The Political Economy of the African Continental Free Trade Area (AfCFTA): A Policy Analysis of the Prospects and Challenges

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A minor dissertation submitted in partial fulfilment of the requirements for the award of the degree of Master of Social Sciences in International Relations

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2021

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Compulsory Declaration

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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Abstract

This dissertation offers a policy analysis of the African Continental Free Trade Area (AfCFTA). The analysis aims to assess the prospects and challenges for implementation of the AfCFTA, and thereby to contribute to research on trade and regional integration in Africa and International Political Economy (IPE) theory testing. Throughout, emphasis is placed on the critical importance of both economic *and* political aspects of regional integration, which are often de-emphasised in conventional theoretical standpoints. The analysis highlights the need to avoid pursuing solely economic or political policy implementation and integration in order to achieve successful outcomes from the AfCFTA. Quintessential debates in regional theory are outlined. An analysis of the Eurocentric founding literature is undertaken, from which the origins of the false distinction between the state and the market in regional integration literature is identified. In the wake of the deficient explanatory capacity of European integration theories for African regionalism, alternate and more contemporary theoretical approaches are outlined, drawing from literature focussing on theories of new regionalism and the historical development of African regionalism. The slowing of regional integration globally, as well as the limited success of several aspects of Africa's overlapping Regional Economic Communities suggest that economic integration can only be sustained in environments where active political participation co-functions with successfully managed market integration. Thus, a political economy approach to the analysis and implementation of the AfCFTA is emphasised, in order to ensure both states and markets are incorporated into the regional integration literature. Research methods utilised include a review of regional integration literature, analysis of relevant macroeconomic data relating to international trade in Africa, a review of AfCFTA legal and policy documents, as well as situating the study within the wider theoretical body of regional integration literature and IPE. The analysis showed that despite critical challenges relating to implementation and coordination, the AfCFTA has significant potential benefits. It is concluded that a political economy approach to implementation would enhance the long-term prospects for regional integration in Africa and the AfCFTA specifically, by ensuring stakeholders in the political and economic spheres link their goals and methods of implementation to formulate long-term institutions for growth.

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List of Abbreviations

ADB	African Development Bank
ADF	Africa Development Fund
AEC	African Economic Community
AfCFTA	African Continental Free Trade Area
AGOA	Africa Growth and Opportunity Act
AIDA	Accelerated Industrial Development for Africa Action Plan
AMU	Arab-Maghreb Union
AMV	African Mining Vision
ASEAN	Association of Southeast Asian Nations
AU	African Union
AUC	African Union Commission
BIAT	Boosting Intra-African Trade Action Plan
BRICS	Brazil, Russia, India, China, South Africa
CAADP	Comprehensive African Agricultural Development Programme
CAI	Comprehensive Agreement on Investment
CEMAC	Communauté Economique et Monétaire d'Afrique Centrale
CEN-SAD	Community of Sahel-Saharan States
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
CPATPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DBSA	Development Bank of South Africa
EAC	East African Community
EC	European Community
ECB	European Central Bank
ECCAS	Economic Community of Central African States
ECJ	European Court of Justice
ECOSOCC	Economic, Social and Cultural Council of the African Union
ECOWAS	Economic Community of West African States
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community

EIA	Economic Integration Agreement
EPA	Economic Partnership Agreement
ETS	Emissions Trading System
EU	European Union
EURATOM	European Atomic Energy Commission
FDI	Foreign Direct Investment
FOCAC	Forum on China Africa Cooperation
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GVC	Global Value Chain
IFI	International Financial Institution
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
IPE	International Political Economy
ITC	International Trade Centre
LDC	Least Developed Country
MFN	Most Favoured Nation
MAP	Millennium Action Plan
MERCOSUR	Mercado Común del Sur
MIP	Minimum Integration Programme
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
NTB	Non-Tariff Barrier
OAU	Organisation of African Unity
OECD	Organisation for Economic Cooperation and Development
PIDA	Programme for Infrastructure Development in Africa
PPP	Public-Private Partnership
PTA	Preferential Trade Arrangement
RCEP	Regional Comprehensive Economic Partnership
REC	Regional Economic Community
RTA	Regional Trade Agreement

RVC	Regional Value Chain
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAP	Structural Adjustment Programme
SAPP	Southern African Power Pool
SME	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary Measures
SSA	Sub-Saharan Africa
TBT	Technical Barriers to Trade
TFTA	Tripartite Free Trade Area
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNFAO	United Nations Food and Agriculture Organization
US	United States
USMCA	United States-Canada-Mexico Agreement
WAEMU	West African Economic and Monetary Union
WB	World Bank
WTO	World Trade Organisation

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Introduction

Within International Political Economy (IPE), application of regional integration theory has been a prevalent but understudied phenomenon with regard to the value, definition, concept and development of regions in the international trading system. The European model has been promoted as the most successful example of regional integration despite its internal inconsistencies and deficiencies, as well as lack of concern regarding compatibility with the characteristics of other regions. This has contributed to assumptions of linearity or convergence in the processes of regional integration. However, applications in Europe and beyond have brought these assumptions into question. As a result, regional integration remains a field with several unclear concepts and competing assumptions, despite the potential power of its effects. This dissertation seeks to analyse this theory in relation to regional integration and trade in Africa, to contribute to regional integration literature, as well as improve the policy prescriptions for its application in Africa.

The African Continental Free Trade Area (AfCFTA) Agreement was signed on 21 March 2018 at an extraordinary AU summit in Kigali, entering into force on 30 May 2019, with trading under the regime beginning on 1 January 2021 (African Union, 2018a) (African Union, 2020b). This arrangement was unique among trade agreements in that the Agreement came into force prior to state parties having deposited instruments of ratification. This signified a desire to give the initiative momentum and to indicate political support for the endeavour. Trading under the AfCFTA had been scheduled to begin from 1 July 2020 but was delayed until the start of 2021 due to the impact of COVID-19.

In the AfCFTA, African countries are in the process of initiating one of the major trade initiatives in the 21st century global political economy. The initiative stands out in a period of increasing protectionism and trade reticence and seeks to address a core structural issue of increasing low levels of intra-African trade. The signing of the AfCFTA preceded the more lengthy and technical process detailing negotiations regarding the in-depth nature of the agreement on tariff schedules and concessions. Nevertheless, it is an ambitiously positive sign of the trajectory of the continental political economy, with the potential to significantly upscale the value of African economies. However, implementation is faced with numerous challenges which provide a useful context for analysing the economic and political rationale of trading under the AfCFTA in terms of its prospects and challenges.

This dissertation aims to critically engage with the formation and implementation of the AfCFTA Agreement. This entails assessing the economic and political rationale for the formation of the AfCFTA, the gains and potential losses that can be expected, equitability, future challenges for implementation, and policy responses necessary to mitigate these challenges. It seeks to provide a well-founded analytical basis for interpretation of the prospects and challenges of the AfCFTA according to regional integration theory, so as to provide a foundation for future study and improved policy prescriptions. It emphasises an approach that accounts for both the role of the state and the market, as the artificial separation between politics and economics encountered in much of the literature must be circumvented in order to produce more effective future analyses, resulting in improved policy.

The dissertation comprises four chapters: Chapter 1 provides a comprehensive overview of the AfCFTA as background to the research problem identified for analysis viz a vis why Africa's long history of ambitious regional integration rhetoric has been characterised by political and economic underachievement. The research question considers the prospects and challenges facing the AfCFTA considering this. An outline of the research design, case selection and methodology used to conduct the analysis, as well as limitations of the study, are given.

The literature pertaining to regional integration in global trade politics is reviewed and discussed in Chapter 2. Core periods and theories in regional integration generally, as well as in Africa, are identified and related to broader concepts in the realm of IPE. African regional integration and the AfCFTA are examined in Chapter 3, foregrounding Africa's historical precedent regarding RTAs as a background to the trajectory on which the AfCFTA is situated. Thereafter, the policy evidence from the AfCFTA design is analysed. Political and economic prospects offered by successful implementation of the AfCFTA, as well as the many complex challenges inherent in an initiative of this size, are addressed in Chapter 4. Findings from the analysis are drawn together in the conclusion and point to the necessity for further regional coordination on long-term macroeconomic policy and strategic priority sectors, accommodating the roles of both the state and market, in order to produce ideal policy outcomes.

1. Background – The AfCFTA

In order to analyse the prospects and challenges for the AfCFTA, political and economic implications are analysed. Three fundamental questions are addressed: firstly, the question of ‘why’ the AfCFTA has come about and the rationale behind it; secondly, the issue of ‘how’ to go about successful implementation of the necessary trade policy details of the AfCFTA, and thirdly, the political and economic impacts of the AfCFTA according to its stated aims.

1.1. Rationale for an AfCFTA

In African states’ developmental strategies and continental history, regionalism has been a consistent influence. However, implementation has until recently been constrained to Africa’s RECs, with varying degrees of success. Whilst continent-wide initiatives have long been promoted, implementation has remained elusive, limited to rhetoric at the political level of the OAU and AU. This appears to have been an oversight, as Africa’s intra-regional trade is comparatively low in relation to other regions, and the prospects of a unified regional bloc in assisting Africa’s smaller and lesser developed economies and industries in interactions with the international trading environment would be greatly improved through collective action. The overarching rationale behind a continent-wide Free Trade Area (FTA) between African states is to increase economic prospects and market access, as well as geopolitical strategic payoffs from a continental economic bloc in order to increase intra-Africa trade.

The economic potential from the AfCFTA’s trade and investment effects is significant, due to the potential to increase low levels of intra-regional trade and of stimulating industrial growth and development of regional value chains (RVCs) (Abrego, Amado, Gursoy, Nicholls & Perez-Sainz, 2019: 14). A second motivator is the market access provisions provided by FTAs, whereby participants are assured of comparable market access to the trading partners (Black, Edwards, Ismail, Makundi & Morris, 2019: 19). In the wake of various African countries signing trade agreements with the US, China and the EU, there is strong motivation to renew trading conditions amongst African states through the AfCFTA’s market access provisions (Aniche, 2020: 7). An additional reason for pursuing the AfCFTA is as a potential African response to the recent trend in the negotiation and formation of ‘mega-regionals’ (World Bank, 2020e: 5).[1] These agreements are further altering the global trade landscape, incentivising other actors to return to issues of trade and Foreign Direct Investment (FDI) partnerships, resulting in efforts to improve market access, investment attraction, as well as increasing economic cooperation (Baker McKenzie, 2019b). The need for economic reform across many African economies constitutes a fourth rationale for an AfCFTA (African Development Bank, African Union & United Nations Economic Commission for Africa, 2012a: 73).

In order to drive sustained productivity growth, as well as proactively avoid the middle-income trap, African states need to structure their economies and trade relations to reduce reliance on low-skilled labour and the mass export of low value-added commodities (Bowmans, 2020: 5). The Agreement needs to focus trade relations on introducing access to goods, services and FDI from across the continent to produce higher quality products and services by building RVCs (Bowmans, 2020: 5). Analysis of trade agreements also cannot exclude the political considerations behind such agreements. The ambitious nature of the AfCFTA signals a powerful message of growing credibility and responsible trade and economic relations in Africa.

1.2. Design and Character of the AfCFTA

Core pillars of the AfCFTA include tariff removal on industrial goods (excluding negotiated and delayed phase exceptions), removal of tariffs on agricultural goods, decreasing the effects of technical barriers to trade (TBTs), decreasing the effects of sanitary and phytosanitary (SPS) barriers to trade, increasing services' market access, as well as investment in measures aimed at reducing non-tariff barriers to trade and infrastructure (Diole, 2019). These pillars are encapsulated by a more macro goal of implementing an AfCFTA that is geared towards sustainable development through the formation and deepening of RVCs, underlining a foundation for further future regional integration in Africa (Ismail, 2018: 548).

[1] These include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTAPP), the US-EU Transatlantic Trade and Investment Partnership, the Regional Comprehensive Economic Partnership (RCEP) between China and ASEAN member states, the EU-Japan FTA, the Canada-EU Comprehensive Economic and Trade Agreement, the United States-Mexico-Canada Agreement (USMCA), and the EU-China Comprehensive Agreement on Investment (CAI).

1.3. Economic Implications and Adjustment Measures of an AfCFTA

Analysis of the existing literature demonstrates that there is consensus that trade agreements raise overall economic growth. However, the political effects are less well-studied, and the costs of adjustment in response to trade agreements is neglected. Therefore, analysis of the economic implications must include the effect of increased country and continental GDP on the industrial and service sectors contained within the Agreement, as well as critical labour effects. These considerations are critical, given the understudied nature of the adjustment costs of FTAs in economic literature. This is particularly relevant, as the political effects of unemployment, as a result of overexposure to heightened competition under an FTA, could potentially derail the initiative's beneficial effects if safeguards and adjustment mechanisms are not implemented.

