

**CHALLENGES AND PROSPECT OF THE AFRICA CONTINENTAL
FREE TRADE AREA (AFCFTA)**

**SHERIFF GHALI IBRAHIM, AL'AMIN MAINA AND JIMOH GODWIN
ETUNDAYE**

**DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL
RELATIONS, UNIVERSITY OF ABUJA**

EMAIL: sherfboy@yahoo.com

PHONE: +234 7063372013

Abstract

This paper delves into the developmental initiative that has been initiated in recent times to boost African development through trade; that initiative is the African Continental Free Trade Area (AfCFTA). The agreement was signed on the 20th of March, 2018 at the end of the 10th extraordinary session of Assemblies of Heads of States and Government of the African Union which held in Kigali, Rwanda by 44 states of the African Union with a set target of the “African we want” by 2064. The main focus of the paper is on the challenges African states stand to face after the signing of the agreement. The paper made an analysis of the trade agreement looking at its objectives, structure, current achievements, challenges and its prospects. In doing this, secondary data sources were used and the scientific theory of functionalism was adopted to best explain the research work. The research concludes that though the Africa Continental Free Trade Area (AfCFTA) comes with numerous prospects, it stands to be faced with challenges if the right things are not done. The paper recommends that African leaders must prioritize the provision and development of infrastructure and technology on the continent to be able to achieve the objectives of the AfCFTA protocol.

Keyworda: Africa; continental; free trade; agreement; Trade Area; integration

Introduction

As early as the 1950s when Africans began requesting for political independence from their colonial masters, Kwame Nkrumah of Ghana had foreseen the importance of Africa's economic independence. In his wisdom, Nkrumah thought of Africa having a united government and economy as what is obtainable in the United States of America and Europe. He understood the benefits of economic and political independence in enhancing the welfare of the African people, African States and how continental integration can help achieve that (Osvaldo, 2016). This initiative of Kwame Nkrumah did not see the light of the day as a result of several politicking and colonial influence that came into play as at that time.

In the early 2000s, the idea was again conceived and this time there was the zeal to make it achievable and operational. Though several informal meetings between and among states have taken place, it was during the 18th Ordinary African Union Summit held in January 2012 at Addis Ababa, Ethiopia that an Action Plan for Boosting intra-African Trade and a road-map to the establishment of a Continental Free Trade Area (CFTA) was endorsed to be operationalized by an indicative date of 2017 and an economic union by 2019 (Business Guide to FTA, 2018). The ultimate goal just as Nkrumah had dreamt of was the full political and economic integration of African Countries which will birth the United States of Africa (Osvaldo, 2016). This path to Africa's economic independence was acknowledged not to be easy but it was a path worth working on and achieving. What lies ahead therefore, was the making of decisions on how best to speed up the process and clear the obstacles to address the inevitable challenges so as to realize the ambition of an integrated African continent politically, economically, socially and culturally with resulting developmental gains (Andrea, 2018).

On the 21st of March, 2018, forty-four (44) out of the Fifty-Five (55) member states of the African Union signed the treaty establishing the Africa Continental Free Trade Area (AfCFTA) at the end of the 10th extraordinary session of the Assembly of Heads of States and Government. The agreement aims at creating a single continental market for goods and services, free movement of businesses, persons,

investments and a single currency across the continent. It also covers rules and procedures on dispute settlement, including a range of provisions to facilitate trade, reduce transaction costs, provide exceptions and flexibilities (Onwuka & Ozegbe, 2020). The treaty commits countries to removing tariffs on 90 per cent of goods and liberalizes services, while sensitive items, which make up the balance of 10 per cent, will be phased out later as tariff-free.

Literature Review

The signing of the AFCFTA treaty represents a major free trade agreement since the foundation of the World Trade Organization (WTO). The timing of the agreement was also important as it stands in contradiction with the persistent and significant increase in trade restrictive measures as well as the growing resistance towards the development of regional integration (Bramdeo, 2018; Songwe, 2018).

