institutional set-ups and implementation.

The reasons for this are clear and understandable – one formal, continental agreement cannot do away with decades of regional cooperation. Similarly, each region has separately been slowly advancing with its own protocol on the movement of people. **As such, the AfCFTA and FMP have been designed in pragmatic terms to adapt to and build on that reality.**

Nonetheless, this approach also brings additional complications. Implementing the combination of different trade regimes will require more coordination between continental and regional processes, possibly complemented by *sui generis* agreements between the AfCFTA secretariat and different regional bodies given their very different statuses in trade or AU recognition.

Further, as highlighted in this paper and past analyses, states often feel compelled to signal their support for regional and continental agendas, even when implementation is not a political priority due to other domestic political concerns. Past work looking at these dynamics at the country level in South Africa and Nigeria help to illustrate these concerns, while other signatory countries are presently assessing what actual ratification will entail and its policy implications. The risk is that the political momentum stops in some countries when it comes to actually applying lower tariffs and removing non-tariff barriers to trade from outside the region, as it often has within regions.

Full webinar on the AfCFTA, free movement of people and the regional economic communities is [here](#).

Bridging the markets and people agendas

Easier movement of persons on the continent would make [African labour markets more efficient, enabling companies to bridge skills gaps by recruiting from neighbouring countries](#), and greater conditions for mobility of workers has the potential to [lower unemployment rates](#). The Africa Visa Openness Report 2020 further notes that African “[countries that relaxed visa regimes and adopted visa-free and visa-on-arrival policies have seen economic benefits in recent years, attracting growing numbers of business and leisure travellers](#)”. The case of Rwanda, Kenya and Uganda highlights the positive effect of movement of people on cross-border trade. By revising the administrative procedures for work permits and entry visas, these countries [increased cross-border trade with each other by 50%](#).

If this is the case, why is the implementation of free movement in Africa lagging behind the continental free trade area?

Until now, only Niger, Mali, Rwanda and São Tomé and Príncipe ratified the AU’s free movement protocol (FMP) – eleven more ratifications are needed for it to be legally adopted and to enter into force.

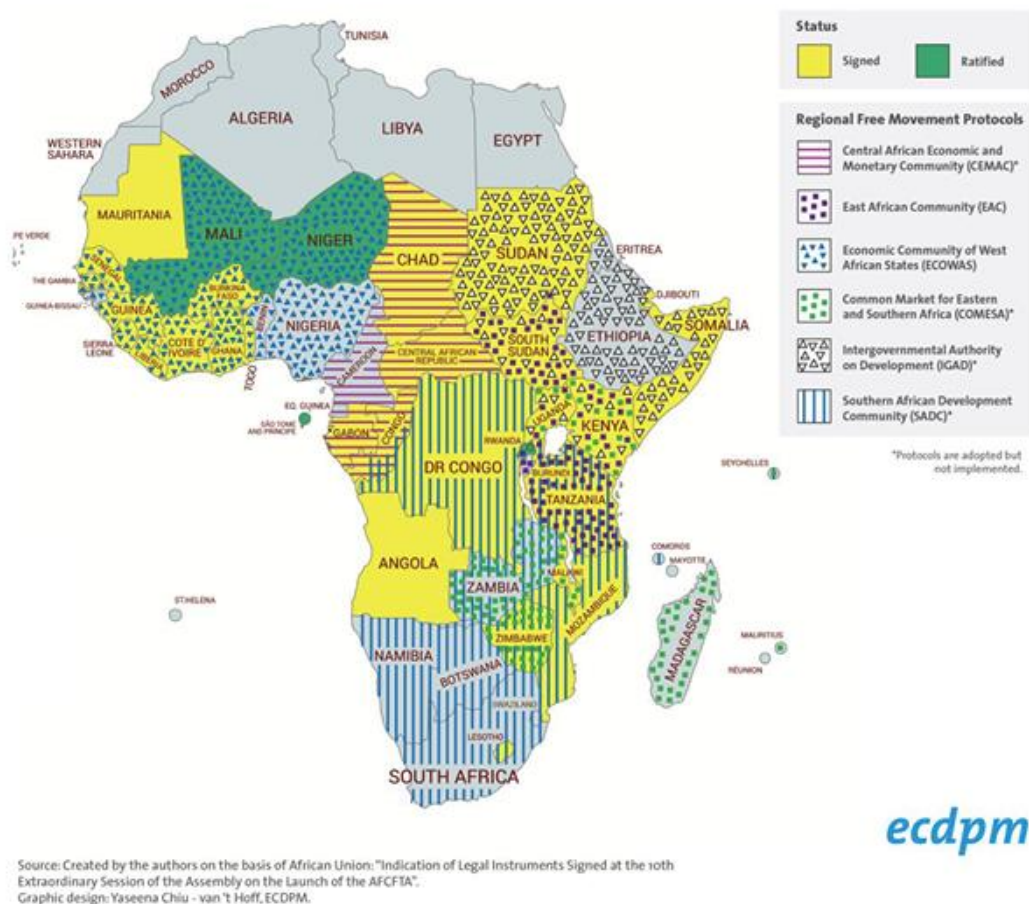
Here are three pressing issues that African policymakers will have to resolve to connect people and markets in 2021.

