ARCADE Debate on the Continental African Free Trade Area

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Slides of Jacques Berthelot

Introduction

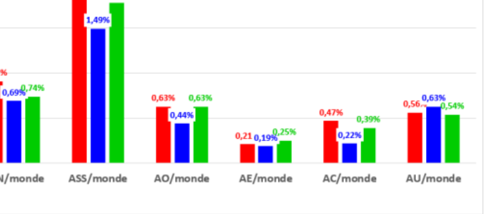
The AfCFTA is a project that could be feasible in 2063, provided it is only a component of a project of political unification for a sustainable development and solidarity. But we must not put the cart before the horse and follow a precipitous top down process of internal free trade within a model of increased extroverted growth which can only worsen Africa's underdevelopment. The AfCFTA is part of a "catch-up" strategy that has led to increasing dependence from world markets and Western neo-colonial imperialism and of the subordinate imperialist strategy of large emerging countries, including even China, which has an ambiguous position.

PLAN

I – External obstacles to AfCFTA success

II – The AU's internal analysis errors on the feasibility of the AfCFTA

III – Strategy for a sustainable self-centred development in Africa



External obstacles to AfCFTA success

I.I – The very strong multifaceted dependence on the EU

I.2 – The dependence on the United States

I.3 – The dependence on China

I.I – The very strong multifaceted dependence on the EU

Dependence since independence, mixed results of the Lomé Conventions, failure of the Cotonou Agreement (2000-2020) and maintenance of this domination in the post-Cotonou agreement, approved by the OEACP (Organisation of ACP States):

- **On trade: central role of EPAs and their enlargement (competition, public procurement, intellectual property)**
- **On finance: development aid, although decreasing; strong domination of European banks in Africa, massive capital flight ($1000 bn from 2000 to 2016)**
- **On monetary policy: false exit of the CFAF (continued alignment with the euro),**
- **On the military: failure of Barkhane & G5 Sahel for lack of discussion with Tuaregs.**

Besides, there is a political agreement between the EU and the AU on the "Africa-Europe Investment Alliance and Sustainable Jobs" which will promote PPPs (public-private-partnerships) where States will guarantee in the long term the loss of profits from infrastructure investments, such as the Dakar-New Airport toll motorway or the Abidjan metro. PPPs for agricultural investments are also dangerous: input-intensive systems with chemicals and large motorisation for export rather than for local markets.

I.2 – Dependence on the United States

We don’t known what Joe Biden's African policy will be, but it is hoped that he will stop the ongoing negotiation with Kenya as a model for future FTAs with other SSA countries, aiming to impose an FTA that would deviate significantly from the AGOA because it would no longer be a preferential agreement and would move closer to EPAs. Although AGOA is also highly questionable, notably because of the provision that holds that Kenya could export duty-free to the US clothing made from imported cotton yarns and fabrics of any country. This would greatly hinder the processing of African cotton into clothing.

I.3 – Dependence on China

Africa's 1st trading partner and 1st creditor per country, with 20% of the African external debt and $147 bn in loans from 2000 to 2017. Although the share of loans is higher than those of Western countries, this debt is creating dominance and facilitates Chinese exports to Africa by reducing the possibility of protecting oneself from it.

II – The AU's internal analysis errors on the AfCFTA feasibility

2.1 – The AfCFTA minimises the importance of the structural constraints that will long hamper its competitiveness

2.2 – It is impossible to "catch up" with developed and emerging countries by joining the "global value chains".

2.3 – Over the last 25 years, Africa has been strongly de-industrialised while sharply increasing its food deficit

2.4 – The AfCFTA will not strengthen the AU bargaining power at the WTO as it is not a Member, nor the RECs

2.5 – The AU also has the undecided project of a Customs Union

2.1 – The AfCFTA minimises the importance of the structural constraints that will long hamper its competitiveness

There are a number of constraints that will long hamper the competitiveness of the AfCFTA: weak infrastructure (transport, energy, electricity, water); low technical skills; illegal levies by army, police and customs officers; high loan rates; wide disparities in monetary policies and exchange rates, including maintenance of the CFA franc pegged to the euro; huge differences in customs duties, living standards, political regimes and their weak democratisation, etc. Transport from China to Lagos is cheaper than from North to South Nigeria, and cheaper also to transport maize from the US to Lagos than from Northern Nigeria.

If these constraints are not removed, the AfCFTA will lead to further loss of customs revenue and competitiveness, and hence of jobs.

2.2 – It is impossible to "catch up" with developed and emerging countries by joining the "global value chains".

The AU sees its salvation only in increased extroverted growth, so much so that its development has so far depended on it and has in the short term served the interests of the Heads of State complicit with the interests of the North and its multinationals.

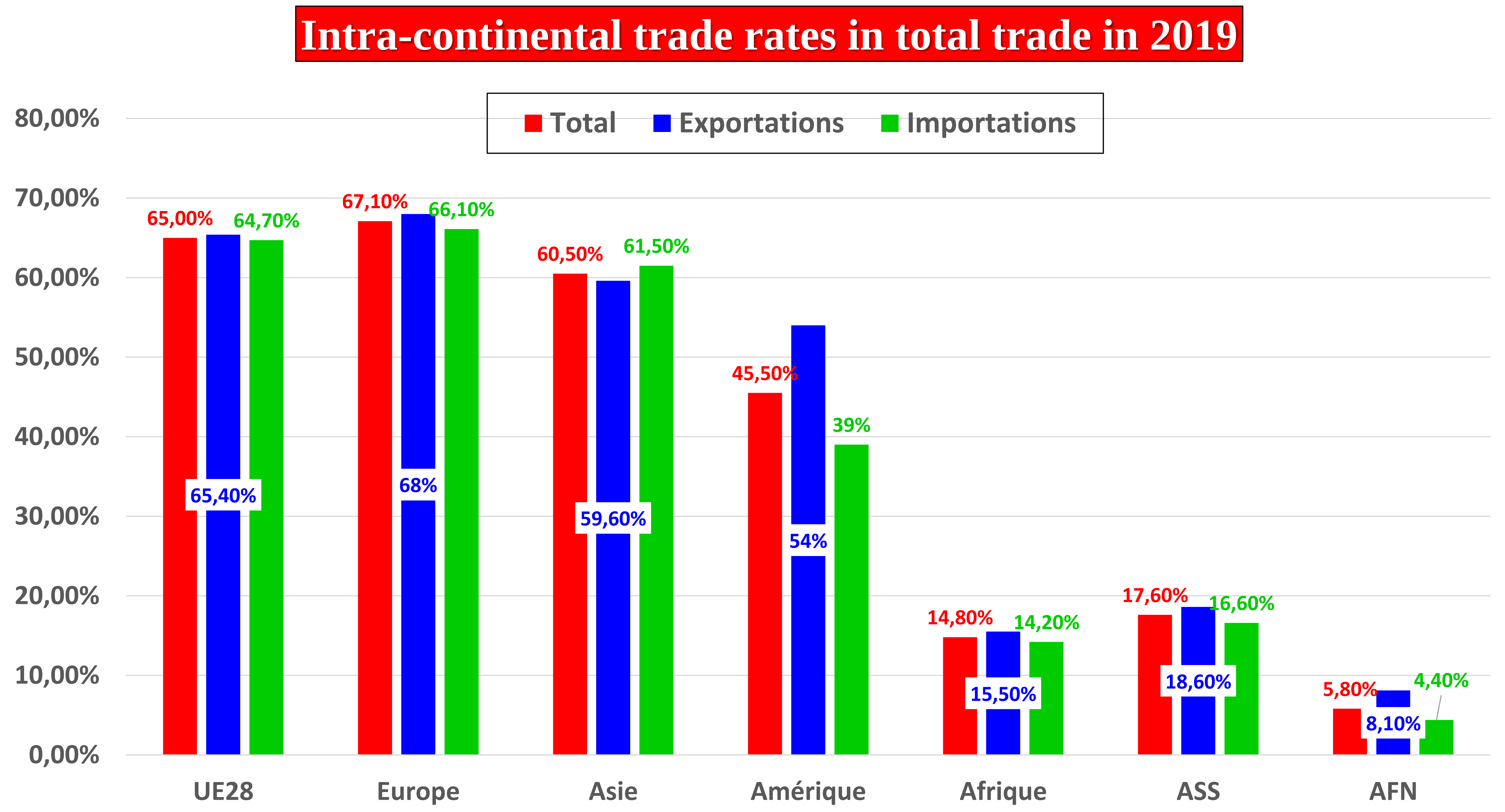
The last 25 years have shown that Africa, especially SSA, remained confined to the least profitable segments of GVCs, i.e. in the export of industrial or agricultural raw materials.