1.4. Policy Implications for Consideration

The AfCFTA's economic potential is significant, due to the relatively low position of current trade flows in Africa, and the effects increases in trade have been shown to have on levels of GDP (African Development Bank, African Union & United Nations Economic Commission for Africa, 2019: 24). In addition to increases in trade, successful implementation of the AfCFTA (even its primary phases) will provide a significant investment effect for the continent, allowing for further positive projections in trade in goods and services (Chidede, 2019a). Geostrategically, policy implications for consideration include the reforms necessary for implementation, requiring collaboration on non-tariff barriers, such as increasing border inefficiencies through standardisation measures or the setting of caps on joint ventures, as well as analysis of hard questions relating to unsustainable economic structuring of several participants (Hartzenberg, 2020). Despite the ambitious nature and scale of the initiative, the AfCFTA is promoted as a worthwhile undertaking, and is a significant development for Africa, reflective of the new logic of 21st century developmental strategies in the region.

1.5. Research Problem

Africa's long history of ambitious regional integration rhetoric has been characterised by political and economic underachievement. Despite this, regional integration remains a core political imperative across the continent, marked most recently by the AfCFTA. This raises the issue of how to explain this persistent underachievement in the African regional environment. Additional questions concern the sources of impetus for such continued attempts at regional integration and the potential beneficiaries of both successful and unsuccessful initiatives, as well as the way prospects are weighed against potential challenges. Interrogation of stakeholders involved in promotion and cost bearing in both political and economic spheres is required, in order to continue to drive such initiatives, as well as determining the environments in which success is most likely to occur. In order to do so, an assessment of the overall prospects and challenges of the AfCFTA is undertaken to determine the feasibility of the initiative, identify key stakeholders, and inform policy recommendations to ensure success.

1.6. Research Question

To account for the recurrent nature of ambitious regional integration agreements and their institutions in Africa, the various stakeholders informing such policies require analysis, in conjunction with an assessment of the potential costs and benefits of the AfCFTA in terms of implementation. The research question formulated is therefore: *What are the prospects and challenges of the African Continental Free Trade Area (AfCFTA)*.

1.7. Methodology and Limitations

The research question is addressed utilising a policy analysis of the relevant macroeconomic data, legislative documents, and historical precedent on regional integration matters in Africa. This is undertaken with a theory-testing investigation of the existing mainstream theories of regional integration. Through this combination of analyses, the research attempts to formalise key focal points necessary for successful policy formulation, providing increased clarity on the degree of explanatory power as well as limitations of regional integration theory when applied to regions outside of the European context. This may contribute to expanding existing literature on the subject, as well as guide future policy decisions in the degree to which they can rely on existing theories of regional integration and enhance the policy making toolkit.

Case selection is the most significant limitation to the findings of this study. Whilst the primary concern of the dissertation is that of a policy analysis of the institutions, legislative underpinnings, and political and economic trade conditions of participants, the AfCFTA initiative remains an ongoing process, with implementation contingent on multiple factors that extend into the future. This makes it difficult to draw direct causal relationships from the findings, as the conclusions may be significantly affected by current and future occurrences. The foremost example of this is the disruption to trade and economies as a result of the COVID-19 pandemic, the subject of which provides a fruitful source for future study on how COVID-19 will impact the implementation of the AfCFTA, and its future role in Africa's COVID-19 recovery.

Another limitation of the study is the availability of trade data. Statistical data on AfCFTA participants' trade and economic activity reflect only *recorded* values, resulting in analytical limitations. Significant economic, and thereby trade, activity in Africa is undertaken in the informal sectors. This is made up of informal cross-border transactional activity that is not reflected in published trade figures. Furthermore, available figures do not distinguish well between domestic exports derived from re-exports within countries' immediate land-border regions – only between exports produced in the country in question, and from re-exports from previously imported goods. Additionally, it is difficult to determine and specify the nature of exports when accounting for the numerous foreign-owned companies and their subsidiaries that operate across the continent, often as key business actors, exporting within the region. Therefore, the complex nature and informational deficits involved in studying matters of regional trade and integration necessitate the incorporation of a qualitative, theory-testing approach in conjunction with available macroeconomic data to produce an effective overall policy analysis.

The process of European integration has been the subject of significant academic study. In this dissertation, European integration serves an illustrative, rather than a direct comparative function with respect to the AfCFTA, in order to detail the development of broader swathes of regional integration theory, policy and practice over time, and to provide explication of the different paths taken to integration.

Methodologically, this dissertation is predominantly qualitative and theory-testing in nature, bringing with it limitations. Whilst theories of regional integration have attempted to be treated as generalisable, it is clear that much influence is derived from various historical periods in the formation of the EU, its development seen as the 'ideal type' of regional integration, resulting in literature that is Eurocentrically skewed. Moreover, the study of regional integration involves complex issues spanning politics and economics comprising groups of difficult-to-quantify observations. This, in conjunction with incomplete quantitative data from trade flows, speaks to the multifaceted nature of outcomes in the field of study, making causal inference difficult. For this reason, this dissertation focuses on analysing the quality and validity of causal mechanisms involved in the AfCFTA as a means of theory testing in pursuit of a definitive policy analysis. This allows it not to be limited to an outcomes-based co-variational approach, whereby the implementation of the AfCFTA would have to be complete.

Therefore, the nature of the complex processes under which regional trade is studied benefit from a comprehensive approach drawing from a qualitative case study that is both theory testing in nature, whilst being combined with available macroeconomic data in order to explain the applicability of theory as well as informing improved policy for the AfCFTA moving forward.

2. Literature Review

This section reviews the core theories in regional integration literature. Key concepts in regional integration literature are defined according to how they will be applied throughout this dissertation, in order to understand the core theories subsequently discussed. Substantial writing on regional integration has been Eurocentric in nature. Many of the ideas of the original theory have been incorporated into a wider body of regional integration literature and applied to other sites of regional integration. These core theories serve as a relevant foundation for analysis of later theories and can broadly be categorised as: i) Intergovernmentalism (comprised of Rational Institutionalism and Liberal Intergovernmentalism), and ii) Supranationalism (comprised of Neofunctionalism and Constructivism). Neofunctionalism and its critical concept of functional spill over has endured as the most significant theory of European integration. Additional theories of regional integration arising outside of the European integration context relevant to this dissertation are i) New Regionalism, ii) Developmental Regionalism, and iii) The Gravity Model of International Trade.

In order to understand the development of the theories of European integration, an overview of significant phases of European regional integration after World War II is necessary. This contextualises the formation of the different theoretical positions and their influence on subsequent regional integration theory and is important in determining how well regional integration theory can 'travel' in assessment of African integration. Important economic and political observations are presented in order to provide an understanding of how and why the processes of integration unfolded as they did, and thus to better assess the prospects and challenges for the AfCFTA.

2.1. Conceptual Definitions

To assess the prospects and challenges of the AfCFTA according to regional integration literature and theory, an understanding of the concept of regions and the process of regionalisation is necessary. Implicit in this undertaking is the need to understand European regional integration, which has served as the basis for much of the literature and policy on regional studies subsequently applied to other regions. It is particularly important to understand

and critique the assumptions of linear progression towards a political federation and monetary union, as well as its 'market-driven' or 'economics first' approach to regionalism, the principles of which have been transplanted to other regional projects. An important precursor to this is an understanding of key terms in regional integration literature. These include regions, regional integration, regionalism, and regionalisation.

Regional integration has been promoted as a means to providing growth and economic development, as well as ensuring security through collective force and/or the increasing interdependence amongst regional partners, thereby decreasing likelihood of conflict between them (Hurrell, 1995: 333). *Regions* can be defined according to geographic proximity, common characteristics, and/or common ancestry or history, with a distinction being made between regionalism and regionalisation (Grant & Soderbaum, 2003: 7). *Regionalism* describes the concept of a political and economic region, whereby a process of establishing regional integration is undertaken (Acharya, 2002: 24). *Regionalisation* is a more operational concept that refers to the process of enacting and sustaining a region (Bhagwati, 1993). Regionalisation can be a result of processes of regionalism, but can also occur without requiring an explicit goal, instead driven through interactions as opposed to initial intentions. It can subsume elements of regionalism, as well as interactions between the formal and informal structures in a region (Breslin, Hughes, Phillips & Rosamund, 2002: 2-4).

2.1.1. Regions

A region can be defined in at least three ways (Lee, 2003: 97) (Akokpari, 2008b: 87) (Hettne, 2005a: 543). Firstly, it can be defined by the geographic proximity of states, where groups of independent states that share geographic proximity unite for common causes. Examples include the AU, ECCAS, ECOWAS, and SADC. Secondly, regions can be defined according to common characteristics: member countries share common characteristics that are not necessarily related to a proximate geographic area. Examples include: developing countries, the Non-Aligned Movement (NAM), and Third World Countries. A region can thirdly be defined according to common history and/or ancestry. For example, the AU identifies the African diaspora, which is geographically remote from it, as nonetheless part of its region due to the common history shared by the continent.

2.1.2. Regional Integration

According to Asante (1997: 20), regional integration is the "process where two or more countries in a particular area voluntarily join together to pursue common policies and objectives in matters of general economic development or in a particular economic field of common interest to the mutual advantage of all participating states," which can also mean cooperation in terms of security. In this instance and application, the definition aligns more closely with the geographical conception of a region. It also emphasises the importance of at least *perceived* equal gains for participants in regional integration agreements, so as to balance the compromises made, particularly in relation to the relinquishing of sovereignty.

2.1.3. Regionalism

Regionalism is the process of establishing regional integration (Borzel & Risse, 2016: 67). It is the "tendency of geographically proximate territories or states to engage in economic integration and to form free trade areas and common markets" (Asante, 1995: 579). Regionalism is the adoption of a regional project by a formalised regional economic organisation or community designed with the intention of enhancing political, social, cultural, and/or security integration (Breslin & Higgott, 2003: 169). It also emphasises increasing cooperation between member states.

2.1.4. Regionalisation

Regionalisation subsumes aspects of regionalism while also incorporating interactions between the formal and informal structures in a region (Borzel & Risse, 2016: 88). In this regard, regionalisation is driven by forces that are not exclusive to the state (Borzel & Risse, 2016: 114). Non-state actors such as NGOs and informal cross-border traders, who are not necessarily motivated by regionalist impulses, can still contribute to regionalisation. The idea or practice of informal economies is of particular importance here. Money that is not taxed or regulated by the state, or activities of state and non-state actors that are not taxed or driven by the state, can contribute to regionalisation (Balaam & Dillman, 2019: 44). Therefore, three categories of actors emerge in regionalisation: states, non-state actors (such as multinational corporations or individuals), as well as unknown actors (actors in the illicit economy, including smugglers or drug traffickers, or informal cross-border traders). All operations these actors conduct in these contexts can contribute to regionalisation.

2.2. Regional Integration Theoretical Framework

Regional integration theory can be differentiated according to the relative weight placed on the role of states, markets, or other dynamics as drivers of regional integration (Mattli, 1999a: 178). This section reviews the two key theoretical movements related to the European process of regional integration – Intergovernmentalism and Supranationalism. *Intergovernmentalism* has subsidiaries that include Rational Institutionalism and Liberal Intergovernmentalism. These place the state as the principal actor in the process of regional integration. *Supranationalism* consists of Neofunctionalism and Constructivism as subsidiaries. These emphasise the influences of markets and alternative stakeholders in analysing the regional integration process.

2.2.1. Intergovernmentalism

Intergovernmentalist theory positions the state as the key actor and analytical unit in studying the driving forces and producing explanatory statements regarding the regional integration process (Moravcsik, 1995: 612). Intergovernmentalist theorists position the state as the producer of any form of regional integration, whereby the impetus comes from integration serving the interests of state and government (Moravcsik, 1991: 25). The logical progression for the theory is that regional integration agreements are determined between negotiating governments. The resulting bodies that are formed to conduct and continue the integration process remain most directly influenced by the government actors in the agreements. Therefore, should deepening integration no longer prove beneficial to the governments and states involved, the process will stagnate. Intergovernmental theories consist of i) Rational Institutionalist theories and ii) Liberal Intergovernmentalist theories.

Rational Institutionalism proposes that regional integration occurs when governments are motivated by self-interest, and when regional agreements facilitate greater efficiency than when operating as individual state actors – thereby providing forms of economic and political collective bargaining (Ravenhill, 2014: 159) (Schmitter, 1970: 842).

Critiques of Rational Institutionalism led to the formulation of *Liberal Intergovernmentalism.* It sought to strengthen Intergovernmentalist theory by accounting for Rational Institutionalism's seeming inability to explain changes that occurred in systems of regional integration, and why government perceptions of avenues of regional integration changed over time (Moravcsik, 1995: 622). Liberal Intergovernmentalism maintained that the key to regional agreements was that they were driven by and between governments. However, in order to account for changes in governments' positions on regional integration, Liberal Intergovernmentalism introduced the concept of a 'winning coalition' in the domestic politics of states (Moravcsik, 1997: 544). These coalitions were theorised to be able to alter states' international outlook on regional integration of the states in which they found themselves. This produced an altering effect on the mode of regional integration that would ultimately be pursued (Mansfield & Solingen, 2010: 153). Winning coalitions are groups consisting of a wide range of actors that are differentiated by not being political coalitions (Hosny, 2013: 144). They are nevertheless able to be influential in government policy making and are able to sustain policy agenda (Mattli, 1999b: 7). Liberal Intergovernmentalist winning coalitions' policy agenda outlooks were categorised as either 'internalising' or 'internationalising', with these influencing the country's perception of regional integration policy (Moravcsik, 1991: 39).