1. Bridge the parallel universes: connecting conversations on trade and movement of people
2. Reassess how the risks of free movement are perceived and addressed
3. Capitalise on the progress made in the RECs

Source: commentary [here](#)

The stark contrast in political traction between the AfCFTA and the FMP protocol also highlights how politics within and between states can play out quite differently according to policy area as the map below highlights. In contrast, the AfCFTA currently has 54 signatories, with 40 countries having [ratified the agreement](#).

Figure 3: AUFMP signatories and ratifications, and regional free movement protocols



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Source: [here](#)

The necessity of connecting markets *and* people, suggest that policymakers and their partners should also seek stronger links between the AfCFTA and the FMP and identify where these could help create traction for existing regional processes, as well as where existing regional processes can support AfCFTA and FMP implementation.

The AfCFTA and regional value chains – the key to industrialisation?

Beyond the institutional challenges cited above, another explicit objective of the AfCFTA is to “promote industrial development through diversification and regional value chain development” (AU 2018). This again reflects the ambition to change the economic model away from exporting primary products to creating jobs and increasing “self-sufficiency”.

But while the AfCFTA focuses largely on removing barriers to trade, this may mean little if not accompanied by measures to develop productive capabilities to trade more, especially for those countries currently with least productive capacity.

Further, the challenge raised in this paper is that while developing countries need more proactive governments to help support new industries, “their political systems are often built on favouritism, and their administrations typically lack both the resources and the right incentives for effective service provisioning” (Altenburg, 2011). That often brings difficulties in finding the balance between efficient information sharing and cooperation between states and business, while mitigating the risk of unproductive capture and rent-seeking.

Whether within the context of the RECs or the AfCFTA, some degree of coordination between governments seems necessary to put in place the necessary elements for genuine RVC development – much like at the national level, governments must find ways to *jointly* overcome market, information and coordination failures.



Photo courtesy of [Pieter van Noorden via Unsplash](#)

It also requires governments to rethink their current industrial strategies in terms of ways to encourage investment and increase productive capacity to export into the wider continental market. While ultimately companies must be the ones to use the AfCFTA, for the industrialisation ambition to be met will also require that governments seek to understand the existing constraints to investment and exports and work on addressing these in a targeted way. That will also require understanding where state-business relations align with inclusive industrialisation ambitions, ways to offset or compensate potential losers – whether of rents or incomes – and adapting policies accordingly. The AfCFTA is a

long-term project as is the industrialisation goal, and at times they may seem to run counter to one another – but both ultimately need to be considered as one.

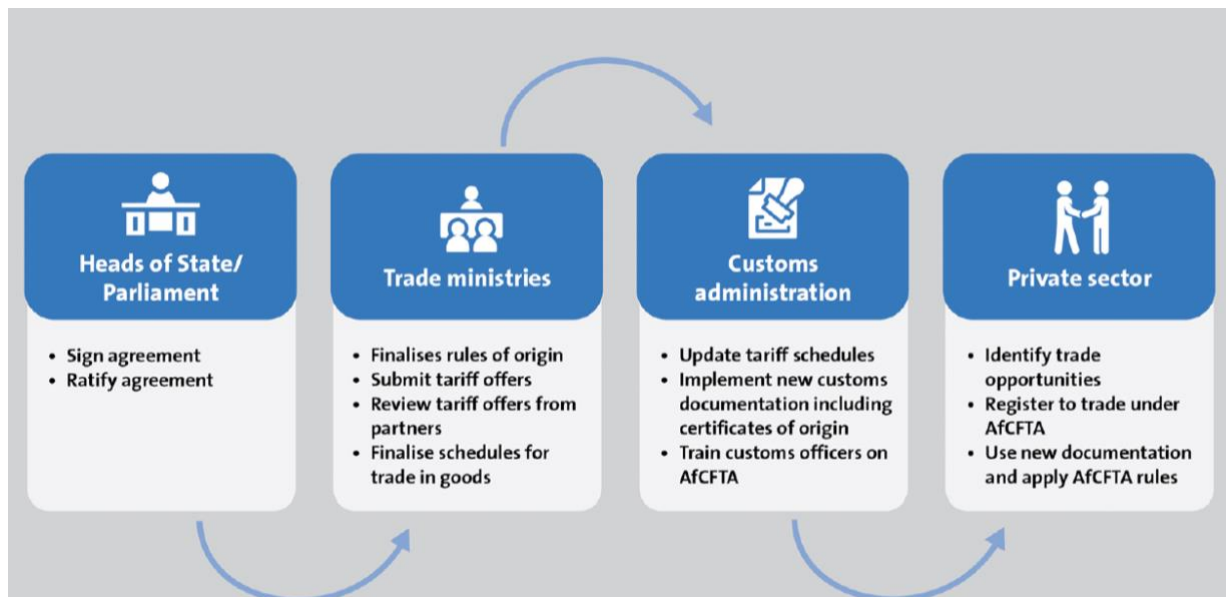
Bring the private sector in – From institutional structures to private sector engagement