2.3 – Over the last 25 years, Africa has been strongly de-industrialised, while sharply increasing its food deficit

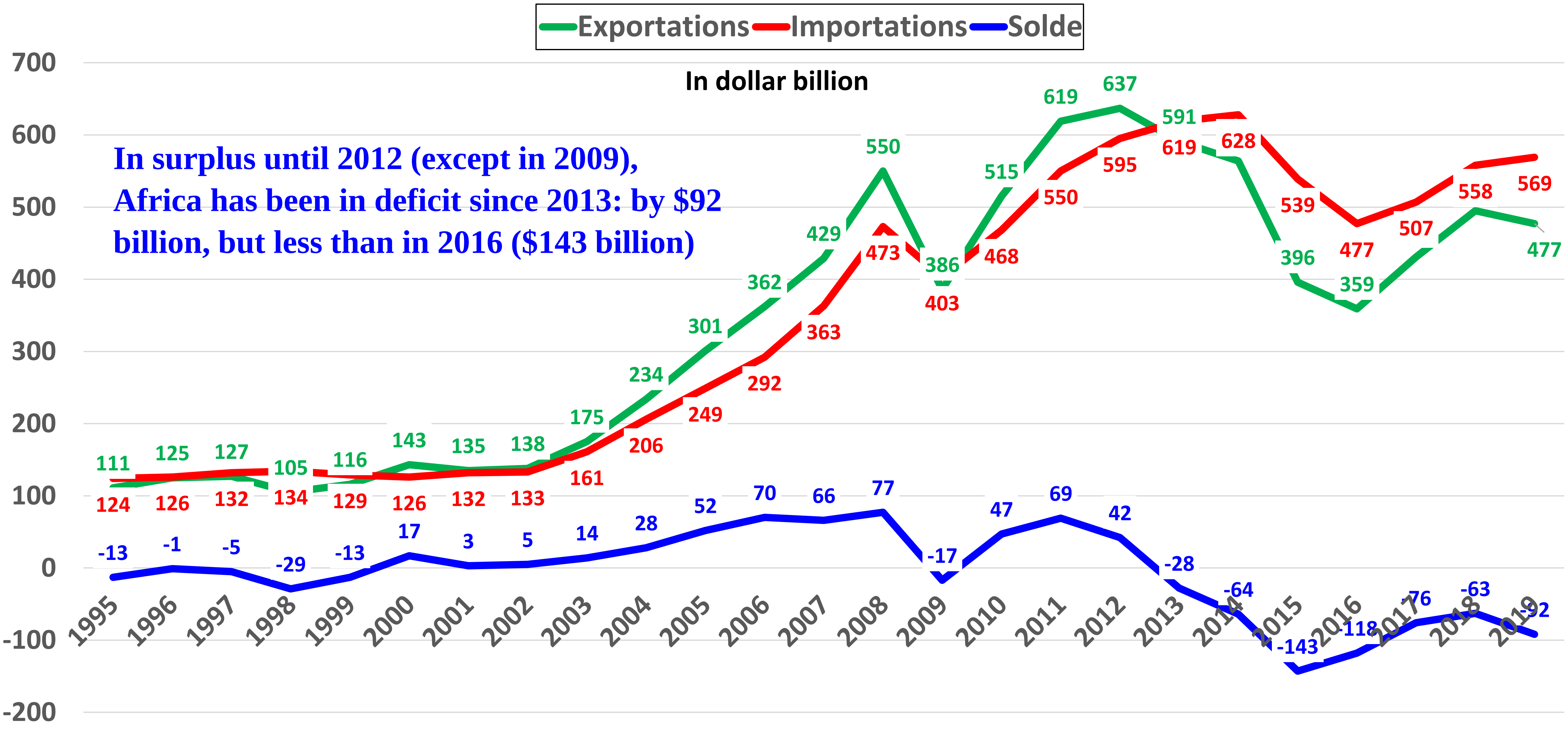
Slides 10 to 23 show the negative development over the last 25 years (1995 to 2019) of the competitiveness of Africa as a whole, and of SSA and its RECs in general and more specifically in the industrial and food sectors.

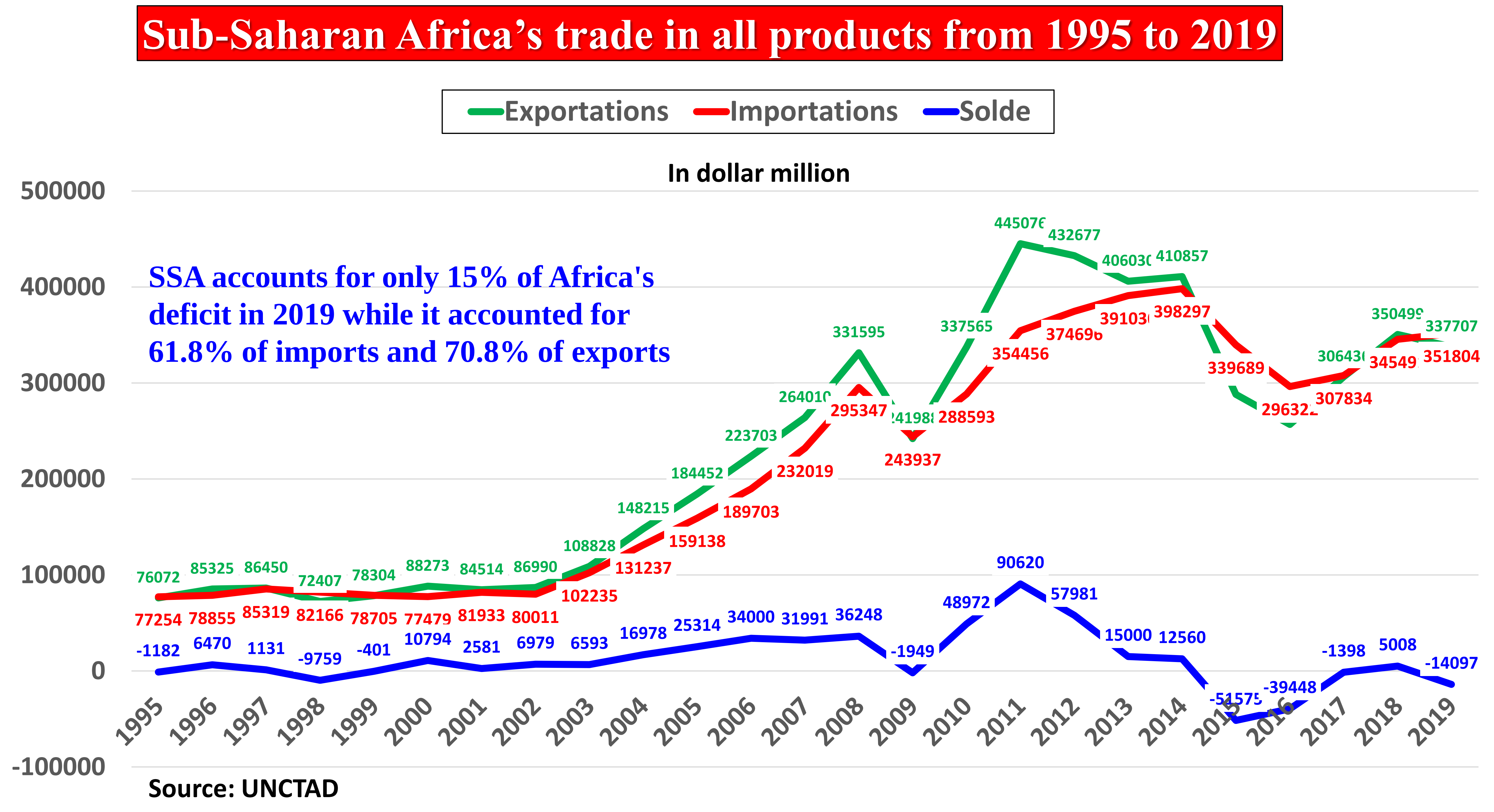
Slide 10 shows that the share of intra-African trade in world trade was in 2019 only at 15.5% of exports (18.6% for ASS) against 65.4% in the EU, and 14.2% of imports (16.6% in SSA) compared to 64.7% in the EU.

Slide 11 shows that Africa has had a world trade surplus until 2012 (except 2009), and a deficit from 2013: $92 billion in 2019 ($143 billion in 2016). Slide 12 shows that the African deficit is due to North Africa (NAF at 7: Algeria, Morocco, Tunisia, Libya, Egypt, Sudan, Saharawi Republic) because the SSA one was only of 15% of that of Africa, whereas it accounted for 61.8% of imports and 70.8% of exports.


