



The African Free Trade Area Between Reality and Hope

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Abstract

The African continent has witnessed a number of development efforts, including an attempt to achieve comprehensive development since the independence of its units. Some of the efforts have failed and others are subject to implementation. Despite the wealth of the African continent, most of its countries are witnessing a number of economic and social challenges and lie at the bottom of the ranking. The various annual reports issued by various regional and international institutions and bodies. With the birth of the African Union, Africans had a broader view towards achieving continental integration and integration in order to reach a common market and a unified currency. They also paid attention to improving African social conditions. Africans' interest in economic and social development came through development programs. And he has set a set of goals that they aspire to achieve according to the time stages of the Abuja Agreement, leading to an African Free Trade Area, but what the eight economic groupings approved by him have achieved is not considered sufficient, but the Africans have gone beyond achieving the Abuja stages and decided to establish the African Continental Free Trade Area.

✓ Free Trade Area. Africa. Reality and Hope.

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1.Introduction:

The African continent has experienced a number of development efforts, as an attempt to achieve inclusive development since the independence of its countries. Some of the efforts have failed, while others are under implementation. Despite the great wealth of the African continent, most of its countries are experiencing a number of economic and social challenges and lie at the bottom of the ranking of the various annual reports issued by various regional and international institutions and bodies. With the birth of the African Union, Africans had a broader view towards achieving continental integration, in order to achieve a common market and a unified currency. They also paid a special attention to improving African social conditions, and they launched development programs as a part of their interest in economic and social development. They set a group of goals and aimed to achieve them according to the time stages of the Abuja Agreement, towards an African free trade area. But what was achieved by the eight RECs recognized by the African Union is not enough, so the Africans decided to go beyond the achievement of the Abuja agreement stages and established the African Continental Free Trade Area. Hence, the problem that the study discusses is as follows: Is the establishment of the African Free Trade Area capable of solving African economic and social problems? Why are the set goals postponed from one time to another? Based on this problem, the study will attempt to identify the most important steps achieved from the establishment of the African Continental Free Trade Area, and what are the challenges facing the integration dream of Africans. It will also try to identify the most important obstacles facing the integration process and ways to overcome them.

This research problem includes a set of sub-questions:

- What are the African agreements and mechanisms for the establishment of the African Continental Free Trade Area?

- What are the features and specificities of the African Continental Free Trade Area?
- What are the most important challenges that impede the success of the African Continental Free Trade Area?
- What are the prospects for the African Continental Free Trade Area?

The study will attempt to find and identify the most important achievements made by Africans in the light of the African Agenda 2063, which is the establishment of the African Continental Free Trade Area, and what Africans have achieved in this regard, as well as identifying the main existing problems and ways to overcome them, based on two hypotheses:

1. The more African leaders have the political will, concerted efforts, and adherence to development agreements and programs, the further they go through the African Agenda 2063.
2. The more consistent and positive texts are adopted based on an understanding of the specificity of African countries according to the timetable, the more obstacles to development will be overcome by Africans.

Addressing the issue related to the African Continental Free Trade Area requires a content analysis approach since the study proceeds from the analysis of the legal texts, treaties, and agreements related to the establishment of the African Continental Free Trade Area, as well as the annual reports. The study also adopts the comparative approach, as it cites cases and models of free trade areas to deduct shortcomings.

Key words: African Continental Free Trade Area (AfCFTA), Integration, Regional Economic Communities (RECs)

The study is divided into four axes as follows:

- **First:** The African agreements and mechanisms for the establishment of the African Continental Free Trade Area.

- **Second:** The performance and specificities of the African Continental Free Trade Area.
- **Third:** The main challenges that impede the success of the African Continental Free Trade Area.
- **Fourth:** The prospects for the African Continental Free Trade Area.

2. General Introduction

Integration is seen as a means and an objective at the same time to overcome the economic, political, and security problems facing developing countries in general and African countries in particular. Africa has experienced efforts, forms, and frameworks of integration at the continental, regional, and substantive levels. These efforts witnessed a disparity in their experiences and results in terms of failure and success in a world characterized by conflict and competition over values and interests, and in light of uncomfortable and frustrating African political, economic, social, and security conditions. The changes in the international context affected the situation of the continent in general and its countries individually. African leaders realized that what the world is experiencing requires a review of their integration perception and its mechanisms in order to face the existing challenges and difficulties. Africa has witnessed many economic development attempts, which reflects the conviction of African leaders of the need for the economic advancement of the continent and the African peoples, and this is demonstrated by the emergence of various groups of regional economic communities. Several programs were implemented, some of which failed and others showed positive results, starting from The Lagos Plan of Action in 1980, which failed to achieve its objective, then the Abuja Treaty in June 1991, which is called (Treaty Establishing the African Economic Community). After that, the Sirte Declaration in September 1990, which emphasized the points established under the Abuja Treaty, and the adoption of economic integration in the Constitutive Act of the African Union in July 2000, then the NEPAD initiative in July 2001 and the Accra

