Implementation of the AfCFTA in Least Developed Countries (LCDs): Bold or Premature?

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Introduction and Background

The main issue that arises from the processes of globalisation which are characterised by flows of trade, investment and technology in the global economy is that they are uneven, inequitable, and concentrated in developed countries[1]. This paper explores the view that the trade liberalisation gains of the African Continental Free Trade Agreement (AfCFTA) will not be equally spread amongst member States due to the differing levels of development between developing and Least Developed Countries (LDCs).

I argue that LDCs have little to gain from trade liberalisation due to their limited capacities, such as their internal issues of governance, lack of technological and infrastructural capacities and politics. The implementation of the agreement, despite provisions made for the LDCs being the Special and

Differential Treatment (SDT) and being afforded a longer implementation timeframe, was premature for LDCs. The issue concerning the different levels of development between developed and developing countries and the uneven benefits of free trade has been a major point of contention for a while now. The assumption that all states were economically equal and should undertake the same level of trade commitments and obligations was challenged by developing countries in the General Agreement on Tariffs and Trade (GATT) when they became decolonised[2].

Individual independent African states are not economically large enough to construct a modern economy[3]. Some progress has been made through the years but it is still not substantial as there are some of those African states with small populations, small domestic markets and low volumes of trade rendering them too small even for the minimum efficient scale of a single producer[4]. Thus, their ability to nurture large scale industries and attract external investments was restricted; this led to the continent’s dependence on international markets and suppliers[5]. Consequently, Africa pursued economic integration that focused on uniting resources, markets and capital to expand the continent’s economic opportunities by affording them greater scope for economies of scale[6].

Analysis

Previous trade liberalisation efforts have failed to significantly impact intra-African trade, with the share of intra-African trade remaining low due to high import tariffs and other non-tariff barriers[7]. AfCFTA consolidates the Tripartite Free Trade Area and other Free Trade Areas into a single trade area and creates a single market for Africa’s goods and services, with free movement of people and investments and expansion of Intra-African trade through better harmonisation and coordination of trade liberalisation and implementation of trade facilitation instruments across Africa[8].

In January 2021, Africa officially started trading under the AfCFTA and as of 27 August 2021, thirty-eight countries have since deposited their instruments of ratification. What this ratification means is that those countries consent to liberalise ninety percent of tariff lines, which means that they will reduce, and ultimately eliminate, tariffs on ninety percent of products traded under the

AfCFTA[9]. The United Nations Conference on Trade and Development (UNCTAD) estimates that the implementation of the AfCFTA and its accompanying measures would result in a GDP increase of one to three percent in most African countries[10].

The complete elimination of tariffs and implementation of trade facilitation measures under the AfCFTA is geared towards promoting regional markets as attractive export destinations, thereby enhancing the competitiveness of regional products[11]. All the projections made are working on the assumption that Africa's LDCs main economic troubles are tariff barriers[12]. However, the internal factors within African economies are a major cause of Africa's under-performance in international trade[13]. These include low and productivity levels in agricultural and manufactured products, lack of critical infrastructure and trade logistics, absence of (or lax) legal frameworks, and non- existent, or weak, often highly corrupt, inefficient and ineffective institutions to support production and exports[14].

Generally, poor governance within economies is a critical cause of their under-performance[15]. Political instability has also been cited; however, many of the poorest performing African economies have been managed by long serving governments[16]. With the implementation of the AfCFTA, LDCs face adjustment challenges as they start to implement their liberalisation commitments. It is my view that exposing developing and LDCs to the Agreement's full potential will overwhelm these countries.

The LDCs are countries with poorly diversified exports, countries which remain highly dependent on primary commodities, and external or import secondary and tertiary commodities. Intra-African trade favours a few big regional players and one can only anticipate that the AfCFTA's gains, and losses will accrue unevenly. Even amongst themselves, developing and LDCs with larger productive capacities in manufacturing or stronger supply capacities in non-manufactured products may reap more rewards than weaker, landlocked, and smaller economies[17].

One of the main driving forces behind the AfCFTA is its promise to increase intra-African trade and secure socioeconomic benefits for the continent[18]. Before the pandemic, the LDC share of world services exports stood at just zero-point eight percent, compared to thirty percent for the wider group of developing countries. Similarly, LDC’s exports were hoped to have doubled between 2010 and 2020 - to about two percent of world trade – but this hadn’t been achieved before the pandemic struck. The failure of sufficient vaccines and other medical supplies to reach the LDCs to help fight the COVID-19 pandemic illustrated how far trade agreements have to go.

Possible Solutions

LDCs have been aspiring and trying for decades to improve their performances in all aspects that matter to promote a country from LDC to developing or developed country, but their performances remain marginal, narrowly based, fragile and much differentiated. The most important thing for LDCs is market access. There is a very strong need to strengthen their economic resilience. This can be achieved by assisting developing and developed countries by diversifying LDCs production and increasing their value added. Before being involved in the giant AfCFTA, LDCs should first get assistance in producing and trading in sectors that show growth potential. They could increase their performance in the services sector and put more effort into information technology services, tourism, and the movement of service-suppliers.

In these crisis times of COVID-19, open markets to ensure equitable flows of essential goods and services are vital, and the international community can, with the inclusion of LDCs must, reject vaccine nationalism and protectionism and facilitate technology transfer so as to encourage research and innovation. All this must be done while allowing licensing agreements that help scale up manufacturing. LDCs have been at the bottom of the barrel when it comes to receiving vaccines and any kind of assistance to fight the virus because of the lack of the capabilities to manufacture and provide aids for themselves, leading to high rates of infections and deaths. Hospital institutions have been overwhelmed by the number of patients to attend, and the lack of equipment has never been so obvious and devastating.

Conclusion

The implementation of the Agreement was, therefore, very premature. Despite having been given a longer implementation period, LDCs should be afforded a chance to temporarily halt undertaking any obligations and enjoying any benefits so that they can first deal with their internal issues which will be their downfall if not addressed and dealt with before engaging in major steps like the AfCFTA.

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