Intra-continental trade rates in total trade in 2019
Total
Exportations
Importations
80,00%
70,00%
60,00%
50,00%
40,00%
30,00%
20,00%
10,00%
0,00%
65,00%
65,40%
64,70%
67,10%
68%
66,10%
60,50%
59,60%
61,50%
45,50%
54%
39%
14,80%
15,50%
14,20%
17,60%
18,60%
16,60%
5,80%
8,10%
4,40%
UE28
Europe
Asie
Amérique
Afrique
ASS
AFN

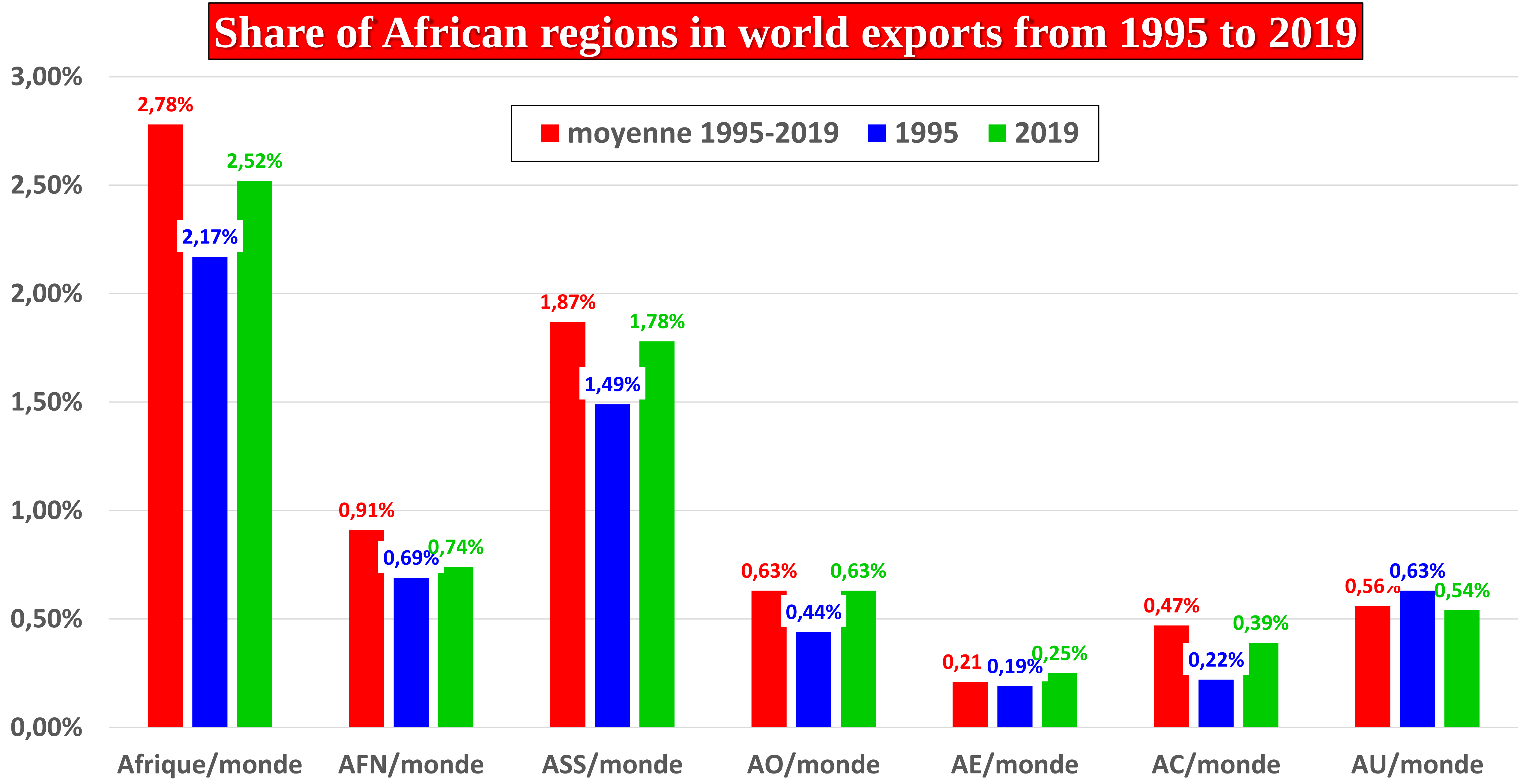
Africa's trade in all products from 1995 to 2019

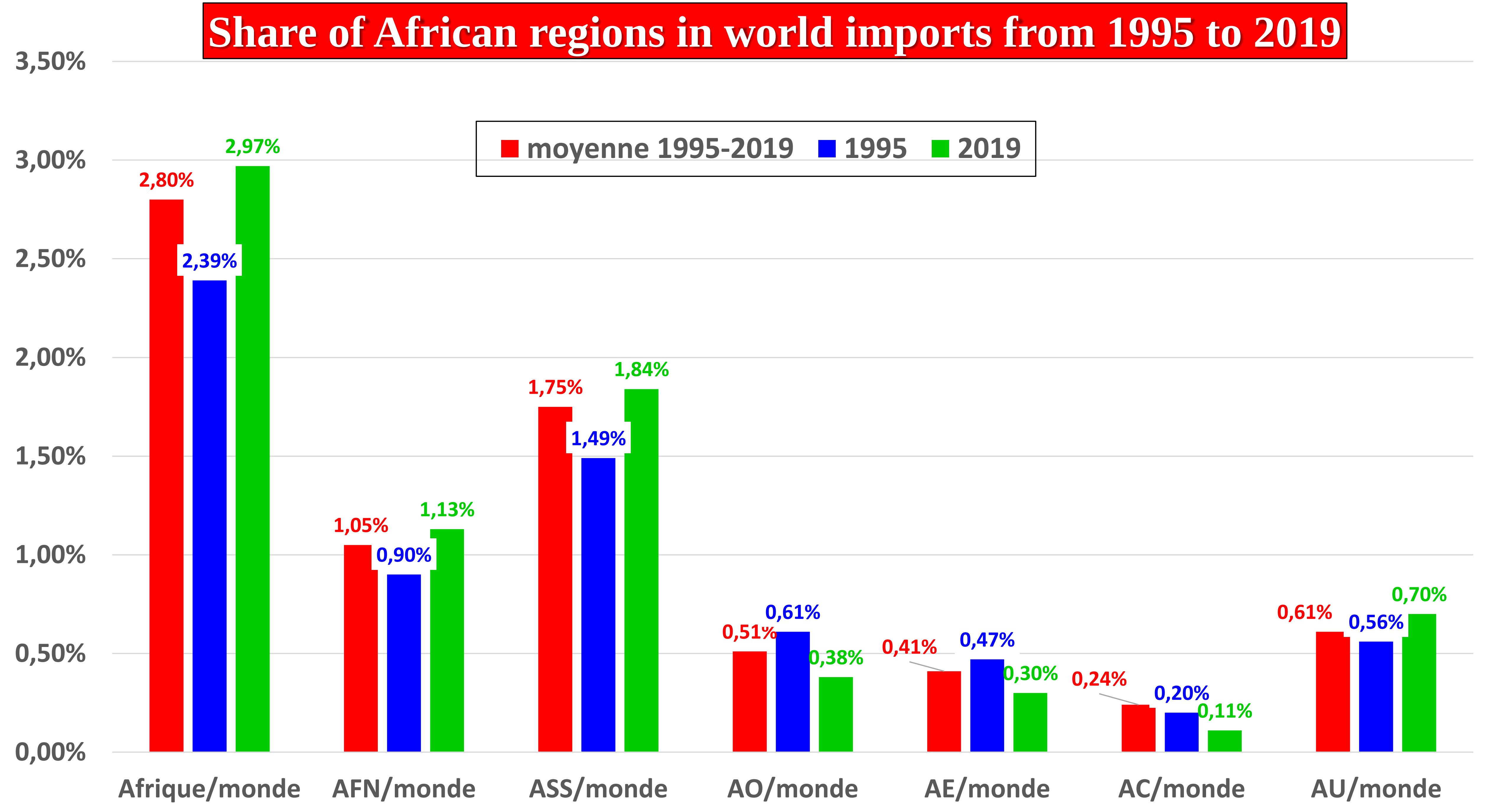



Sub-Saharan Africa’s trade in all products from 1995 to 2019
Exportations
Importations
Solde
In dollar million
SSA accounts for only 15% of Africa's deficit in 2019 while it accounted for 61.8% of imports and 70.8% of exports
500000
400000
300000
200000
100000
0
-100000
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Source: UNCTAD

Slides 14 and 15 show the low share of Africa in exports and world imports in 2019: 2.52% and 2.97% respectively, of which 0.74% and 1.13% for North Africa (NAF), for SSA 1.78% and 1.84%. For exports from SSA: 0.63% for West Africa (WA), 0.53% for Southern Africa (SA), 0.39% for Central Africa (CA), 0.25% for East Africa (EA). For imports from SSA: AU (0.70%), WA (0.38%), EA (0.30%), CA (0.11%)

Countries included in these UNCTAD trade data: NAF (Algeria, Morocco, Tunisia, Saharawi Republic, Egypt, Libya, North Sudan); WA (15 ECOWAS countries + Mauritania); CA (Angola, Cameroon, Central African Republic, Chad, Gabon, both Congos, Equatorial Guinea, Sao Tome and Principe); EA (Kenya, Uganda, Burundi, Tanzania, Rwanda, Comoros, Djibouti, Ethiopia, Eritrea, Somalia, South Sudan, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Zambia, Zimbabwe), SA (the 5 SACU countries): South Africa, Eswatini, Botswana, Lesotho, Namibia).