2.2.2. Supranationalism

Whilst Supranationalist regional integration theory also places states as the initial catalyst of regional integration, it incorporates analysis of multiple actors into its explanations of further integration processes (Mattli, 1999b: 6). Supranationalism consists of i) Neofunctionalism and ii) Constructivism.

Neofunctionalist theory is premised on the experience of the early period of post-war European regional integration (Haas, 1958: 14). It resurged in the third phase of European integration marked by the formation and signing of the Single European Act (SEA) (Moravcsik, 1991: 19). According to Neofunctionalism, the regional integration process begins with state cooperation in specific areas, constraining the scope of the issues concerned by regional cooperation (Schmitter, 1970: 838). This intended integration also produces unintentional demand for deepening integration. This is a result of functional spill over which sees the original drive for regional integration 'spilling over' into other sectors, based particularly on the perceived and tangible success of the initial integration which draws sectors closer to one another across the region (Mansfield & Solingen, 2010: 157). Functional spill over is exemplified in early phases of European integration of the European Coal and Steel Community (ECSC) which integrated the French, German, and Italian steel industries in order to avoid members militarising independently of one another. This integration resulted in the participating countries' car manufacturing sectors being able to purchase cheaper production materials, in turn leading to the ship building sectors in the countries desiring further integration to encompass their industries, so as to realise similar benefits through deepened integration. This increased demand for further integration required greater regional collaboration in order to be incorporated into regional agreements (Haas, 1964: 26). Therefore, Neofunctionalism showed particular explanatory power by identifying how the uniting of certain economic sectors continued to increasingly unite additional sectors, eventually reaching matters that concerned political union at a much larger scale.

Whilst incorporating the importance of politics in the regional integration process, Neofunctionalism has faced criticism based on the assumption that political will is a natural product of regionalism that is driven by economic forces (Wiener & Diez, 2009: 45). Political force from the outset is important to ensure an adaptable and sustainable form of regionalism. Neofunctionalism gave more emphasis to the autonomy that supranational institutions achieved once formed by states, particularly as elites within the institutions had their perceptions influenced from a different perspective (Wiener & Diez, 2009: 52). It understood regional integration as a progressive phenomenon, from which relationships would evolve between actors that could potentially diverge from their intended purposes. This gave increasing importance to supranational elites and actors no longer limited to the confines of states (Mansfield & Milner, 1997: 156). The ultimate success of the regional integration progression (the source of demand for deeper integration) ultimately lay with the economic growth effects / economic determinism, from which political will would be encouraged to develop strategies to promote further integration.

Constructivist theory of regional integration sought to offset criticisms of Neofunctionalism. Constructivism sought to enhance Neofunctionalism's explanatory power through the addition of states' perceptions and those of their decision makers into the analysis of regionalism (Sweet & Sandholtz, 1997: 301). Through consideration of these perceptions, the importance given to the effects of spill over in theoretical analysis was reduced, focusing instead on how the creation of regimes and institutions in regional agreements served to change the roles and scope of policy that leaders and policy makers in the region perceived (Sweet & Sandholtz, 1997: 300).

The context in which Constructivist theory rose to prominence occurred during the formulation of the Treaty of Maastricht. During this period, the need to account for the push by governments for further integration could not be sufficiently explained by Neofunctionalism (Mansfield & Solingen, 2010: 162). Constructivism proposed that when regional agreements were formed, they created intentional as well as unintentional functional spillover within those regimes, particularly in terms of sectoral integration (Mattli, 1999b: 15). This addressed previous deficiencies in literature on integration, explaining the conditions under which states pursued further integration. This promulgated a mindset amongst state leaders who, according to Constructivism, increasingly perceived their policy making preferences and the constraints on these, within those set by the new regional regime.

This section's investigation of the classical core theories of regional integration has made clear several political and economic conclusions relevant to analysis of the AfCFTA. These conclusions show the political and economic motivations for states' and private sector actors' participation in and pursuit of regional integration. One central motivation is the politically desirable promise of increased productive efficiency that is attributed to regional agreements (Ravenhill, 2014: 145). By forming regional institutions, states (particularly weaker members) can gain greater external bargaining power when acting as part of the bloc. This is a result of the access they enjoy to the collective productive resources, economies of scale, and expanded markets within the region (Mattli, 1999b:8). In a similar manner, formation of regional agreements can be used as a means of protecting vulnerable industries through the mechanisms they provide for limiting exposure to international competitors, while maintaining an element of ease of market access for the industries within the region (Balaam & Dillman, 2019: 119). The theories of European integration also provide important justification for the inclusion and consideration of private sector interests in regional integration initiatives and are relevant for testing the explanatory power of theory applied to the case of African integration.

2.3. Overview of European Integration

This section overviews the process of post-war European integration in an attempt to outline the effects of key points in the process on the evolution and character of broader theories of regional integration. Overviewing European integration shows the clear influence of geopolitical changes on theories aimed at explaining outcomes of regional integration. In order to effectively understand the implications of changes to state-market relations and ideology, core phases of European integration must be considered in relation to the theory of regional integration, so as to assess its validity when applied to the AfCFTA.

In overviewing European integration, it is evident that the process of integration has not been linear and has required numerous theories to account for regional integration outcomes. Moreover, this nonlinear nature has meant that different regional integration theories are more suitable to explain circumstances relating to particular sectors, countries, or periods within the European process of integration due to the differentiated nature of integration. This also leads to an appreciation of the changing drivers of integration throughout the process.

This section examines four treaties of the European integration process to demonstrate the differentiated trends and periods. These are: i) the Treaty of Paris (1951), ii) the Treaty of Rome (1957), iii) the Single European Act (1986), and iv) the Treaty of Maastricht (1992). These treaties delineate critical periods and changes in the process of European integration and are crucial to analysis of contemporary European regionalism. They are important for understanding the development of regional integration theory, providing case studies of the changing nature of state-market relations in regional integration processes, and are important considerations for assessing the trends under which the AfCFTA is unfolding.

2.3.1. The Treaty of Paris (1951)

The Treaty of Paris can be considered a marker of the first post-war period of European regional integration. Rational Institutionalism is the theoretical perspective that corresponds most in terms of explanatory power. The Treaty of Paris was signed in order to introduce measures intended to mitigate against the recurrence of conflict in Europe (and the associated mutually detrimental socio-economic devastation), using cooperation through regional integration as a means to do so (Mitrany, 1943: 13, 16, 19). Europe's coal and steel industries were identified as critical industries needed by states to militarise in anticipation of or preparation for war (Mattli & Stone Sweet, 2012: 14). Proponents of the Treaty argued that through integration of the coal and steel communities, states would be unable to independently militarise, thereby reducing the chance of war in the region (Ravenhill, 2014: 158).

This sentiment saw Belgium, France, Italy, the Netherlands, and West Germany signing the Treaty of Paris in 1951, forming a common market for the coal and steel industries within the region and creating the European Coal and Steel Community (ECSC) in 1952 (Moravcsik, 1995: 625). The ECSC prevented the membership from increasing their coal and steel reserves required for effective militarisation without the wider consensus of the other member states (Pollack, 2001: 234). The ECSC High Authority was the supranational body formed that served as the forum for gaining consensus of the member states, with members ceding an extent of executive functioning to the High Authority (Balaam & Veseth, 2008: 217, 225). The Treaty led to the formation of the ECSC Common Assembly and the ECSC Special Council dual-chambered legislatures, composed of representatives from member states' parliaments and representatives from member states' governments respectively (Mattli, 1999b: 13).

The Treaty also introduced the ECSC Court of Justice, a body designed to enforce accountability for states in contravention of the regulations set out by the Treaty (Moravcsik, 1995: 620). As a result of the regional integration resulting from the Treaty's conditions, member states' coal and steel industries experienced positive growth, resulting in functional spillover of demand for integration from other economic sectors. This emphasis on economic objectives to increase employment, living standards, and market expansion, preserved participants' concerns of retention of sovereignty, whilst increasing the likelihood of enduring peace through economic growth.

2.3.2. The Treaty of Rome (1957)

The Treaty of Rome continued the first phase of European integration. It is best explained according to Neofunctionalist theory, due to the Treaty being formed in response to increased demand for regional integration by states influenced by interest groups, who attributed the positive economic growth experienced within the ECSC to regional integration and cooperation between governments in the Community (Putnam, 1988: 429). As a result of the growth enjoyed by the coal and steel industries, other sectors in the economies of the ECSC began demanding to be integrated in a similar manner, so as to experience similar benefits. This differentiated the Treaty of Rome from the Treaty of Paris, as it reflected the incorporation of the interests of non-state actors (Moravcsik, 1995: 618).

As a result of increased demand for regional integration placed upon states from new sources, the region's energy sector was integrated with the forming of the European Atomic Energy Community (EAEC / Euratom), as well as the European Economic Community (EEC) (Gilpin, 2001). The EEC customs union across Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany reflected demand for additional integration outside of the energy sector, and spanned the areas of capital, goods, people, and services, resulting in the articulation of uniform policies towards external actors' imports, eventually moving to a common market (Ravenhill, 2014: 159). Here can be found the origin of the enduring concept in European integration of the four freedoms: guaranteeing movement of people, goods, services and capital.

On the back of the economic growth success in the prior phase of integration, the Treaty of Rome began the process of establishing regional institutions with the potential to encourage increased political integration. These came to form the origins of the European Commission, Council and Parliament (Parsons, 2002: 56). This afforded the process an intergovernmental character, as the institutions new challenges – such as the issue of provision of subsidies to influential farming constituents across the region through the Common Agricultural Policy – were achieved through compromises made by states as a result of bargaining at conferences of summits (Moravcsik, 1993: 479). There was an incremental, deliberative character between participants working together and compromising, producing increasing integration.

2.3.3. The Single European Act (1986/87)

The third phase of European integration can be signified by *the Single European Act*. It followed and sought to remedy the decline of regional integration experienced following the peak years of the Treaty of Rome, prescribing deepening regional integration as key to recovery.[2] Beginning in the 1960s, and particularly during the 1970s, external factors such as the general decline in manufacturing experienced in Western Europe and the United States (ceded to East Asia in particular), induced economic decline (Pollack, 2001: 227). In addition, the shock of the 1973 Oil Crisis led to frustration at economic decline and increasing scepticism towards regional integration, and growth in nationalist sentiment in France, led by Charles de Gaulle (Rosamund, 2005: 247). The overarching effects of the decline of the Gold Standard capped this difficult period for the region (Morys, 2014: 729). In the early 1970s, the delinkage of the Dollar from the Gold Standard resulted in widespread currency shocks in the international system, significantly stalling European economies.

Signed in 1986/87, the Single European Act (SEA) presented a renewed demand for regional integration, driven by actors in the private sectors across the region who emphasised the need to increase trade in order to experience returned economic growth. The SEA made provisions within the EC to account for the imbalances between larger states in the region and new, poorer members such as Greece and Portugal, which had stirred fears of cost bearing across the EC and strove towards the creation of a single market by the early 1990s (Balaam & Veseth, 2008: 228).[3] A social dimension, which promoted improved working conditions for labour across the regions and set out requirements for facilitation of increased engagement with private sector stakeholders, was an additional provision (Sweet & Sandholtz, 1997: 307).

This return to state-centric regional integration, influenced by private sector actors, meant this phase of integration can be strongly explained by the theories of Liberal Intergovernmentalism and Neofunctionalism. The EEC merged with the EAEC to form the EC in 1967, which became the EU in 1993 (Balaam & Veseth, 2008: 226, 228). This merger expanded the political arm of the organisation and its regional institutions, laying the foundation for later developments leading to the Treaty of Maastricht. This brought with it the movement from unanimous voting

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[2] See: Jacques Delors' White Paper as President of the EC: Commission of the European Communities. 1993. Growth, competitiveness, employment. The challenges and ways forward into the 21st century white paper. *Bulletin of the European Communities Supplement* 6(93): 1-152.

[3] These concerns of cost bearing have not yet fully been addressed, as the "Frugal Four" of Austria, Denmark, the Netherlands, and Sweden have continued the behaviour of the Benelux states who championed concerns about cost bearing in the early 2000s in their response to the EU COVID-19 recovery packages.
See: Tooze, A. 2018. *Crashed: How a Decade of Financial Crises Changed the World.* USA: Penguin, *for* more on Benelux.
See: Financial Times. 2020. "The 'frugal four' advocate a responsible EU budget." *Financial Times.* Available: https://www.ft.com/content/7faae690-4e65-11ea-95a0-43d18ec715f5 for the Frugal Four advocating for loans over grants for COVID-19 recovery funding.

restrictions to qualified majorities, making it possible to produce decisions that went against individual members’ interests (Balaam & Veseth, 2008: 229).