For the AfCFTA to have the intended impact, it will require businesses to know about it and be able to use it. That means improving the information available to the private sector, which goes beyond the high-level presentations seen in most webinars to include details on the agreed rules of origin and tariff offers relevant to their markets. There are opportunities for business associations and service providers with the technical expertise to develop tools for firms to understand better the implications and [new market opportunities](#). International partners must also seek to support these efforts at the national, regional and continental levels.

In the short run, the AfCFTA could increase complexity for traders, as the push for implementation has resulted in different tracks for various products and there are variations among the rules of existing arrangements and the AfCFTA.

The effect of the AfCFTA will depend on the degree to which private sector companies across sectors and countries (1) are able to use the AfCFTA and (2) decide if it is worthwhile using it. That will necessitate a major effort across members to translate the agreement into practical processes and procedures, and assist companies to use them, where relevant, as reflected in Figure 1 for trade in goods.

Figure 4: Steps for AfCFTA implementation – trade in goods



Source: ECDPM commentary [here](#)

In his [analysis](#) of different historical experiences of regional integration around the world, Walter Mattli points to the need for powerful forms of private sector or other ‘demand’ for greater regional integration to match the ‘political supply’ of the policies, institutions and organisational structures. That is, there must be non-state economic actors seeking gains through greater regional integration to match the supply from political leaders. This is also confirmed in case studies from the [Maputo Development Corridor](#) and integration in [East Africa confirm](#), for example. But to date there has been limited direct involvement of the private sector in articulating their demand and needs, or in the negotiations of the AfCFTA.

Improving the information available to business would be a good start. This needs to go beyond the general level presentations of details on the agreed rules of origin and tariff offers to their markets.

Partners can also help to build capacity in government agencies that must now take what trade officials have negotiated and turn it into operating procedures that can be implemented at borders around the continent. The AfCFTA agreement itself provides guidance in this regard, but the steps for application in each country will differ and require specific consideration of national and regional circumstances.

The AfCFTA – a basis for a continent-to-continent agreement with the EU?

Full webinar on what the AfCFTA means for a continent-to-continent trade agreement between Africa and the EU is [here](#).

As well as internal trade, the AfCFTA will also affect Africa's external trade relations. Among many asking about this, Africa's foremost trade partner, the EU, views the AfCFTA as a step towards its long-term ambition of a continent-to-continent free trade agreement (FTA).

This paper therefore looks at whether this ambition makes sense from an African point of view. African states would need to establish a continental customs union – a long term ambition of the AfCFTA – to be able to then align their trade interests towards the EU and to provide a mandate to the African Union, or another continental body, to represent them in trade negotiations.

However, various political economy dynamics are likely to thwart these changes. As this paper discusses, the ambivalence of African states towards deeper integration will complicate efforts to establish a continental customs union. The different pressures and incentives they face will make it hard for them to align their trade interests vis-a-vis the EU and their desire to preserve sovereignty means they will be reluctant to give the AU a mandate to represent them in trade negotiations.

The paper therefore concludes that proponents of a continent-to-continent FTA should focus their efforts on supporting the implementation of the AfCFTA and related African integration processes and on improving existing trade arrangements between the EU and Africa. Such efforts could help pave the way for a future continent-to-continent FTA. At the same time policymakers on both sides should not let a preoccupation with a continent-to-continent FTA divert attention away from other avenues to foster constructive EU-Africa collaboration on trade.

More on this topic is discussed in the following two summaries:

- [Overview: Regional organisations in Africa](#)
- [AU reforms – the political economy of adapting internally and externally](#)

This synthesis note was created by Bruce Byiers and Isabell Wutz building on the work and inputs of Philomena Apiko, Amanda Bisong, Bruce Byiers, Alfonso Medinilla, Martin Ronceray, Lidet Tadesse and Ueli Staeger (external). For information about this guide and to know more about ECDPM's work on African institutions and regional dynamics, and on the PEDRO II project, please contact Bruce Byiers at bby@ecdpm.org.

[Click here to discover our previous work on Political Economy Dynamics of Regional Organisations in Africa](#)