Share of African regions in world exports from 1995 to 2019
moyenne 1995-2019
1995
2019
3,00%
2,50%
2,00%
1,50%
1,00%
0,50%
0,00%
2,78%
2,17%
2,52%
0,91%
0,69%
0,74%
1,87%
1,49%
1,78%
0,63%
0,44%
0,63%
0,21
0,19%
0,25%
0,47%
0,22%
0,39%
0,56
0,63%
0,54%
Afrique/monde
AFN/monde
ASS/monde
AO/monde
AE/monde
AC/monde
AU/monde

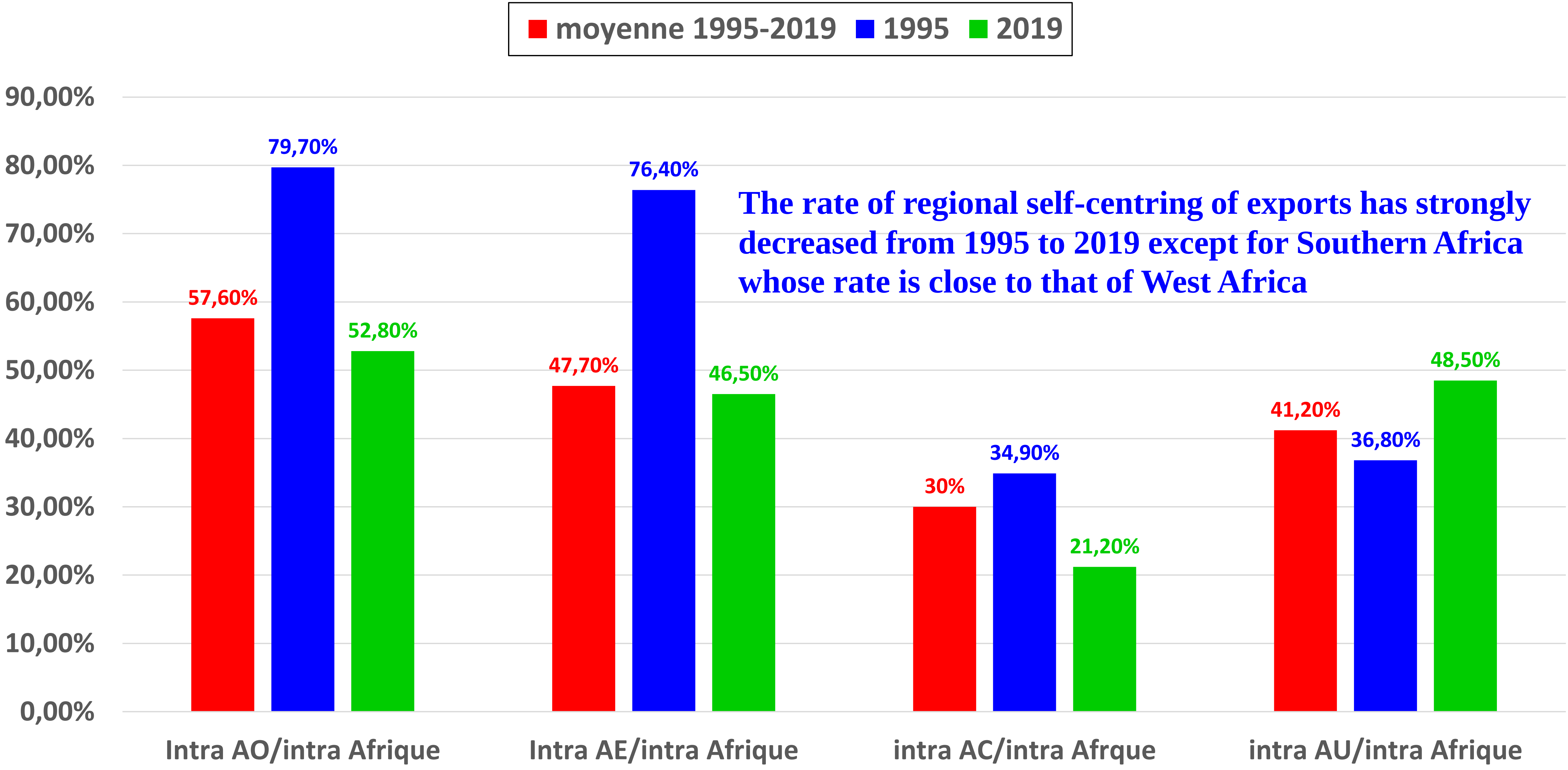

Share of African regions in world imports from 1995 to 2019
moyenne 1995-2019
1995
2019
3,50%
3,00%
2,50%
2,00%
1,50%
1,00%
0,50%
0,00%
2,80%
2,39%
2,97%
1,05%
0,90%
1,13%
1,75%
1,49%
1,84%
0,51%
0,61%
0,38%
0,41%
0,47%
0,30%
0,24%
0,20%
0,11%
0,61%
0,56%
0,70%
Afrique/monde
AFN/monde
ASS/monde
AO/monde
AE/monde
AC/monde
AU/monde

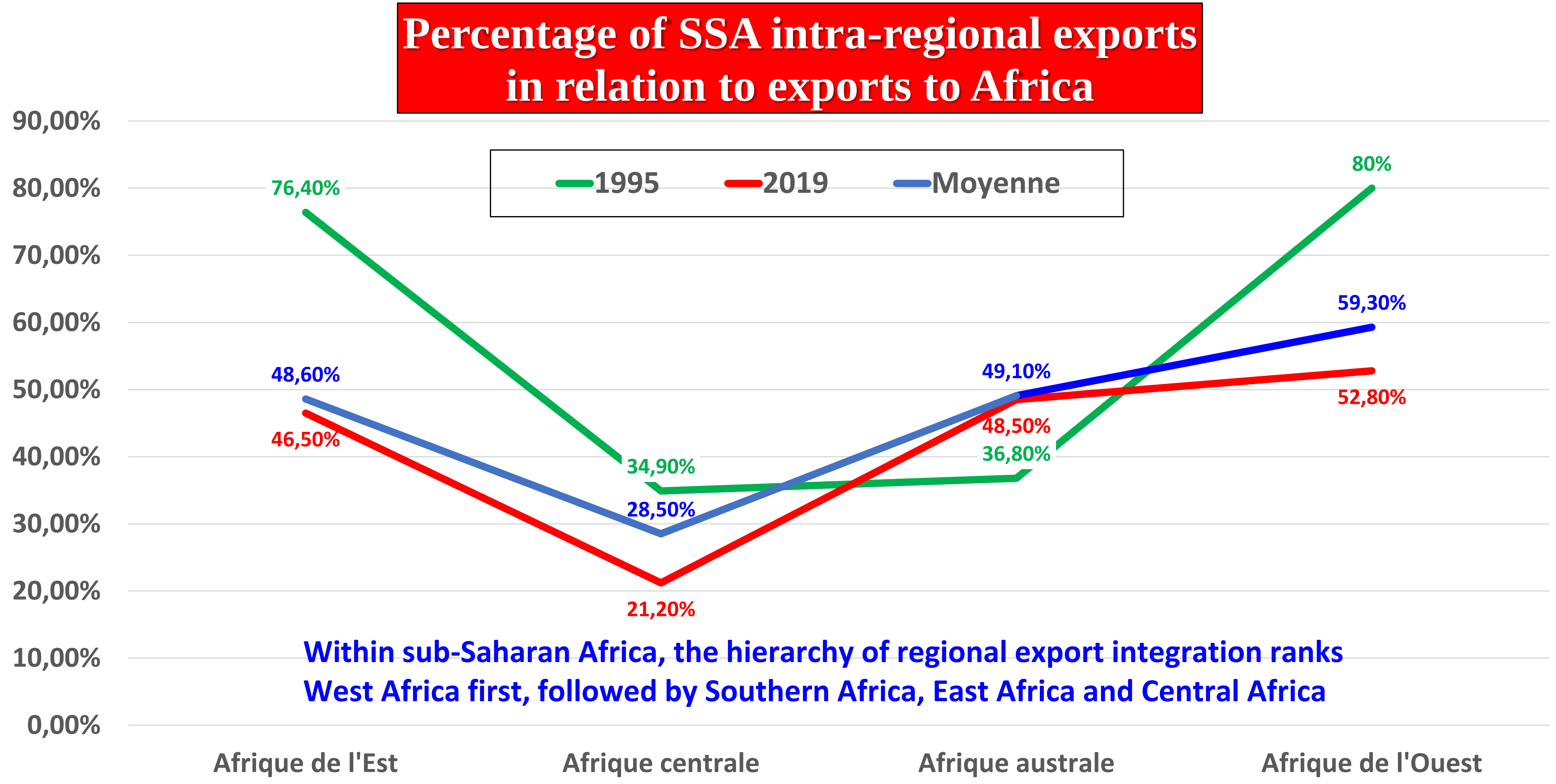
Slides 17 to 19 show that each region's rate of self-centring – % of the intra-regional trade on its intra-AU trade – has dropped sharply from 1995 to 2019 for exports of WA (from 80% to 52.80%), EA (from 76.40% to 46.50%), CA (from 34.90% to 21.20%), but has increased in SA (from 36.80% to 48.50%).

For imports (slide 19) the self-centring rate of each region has also fallen sharply from 1995 to 2019 for WA (from 81.80% to 69.30%), SA (from 81.40% to 65.20%), CA (from 20.90% to 12.40%) and less for EA (from 35.40% to 31.90%).

These findings underline the need to strengthen the regional integration of each REC – and even national integration in each State – instead of thinking that continental integration would percolate to regional integration in RECs. All the more so as the strengthening of integration implies a popular adhesion at all levels – national, regional, continental – owing to redistribution policies to the underprivileged populations.