Declaration in 2007. The African Union also developed the Strategic Plan (2004-2007) and (2009-2012). All of these are considered the legal arsenal of the integration in the African continent, but the Abuja Treaty in 1991 remains the basic structure for economic integration in Africa, which the African Union emphasized and dedicated its institutions to support and implement on the ground. The importance of this treaty lies in the fact that it determined a timetable in stages to achieve progressive goals to reach full integration. (Mkwezalamba, 2011, pp 4-5). This is evidenced in Article 28 of the treaty as follows:

- During the first stage, Member States undertake to strengthen the existing regional economic communities and to establish new communities where they do not exist.
- Member States shall take all necessary measures aimed at progressively promoting increasingly closer co-operation among the communities, particularly through co-ordination and harmonization of their activities in all fields or sectors in order to ensure the realization of the objectives of the Community. (CEA, 1991, p 31).

The Abuja Treaty set 6 stages of integration, which are as follows:

- **First stage (1994-1999):** Establishing and strengthening the regional economic communities.
- **Second stage (2000-2007):** It included two steps; Coordinating and harmonizing activities, and removing customs duties and the barriers that hinder economic exchange.
- **Third stage (2008-2017):** It is the study period and was devoted to achieving two goals; Establishing free trade areas, and establishing customs unions.

- **Fourth stage (2018-2019):** It is a short-term stage because it depends on the previous stages. The African Union aims to reach a continental customs union at this stage.
- **Fifth stage (2020-2023):** This stage is after accomplishing the previous stages leading to the establishment of an African Common Market. It comes after the application of the principle of freedom of movement of workers and capital.
- **Sixth stage (2024-2028):** It can be extended to 2032. This stage aims to reach a monetary and economic union. Thus, it will have completed the stages of economic integration, which is supposed to bring significant development benefits to all African peoples. At this stage, there will be a single currency and a single central bank for all Africans, as in the European Union. Even if the African Continental Free Trade Area does not appear explicitly in the Abuja Treaty according to the successive stages of regional economic integration, it stays an important way to catch up with the fourth stage, which is related to the unification of the continental customs tariff and the establishment of a continental customs union, which is also a basic initiative of the Agenda 2063 of the African Union. (Organisation De l'unité Africaine; Traite Instaurant La Communauté Economique Africaine; p p 08_12) It is originally related to the application of the third phase of the Abuja Treaty by the eight RECs recognized by the African Union.

3. The reality and performance of the economies of the African Continental Free Trade Area.

The agreement to founding the African Continental Free Trade Area was signed at the Extraordinary Summit of the African Union that was held in Kigali, Rwanda on March 21, 2018, and was signed by 55 African countries. The African Continental Free Trade Agreement (AfCFTA) has been modeled after the North American Free Trade Agreement (NAFTA). AfCFTA aims to:

- a. Create a single market for goods, services in accordance with Africa Agenda 2063 by facilitating the movement of persons for an integrated and prosperous Africa. This market works to organize the continental trade between African countries and set the framework of integration.
- b. Create a liberalized market for goods and services through successive rounds of negotiations, which contributes to the movement of persons and capitals, in addition to several other processes such as enhancing competitiveness and transforming the economies of the member states within the continent and the global market and promoting the agricultural sector to achieve food security.
- c. Facilitate investments building on the initiatives in the State Parties and RECs.
- d. Lay the foundation for the establishment of a Continental Customs Union and a unified continental common market at a later stage, if the previous objectives are met. ([https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta - ar.pdf](https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_ar.pdf))
- e. Promote and attain sustainable socio-economic development and gender equality in the State Parties.
- f. Enhance the competitiveness of the economies of State Parties within the continent and the global market.
- g. Promote industrial development, regional value chain development, agricultural development, and food security.
- h. Resolve the problems of overlapping memberships, which tend to obstruct the achievement of regional and continental integration, and expedite the regional and continental integration processes with the implementation of various initiatives that are included in Agenda 2063. The agreement also included specific objectives such as progressively eliminating tariffs and non-tariff barriers to trade in goods,

progressively liberalizing trade in services, and cooperating on investment, intellectual property rights and competition policy. The specific objectives additionally included cooperating on customs matters, coordinating trade facilitation measures, establishing a mechanism for the settlement of disputes concerning their rights and obligations, and establishing and maintaining an institutional framework for the implementation and administration of the AfCFTA.