The objectives of African Continental Free Trade Area (AfCFTA) is very ambitious as member States seek to remove tariff and non-tariff barriers on goods and services in order to facilitate intra-African trade, promote regional value chains to booster integration of the African Continent into Global economy, boost industrialization, competitiveness and innovation and ultimately contributing to Africa's economic development and social progress (Osvaldo, 2016, Andrea, 2018 & Onwuka & Ozegbe, 2020). The treaty also seeks to coordinate and harmonize policies among existing and future economic communities in order to foster the gradual establishment of the Community (Andrea, 2018). Again, included in the ambition of establishing AfCFTA is the aim of establishing at each level of Regional Economic Community; a Free Trade Area (FTA) by gradual removal of tariff barriers and non-tariff barriers to intra-community trade and the establishment of a Custom Union by means of adopting a common external tariff within a period not exceeding 10 years (Nigerian Economic Summit Group, 2019).

The agreement is very wide in nature and due to that, it was divided into two (2) phases: the first phase which culminated in the March treaty focused on phasing out tariffs on 90% of goods exchanged between African countries allowing free access to commodities, goods and services across the continent while phase II of the treaty will focus on the adoption of the protocols required for investment, competition

policy and intellectual property right. Both agreements and protocols are on trade in goods and trade in services and the procedures on the settlement of dispute (Gerhard, 2020). The United Nations Economic Commission for Africa (UNECA) estimates that the agreement will boost intra African trade by 52% by 2022.

One complicating factor in the negotiations was that Africa had already been divided into eight separate Free Trade Areas (FTA) and/or customs unions, each with different regulations. These regional bodies will continue to exist; the African Continental Free Trade Agreement initially seeks to reduce trade barriers between the different pillars of the African Economic Community (AEC), and eventually use these regional organizations as building blocks for the ultimate goal of an Africa-wide customs union (Gerhard, 2020). However, AfCFTA will coordinate the operation and activities of all member states through its secretariat. The secretariat though having an independent legal personality will work closely with the AU commission; receiving its budgets and making decisions on trade within and among member states.

As other nation states were signing the treaty agreement on the 21st of March, 2018, Nigeria, the most populous country in Africa was reluctant to sign. This action was reasoned on the fact that Nigeria could not afford to do anything that would undermine local manufacturers and entrepreneurs and that the government needed to consult widely with its stakeholders before signing the agreement (Onwuka & Ozegbe, 2020). The decision of the Nigerian government was praised by the local manufacturers in Nigeria while it was criticized by a sector of the Nigerian population. The government of Nigeria stated that it needed to consult widely with its local manufacturers before eventually signing the agreement. Nigeria was to sign the treaty agreement on the 7th of July, 2019 after previously announcing its decision to sign the agreement earlier.

It will therefore be right to state that though, the trade agreement comes with unlimited prospects for the African continent, it is not without its challenges as it is witnessed by the Nigerian government reluctance to sign the trade agreement which to a large extent caused a delay in the implementation of the protocol. Countries are again shy of sacrificing a portion of their sovereignty all in the name

of formation of the African Continental Trade Area (AfCFTA). Due to the foregoing, this paper will concentrate on the challenges member states of AfCFTA stand to face as a result of the implementation of the trade agreement.

In writing this paper, the secondary methodology analogy which explores material from divergent sources like journal, books, periodicals, newspapers etc.

Theoretical Framework

Several theories of regional integration have emerged in recent times that can be used to analyze this topic like the theory of federalism, the theory of functionalism, the theory of neo-functionalism, theory of intergovernmentalism amongst others. However, this paper aligns itself with the theory of functionalism which adequately explain the topic under study.

The theory of functionalism is an off shoot of the theory of liberalism which allows for free trade, cooperation and independence among nations for the incalculable benefits and gives no formal conditions for regional integration. The theory of functionalism emphasized more on the technical and functional collaboration cutting across international frontiers and the challenges of democratic political institutions as a result of growing complexity of the task facing them (Sheriff, 2016). However, the technician is favored more than the political actor because here, national loyalties can be diffused and redirected into a framework for international cooperation in place of national cooperation and war.