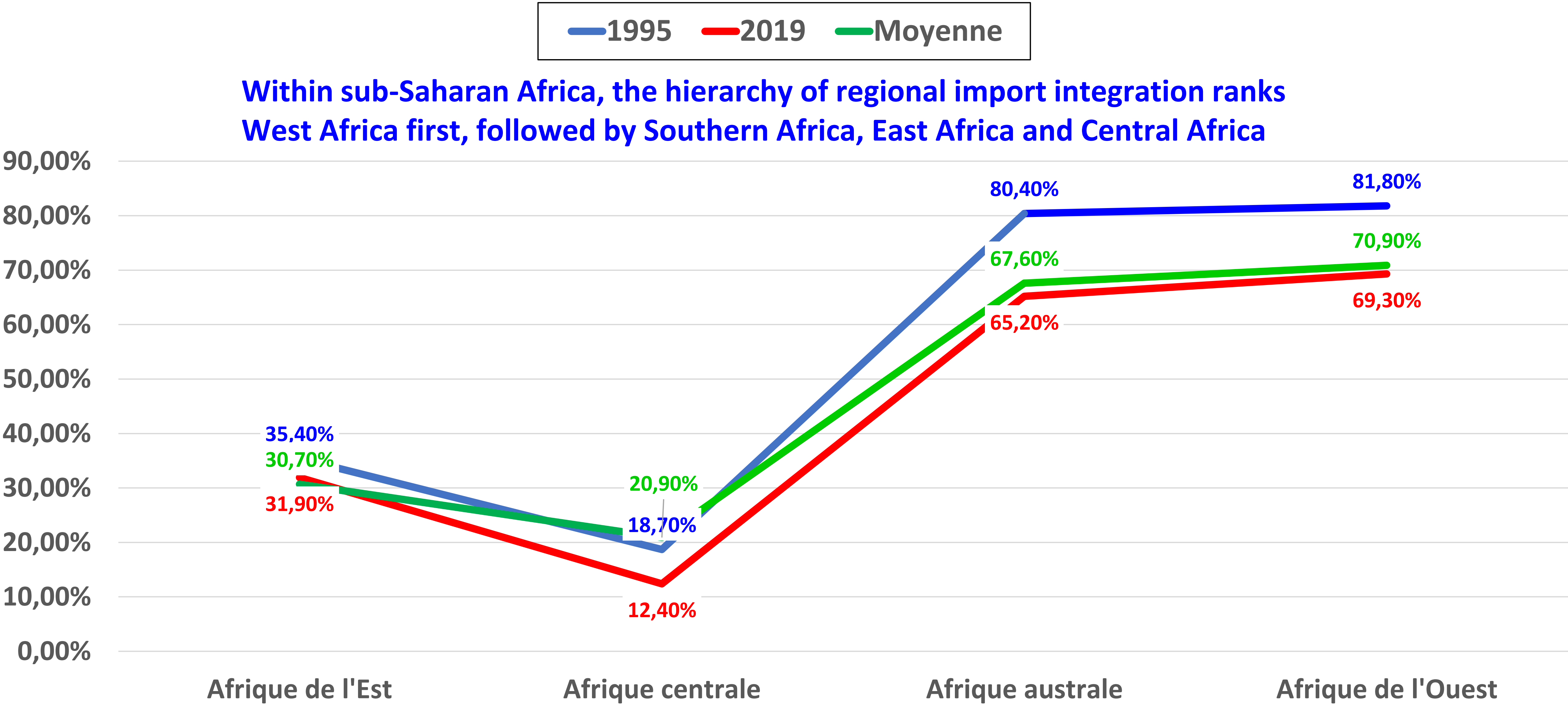
Self-centred export rates of SSA regions from 1995 to 2019





Percentage of SSA intra-regional exports in relation to exports to Africa
1995
2019
Moyenne
90,00%
80,00%
70,00%
60,00%
50,00%
40,00%
30,00%
20,00%
10,00%
0,00%
76,40%
48,60%
46,50%
34,90%
28,50%
21,20%
49,10%
48,50%
36,80%
80%
59,30%
52,80%
Within sub-Saharan Africa, the hierarchy of regional export integration ranks West Africa first, followed by Southern Africa, East Africa and Central Africa
Afrique de l'Est
Afrique centrale
Afrique australe
Afrique de l'Ouest

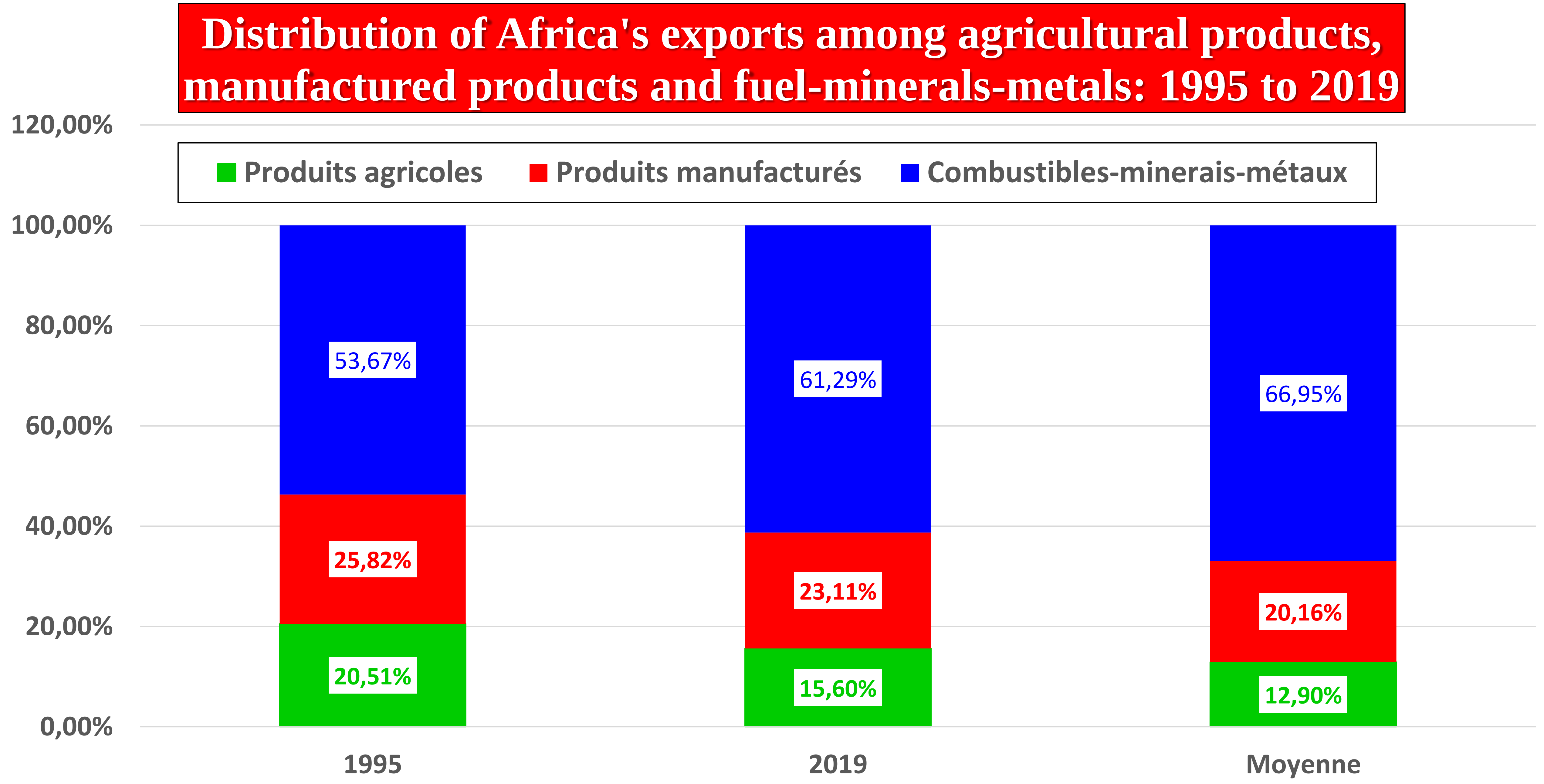
Percentage of SSA intra-regional imports compared to imports from Africa



Slides 21 to 24 present the distribution of exports and imports of Africa and SSA from 1995 to 2019 between the 3 products categories: agricultural goods, manufactured goods and fuel-mineral-metals (FMM). On average 2/3 of their exports were FMM and 2/3 of their imports were manufactured products