The progressive creation of the Economic and Monetary Union signified the coming into effect of efforts of the Single European Act in 1988, whereby the free capital movements across Europe were supervised under a common monetary authority – the European Central Bank (ECB).[4] This also marks the beginning of a common monetary policy across Europe. The Single European Act began the process of establishment of a common regional market, with the Single European Market signed in 1992 (Wiener & Diez, 2009: 103). This allowed for uninhibited flows of capital and labour within the region, alongside a substantial revision to the Treaty of Rome, with increased emphasis being placed on political integration, resulting in more coordinated foreign policies amongst the Single European Market members (Moravcsik, 1991: 21).

2.3.4. The Treaty of Maastricht (1991/92)

The Treaty of Maastricht continued the third phase of European integration and marked a consolidation of the principles presented in the Single European Act. The resurgent positivity towards European regional integration was strengthened by the absence of destructive wars in the region, as well as positive spells of economic growth and recovery, which were largely attributed to regional integration (Moravcsik, 1995: 619).

As a result, the Treaty of Maastricht reflected demand for further integration through the forming of a monetary union, as state and non-state actors in Europe sought increasing ease in capital mobility. This saw the Treaty re-emphasise the cornerstones of the contemporary EU – the Four Freedoms: the mobility of i) capital, ii) goods, iii) labour, and iv) services within the EU (Ravenhill, 2014: 160). This served as a foundation for the formation of the Eurozone in 1999, marking the beginning of the road towards a common currency, and created a formal institutional structure for Europe envisaging regional integration along economic, political, as well as security dimensions – an unprecedented measure (Mattli & Stone Sweet, 2012: 11).

[4] See: Delors White Paper: Commission of the European Communities. 1993. Growth, competitiveness, employment. The challenges and ways forward into the 21st century white paper. *Bulletin of the European Communities Supplement* 6(93): 17.

The Treaty of Maastricht signified the beginning of a significantly more complex interdependence between states involved in regional integration agreements, with cooperative efforts spanning High Policy issues such as monetary policy, which required significant devolution of power from individual sovereign states to supranational bodies (Parsons, 2002: 53). Constructivist theory is best applicable to analysis of this phase of integration, given that the Treaty's institutional framework defined and structured the cognitive framework within which policy makers acted and were influenced, based upon new perceptions of their political and economic best interests and policy making capacity, all within the bounds of this new institutional and normative structure (Pollack, 2001: 227).

The Euro was originally the brainchild of the French government, which began pushing the idea from the late 1980s (Tooze, 2018: 56). The French had become dissatisfied with the existing exchange rate mechanism in the European community. It was believed that the system benefited then West Germany, at the expense of the other members. France sought to use monetary union to 'Europeanise' monetary policy by moving it away from the ambit of the Bundesbank (Tooze, 2018: 46). The rest of the European community was persuaded to form a committee to investigate the prospects of monetary union. It was recognised that compromises would have to be made – the union would need to be on German terms. This meant provisions ensuring an independent central bank that held a strict commitment to the single mandate of price stability, and perhaps the symbolism of the ECB's location (Mundell, 2012: 69).

As a result of these discussions, the Treaty of Maastricht was agreed at the end of 1991, and ratified in the following two years (Tooze, 2018: 39). Helmut Kohl, the Chancellor of Germany, overcame concern over the project by expanding the symbolism behind the act of monetary union as that of an added measure towards European peace, rather than simply a macroeconomic issue (Gilpin, 2016: 39). This, followed by improving economic conditions throughout the mid-1990s, resulted in the monetary union proceeding.

This began the process of the Maastricht convergence criteria, a form of 'preparation' of members for joining the Euro (Wiener & Diez, 2009: 7). This involved the convergence of interest rates among members, which was to prove extremely advantageous to member states typically disadvantaged by the Euro, such as Greece and Italy, who were able to access credit at rates previously enjoyed by Germany, due to the monetary union (Rosamund, 2000: 59).

Other criteria of convergence included some alignment on domestic levels of inflation (Tooze, 2018: 45). What was not included in the convergence criteria was the fiscal dimension, with some member states being able to run much higher deficits than others.

2.3.5. Contemporary Europe

The *contemporary fourth phase of European regional integration* has seen a decline from the zenith of the implementation of the common currency Eurozone of 2002. The European model was publicised as the 'ideal' in both the academic and policy spheres, based on the positive growth and cohesion it exhibited for much of its existence. This was brought into question in the wake of the 2008 US Financial Crisis, which spilled over to many hyper-leveraged European banks and threatened the Eurozone's financial stability. In the ensuing Eurozone Crisis, as well as the health and migrant crises in the EU, the Eurozone and EU itself as a political project faced unprecedented challenges to the principles of regional integration held as critical to its success (Rosamund, 2000: 88).

The region was unable to respond effectively to the crises, which spurred renewed Eurosceptic sentiment, with new economic factors and realities threatening the established private sector interests and their public sector compatriots within the European integration project. The EU's response, whilst eventually bringing the immediate crisis under control, left member states in varying stages of recovery and brought into question whether countries would have done better dealing with the issues at state level. This resulted in the EU examining both the underlying conditions that allowed for such vulnerability in its institutional makeup, as well as questioning long held beliefs regarding efforts for regional integration. These structural considerations came to the fore in the mid-2000s.

The *Treaty of Lisbon* (2007) merged multiple pillars of the European project of integration, replacing the rejected Europe-wide constitution proposal of 2005 (Tooze, 2018: 41). This merger brought 500 million people together and created a common foreign and security policy. Whilst streamlining the European Commission and establishing the principle of majority voting necessary to accommodate the enlarged EU, it institutionalised the European Council as the representation of Europe's national governments. This ended the move of the European Commission towards a Neofunctionalist position as an executive leadership body, and reasserted principles of Intergovernmentalism. The effects of the crisis on perceptions of regional integration policy provide important considerations for subsequent analyses of regional integration.

The pressure the Eurozone will face from recession is another important systemic consideration. This is due to the conflict this causes with Germany, as pressure to return to quantitative easing increases. This seems less likely, as the German Constitutional Court has openly opposed the ECB's bond buying programme, cautioning the losses it exposes taxpayers to as a result of the government lending scheme (Arnold & Stubbington, 2020).

Considering this complex history of integration, and the current challenges facing the EU, its role as an ideal model for regional integration is difficult to endorse. Whilst it has withstood devastating political and economic shocks, Europe's ability to 'muddle through' policy responses should not be used to justify its position as an emulator model based solely on economic integration. Theories of regional integration and the history of European integration have had repercussions for alternative theories, but remain relevant considerations, nonetheless. Alternative theories of regional integration, which are discussed below, are informed by differing historical contexts and/or disciplinary foci.

2.4. Alternative Theories of Regional Integration

Moving beyond the preceding overview of how European integration has influenced regional integration theory, alternative bodies of theory including *New Regionalism, Developmental Regionalism,* and *the Gravity Model of International Trade* are discussed. These can be distinguished from Intergovernmentalism and Supranationalism in that they are less specifically tied to the European experience. They also mark divergences from older, pre resolution of the Cold War theories, and focus respectively on either open/market-based/economic-driven integration, or developmental integration. Whereas older theories of regional integration demonstrated the influence of the bipolar global system under which they came into operation, New Regionalism has shown broadening characteristics of a multipolar world system, incorporating additional factors into the analysis. Old regionalism emphasised the protective elements of regionalism, implementing these influences into specific elements of regional policy. New Regionalism theories emphasise more outward orientated regionalism, accompanied by inclusion of various non-state actors in the analysis, and encompassing economic, political, and/or social issues (Hettne, 1999: 7). This is not to say that old regional theory has been altogether discarded, particularly as the EU has remained the ideal type referred to within the literature.

2.4.1. New Regionalism

New Regionalism signifies a substantive change between regional integration theories generated in the Cold War context, and processes occurring after that period. This (not necessarily correct) differentiation identifies regional formations during the Cold War as essentially influenced by the desire to create buffer zones against the spread of Communism, as well as attempts at economic security. These are state-centric measures – often with ideological undertones related to state security. The New Regionalism therefore situated itself in a changed international system of multi-polarity under a unipolar power.

A new wave of regionalism containing different dynamics built on the Cold War integration process led to changing theoretical approaches. These re-emphasised consideration of economic, financial, cultural, political, and social issues in the integration process (Breslin & Higgott, 2003: 174). Non-state actors were also increasingly included in regionalism considerations (Acharya, 2002: 26-28). As a result, the New Regionalism approach emerged as a counter strategy to globalisation through regional interdependence. The New Regionalism approaches include i) Open Regionalism, ii) The WIDER Approach, iii) Regionalism from Below, and iv) the External Guarantor's Model.

Open Regionalism doubles down on advocating for the market as a key driving force of regional integration (Akokpari, 2008a: 4). It proposes the removal of trade barriers between countries, while making states more outward-orientated. This approach is consistent with economic globalisation, as it seeks to de-emphasise the state in favour of market forces in structuring the economy (Breslin, Hughes, Phillips & Rosamund, 2002). Open Regionalism’s function is to create trade blocs where financial, productive, and trade barriers are removed, whilst members coordinate a unilateral outward trade stance (Foque & Steenbergen, 2005).

The UN World Institute for Development and Economic Research (WIDER) approach to the New Regionalism promotes regional integration as a form of enhancing collective self-reliance among states in regional groupings (Akokpari, 2008a: 47). This provides a mechanism to buffer against unchecked market globalisation, particularly through the concept of pooling resources of the bloc.

Regionalism from Below stresses the importance of including grassroots organisations such as civil society and informal sector actors (such as cross-border trade) into analysis of regionalism (Akokpari, 2008a: 47). In particular, it is applied to developing countries, countering the incorrect attempts to universalise the European model of regional integration, which is deemed state-centric and a result of a unique set of circumstances. It favours regional integration models that incorporate non-state actors and emphasises the strengthening of regional networks of both formal and informal trade (Hettne, 2003: 25).

The External Guarantor's Model advocates the supervision of regionalism processes by external actors (Akokpari, 2008b: 87). In this regard, international agencies such as the IMF, World Bank, and sovereign and commercial creditors should have greater structuring power in influencing regionalism trajectories of developing countries (Hettne, 2005a: 464). By acting as guarantors and/or restraining forces, they would prevent politically unpopular microeconomic programmes from being reversed to the detriment of the longer-term integration process.

As a critical theory of regional integration, Developmental Regionalism is more specific to the AfCFTA. Drawing on aspects of New Regionalism, it theorises a roadmap outlining the pillars of successful implementation of the Agreement. The state is incorporated into regionalisation processes through active participation. However, the emphasis remains grounded in the concept of spillover of economic and political sectors as crucial to regionalisation.

2.4.2. Developmental Regionalism / Functionalism

Developmental Regionalism has been promoted as a major perspective informing the design and character of the AfCFTA, and thus forms a significant part of the analysis which warrants in-depth discussion. In order to promote equitable economic growth and development, Developmental Regionalism has been promoted as a strategy for the AfCFTA, making it a particularly relevant theoretical consideration for this dissertation. The AfCFTA is an ambitious step forward in the process of pan-African regionalism that has experienced highs and lows from Kwame Nkrumah and Jomo Kenyatta in the mid-twentieth century, to the formation of the AU, NEPAD, and now the AfCFTA.

The AfCFTA has been promoted as a means to increase economic growth, improve welfare, and facilitate industrial development among participants, through its progressive removal of tariffs in order to increase levels of intracontinental trade. Criticisms raised include the ambitious scale of the initiative, as well as more technical concerns regarding the effects on smaller vulnerable states who stand to lose vital fiscal revenue derived from trade tariffs, as well as the impact on less established industries as a result of over-extensive liberalisation.