The theory of functionalism was profounded by David Mitrany, Karl Duetsch, Donald Puchala, Amitan Etzioni etc (Mitrany, 1966 mentioned in Sheriff, 2016). The main focus of Mitrany (1966) as captured in Sheriff (2016) was growing complexity of governmental system had increased greatly the essentially technical, non-political task facing government. He thus stated “demand for highly trained specialist at the national level also contribute to essentially technical problem at the international level whose solution lies in the collaboration among technicians rather than political elites.

Functionalism according to Mitrany (1966), is reconcilable with democratic liberal philosophy which leaves the individuals free to enter into a variety of relationships

such as religious, political, professional, social and cultural each of which may take the individual to different directions and dimensions including international range. Functionalism therefore is linked to the conceptualization of global politics based upon growing levels of interdependence among actors whose interest and activities are not coincidental with state frontiers (Nduba, 1998 mentioned in Sheriff, 2018).

Amitan Etzioni however saw functionalism to relate to the growth of non-state actors with transnational relationship that lies upon outside traditional purview of the national state. The idea of functionalism is therefore the development of individual actors in the international scene that will bring about their interaction.

Findings and Discussion

The African Continental Free Trade Area (AfCFTA) project which comes with tremendous prospects is likely to face the following challenges:

Funding: One of the fundamental problems facing the effective implementation of the African Continental Free Trade Area (AfCFTA) is the issue of funding. The economies of member states are not buoyant enough to sustain their developmental needs as most of the member states depend on foreign aid and loans to sustain their developmental needs and execute their national budgets thereby, meaning that these nations are neck deep in debt. This lack of funding has therefore made member states of this protocol to lack the financial muscle to harness, exploit and refine their primary goods for consumption and onward export to other countries.

African countries which are rich in natural resources like crude oil, Diamond, Gold, Iron Ore etc lack the financial ability to effectively exploit these abundant resources talk less of refining them for export (African Natural Resources Center, 2016). The report went further to state that this has been a reason behind African countries exporting these primary commodities abroad for sales.

Lack of Political Will: The prevailing challenges of free trade in Africa's scattered small markets include the long standing and now increasing marginalization of the region in a world market dominated by powerful trading blocs (Erika, 2020). Additionally, the individual African state's disadvantageous unilateral interaction with some of these power blocs still remain a major concern for her free-trade-driven

market integration ambition. The lingering African countries external dependence on similar export crops traded on intra-regional level still continues. This is a clear contradiction that is inimical to the region's economic goals of a free trade area. It is factual that for Africa to have started integration at a low level of intraregional trade yet has a very high dependence on similar export crops indicates lack of seriousness and commitment that will not produce any good result (Nwaodu & Ijeoma, 2018). The divisive forces are so strong that make intra-African trade highly insignificant. For example, Ghana and Cote d'Ivoire, though neighbors, with trade opportunities, have widely varying policies that undermine trade between them and hence affect the outcomes of their respective economic reform programs. In this case, while Ghana has followed a flexible exchange rate policy, partly related to relatively higher macroeconomic instability, Côte d'Ivoire has had a fixed exchange rate anchored to the French Franc. The inherent subsidy that the CFA franc enjoys as a result of its relationship with the French Franc (now with the Euro) effectively distorts the trading relationship between the two countries.

There are also besides marked differences in income and industrialization, the lack of political congeniality in foreign affairs among these countries, implying that neighboring countries are often on opposite sides of the cold war divide (Gawe, 2018). Also prevalent is the very weak and reduced fiscal capacity and willingness among the member countries to provide compensation payments as seen clearly from the history of the African Development Bank and NEPAD. There is the lack of political will and effective leadership which otherwise was the main propelling force behind the EU's success story (Hans, 2012). The absence of effective political leadership further accounted for the deficiencies in economic governance in Africa. The implication of the above is that, despite several schemes and initiatives for creating integration zones in Africa, the continent continues to record comparatively the least proportion of intra-regional trade with only 12% of all its exports happening within Africa, as against that of 25% in ASEAN and over 60% in the European Union. The above state of affairs which prevails till date can further be explained from the following political and socio-economic points of view: The first is the prevailing political crises and instability in many countries of Africa which situation takes much attention from national governments and even regional organizations to focus on such issues instead of economic growth and development matters.