The principal objective of the African Continental Free Trade Agreement as per Article 03 is to promote intra-African trade. However, this objective cannot be achieved if some challenges are not dealt with, including the establishment of a unified continental legal trading system. Annex 04 on Trade Facilitation to the AfCFTA clearly states that “State Parties, in accordance to paragraph02, shall apply unified procedures for import, export, transit and documentation requirements for the release of goods throughout their territory” (Manfred, 2021).

The African continent has experienced many catastrophes beginning with colonialism and its resulting legacy to the present day. Moreover, it witnessed global crises, including economic ones, the poor situation of the global financial and security conditions, and their consequences on the continent. The latest of which was the global pandemic Covid 19 and the lingering effects of it. Furthermore, it witnessed the tension flashpoints and their repercussions on the continent, the latest of which was the Ukrainian crisis in addition to the successive military coups in the Republic of Central Africa, Mali, and Burkina Faso, the most recent of which is the coup in Niger, not to forget the growing challenges of climate change and changing weather phenomena. Despite this, recent reports indicate that the African continent recorded an average GDP growth rate of about 3.8% in 2022, which is a decline compared to 4.8% in 2021. It is presumed that the growth rate average in Africa will reach 4% in 2023 and will accelerate to reach 4.3% in 2024. Seven economies on the continent are considered the best in Africa in terms of economic performance, with a

growth rate exceeding 6.5%. These countries are the Democratic Republic of the Congo (DRC), the Republic of Côte d'Ivoire, Libya, Niger, Rwanda, Senegal, and Uganda. Supposedly, these economies will be included in the group of the top ten fastest-growing economies in the world in 2023-2024. The statistics also indicate that these figures recorded in the growth rate reflect the average rates in the African continent, and they differ from one region to another and from one economic group to another. East African countries are the only region that was not severely affected by the recession during the Covid-19 pandemic, because the countries of that community have a diversified production structure, and their growth rate is expected to increase by more than 5.1% in 2023. As for the Central African region, which includes two sources of crude oil, minerals, and timber, the growth is expected to decline by the end of 2023, to stand at 4.6% in 2024 after reaching 4.9%. The Central African region is a region that has witnessed decline and stagnation since 2021. It has been affected by many political changes and the influence of foreign powers. It is expected that the growth level will return to 2.7% in 2024. The figures also indicate that the West Africa region witnessed a slight growth of 3.9% this year compared to 2022 when it recorded 3.8%. As for North Africa, it is varying due to the climatic conditions in Morocco, and due to the security situation in Libya. It is estimated that the growth there will record 4.6% in 2023 and 4.4% in 2024.(<https://www.afdb.org/ar/akhbar-wa-ahdath/khitabat/62954>).

4. The Challenges of the African Continental Free Trade Area:

The African continent has a population of more than 1.3 billion, which may double by 2050, and a more than \$2.9 trillion-value economy, and it includes 5 of the top 10 fastest growing economies in the world. It also has vast natural resources, including 30% of the world's mineral stocks and about 65% of arable land. (<https://www.afdb.org/ar/akhbar-wa-ahdath/khitabat/62954>) The African Continental Free Trade Area (AfCFTA) is also seen as the hope for African development, but, at

the same time, it suffers from an implementation impediment because the RECs recognized by the African Union are ineffective in the AfCFTA. The African Development Bank indicated that the levels of development for the past years have shown a disparity between the areas of these communities. For example, we find that East Africa is the fastest-growing region, while Central Africa is the weakest region. (Sibanda, 2021, p 24) All these disparities will be a source of deep concern because liberalization of trade through economic communities can only be useful by ensuring the fair welfare of the smaller economies. Also, the Continental Free Trade Area cannot exist without attracting foreign investment. The North American Free Trade Agreement (NAFTA), for example, depends on attracting investment and takes advantage of it. That is why Africans must focus on both the political and economic aspects. The existence of an appropriate legal and regulatory system for investment is crucial because most investors are attracted to countries that guarantee their rights according to the legal texts. Also, there is a relationship between migration and trade. Increasing trade reduces emigration pressures in Africa. (البنك، الدولي، 20-22).