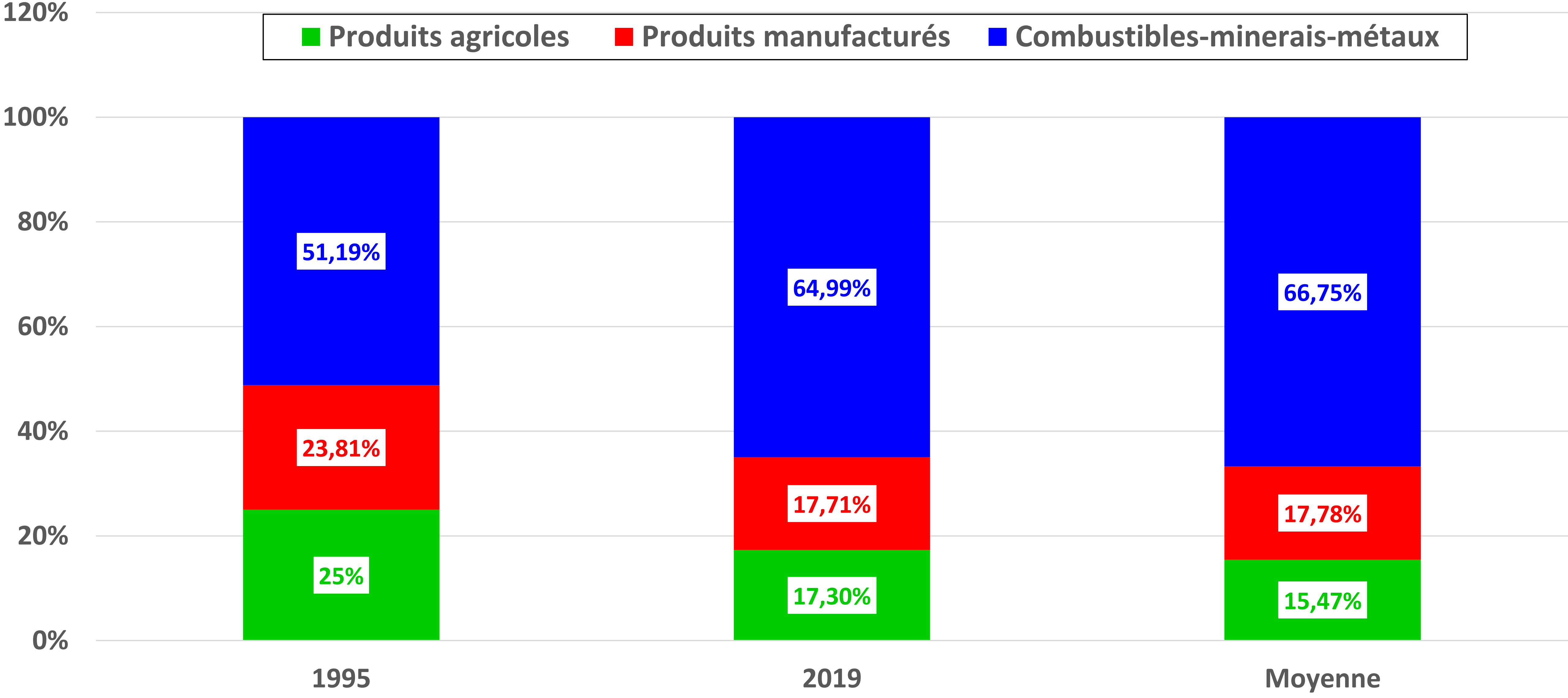
And the situation worsened from 1995 to 2019: SSA's FMM exports have increased by 27% compared to 14% in Africa, while those of agricultural products declined by 31% in SSA and 24% in Africa. As a result, those of manufacturing fell more in SSA (by 26%) than in Africa (by 10.50%).

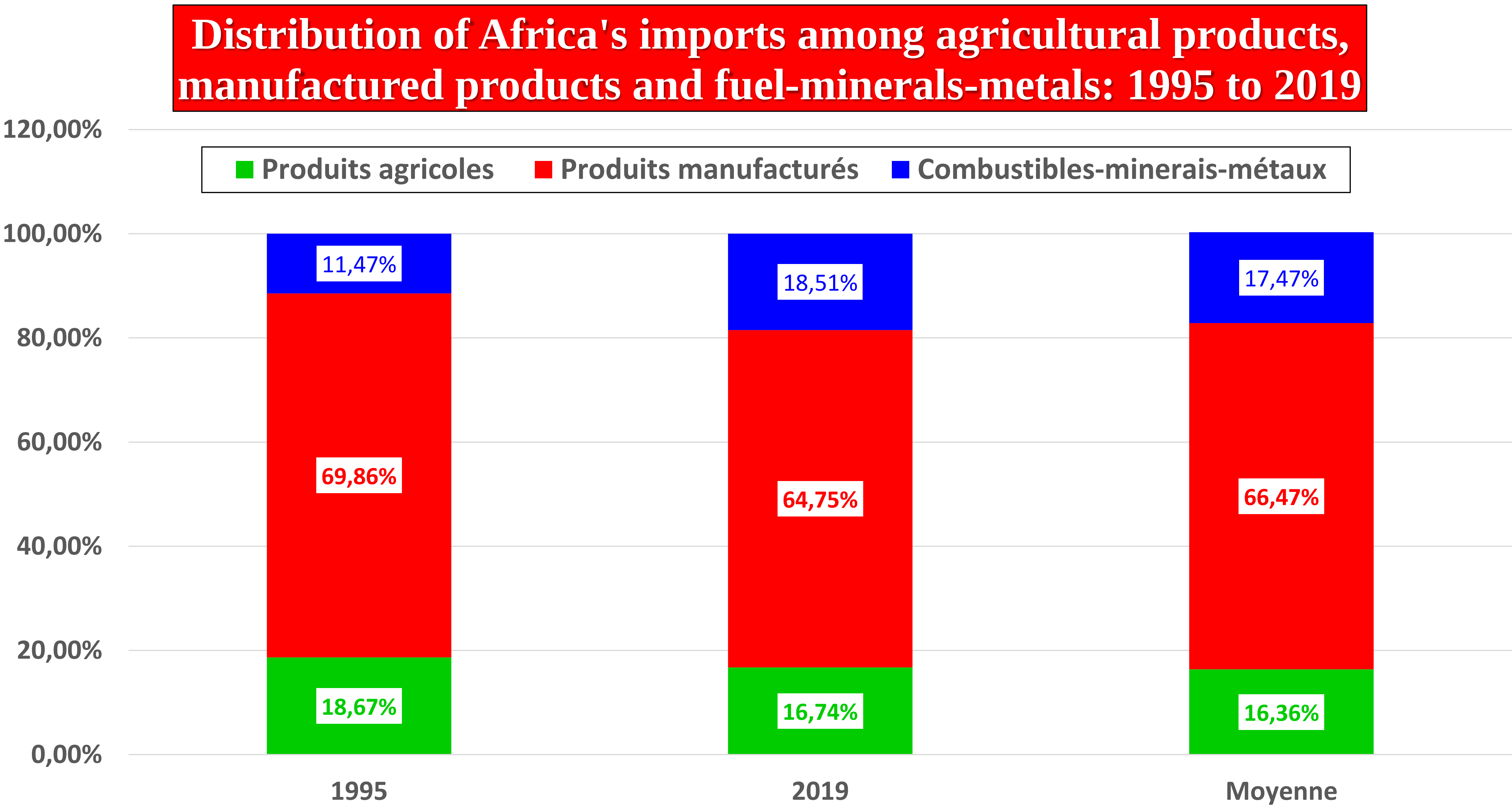
For imports (slides 23 and 24) the share of manufactured goods has fallen by 12% in SSA and 7% in Africa, while the share of FMM increased by 61% in Africa and by 47% in SSA. In contrast, the share of agricultural imports fell by 10% in Africa but increased by 13% in SSA



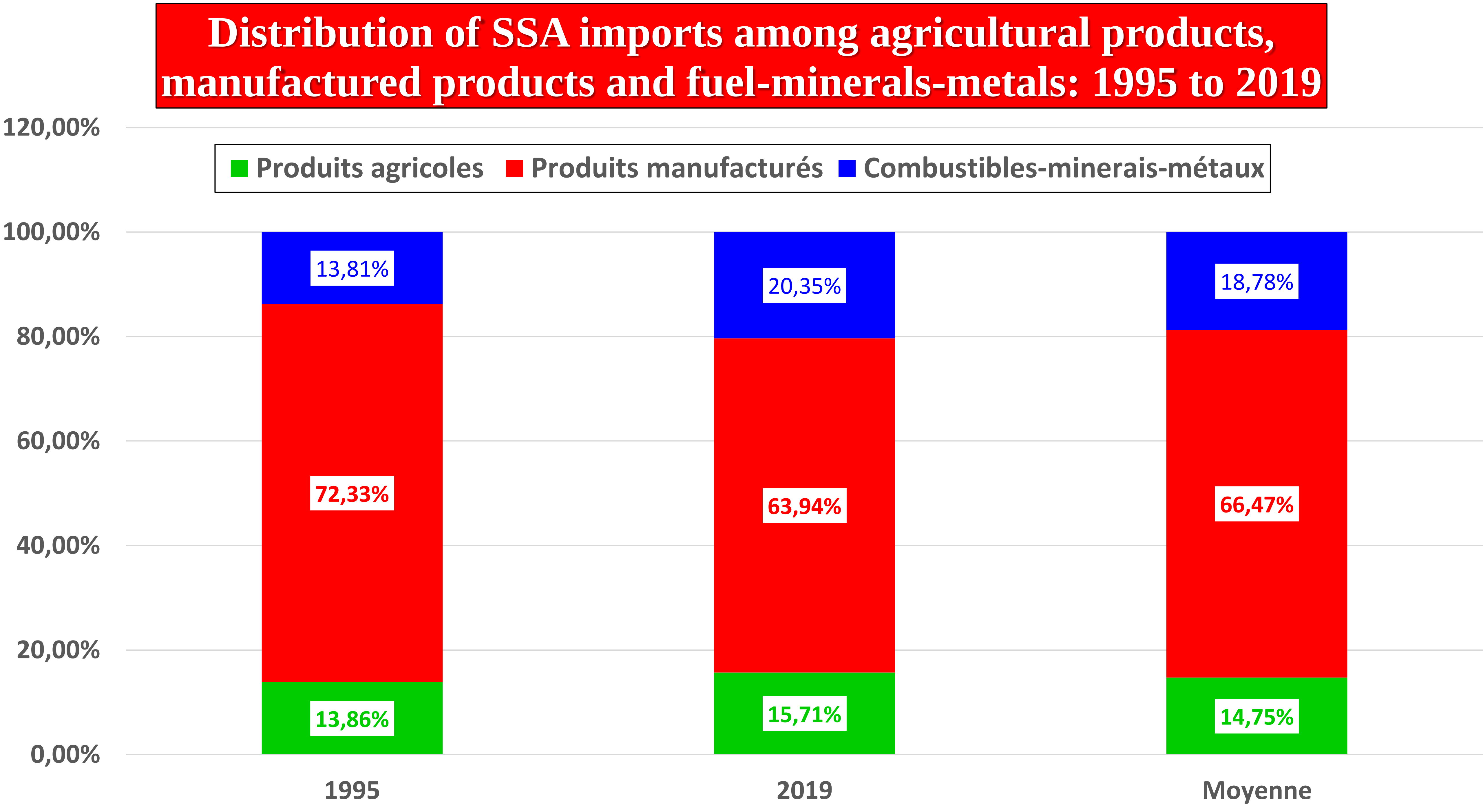
Distribution of Africa's exports among agricultural products, manufactured products and fuel-minerals-metals: 1995 to 2019
120,00%
100,00%
80,00%
60,00%
40,00%
20,00%
0,00%
Produits agricoles
Produits manufacturés
Combustibles-minerais-métaux
53,67%
25,82%
20,51%
61,29%
23,11%
15,60%
66,95%
20,16%
12,90%
1995
2019
Moyenne