The implication is that the region's trade policies have mainly focused on local crisis rather than widening access to the developed economies. The few policies that are intra-Africa trade policies are scarcely paid attention to and so are not implemented. Part of this is that nations fear that opening their borders for economic and trade relations would rather encourage other movements like those of refugees, international criminals and rebels. To this extent, even the African Union seems to be preoccupied with political challenges in the continent and is unable to duly focus on economic issues of importance (Nwaodu & Ijeoma, 2018).

Poor and Dilapidated Infrastructures: Another challenge to intra-African trade is poor and dilapidated infrastructure in the form of poor roads and railways within the region. These combine to make it very costly and difficult in the transportation of goods and human beings within the continent (Nwaodu & Ijeoma, 2018). In the argument of Retting (2013), many of the busiest roads in Africa are unpaved. For instance, in the SADC region the road which links South Africa, Zimbabwe, Zambia and Democratic Republic of Congo (DRC) is still in a dilapidated state and many routes pass through upheaval countries where basic maintenance is often abandoned. For instance, at the heart of Africa in DRC, Central African Republic and Southern Sudan these countries link Southern part of Africa with the Northern part which makes regional integration a very big mountain to climb. It is also a fact that these countries above belong to different regional groupings with divergent loyalties that frustrate movement of goods and human beings across them (Retting, 2013). In addition to the above stated, Nwaodu (2010) identified very low-level ICT infrastructures, energy and power crisis in the region which altogether make it very difficult to explore trade opportunities in the region. Till now the cost of ICT is high in the region and this contributes to hindering effective high-speed internet browsing and online shopping needed to enhance business, e-governance and other domestic uses. This however, is not to discountenance the progress that has been made around ICT as witnessed by access of cell phones for making calls and text messages though with limited access to internet especially in rural areas.

Challenges of Economic Governance, Peace and Security in Africa: The establishment of the African Continental Free Trade Area (AfCFTA) came with it a high expectation of the people beyond just having a government in place in their

respective countries making policies in trade and commerce but seeing results for the purpose of its establishment (UNCTAD, 2016). Within the continent, there are several countries that went through civil war, had conflicts within states and had military regimes that obstructed democratic governance; these are challenges that arose from lack of transparency and accountability, mismanagement of public funds, poverty as well as unemployment of the citizens. The roles of government in the establishment of AfCFTA not revolves around the signing of treaties but of also ensuring good economic governance where people are taken well care of in relation to proper management of resources in order to promote national economic growth and development (ITC, 2018).

The sustainability and growth of economic policies that would ensure both development of people through the provision of services such as jobs for the people, infrastructure and accountability on the part of government towards her role in developing the state is what people expects from their leadership (Andrea, 2018). Furthermore, Andrea opined that the failure of government to meet the expectations of its citizens creates an environment for insecurity.

The security challenges that have continued to threaten the African continent in the process of establishing and implementing the AfCFTA dream has been internal squabbles breaking out among ethnic groups or between regions or ethnic groups with the central government over policy. Religion has been seen as constant source of discontent between locals who find religious doctrines and norms brought to their societies detestable. The followers of the two dominant religions in Africa: Islam and Christianity have often clashed inside their communities over doctrines and lifestyle. The continent of Africa through these crises has been left undeveloped to suffer; this will to a large extent affect the implementation of the AfCFTA dream.

In the argument of Elizebeth (2020), the implementation of trade policies under the African Continental Free Trade Area (AfCFTA) has been left to suffer due to mutual fear among countries on the continent due to their incapacity to monitor the movement of people in and out of various states and their intended motives. Furthermore, this unsensored movement of people and goods will only bring about and promote the proliferation of arms and ammunitions within the continent which can only aid the promotion of crises and insecurity on the continent.

Other challenges to be faced by AfCFTA are:

- i. Lack of what to trade among African countries due to Africa being a producer of primary commodities. Here, the competitive tendencies between countries will be lost.
- ii. Continued influence of former Colonial Masters which will limit the trade protocol from achieving its objectives.
- iii. The challenge of having honest trading partner within the international system.
- iv. Preference for foreign goods which will hinder the development of local industries.
- v. Lack of technology and technological know how
- vi. The challenge of currency and language barrier etc.