Through all of this, a number of challenges that hinder the African Continental Free Trade Area can be identified, including the following:

a. Humble industrial level:

The African continent still lacks productive and competitive capabilities. It has the lowest industrial level, as its contribution is estimated at about 1% of the manufacturing added value worldwide, with the exception of a few African countries that are witnessing great development in the industrial sector and has vitality, as Its contribution in the GDP exceeds 20%. The African continent relies heavily on importation in meeting its needs of manufactured goods.

b. Humble intra-African trade:

The level intra-African trade remains humble. In contrast to other non-industrialized countries, the share of intra-African exports in the region's total exports is low as it represents only 9.6%, while Latin America has 20% and Asia has 48%. However, this percentage is much higher in Sub-Saharan Africa (SSA), which is about 12% higher than the northern part of the African continent that represents only about 3%, which indicates that intra-African trade is very low.

c. Structural and bureaucratic constraints and tariff barriers:

The main obstacle facing the intra-African trade is the non-tariff barriers in addition to structural, political and bureaucratic restrictions. This requires cumbersome bureaucratic procedures and several licenses for some countries, which disrupts the trade and reciprocal process. This also leads to the high costs of intra-African trade due to the nonsystematic trading policies. (Ogujiuba, 2021, p 102).

d. Dilapidated infrastructure:

Most of the African countries suffer from the inability to plan, implement and maintain appropriate and strong trade structures and networks. These structures include transportation, information technology, telecommunication, energy, and transboundary water. This lack of infrastructure leads to a lack of resources and capabilities within the member states of all communities, which makes intra-trade costly, if not absent, among many African countries.

e. Geographical location of landlocked countries:

The African continent includes 15 landlocked countries, which represents about a third of the continent's population. These countries face enormous challenges to join the regional and global markets. There are also many countries with low population density and others with high population density, due to the irregular distribution of

population density. Nineteen African countries have a population of less than 5 million. Meanwhile, there is only one country, Nigeria, with a population exceeding 150 million people. In addition, many African countries suffer from low levels of income regardless of their size. Africa mainly consists of countries with small domestic markets and low purchasing power. Also, most African countries are far from the major markets of Europe and the USA and their busy shipping routes. (Ogujiuba, 2021, p 102)

f. Overlapping membership among the RECs:

There are a number of African countries that belong to more than one REC, and this requires paying contributions to the two communities while some of them suffer from the scarcity of resources. In addition, there are contradictions in the programs of these communities, which makes the member states confused about the priorities and obligations towards these communities, especially since these communities have different levels of progress in stages of the Abuja Treaty. For example, Rwanda, Tanzania, Burundi, Uganda and Kenya are the countries of the East African Community (EAC). Meanwhile, Uganda and Kenya are members of the Intergovernmental Authority on Development (IGAD). Also, Kenya, Uganda, Rwanda, and Burundi are members of the Common Market for Eastern and Southern Africa (COMESA). At the same time, Tanzania is also a member of the Southern Africa Development Community (SADC). (Braude, 2008, p 5) This presents a structural challenge to activating the African Continental Free Trade Area (AfCFTA), and the problem lies in the fact that most countries have a lack of resources and negotiating capabilities.

g. The acute economic disparity:

The member states of the same community are unequal in trade revenues, which creates hesitation among the member states. Moreover, most of these countries are

worried about competition from relatively industrialized members such as Kenya, Egypt, and Mauritius. Hence, development with unequal gains will negatively affect the local economies of the least developed countries.

h. Deactivation of the private sector:

The contribution of the private sector is very small to the economic growth in most African countries, given that it is not allowed to contribute and participate in making trade policies or local integration at the one-state level. (Ogujiuba, 2021, p 102)

i. The trade procedures related to international commercial transactions:

It is a major obstacle to trade in Africa, as customs and administrative procedures are inactive and differ from one country to another. Therefore, the coordination of trade procedures is one of the major challenges facing the African Continental Free Trade Area (AfCFTA). These trade procedures include all measures that facilitate importing materials and transferring them to production, in addition to all measures that facilitate exporting manufactured goods from the factory to the market. Some of these measures are reducing the time required to travel and cross borders. (Manfred, 2021, p 18).

j. Lack of foreign investment:

Foreign investment is an important factor if used correctly. However, in some African countries, the laws in the investment field are ill-considered and present an obstacle. In most of them, investment deals are granted based on old colonial dependence, and projects are not granted through tenders. In addition, these companies do not take into account some project agreements, including insurance provisions, and the conditions related to the environment, especially the companies specialized in the oil and mineral extraction field.