Distribution of SSA exports among agricultural products, manufactured and fuel-minerals-metals: 1995 to 2019



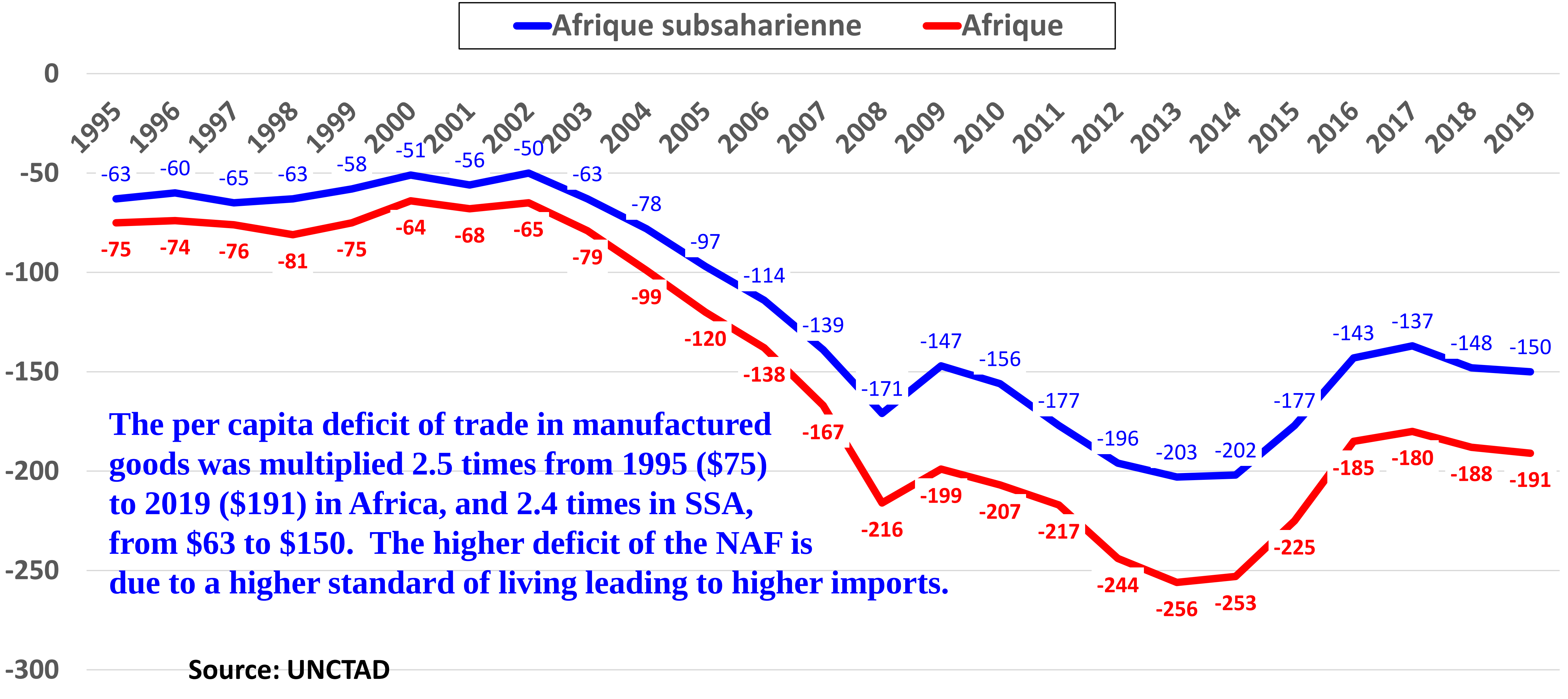


Distribution of Africa's imports among agricultural products, manufactured products and fuel-minerals-metals: 1995 to 2019
120,00%
100,00%
80,00%
60,00%
40,00%
20,00%
0,00%
Produits agricoles
Produits manufacturés
Combustibles-minerais-métaux
11,47%
69,86%
18,67%
18,51%
64,75%
16,74%
17,47%
66,47%
16,36%
1995
2019
Moyenne



Distribution of SSA imports among agricultural products, manufactured products and fuel-minerals-metals: 1995 to 2019
Produits agricoles
Produits manufacturés
Combustibles-minerais-métaux
120,00%
100,00%
80,00%
60,00%
40,00%
20,00%
0,00%
13,81%
72,33%
13,86%
20,35%
63,94%
15,71%
18,78%
66,47%
14,75%
1995
2019
Moyenne

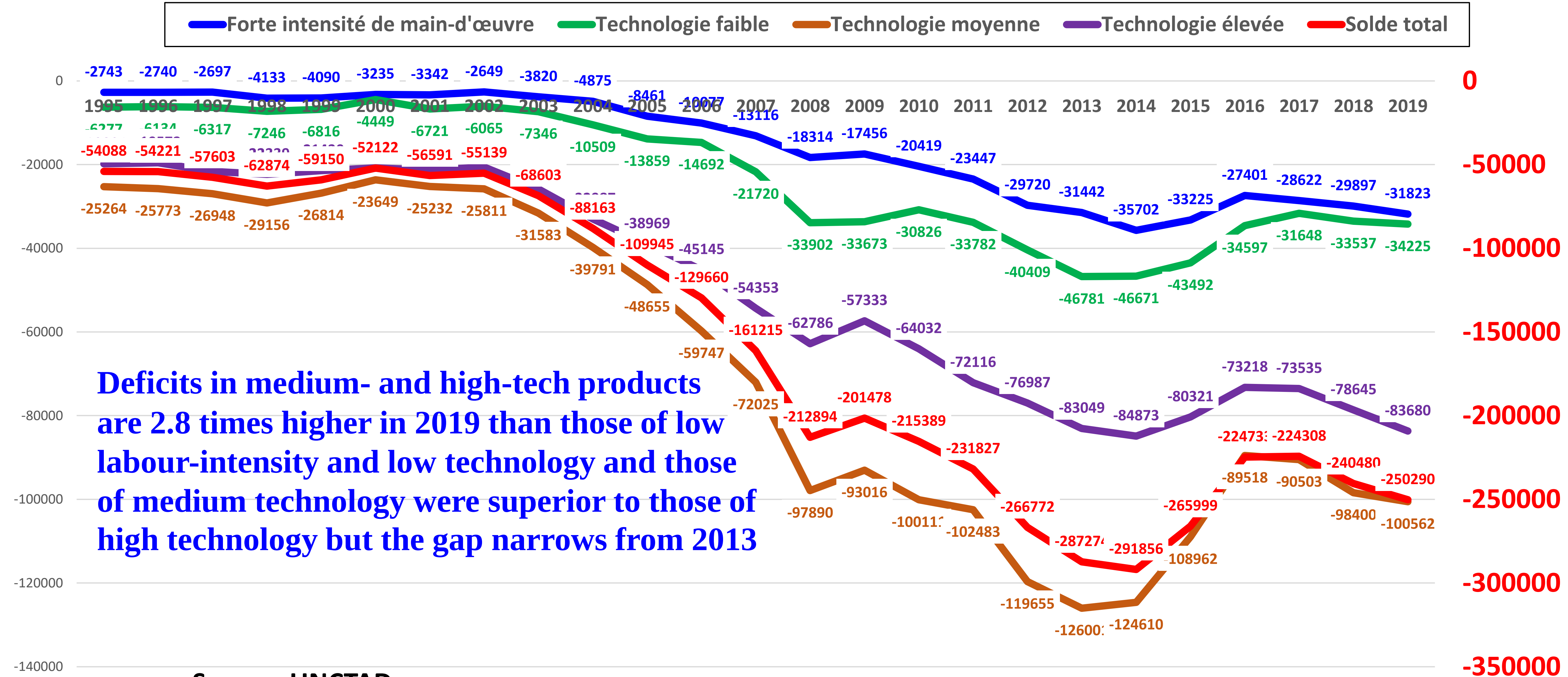
Deficit balance in $/capita in manufactured trade of Africa and sub-Saharan Africa: 1995-2019



The per capita deficit of trade in manufactured goods was multiplied 2.5 times from 1995 ($75) to 2019 ($191) in Africa, and 2.4 times in SSA, from $63 to $150. The higher deficit of the NAF is due to a higher standard of living leading to higher imports.