Conclusion

The Africa Continental Free Trade Area (AfCFTA) provides a unique opportunity for countries in the region to competitively integrate into the global economy, reduce poverty, and promote inclusion. Although Africa has made substantial progress in recent decades in improving living standards and reducing poverty, increasing trade can provide the impetus for reforms that boost productivity and job creation thereby reducing poverty level on the continent. It is expected that by 2035, the implementation of the trade agreement would contribute to lifting an approximately 30 million people from extreme poverty and 68 million people from moderate poverty on the continent while real income gains from full implementation of the agreement could increase by 7 percent, or nearly US\$450 billion.

As African economies struggle to manage their economies, AfCFTA can provide an anchor for long-term reform and integration. AfCFTA would significantly boost African trade, particularly intra-regional trade in manufacturing. By 2035, the volume of total exports is expected to increase by almost 29 percent relative to business as usual, intra-continental exports by more than 81 percent, while exports

to non-African countries by 19 percent. This would create new opportunities for African manufacturers and workers through economic integration.

Africa could however in its quest to achieve integration draw lessons from the economic integration of European Union and the creation of a single market. In the European case, though the countries are more developed than Africa, varying economies came together to form a highly comprehensive example of deep integration. The EU single market example shows that it is possible for countries to uplift other countries to a level commensurate with the continental vision and competition law and policies considered to play a key role in this process.

The study looked extensively at the Continental Trade Agreement (CFTA) and how it can help promote the development of the continent to be able to compete favorably with other developed continents like Europe and America. It was identified that the CFTA holds the key to drive home African development if effectively and efficiently implemented. Understanding that the trade agreement stands to be faced with numerous challenges, this study developed four (4) research questions to unravel those challenges.

The study concluded that though the Africa Continental Free Trade Agreement (AfCFTA) holds key to African economic integration and development, it stands to suffer from the unwillingness of Africans who prefer to consume and patronize western products to utilize African merchandize thereby limiting the scope and developmental expectation of the trade agreement.

Recommendations

In view of the re-energized vigor and drive of the Africa Union (AU) to have a working and effective integrated market in the form of Africa Continental Free Trade Area (AfCFTA), this paper recommends that:

- a. African leaders should embrace technological development and ensure that African industries are developed to be able to compete with foreign industries.
- b. Africans should learn to consume locally produced or manufactured commodities to encourage their indigenous industries and producers.

- c. Infrastructure such as good transportation networks should be given priority by African government in order to ease the movement of goods and people.
- d. Africa and Africans should consider the interest of the continent and look beyond their selfish interest to be able to achieve the objectives of AfCFTA.

References

- Andrea, C. (2018). African Continental Free Trade Area: Opportunities and Challenges. The Federalist Debate DOI: 10.2478/tfd- 2018-0032.
- Africa International Trade & Commerce Research (2018). Potential Benefits of the African Continental Free Trade Area (AfCFTA) on Nigeria: an independent study reported to the Nigerian office of Trade Negotiation.
- African Natural Resources Center (2016). Catalyzing Growth and Development through Effective Natural Resource Management. Nairobi, Kings Press.
- Chauvin, D., Ramos, N. and Porto, G. (2016). "Trade, Growth, and Welfare Impacts of the CFTA in Africa." https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=CSAE2017&paper_id=749.
- Ijeoma, E. O C. & Nwaodu, O.N. Eds. (2013). Third World Development Strategies: Decades of Fascination and Frustration, Pretoria, Lassels Press.
- Haas, E.B. (1968). The Uniting for Europe, Social and Economic Forces, 1950-1957. Carlifornia, Stanford University Press.