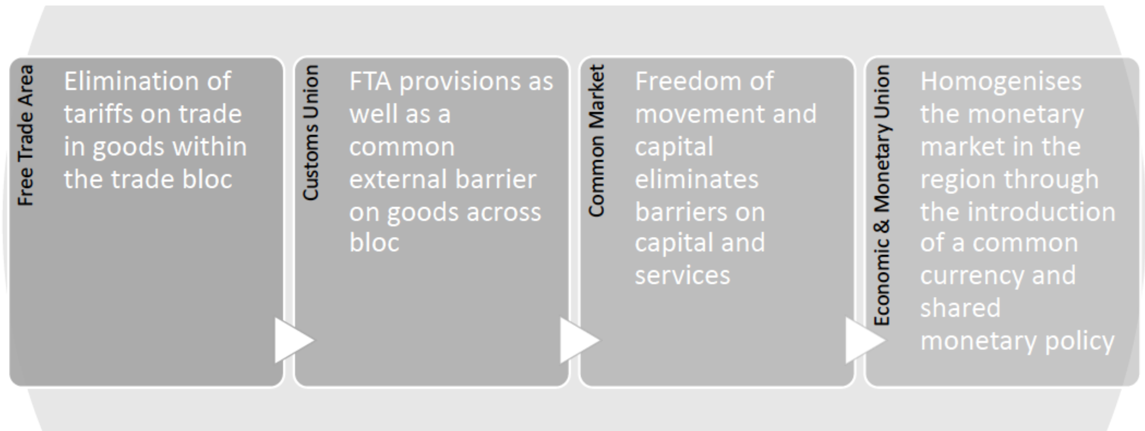
Developmental regionalism has been suggested as a means to counteract these concerns, ensuring the AfCFTA is a means of inclusive economic growth and development, as well as being executed to equally benefit participants (Ismail, 2020a). Application of the developmental form of trade integration would include fair trade, the incubation of vital RVCs, facilitation of cross-border investment and attraction of FDI in critical infrastructure and to wider sectors, as well as collaboration to ensure the strengthening of democratic governance (Ismail, 2020a).

Developmental Regionalism can be assessed in contrast to *market-based regionalism*. Under market-based regionalism, the removal of productive, trade and capital barriers often leads to distributive issues (Ismail, 2018: 458). These are aggravated by the need to ensure national economic objectives' convergence amongst participating states by encouraging them to pursue industries that are useful to the trade bloc as a whole.

The issue of complementarity is particularly relevant to Africa, as the majority of African states are exporters of raw materials or low value-added goods, due to lower comparative levels of industrialisation. This limits the abilities of states to produce and process trade goods, and results in more costly participation in international trade regimes. These issues of application that are confronted by market-based theories are due to the fact that open regionalism was most developed as a theory by Bela Balassa who expanded upon the concept of functional spill over (Balassa, 1969: 112-147). Balassa postulated a sequential form of regionalism, whereby each step of a clearly defined process needed to be fulfilled before progression to a subsequent step. Here lies the origin of stages of market-based regional integration, encompassing: 1) an FTA established through the gradual elimination of internal trade barriers amongst participants, 2) a customs union which adds to the FTA by forming a common external tariff with non-participants, 3) a common market which removes barriers on factors of production[5] and goods, and finally 4) an economic and monetary union, which creates a common currency for participants and formalises their singular external trade policy. This tracks regional development from national to federal integration as a gradual secession of sovereignty.

A shortcoming of theories and applications of market driven regionalism is the assumption that political support is a natural offset of the integration process. Political support must consciously accompany the integration process, yet not be detrimental to the economic processes, which also rely on there being sufficient complementarity between the markets that are being integrated to ensure sufficient conditions for functional spillover to occur.

Figure 1: Bela Balassa's Stages of Economic Integration



(Author's design, adapted from Balassa, 1969).

This Neofunctionalist vision of open regionalism sees political integration as a natural by-product of economic integration. However, the theory is compromised when political integration is resisted, as seen in the increased Euroscepticism following the Treaty of Lisbon compromise (Tooze, 2018: 41). The Treaty of Lisbon circumvented resistance to federation by

[5] Land, labour, entrepreneurship, and capital. Goods, services, movement, and capital.

choosing economic integration, but this did not resolve the political issues, which remain the EU's true stumbling block and continue to hamper economic policy (Jansen, Klotz & Virdee, 2020: 288). The high policy realm in which these issues are situated may itself be the cause of political tensions, particularly due to the sensitive character of trade and monetary policy. An EMU requires significant political and trade integration, with agreement on both fiscal and monetary policy due to the nature of a common currency (Gavin & De Lombaerde, 2005: 71). As has been seen in the EU, despite the high level of integration, states remain resistant to releasing sovereignty over monetary policy. Artificial separation of states and markets makes understanding the relations between states, markets and regional and international political economy and trade relations more difficult, posing a significant obstacle to regional integration. It is for this reason that the principles of Developmental Regionalism which recognise these shortcomings are applied to the AfCFTA.

Therefore, according to the open regionalism approach, the rationale for regional integration is the prospect of economic growth and development through the formation and provision of access to larger markets. States also seek improved bargaining power by being able to act within a larger political and economic bloc. However, this also raises the issue of asymmetric integration, as in many cases domestic markets are significantly altered by external forces (Foque & Steenbergen, 2005: 59). This affords open regionalism with the character of integration that exceeds the usual progression of multilateralism, through its promotion of Neoliberal principles (Shulz, Soderbaum & Ojendal, 2001: 245).

In contrast, *Developmental Regionalism's* antecedent influences can be found in Critical Regionalism approaches. Here, the role of the state intervening in the market to coordinate and manage development agendas is promoted (Ioannou, Leblond & Niemann, 2015: 162). These ideas expand the findings of the Gravity Model of International Trade, whereby open markets *are* shown to grow economies, but the threat of uneven development through the asymmetric distribution of gains remains a concern to purely market driven regionalism (Clapham, 1996: 809-814). Therefore, the relationship between regionalism and open markets remains under the Critical Approach, as increased trade and capital interchange remain core tenets of the theory, but with the caveat of state mediation of such activities across the region (Lee, 2003: 23). Application of the roles and priorities afforded the state vary. How these have been applied in Developmental Regionalism forms the focus of the discussion below.

Contrary to approaches limited to targeting maximising efficiency, Developmental Regionalism promotes both economic and social development through state mediation. Increasing productivity must be accompanied by equitable distribution and effective developmental gains, as a means for sustainability. This has made developmental regionalism particularly attractive to developing countries, which are often caught in extractive economic structures of dependency as producers for external markets. The profits from such economic dynamics are often limited in the leverage they provide to implement critical infrastructure and policy changes, in order to realise greater benefits from trade with more developed markets (Lee, 2003: 24).

Studies by various economic development IFIs have researched RTAs as means of promoting economic growth, raising welfare, and stimulating industrial development. However, smaller and more vulnerable countries entering into such agreements are at risk, particularly due to revenue losses and damages to industrial sectors as a result of premature liberalisation. Moreover, African countries are particularly at risk due to informal or precarious employment conditions, as well as facing threats such as poor access to clean water and sanitation, and food scarcity (International Monetary Fund, 2019: 32). This makes consideration of the various structural strengths and weaknesses of negotiating and participating partners in the AfCFTA critical to its success. These considerations are emphasised by the Developmental Regionalism theoretical standpoint.

Ismail (2020a)[6] argues that the case for regional integration in Africa through the AfCFTA is evident in the need to buffer against more productive actors in the global economy, as well as finding ways to increase attractive forces of investment and increase chronically low levels of intra-African trade. Individual competitiveness is insufficient, as many prove too small to attract the investment necessary to increase productivity sufficiently to compete in the global economy (Lang & Tavares, 2019: 14). The AfCFTA, if successfully implemented, will provide a large enough market to attract investment. This impetus is increased for smaller African countries, particularly those that are landlocked, which despite some having large populations, remain very low-income countries (Adams & Page, 2005: 1645-1669). These countries have compelling reasons to cooperate and integrate with their neighbours in order to increase the potential for economic competitiveness and the ability to raise welfare.

[6] A strong proponent of incorporation of Developmental Regionalism into the AfCFTA.

Mitigation of the Negative Consequences of Trade Liberalisation According to Developmental Regionalism

The primary concern for the AfCFTA going forward is the question of how to reduce the significant transitional costs and adjustments that will inevitably arise from the diverse nature and competencies of the economies involved. Certain member states are significantly more prepared for regional integration in terms of productivity. The important consideration is how to prevent the 'crisis of globalisation' experienced in the US and Europe (Stiglitz, 2002: 89). According to theory, greater integration will increase welfare – the challenge is to mitigate the adjustment conditions (Ismail, 2020a). Powerful adjustment instruments are needed to cover subsidies, cultural policies and structural adjustment funds, to prevent the worst-case scenario of increasing inequality between and within countries and regions (Lee, 2002: 13). This involves accounting for the asymmetrical process of integration and allowing more flexibility for the diverse economic and political strengths of countries in the agreement. Making provision for this is critical for the AfCFTA to remain politically sustainable.

This means there is a critical need to ensure that the private sector, whilst remaining a major driver of the integration project of the AfCFTA, remains sensitive to local capacity building, whilst benefiting from increased trade (Ismail, 2006a: 165). As high productivity retailers can benefit from increasing operations across larger markets of the continent, they need to be legislated to procure locally in order to actively build more extensive and sustainable supply networks. One key pillar of such a strategy could be targeted at agro-processing.[7] Africa has abundant resources and pockets of expertise across the continent. Most African countries have resources with the necessary rainfall and climate for agriculture, yet retailers do not procure from them. The AfCFTA needs to include provisions to encourage more local procurement.

This theme of stakeholder participation is of critical importance, and mitigation should not only be left to the private sector post-implementation (Ismail, 2017b: 11). The losers and potential

[7] The agro-processing industry has promisingly been identified by the South African Department of Agriculture, Forestry and Fisheries as a critical sector in its Industrial Policy Action Plan (IPAP), the New Growth Path, and the National Development Plan (NDP); this should be expanded to encompass a 'regional development plan' for critical sectors within the AfCFTA.
See: Department of Agriculture, Forestry & Fisheries. 2020. "Agro-processing Support." *Republic of South Africa Department of Agriculture, Forestry & Fisheries.*
Available:https://www.daff.gov.za/daffweb3/Branches/Economic-Development-Trade-Marketing/Agro-processing-support.

losers should be included in the AfCFTA's negotiation process, making backlash to the agreement less likely. More inclusive negotiations will provide for better adjustment mechanisms present in the AfCFTA.

A strong beneficial factor is the AfCFTA's potential to promote RVCs. This potential exists in several sectors in Africa, such as the automotive industry, clothing, and textiles, as well as agro-processing. This is crucial. For example: without provision of regional value chain incorporation, South Africa's highly competitive maize sector could prove detrimental to neighbouring staple crop farmers (United Nations Food and Agriculture Organization, 2020). Active retailers must be empowered to become drivers of RVCs. Provisions should be made for retailers to actively support supplier development, particularly encouraging smaller countries and businesses to participate in RVCs in one form or another.

Cross-border infrastructure is essential to facilitating such environments. Current infrastructure is outdated and extractive-orientated towards former metropoles of respective countries. The costs of cross-border infrastructure development relating to essential broadband, ports, power grids, railways, and roads are likely to be expensive and require fiscal coordination between members of the AfCFTA (Ismail, 2020a).

Developmental Regionalism in Response to the Changing Architecture of World Trade

Changes in the architecture of world trade have been significant in the wake of inconclusive agreements relating to the Doha Trade Round since 2001 (Margulis, 2018: 369). Looking at Africa specifically, several important periods can be distinguished in recent trade history. Between 2000-2010, there was a noticeable rise of emerging markets typified by the BRICS (Ismail, 2017b: 5). Between 1995-2014, emerging markets' exports increased by 20%, whilst developed countries exports decreased by a similar measure (Saygili & Knebel, 2018: 14). While these changes have been largely influenced by three decades of China's near unprecedented growth remaining constant around 10%, as well as becoming the largest exporter in the world in 2010, Africa's exports have also grown within global trade (Hickel, 2017: 2218).

The Case for Developmental Regionalism

In response to the negative effects of trade liberalisation and the changing architecture of world trade, Developmental Regionalism is premised on i) fair trade, ii) creation of regional value chains, iii) establishment of cross-border investment in infrastructure, and iv) strengthening of democratic governance. These include consideration of political commitments to collective action as important for the success of regional integration initiatives over and above economic gains (Stiglitz, 2016: 322).

Fair Trade Integration

The economic heterogeneity among states participating in the AfCFTA requires an adaptive approach to integration. This has already been incorporated in the AfCFTA's provision for incremental tariff removal afforded to members that qualify. Of the 55 AU states, 34 are classified as LDCs and 16 of these are landlocked.[8] Open trade liberalisation could prove damaging to these nascent economies and provisions must be made to accommodate these variations in membership. Developmental regionalism incorporates this by including a range of stakeholders in regional trade through the establishment of effective institutions that provide for participatory channels for stakeholders (Ismail, 2018: 546). This facilitates ongoing negotiations from small and large business, trade unions, and civil society representatives to shape more inclusive trade concessions.

Fair Trade Integration is reliant on several critical conditions to succeed. As states participating in RTAs such as the AfCFTA vary (in this case widely) in size and levels of economic development, RTA conditions cannot be formed and implemented using a 'one size fits all' approach. This is a significant factor when considered in relation to the AfCFTA, given the high number of member states classified as LDCs, who will enter trade agreements with significant structural impediments to their general growth and development within the RTA. According to Developmental Regionalism, structural deficiencies of participating states must

[8] LDCs: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, and Zambia (United Nations Committee for Development Policy, 2020). Landlocked countries: Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Eswatini, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, South Sudan, Uganda, Zambia, and Zimbabwe.

be incorporated into RTAs, building them to favour smaller members in order to produce equitable distribution of the positive outcomes of the trade agreements (Ismail, 2020b).

