

Thoughts on the AfCFTA

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Africa's non-commodity export performance has lagged behind global exports, both in terms of value and volume in recent decades, and this must have constrained overall economic growth on the continent. There are multiple reasons for this disappointing trade performance, including the structure of the continent's export basket (which remains dominated by commodity products); the dependence on a limited number of large but mature export markets; high costs and deteriorating competitiveness of the general business environment; and the poor returns on financial investment, in industrial and services sectors, offered by African countries.

Typically, formulaic strategies to market access negotiations are based on equations that appear on the surface to be mathematically objective but are in reality the product of a highly subjective process of calculation and negotiations. It is this subjective process that deserves scrutiny. Senior Trade Officials, who are responsible for developing the strategies, endeavour to protect their jobs (which are often at the mercy of political principals) by approaching and conducting the negotiations:

- predicated on mercantilism;
- complicated by an inability to move away from gender prejudices;
- primarily responsive to Defensive and Declining Industry interests, often with historical/legacy value and/or political conflict of interest.

While there are a few hegemonic economies in Africa, the typical/average economy is a

¹ The views expressed in this article are those of the author and do not necessarily represent the views of tralac.

Developing Country or LDC. The power play in the AfCFTA negotiations and concluded instruments in this legal compact reflect typical mercantilism – even if not admitted by the negotiators.

To address the inherent bias against exporting, Africa urgently needs to address the high costs of investment and trading across borders; review the impact of existing industrial, localisation and sector policies on export behaviour – which substantively impact the possibility of Regional or Continental value chains; implement a comprehensive as well as targeted export promotion and export finance framework; and update their trade policy approaches to reflect the currently global and continental economic and political reality.

The principal departure from most of the GATT period comes in the new issues that are under negotiation, including market access for services and restrictions on agricultural production subsidies. Both of these issues were introduced in the Uruguay Round, and while that round achieved little actual liberalisation in these areas, it did design the basic architecture by which countries might do so in the future. Negotiations on trade in services in the AfCFTA follow the GATS formula – a carry-over from the way tariff negotiations used to be done in a substantively pre-digital era. Adapting negotiating approaches to the multifarious ways in which services are now traded – accommodating the scope and challenges of Digital Trade – is essential. Insights and expertise, on the fundamentals of trade in services and digital trade, are often quite meagre, on the part of both political principals and trade negotiators and so the request-offer approach is complicated by mistrust often based more on anecdotal evidence than substantial data-based analyses.

And then:

Multi-issue rounds have almost always been undertaken on the basis of a single undertaking as that term was originally conceived, meaning that no one part of the final package is definitively settled until all other aspects of the negotiations are finished. The principle that “nothing is agreed to until everything is agreed” is one form of what negotiations theorists call a sequencing strategy. It is to be distinguished from such alternatives as gradualism – as evidenced in the AfCFTA negotiations, a strategy in which the mediator attempts to move the parties from simpler to more complex issues; the boulder-in-the-road approach, in which the more complex issues are handled first; and the agreement-in-principle approach, in which a general agreement is sought early in the process so that the details can be decided at a later stage.

Gradualism has not provided a shining light outcome in the AfCFTA – as evidenced by the challenges of:

- Resolving Rules of Origin in critical industrial sectors – with resultant dysfunction especially in regional value chains;

- Archaic prioritisation of trade in services sectors;
- A reluctance to address gender issues as non-binary and a “dark-ages” approach to gender issues as binary;
- A complete inability to offer investment value in any significant sectors or value chains.

Quo Vadis?

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Matthew Stern and Yash Ramkolowan, 2021. Abstract. *Understanding South Africa’s trade policy and performance.*

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