- ECA (United Nations Economic Commission for Africa), AU (African Union) and AfDB (African Development Bank). 2017. Assessing Regional Integration in Africa VIII: Bringing the CFTA About.
- Elizabeth, G. (2020). African Continental Free Trade Area Phase II Negotiation. *Journal of International Relations*. 2(3), PP 123-131.
- Gayle, A., Candace, A. M. & Christopher, W. (2012). political Instability, Pro-Business Market Reforms and their Impacts on National Systems of Innovations. *Research policy*, 41, 638-651
- Goldberg, P. and Pavcnik, N. (2016). "The Effects of Trade Policy", *Handbook of Commercial Policy*, K Bagwell and R Staiger (eds), Volume 1A, Chapter 3. https://www.investopedia.com/terms/f/free_trade_area.asp
- International Trade Center (2018). Publication on A Business Guide to the African Continental Free Trade Area Agreement. TFPB-18.36.E
- James, J. & Agaba, H. (2014). *Methods and Research pattern in Political Science*. Abuja, Gods will Goldern links Ltd.
- Lukman, O. (2018). Revenue, Welfare and Trade Effects of African Continental Free Trade Agreement (AfCFTA) on Nigerian Economy. *Daily Trust*, September 28.
- Maryla, M. & Michele, R. (2020). The African Continental Free Trade Area (AfCFTA): Economic and Distributional Effects. International Bank for Reconstruction and Development / The World Bank 1818 H Street NW, Washington, DC 20433.
- Retting, M., Kamau, A.W. and Muluvi, A.S. (2013). *The African Union Can Do More to Support Regional Integration*. Washington DC: The Brooking Institution.
- Nigerian Economic Submit Group (2018). *Economic Implications of the African Continental Free Trade Area (AfCFTA) on the Nigerian Industrial Sector*. Abuja, NESG.

- Odilile, P.O. (2018). An Analysis of the African Continental Free Trade Area. A Case Study on Nigeria's Manufacturing Sector. Abuja, Digit Links.
- Nwaodu, O. N. (2010). The African Union and the Question of Development in Africa, Owerri, Mega Atlas Ltd.
- Nwaodu, N.O and Ijeoma, E.O.C (2018). The African Union Continental Free Trade Area: Challenges and Prospects. International Journal of Sustainable Development Research. Vol. 4, No. 2, 2018, pp. 36-43. doi: 10.11648/j.ijdsr.20180402.14
- Onwuka, I.O (2020). African Continental Free Trade Area Agreement- Does the Facts Support the Benefits for Nigeria? International Business Research: vol. 13, No. 7; 2020. ISSN 1913-9004 E-ISSN 1913-9012.
- Sheriff, G.I, Farouk, I.B & Abdulkareem, A. (2021). The Belt and Road Initiative and the Implementation of the African Continental Free Trade Area (AfCFTA) in an Emerging Regional Arrangement. Journal of Global Economics and Business. 1(1) 34-43.
- Sheriff, G.I. & Nwokedi, L.O. (2016). Regional Integration in Africa and Beyond: from Theory, Political Alliance to Interdependence (Vol.I). Abuja, Digit Link Xtra Ltd.
- Songwe, V. (2018). Africa's Bold Move towards Integration: The Continental Free Trade Agreement, Foresight Africa: Top Priorities for the Continent. Africa Growth Initiative, Brookings Institution.
- UNCTAD (2012). Trade Liberalization, Investment and Economic Integration in African Regional Economic Communities: Towards the African Common Market. (UNCTAD/DITC/TNCD/2011/2).
- UNCTAD (2015). Building the African Continental Free Trade Area: Some Suggestions on the Way Forward (UNCTAD/DITC/2015/1).
- UNCTAD (2016). Research Paper on African Continental Free Trade Area (AfCFTA): some Issues in Liberalizing Trade in Services.

UNCTAD (2016). Research Paper on African Continental Free Trade Area (AfCFTA): Advancing Pan-African Integration. Some Considerations.

UNCTAD (2020). Research Paper No. 56 on African Continental Free Trade Area Phase II Negotiation: a Space for a Competition Protocol? UNCTAD/SER.RP/2020/15.

World Bank (2018). the World Bank in China: Overview. [online] Available at: <http://www.worldbank.org/en/country/china/overview#1> [Accessed 20 Aug. 2021].