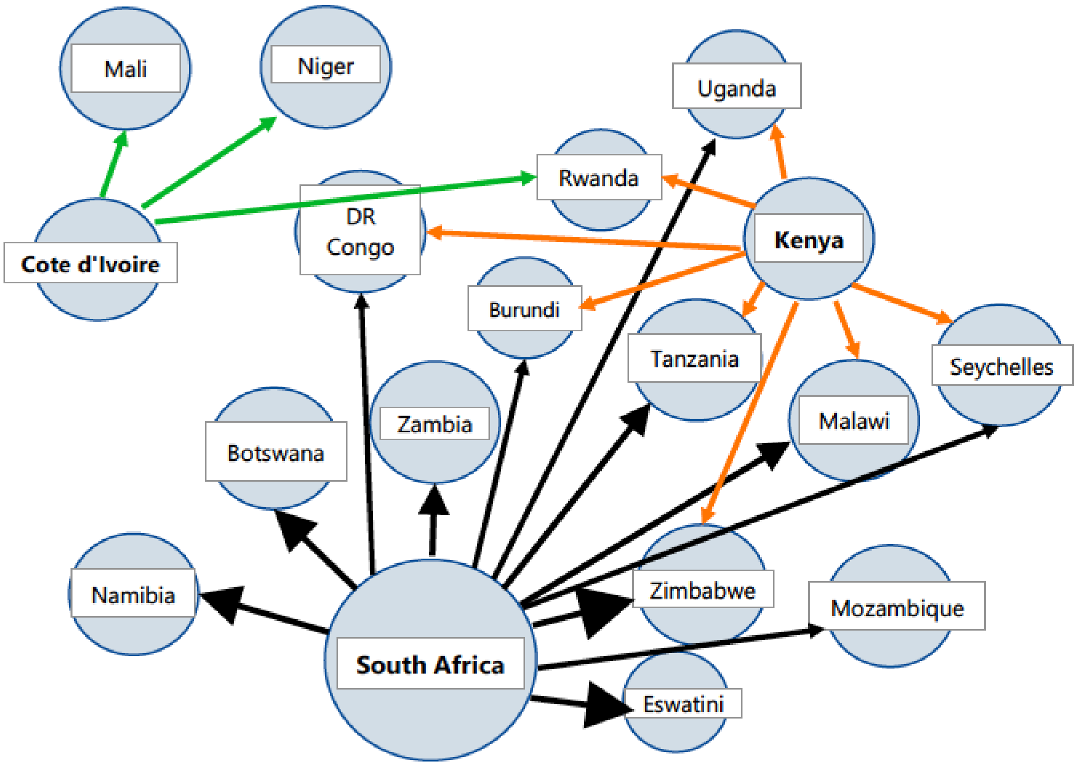
Developmental Regionalism also emphasises the incorporation of a wide range of stakeholders into RTAs. These stakeholders should include a wide range of private sector actors from small and big business interests, as well as members of civil society such as trade unions and civil society organisations within the consultation process for trade agreements, both nationally and regionally (Stephan & Hervey, 2008: 59). Through wide ranging participation, effective institutional structures will be solidified.

Transformative Industrialisation Through the Development of Regional Value Chains

Transformative industrialisation is underpinned by the creation of RVCs (Signe & van der Ven, 2019: 8). Whilst countries participating in the AfCFTA are already significantly integrated into the global economy, this is largely from a peripheral position. They often are simply suppliers of low value-added goods and/or commodities, leaving them particularly vulnerable to global price fluctuations. According to Developmental Regionalism, this requires cooperative construction of RVCs championed by entrepreneurs and influential industry in order to collaboratively improve competitiveness (World Bank, 2020c:18). When RVCs are formed in this manner, Developmental Regionalism posits this will i) promote industrialisation, thereby serving as a basis for economic transformation, ii) increase the proportion of value that states derive from their regional commodities and labour, and iii) the resulting economic growth and development will improve the lives of inhabitants within the region (Ismail, 2020a).

Fostering RVCs within regional integration agreements is therefore a key step to address Africa's place in GVCs, where they have increasingly been incorporated, but serve as primarily extractive functions, through provision of raw materials and low value-added goods to global supply chains. In regional integration agreements, provision must be made to facilitate Africa's emerging entrepreneurial class and emerging industries to develop through linking them across RVCs. Value-added goods concern intermediate goods that have value added before being finalised or being passed off as another value-added good (International Monetary Fund, 2019: 17). The network map of value-added exports given below shows for example, how significantly integrated South Africa is in the African trade environment. Most strikingly it shows what is exiting South Africa in relative terms. The potential effects of the AfCFTA on international trade flows according to the exporter's perspective, is shown in Figure 2 below.

Figure 2: Network map of Value-Added Exports in Africa



(Abrego, Amado, Gursoy, Nicholls, & Perez-Sainz, 2019: 13-14)[9]

Cross-Border Infrastructure and Investment, and Trade Facilitation as a Corollary

Developmental regionalism recognises the importance of the removal of non-tariff barriers for the full benefit of regional integration (Erasmus, 2019a). This is particularly relevant to the AfCFTA, which requires significant investment in cross border infrastructure. Developmental regionalism identifies both hard and soft non-tariff infrastructure barriers. Hard infrastructure includes constructive elements such ports, railways, and roads. Soft infrastructure relates to customs and border procedures, port efficiency, and the efficacy of roadblocks along major

[9] "Trade flows represent at least an average of 4 percent of total imported value-added by each country in the region. Source: IMF staff imputations using data from the United Nations Conference on Trade and Development, and the Eora multi-region input-output database." (Abrego, Amado, Gursoy, Nicholls & Perez-Sainz, 2019: 13-14).

transport routes. This involves coordination on customs measures, and institutional awareness of illicit behaviour by border officials and businesses. Again, these infrastructure initiatives need to be particularly inclusive of smaller African states to ensure their participation in the broader trade conditions provided by the Agreement.

Creation of successful RVCs requires effective cross-border infrastructure investment. This is particularly relevant to AfCFTA participants, who are faced with the dual challenges of LDC participants lacking necessary infrastructure development, as well as the underdeveloped nature of the extractive-orientated infrastructure legacy left by colonialism (Young, 1994). In order to increase intra-regional trade, cooperation for improved infrastructure is necessary. In terms of the AfCFTA, this should focus on ports, roads, and railway infrastructure, as well as enhancing efficiency through customs procedure alignment.

Democracy, Good Governance and Peace and Security

These aforementioned measures are best facilitated and overseen by democratic governments accepting of multipartyism, constitutionalism, rule of law and respect of human rights (Taylor, 2016a: 102). This allows for active citizen participation, respect for the rights of workers within the trading arrangements, and transparency in the processes of implementation (Shaw, 2016: 111). These are key considerations for successful and sustainable implementation of initiatives such as the AfCFTA.

The three pillars of Developmental Regionalism require oversight and administration in the form of democratic good governance. Through good governance, transparent and predictable environments are created, encouraging domestic as well as foreign investment vital to economic growth and industrialisation (Stuart, 2020b). Moreover, by instituting these forms of governance, a character of sustainability is added to regional integration through the stability and stakeholder-centric forms of governance.

To be an effective instrument of regional integration, the AfCFTA needs to be used to promote peace and democracy within the region. Without active peace and security initiatives in pursuit of democratic and economic development, regional integration will fail, as the political conditions necessary to continue the facilitation of economic integration will not be enacted.

Developmental Regionalism incorporates elements of critical regional theory, Functionalism, and Developmentalism in order to realise successful regional integration outcomes. It advocates for the active incorporation and participation of the state in processes of regional integration, in order to avert concerns of threats to sovereignty that have so often derailed processes of regional integration. Additionally, it promotes the "bottom-up" emphasis of Functionalism, relating this to the Critical elements of regional integration theory, whereby stakeholders are broad based, and the regionalisation process is inclusive. This provides a strong blueprint for realisation of a successful AfCFTA.

A final alternative theoretical position is the Gravity Model of International Trade, which approaches analysis of Regionalism using international trade flows to estimate regional integration outcomes.

2.4.3. The Gravity Model of International Trade

The Gravity Model in International Trade is an adaptation of Newton's Law of Universal Gravitation (1687) which is used to model trade flows between countries (Tinbergen, 1962). Trade flows are taken to be any bilateral relationship between countries, whether they are FDI, imports and exports, or migration (Anderson & van Wincoop, 2004: 708). The basic Gravity Model of Trade uses "X" to represent the volume of trade from "i" to "j". "Mi" and "Mj" represent the supply and demand forces from the respective countries. "D" serves as a proxy for transport costs by representing the distance between countries "i" and "j". This is a useful, though not exact representation of the expectation that the further apart two countries are, the higher the transport costs of trade would be (Baier & Bergstrand, 1999: 8).

The Gravity Model was first formulated by Jan Tinbergen, the Dutch statistician considered to be the founder of the field of econometrics (Skidelsky, 2016: 37). Its successful application and explanatory value since the mid-1980s[10] have made it an indispensable tool in the analysis of international trade theory and empirical study, subsequent policy analysis, as well as in extrapolating relationships to measure the impacts of EIAs and their accompanying effects on tariffs, trade flows, and ultimately welfare (Anderson & van Wincoop, 2001). International

[10] See: Bergstrand, J.H. 1985. The Gravity Equation in International Trade: Some Microeconomic Foundations and Empirical Evidence. *The Review of Economics and Statistics.* 67(3): 474-481. Pg. 477.

trade flows have been studied theoretically and empirically using the gravity equation, which is based on an analogy with the Newtonian Law of Gravity. This involves measuring the treatment effect of trade flows and making links to potential welfare gains from trade.

Basic Gravity Equation for Modelling International Trade Flows: $\chi ij = G\frac{Mai\ Mbj}{Dcij}$

This basic formulation can be adapted in order to analyse and explain trade flows. Augmented models may include variables for the respective incomes of exporters and importers in trade relationships, and an expectation that the higher the income of either country, the more trade will occur between them, *ceteris paribus*[11]. Utilising Mozambique, which trades with both South Africa and Zimbabwe, as an example, more trade would be expected to occur with South Africa, due to its higher per capita income levels.

Another related augmentation is the inclusion of a variable accounting for country adjacency in trade flows (Mayer & Thoenig, 2014: 6). For example: city B in Namibia and city C in Angola are equidistant from city A in Botswana. However, since Botswana and Namibia are adjacent countries, the volume of trade between cities A and B is expected to be greater than the volume of trade between cities A and C, despite the relative distances between them being equal.

Measures of remoteness for and between trading partners can also be included (Baldwin & Taglioni, 2006: 15). For example: the distance between city A in Namibia and city B in Botswana is equidistant between city C in Angola and city D in Zambia. Since cities A and B are closer to a mutual market, such as South Africa, there is an expectation that they would trade less with each other than city C and city D, who are not as close to an outside market, and thereby trade more between each other.

This pattern for trade flow modelling using the gravity equation begins with Tinbergen's linear model, that has a dummy variable added, representing a variable of interest (Tinbergen, 1962). These added variables range from the existence of colonial links between countries "i" and "j", to whether they are part of a mutual trade area.

[11] Henceforth taken to mean: "other things being equal" or "controlling for other variables" i.e., holding them constant.

Notable applications of the gravity model have explored questions such as how significantly trade flows are affected by national borders. McCallum (1995) used the Gravity Model to show the substantial impact of national borders on trade between provinces in Canada, and US states – conditions that would not be correct under economists' standard assumptions of market conditions (Obstfeld & Rogoff, 2001). This reflection of the home-bias-in-trade puzzle of consumption preference showed a substantial border effect on trade between countries. This is interesting because there was a clearly prevalent border effect despite the relative homogeneity between Canada and the US in terms of culture, institutions and language, something which is not the case between AfCFTA participants. It follows that the border effect may be substantially increased in this context (Salvatici, 2013: 19).

Additional Gravity Model analyses[12] found further evidence of the existence of the border effect in varying contexts, with differing magnitudes but consistently high levels of significance. This undermines the assumption of perfect economic competition, as this would mean border effects were zero. Therefore, positive border effects imply less than perfect market integration. Economists have pointed to border effects arising from i) the elasticity of substitution between domestic and foreign goods, and ii) the *ad-valorem*[13] tariff equivalent of border barriers (Ludema & Yu, 2016: 237). Proxies for measures of elasticity of substitution have included countries' share of intra-industry trade, product differentiation indexes, the level of research and development spending, and the level of advertising intensity in the country (Evans, 1999). More differentiated products (those with low elasticity of substitution) have smaller border effects.