According to the United Nations Economic Commission for Africa (UNECA), the effective implementation of the African Continental Free Trade Area agreement could lead to a rise in intra-African trade by more than 50%, compared to 2010 levels, thus that will bridge the gap with trade shares within the region. The main beneficiaries of the African Continental Free Trade Area will be small and medium-sized enterprises, which represent 70% of the continent's businesses. It is expected that the gains will extend from the medium to long term to all African citizens who will have gains in terms of welfare. Economic and trading development within Africa will mainly affect the industrial and manufacturing sectors.

5. Ways to overcome the challenges of the African Continental Free Trade Area.

Africans must work to overcome many shortcomings, rectify the situation, and adapt to reality to achieve the development goals in the agenda, the most important of which is the African Continental Free Trade Area. Member states must simplify many matters by strengthening institutional frameworks in member states to achieve their goals. Member states must be held accountable for non-compliance with the timetable and established objectives, through the following:

a. Establish a trustworthy mechanism for exchanging ideas between companies and the state and involve the private sector in the process by guaranteeing its rights according to regional institutions for arbitration and mediation in the event of commercial disputes to promote trade between African countries. To build an advanced and unified market for African commodities, the implementation of the agreement requires conviction and assurances to the private sector, as activating the dynamic participation of the private sector and society as a whole is essential to the African Continental Free Trade Area Agreement (Onyema, Emilia). That may also support accelerating trade, expanding market integration in Africa, and enhancing the performance of African countries in international trade. Accomplishing the objectives of the African Continental Free Trade Area requires expanding the

outlooks of the African economy, strengthening its capacity, and benefiting from the larger economies such as Nigeria, South Africa, Kenya, and Egypt, each in accordance with its economic community. African countries also need to pursue consistently and comprehensively in order to establish regional trade policies as a strategy for regional integration. (Manfred, 2021, p 18)

b. Resolving structural and supply-side constraints by Member States to facilitate regional integration, as many non-tariff measures in Africa are technical, impracticable, and difficult to exchange because non-tariff measures should be used in a transparent and non-discriminatory manner through a set of practical international principles rather than the national standards. The scope of the existing regional institutions must also be rearranged so that each community benefits from the surplus of the other communities, which will help overcome the difficulties of infrastructure, lack of financial access, political ambiguity, political instability, and the growing demand for Western goods by African consumers.

c. Political commitment to regional integration is crucial to raising the low level of intra-African trade, which, if not existing, would otherwise make the African Continental Free Trade Area fail. Africans must be more politically committed to regional integration, concert efforts, and increase coordination to liberalize tariffs and remove barriers. Removing these restrictions is absolutely crucial to boost intra-African trade in accordance with the vision of the African Continental Free Trade Area.

d. Freight costs for importing into landlocked African countries are twice as high as they are in Asia, which hinders the movement of trade at the regional level. Expanding investment in infrastructure such as railways, roads, energy transmission lines facilities, and telecommunications must be mandatory to achieve the African Continental Free Trade Area.

6. Conclusion

This study concludes that the world is dynamic and continuously changes in terms of economic ranking, forms of trade, power, and prevailing economic agreements, in addition to the political and security conditions and their connection to global development. These conditions affect African countries individually and collectively. The continuous Ukrainian crisis hinders the import of basic consumables as well as their prices, which may affect growth in African countries that import basic consumables, in addition to the exchange rate fluctuations and the financial dependence of many African countries, especially those which use the CFA franc, as they are being held hostage to France in terms currency circulation and exchange. Moreover, there is a growing role of the BRICS group, as well as the endeavor of Russia, China, and many countries to trade in local currencies, especially with the weakness of the African currencies in the global financial markets. All of that increases the vulnerability to the exacerbation of the indebtedness issue of many countries. Furthermore, African countries face the issues of high-interest rates, high cost of debt service and risk of default. Therefore, it is necessary for countries in Africa to also adjust their approach towards integration and regional trade, which shows, supported by the reports and statistics, the validity of the first hypothesis stating that by political will and concerted efforts, Africans can go further towards integration. In addition, they need to understand the specificity of African countries and adopt positive texts to correct the course of integration and activate the African Continental Free Trade Area, which shows the validity of the second hypothesis of the study as well, taking into account adapting to the rapidly-changing world in this context.

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