Source: UNCTAD

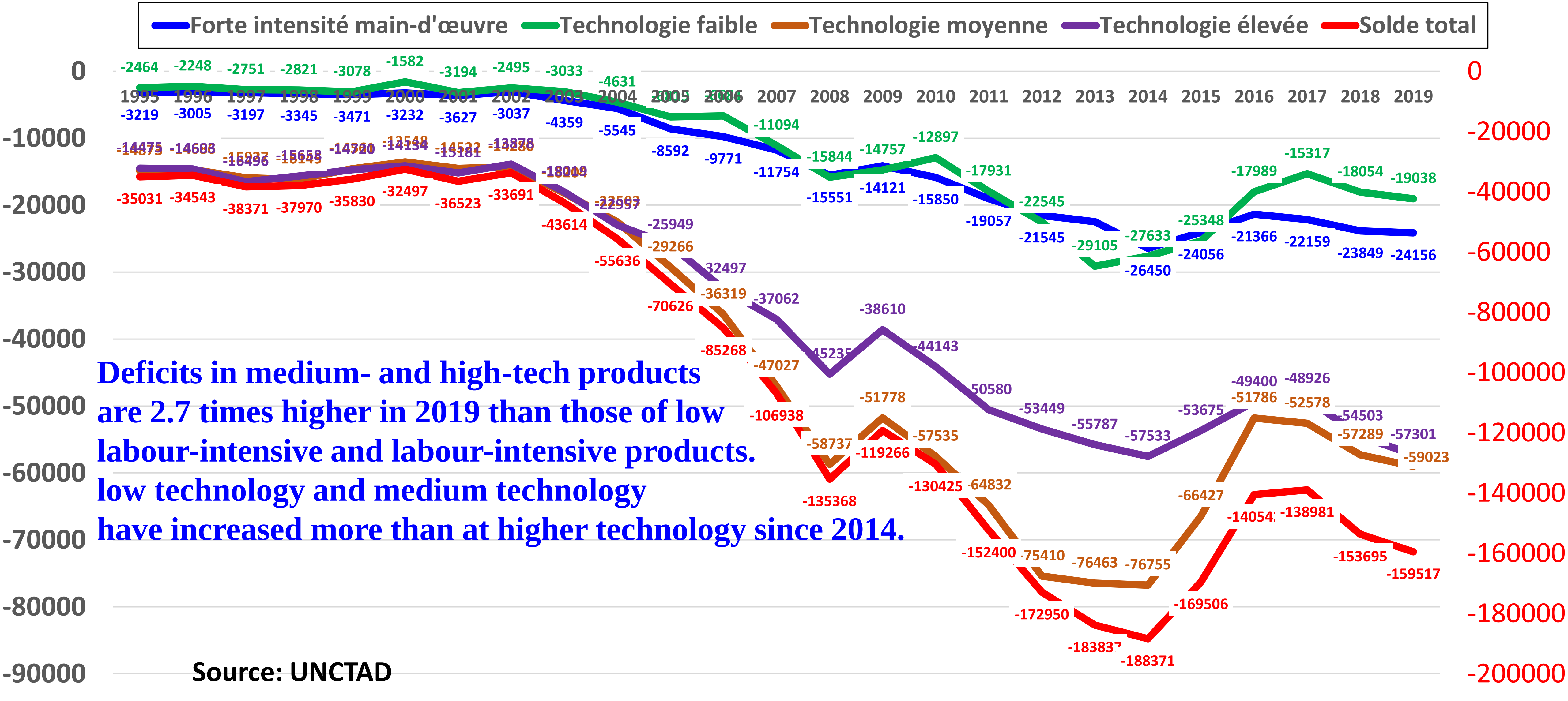
Growing deficit of trade in manufactured goods of Africa by level of technology, 1995-2019



Deficits in medium- and high-tech products are 2.8 times higher in 2019 than those of low labour-intensity and low technology and those of medium technology were superior to those of high technology but the gap narrows from 2013

Source: UNCTAD

Growing deficit of trade in manufactured goods of SSA by level of technology, 1995-2019



Comments on food trade of Africa and SSA from 1995 to 2019

Africa's food trade has been consistently in deficit since 1995 (and much earlier) with a maximum of $41 billion in 2014, reduced to $23.6 billion in 2019.

In 2019 Africa's food imports accounted for 87.7% of total imports and food exports 78.2% of agricultural exports.

However, without the coffee-cacao-spice tea (CCTS) trade – which are not basic staples and have had little effect on imports –, the food deficit in Africa would have been at $112 billion in 2019, 4.7 times the agricultural deficit.

SSA has been running a food deficit since 2005, with a maximum deficit from $14 billion in 2012 to $4.8 billion in 2019. But without the CCTS, the deficit would have been 76.5 billion in 2012 and another $64.5 billion in 2019.

Without CCTS, West Africa would have run a deficit since 1995 ($1.2 bn) and on average at 5.9 bn from 1995 to 2019, of which $9.2 bn in 2019. The environmental damage of cocoa and the slavery of Sahelian children require to reduce production.

2.4 – The AfCFTA will not strengthen bargaining power of the AU to the WTO of which it is not a Member, nor are the RECs

Both the African Union (AU) and its RECs are not WTO members, although the majority of States are members (as the 15 of ECOWAS). As long as this is not the case, the AU and its RECs will not weigh in the WTO negotiations that deal only with bound tariffs whereas the Common External Tariffs (CET) of the RECs have only applied tariffs. It will therefore be impossible to raise the low levels of applied duties according to their development needs as all major emerging countries do.

Of course, many people say that developing countries, including Africa, should get out of the WTO, but this is neither realistic nor desirable as the WTO is less worse than bilateral FTAs even if it is necessary to radically reform it to end the hold-up of developed countries, with the EU and the EU at the forefront, who have taken control of it to better violate the rules they have established. Who knows that the WTO Appellate Body has ruled 4 times that dumping must take into account the domestic agricultural subsidies, including "decoupled" ones, and has defined dumping as the fact to export at a price below the national average total production cost without subsidies?

2.5 – The AU has also the undecided project of a Customs Union (CCU) to facilitate the decline in customs duties (CDs) extra-AU

Beyond the AfCFTA the UNECA is pushing for the creation of a Continental Customs Union (CCU), which has not yet been decided, and therefore for a continental CET, believing that this would make it possible to increase both imports and exports. It relies on short-sighted reasoning that overlooks the enormous structural constraints of the AU (2.1) by saying that lower CDs on extra-AU imports would allow to import inputs and capital goods at lower prices which, combined with the lower labour costs in Africa compared to Asia, would help Africa to become more competitive than China on manufactured exports. Except that, despite Africa's apparently cheaper labour costs than the rest of the world, it is in fact more expensive because of its lower productivity due to low skill levels and the low level of associated technical capital. Hence President Issoufou's statement that "*Africa has the ambition to be the next world manufacturing centre*" and the expected increase in African exports!

III – Strategy for a sustainable self-centred development of Africa

Start by consolidating the economic and political integration of the RECs for at least a generation, by radically changing economic policies in all areas: trade, agriculture & food, industry, monetary and financial.

At the trade level: disconnect from the world market by denouncing and at least renegotiating all FTAs and on investment, starting with the EPAs with the EU. RECs must become WTO members to have bound CDs to enhance the protection of their domestic market.

At the agricultural and food level: a radical reform based on five pillars: 1) agricultural land reform consolidating the customary use rights; 2) guarantee of stable remunerative agricultural prices through variable levies on imports; (3) promotion of agroecological production systems; (4) compensation of the higher agricultural prices through massive domestic food aid to consumers on the example of India, financed by very long-term loans at very low rates from the WB International Development Association; 5) changing eating habits by refocusing consumption on regional products to reduce wheat and rice imports.

<u>At the industrial level</u>: promote a more modest strategy of industrialization renouncing to be competitive in global value chains (GVCs), by promoting nano-enterprises of the informal sector that create maximum employment and encourage them to group together as recommended by Fatou Gueye and Alimadou Aly Mbaye.

<u>Promote the textile industry</u> for the domestic market, which has been the basis for the industrialisation of the Southern countries, to enhance the value of African cotton by removing it from the strong vagaries in world prices and exchange rates and from the EU and US dumping. Provided to better protect imports of second-hand clothing exported mainly by the EU and to further protect the import of new clothes by putting pressure on China with political arguments.

<u>On the monetary and financial level:</u> apply modern monetarist theory as well explained by Ndongo Samba Sylla. By minimising indebtedness in foreign currencies.

To go further

https://www.sol-asso.fr/wp-content/uploads/2020/01/Evolution-of-the-structure-of-trade-in-Africa-and-SubSaharan-Africa-from-1995-to-2019.pdf

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