Other notable variations of the gravity model include the use of a "home trade" dummy variable. In this application, the volume of trade between the two countries is defined in terms of the countries' per capita income and the value of the *ad-valorem* tariff equivalent of the border separating countries (Chen, 2004: 98). This tariff equivalent is defined in terms of distance between the traders. To determine transport costs, the weight evaluation of bilateral

[12] See: Chen, N. 2004. Intra-national versus international trade in the European Union: why national borders matter? *Journal of International Economics.* 63(1): 93-118.
Head, K. & Mayer, T. 2000. Non-Europe: The Magnitude and Causes of Market Fragmentation in the EU. *Review of World Economics.* 136(2): 284-314.
Wei, S. 1996. Intra-National Versus International Trade: How Stubborn Are Nations in Global Integration? *National Bureau of Economic Research Working Paper* 5531.
[13] Henceforth taken to mean: "In proportion to the estimated value of the goods or transaction concerned".

exports is used to determine a high/low level of transportability according to transport costs that would be associated with the trade (Carrere, 2006: 229). Inclusion of this transportability variable decreases the size of the border effect, whilst it remains significant. This suggests that the combination of cross border infrastructure and trade costs that make trade more difficult are critical considerations in addition to the regular border tariff equivalent in trade (Christ & Ferrantino, 2011: 1752). In a similar model, researchers demonstrated that trade policy, regulations, information costs, and public procurement trade barriers were not significant considerations between Canada and the US and concluded that trade patterns were explicable through the border effect and transportability costs (McCallum, 1995: 617).

Another notable variation considers the importance of proximity and common language of trade partners in matching international trade partners (Bas, Mayer & Thoenig, 2014: 15). It was shown that common language and proximity were more important for *differentiated* products than for homogenous products (Evans, 1999). This suggests that the relative barriers to trade are higher for differentiated goods. The Gravity Equation was used to analyse three different types of products which included measures of producing countries' GDPs and relative distance, as well as dummy variables for adjacency, colonial links, and language (Head, Mayer & Ries, 2010: 7). The disaggregated industry trade data time series showed that the distance variable for the groups of products was the most important consideration (Bas, Mayer & Thoenig, 2014: 16). This implied that distance is a more significant inhibitor of international trade between differentiated goods.

A third alternative application of the gravity equation showed that despite a common constitution, currency, culture, exchange rate and language between US states, the border effect persists (Evenett & Keller, 1994: 289). This was explained according to the distance between traders using the measure of spatial agglomeration of firms (Wolf, 1997: 7).

This position was strengthened by other studies, differentiating goods by place of origin, where each region used in the model is specialised in a particular good.[14] Multilateral trade resistance was seen to be a result of the trade costs increasing with both distance (relative trade barriers

[14] See: Anderson, J.E. & van Wincoop, E. 2001. Borders, Trade and Welfare. *National Bureau for Economic Research Working Paper* 8515.
Anderson, J.E. & van Wincoop, E. 2003. Gravity with Gravitas: A Solution to the Border Puzzle. *The American Economic Review* 93(1): 170-192.
Anderson, J.E. & van Wincoop, E. 2004. Trade Costs. *Journal of Economic Literature.* 42: 691-751.

between traders) and the existence of bilateral trade barriers such as borders (the border effect). This was used to argue that McCallum's (1995) original border effect calculation needed to be reduced by nearly 50%, whilst remaining a significant value.

Moving from these studies to application of the Gravity Model in Africa, there are several considerations. In terms of the existing trade agreements between African states, many notable RECs experience overlap. This provides a unique environment for analysis, given the size of the continent and the lengthy evolution of trade agreements. These agreements span free trade agreements, customs unions, and multiple countries that are in multiple agreements.

The Economic and Political Rationale for the AfCFTA According to the Gravity Model

When measuring a positive relationship between per capita income before trade liberalisation and after trade liberalisation (through a free trade agreement, for example), the general trend shows a gross change in standards of living through the liberalisation of trade amongst countries. The rationale for trade agreements thus spans both politics and economics.

The primary rationale emerging from the European integration experience is reduction in conflict. The EEC's success as one of the earliest customs unions (from a free trade agreement with the inclusion of a common external tariff), developed between six countries to reduce the political conflict between France and Germany through economic integration. Since 1958 there has been no conflict between Germany and France. A series of studies based on this premise used large data sets to show that the probability of conflict between two countries entering an FTA is significantly reduced.[15] This research has been extended to the EAC, where decreased conflict between the countries involved was also shown.[16]

While interstate reduction in conflict is an important consideration, much of the conflict in Africa has increasingly been intra-state in nature (Martin, Mayer & Thoenig, 2008a: 542). Authors in the field of international trade note that the decrease in intra-national trade results in an increased probability of civil war within the country (Mayer & Thoenig, 2016: 14). Strains

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[15] See: Martin, P., Mayer, T. & Thoenig, M. 2008. Civil Wars and International Trade. *Journal of the European Economic Association.* 6(2-3): 451-550.
Martin, P., Mayer, T. & Thoenig, M. 2008. Make Trade Not War? *Review of Economic Studies.* 75(3): 865-900.
[16] See: Mayer, T. & Thoenig, M. 2016. Regional Trade Agreements and the Pacification of Eastern Africa. *International Growth Centre Working Paper.* (2016): 1-27.

resulting from decreasing flows of intra-national trade can be extended to larger economies, as can be seen by the US's withdrawal from NAFTA and the TPP. Hence the importance of an effective AfCFTA to bridge this period of reduction in intra-national trade, so as to avoid the conflict that precludes the empirically shown increases in welfare that result long term, following increased trade between countries.

A more favourable political rationale for the AfCFTA is the empirical evidence confirming that EIAs[17] assist in the consolidation of less-mature democracies. EIAs allow for fewer economic rents to be available to more autocratic regimes (Mansfield, Milner & Pevehouse, 2008: 74). Additionally, EIAs serve as a form of commitment device reducing the likelihood that weak democracies would fall into autocracies. This provides a stronger foundation for improving democracy throughout the continent.

What Overall Gains Can Be Expected from the AfCFTA According to the Gravity Model?

The gravity equation in international trade is again relevant here. It measures the treatment effects on bilateral trade flows, which can then be used to calculate measures of a calibrated welfare effect through the equation. Due to the increased heterogeneity, it provides between countries, a typical FTA increases bilateral trade between two countries by around 35% (Baier, Bergstrand & Clance, 2018: 592). This ties into the findings regarding the increased factor of effects between countries in FTAs based on heterogeneity such as common language, and relative per capita income. In terms of deeper forms of integration, common markets have been shown to increase trade by about 60% over 10-20-year periods (Martin, Mayer & Thoenig, 2008b: 889). Economic unions integrated in terms of the free flow of labour, goods and capital tend to increase trade by over 100% percent between countries involved over the same period (Spilker, Bernauer, Kim, Milner, Osgood & Tingley, 2018: 193). These sizable effects are argued to increase the welfare gains in terms of standards of living.

Welfare effects have been shown to be even larger when applied to developing economies. In countries with per capita incomes at least 10 % lower than the global average, the gains in trade volumes increased to around 60 % (Baier, Bergstrand & Clance, 2018: 591). This is a result of higher initial levels of tariffs and behind-border-barriers that are reduced because of FTAs.

[17] Common markets, customs unions, and/or free trade agreements.

Therefore, if these increases in trade can be correctly correlated with increases in the welfare effect, there is a strong political rationale for the AfCFTA.

Increases in trade gains affect real wage growth (Snorrason, 2012: 19). Results of significant increases in real wage gains often reflect increased productivity. More productive individuals have higher real wage rates, higher salaries, higher per capita income, with more 'productive' countries averaging higher per capita income. From these wage gains, the most productive firms are able to become significant exporters, with the potential to become multinationals. However, this is not simply a gain, and must also be considered a consequence or cost of decreased costs of trade, as it will result in the least productive firms exiting the market. These transition costs will produce unemployed workers and resources from these least productive firms. This is a result of heterogeneous productive firms being incorporated into competitive environments due to the decreased trade costs produced by an FTA. A product that was previously too costly for firms to export could now become a profitable measure. While this tends to increase the average level of productivity across the macro economy of the FTA, an associated consequence is that the least productive firms may be forced to exit the industry, accompanied by unemployment and the need for labour and resource reallocation. It is critical that measures assisting in the reallocation of these workers and resources is incorporated into AfCFTA policy measures.

Therefore, whilst focus for the AfCFTA is on the gains associated with trade, with FTAs tending to enhance bilateral trade and average living standards, the most significant gains are often enjoyed by the most productive (largest) firms in the industry and economy. Smaller and medium sized firms may be driven out of the industry without sufficient adjustment mechanisms. Conventional economic analysis would point to a state of general equilibrium in the economy, whereby those who lose jobs would get re-employed. This rudimentary analysis does not include the transition costs which are primarily borne by workers of small and medium sized firms and raise important political and economic considerations regarding the effects of trade liberalisation (Salvatici, 2013: 15).

Another gain associated with increased trade is a reduction in policy uncertainty, in addition to benefits of economic integration agreements beyond the simple lowering of trade costs and encouragement of trade. EIAs bring in lower tariffs but also reduce the fixed costs of external trade by decreasing the trade uncertainty (International Trade Commission, 2019: 156). These measures can be used to offset the negative effects mentioned above.

Will All Countries Benefit Equally from the AfCFTA According to the Gravity Model?

Evidence suggests that where there is a 10% increase in the difference between a peer country's per capita income, it will result in increases of the FTA effect on trade between the two by close to 1% (Lang & Tavares, 2018: 13). The closer two countries are that enter FTAs, for example with a 10% decrease in distance between countries, the FTA effect is raised by 2.5%. This suggests there will be differing impacts on member countries, with less impact on pre-existing trade flows within RECs already operating with lowered trade restrictions, whilst still improving and formalising aspects of trade. As countries tend to trade more with nearby partners, the trade effects tend to be larger. This does however suggest that trade flows between adjacent RECs may be facilitated further by the AfCFTA. Moreover, following the signing of a FTA, where there is an absence of common legal origin or colonial history, the FTA will significantly raise trade because there would have been a basic absence of trade prior to the signature (Mansfield & Milner, 2018: 379).

Countries with a common legal origin experience less gains from trade liberalisation, as they are already closer at a structural level in terms of legal operations of trade. Countries without that background would be analogous to starting trade from a higher tariff rate, resulting in a larger gain from the FTA, which can be extrapolated to be relevant to the AfCFTA due to its scale and accompanying heterogeneity of membership.

What Challenges Lie Ahead for the AfCFTA and How Should Policymakers Respond?

EIAs cause the least productive firms to shut down and produce the need for labour reallocation in the short term, prior to more structural reallocation of labour which has been shown to occur in the long term. Moreover, technological advancement is not skills un-biased. Those who are more skilled or educated tend to benefit more from technologisation that will accompany high investment initiatives such as the AfCFTA. Unskilled labour is less able to benefit from technology because of its skill bias. Therefore, on average, higher educated workers tend to benefit more from technological change.

This is due to globalisation, which tends to benefit skilled workers, acting as a complementary process to increasing wages. Labour markets whose initial industry composition was exposed to rising Chinese import competition, for example, experienced significant falls in employment, particularly in manufacturing among non-college educated workers. Therefore, the skills bias of technological changes that resulted in the rise of Chinese import competition can be likened to the AfCFTA. Significant *ex-ante* analyses of EIAs show that skilled wages rise relative to unskilled, signalling income inequality.[18] Income inequality effects of trade liberalisation are understudied in the field and need to be factored into FTA analyses, as greater exposure to global (or regional) value chains is associated with decreasing levels of employment of lower wage groups in relation to higher wage groups. Therefore, the long run benefits in increased overall welfare and wage growth that result from trade liberalisations need to be tempered by factoring in the costs of retraining, as well as the resource costs of retraining required to mitigate the short run adjustment costs.[19] AfCFTA signatories must therefore ensure adequate targeting mechanisms are in place for alleviating the adjustment barriers for aggregate workers through retraining resources and unemployment schemes.

Growing resistance to globalisation is a further consideration. Beneficiaries and losers of globalisation are increasingly less separated by educational level (Fischer & Egger, 2019: 14). Both skilled and unskilled workers can be affected by globalisation, particularly when accompanied by automation (Mansfield & Milner, 2018: 391). As the level of schooling loses its effectiveness in protecting individuals against losses from trade, growth in income inequality may be accompanied by increasing risks faced by educated workers aimed at completion of *specific* tasks. Education (as well as re-education efforts taken to ameliorate transition costs) need to be more analytically based, to provide skills flexibility moving forward. Economic evidence suggests that globalisation of trade is associated with an anti-internationalism backlash in the political sphere from more extreme parties (Milner, 2018: 22). The globalisation backlash can be attributed partly to the associated unmitigated increasing income inequality, particularly as unskilled workers are most severely affected (Hyman, 2018: 31).

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[18] See: US International Trade Commission Report. 2019. U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors. Washington, DC: United States International Trade Commission.

[19] See: Hyman, B.G. 2018. Can Displaced Labor Be Retrained? Evidence from Quasi-Random Assignment to Trade Adjustment Assistance. *Social Science Research Network Research Paper*. 1-68.

This contradiction in the research on international trade is important to bear in mind when analysing the potential for the AfCFTA: on the one hand increasing trade is associated with increases in aggregate welfare levels, alongside which clear backlashes emerge as a result of increasing income inequality, unless measures to reduce adjustment effects are implemented. Given that advanced economies such as the UK and the US can be negatively affected by poorly managed transition periods, the vulnerability of other regions is particularly concerning. Dealing with the adjustment costs of these changes for the unemployed is critical to ensure AfCFTA participants can enjoy the benefits of trade integration as shown evidentially.

In addition to the economic benefits of successfully mitigating adjustment costs, there are numerous benefits from trade integration. This is evident from the foundational experience of European integration which used economic integration to prevent political conflict and ensure peace in the region. With economic integration, the likelihood of antagonism and war decreased, which in turn allowed for increased economic growth. This shows the importance of noting the imperatives of trade and regional integration extending beyond economics itself.

Thus, the Gravity Model is useful in explaining the overall projected gains from trade, whilst also raising important caveats to overall welfare benefits that have often received less attention in the literature. The econometric analysis provides an important rationale to RTAs and introduces the need for co-implementation of effective adjustment mechanisms and measures aimed at reducing NTBs concurrent to the process.

2.5. Regional Integration and the Political-Economy Trilemma

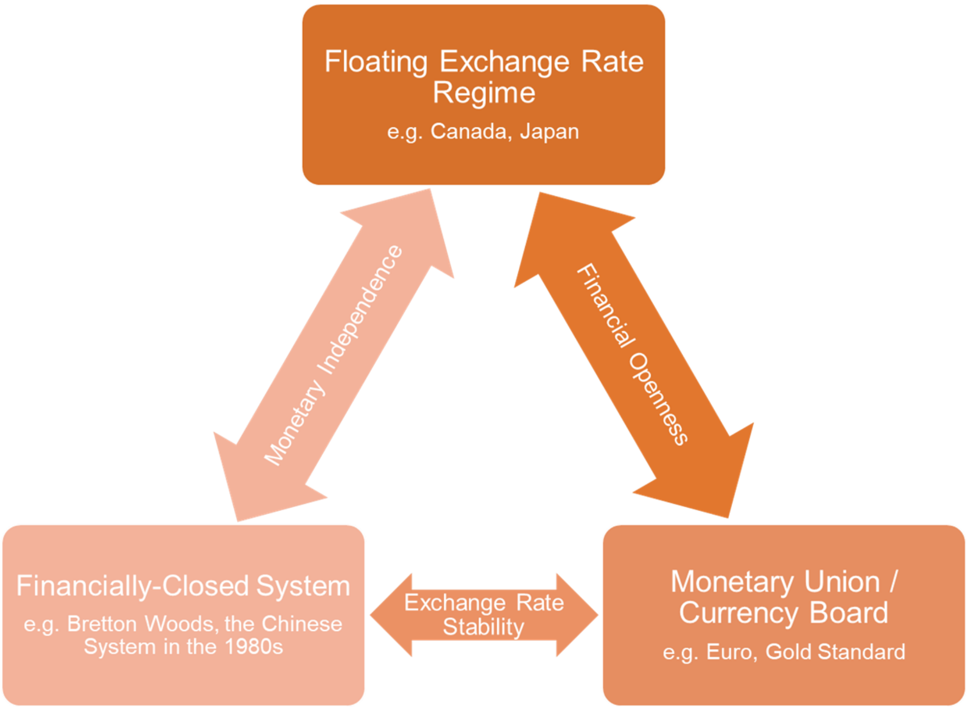
The foregoing critiques of regional integration theory and its historical applications have foregrounded numerous challenges. The idea of a "trilemma" of political economy, highlighted by Rodrick (2000) has explanatory value with respect to the emergent challenges. The trilemma concept posits that the policy objectives of democracy, globalisation and national sovereignty cannot be fully achieved concurrently (Aizenman, Chin & Ito, 2013: 451). The regional integration literature review evidenced that many of the challenges faced stem from aspects of the trilemma and remain critical considerations to the success of the AfCFTA.

Post-WWII Europe pursued a policy of regional integration in terms of political and economic means. This began a process of gradual integration requiring incremental sacrifices of national interest, as a means to avert conflict previously driven by countries pursuing self-interested objectives in favour of unification. However, recent changes to the political and economic landscape are not only evident in Europe. Since the 2016 election, the Trump administration has emphasised a crude form of economic nationalism. Existing trade arrangements and political commitment were discarded in favour of bilateralism, tariff wars, and withdrawal from international institutions, most recently the withdrawal from the WHO during the COVID-19 pandemic. Furthermore, the UK had previously followed similar sentiment of emphasising the national interest and preservation of sovereignty in the Brexit referendum.

2.5.1. The Trilemma of Political Economy

These cleavages, representative of wider issues faced by regional integration, can be explained in part according to Rodrik’s trilemma of political economy (Aizenman, Chinn & Ito, 2013: 448-451). This was developed from the open economy trilemma of international economics, which argues that countries are unable to pursue the policy objectives of exchange rate stability, financial market openness, and monetary policy independence concurrently, as shown in Figure 3 below (Mundell, 1963: 475-485).

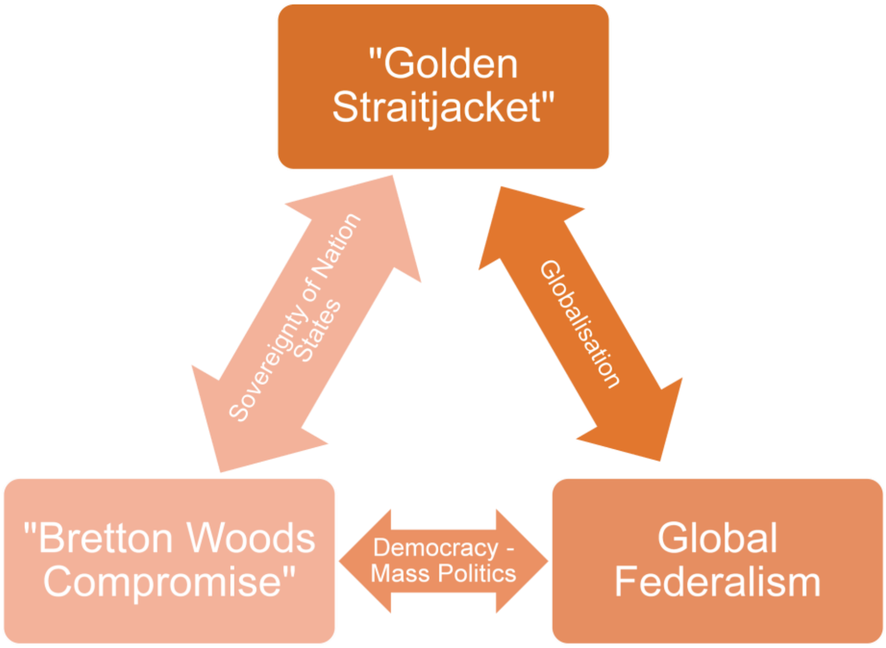
Figure 3: The Open Economy Trilemma



(Author's design, adapted from Aizenman, Chinn & Ito, 2013)

When adapted to the political economy context, it argues that democratisation, globalisation, and national sovereignty cannot be pursued concurrently to their full extent by states. (Rodrik, 2017a: 27) (Figure 4).

Figure 4: The Political Economy Trilemma



(Author's design, adapted from Rodrik, 2017a)

This was evident, for example, in the EU response to the 2008 financial crisis where, despite the EU's emphasis on democratic institutionalism and openness to global markets, members were unable to pursue their national interest and/or ensure national sovereignty. This has led the EU down the path of Global Federalism.

Responses to this trajectory can be seen by the UK's attempt to regain sovereignty and control over national interest through the implementation of Brexit. According to the trilemma, the options to reassert sovereignty included either the restriction of democratic measures or imposition of measures against the global economy. The UK therefore sacrificed globalisation in order to withdraw from the EU whilst purporting to adhere strictly to proper democratic process. This has reduced the UK's access to international markets whilst allowing it to assert the national sovereignty cries of the referendum.

In other cases, states attempt to support globalisation whilst asserting state sovereignty. Such states conform with international rules, regulations and procedures when forming their own. However, when domestically implemented rules and standards are derived from international organisations, multinationals and/or treaties made through administrative bodies composed of technocratic members, they are often not grounded in democratically determined policy, and thus democratic processes are not adhered to (Obstfeld, Shambaugh & Taylor, 2005: 423-438). In this scenario, states experience the 'golden straitjacket' in order to produce overall economic growth (irrespective of equitable distribution), whilst the political sphere becomes deemphasised (Freidman, 1999).[20] To extricate from the golden straitjacket, more democratic measures can be pursued, or de-globalisation can be imposed.

States can also pursue full democracy and seek to prioritise the national interest but are then unable to fully access globalisation and its benefits. This can be seen in the Bretton Woods 'compromise' between 1945 and 1970, where participants were able to impose capital controls and barriers to international trade (Morys, 2014: 732). This orientation of the trilemma reflected full democracy and national sovereignty and the preferred Bretton Woods policy mixture of embedded liberalism. Anchored using the Gold Standard, states retained domestic autonomy whilst the international trading system operated under liberalised conditions.

2.5.2. Impacts of the Three Policy Goals of the Trilemma on Political and Economic Considerations

The Political Economy Trilemma must be considered in analysis of the institutional structure of the AfCFTA. For the Agreement to find success in Africa, stakeholders must be convinced of the benefits of relinquishing sovereignty to the regional body, a process that has not been successfully followed in the past. Stakeholders will need to balance two-level games at regional and international level to manage the issues surrounding sovereignty, democratisation, and increased trade.

2.6. Conclusion

This chapter has overviewed the core theories of regional integration, as well as additional relevant concepts and alternative theoretical approaches that provide explanatory value to an analysis of the AfCFTA. The relationships between the foundational theory of regional integration and the European integration process were explained. Through detailing the concepts underlying theories of Intergovernmental and Supranational regional integration

[20] For more on the Golden Straitjacket, see: Rodrik, D. 2000. How Far Will International Economic Integration Go? *Journal of Economic Perspectives.* 14(1): 177-186.

theory in relation to periods of significance in the history of European integration, an outline of the role of both private sector and public sphere interests was given. This provides a critical lens for analysing all role players in the AfCFTA.

Overviewing the broad historical phases of post-war European regional integration elucidated how influential different periods of integration have been on regional integration theory, and vice versa. This is important to bear in mind when applying the theories. Analysis of relevant academic theory provided important insights for the differing roles and responsibilities for public and private sector actors in driving the integration process. It is also evident how these actors' responsibilities are shaped by demands from winning coalitions within participating states' domestic sectors, as well as the resulting determining factors they serve in shaping policy preferences in processes of regional integration.

These insights were considered in relation to alternative theories of regional integration including the importance New Regionalism afforded actors outside of the economic sphere in the regional integration process, how these principles related to theories of Developmental Regionalism, as well as the contextual applicability of the Gravity Model of International Trade, and its emphasis on increased trade volume and improved welfare within the countries involved.

The trilemma concept of political economy was discussed as an analytical lens for the AfCFTA. In positing that the policy objectives of democracy, globalisation, and national sovereignty cannot be fully achieved concurrently, the trilemma concept highlights the core challenges faced by states in processes of trade and regional integration. These are critical considerations for successful implementation of a continental FTA.

The above theoretical overview provides a strong foundation for assessment of the AfCFTA's objectives of aiming to stimulate intra-African trade by increasing regional cooperation in order to reduce the barriers to trade. Proceeding from this theoretical foundation, the core principles, legislation and stated aims of the AfCFTA in the context of its current operating environment are analysed. Thereafter, implications and challenges for the AfCFTA are discussed in relation to the wider body of regional integration and trade theory literature.

3. African Regional Integration and the AfCFTA

The following section outlines Africa's historical precedent in RTAs as a background to the trajectory on which the AfCFTA was founded. This context must be considered in relation to wider international trade trends and conditions.

The Doha Round (2001-) trade negotiations between WTO member states aimed to achieve major trade reform in the international economy (Margulis, 2018: 369). Its proposition of lower trading barriers and revision of the body's trading rules to bring about more beneficial trading prospects for developing countries stalled throughout the 2000s, with divides between developed and developing countries becoming increasingly apparent, particularly over matters relating to trade in agriculture and rules on investment (Snorrason, 2012: 9). Whilst this is in part a result of the difficulty of reaching increasingly integrated trade consensus within the WTO's large multilateral framework, the Doha Round has arguably exposed the "vagaries" of globalisation and has been met with reactions of both economic nationalism and anti-globalist sentiment, as well as a resurgence of RTAs in political discourse (Stephan & Hervey, 2008: 53). Numerous bilateral, EPI and RTA initiatives have emerged in both developing and developed regions (Owoeye, 2016: 1089).

The following section situates the AfCFTA within this troubled trade context. Recent OAU efforts at integration are outlined. The progression of these initiatives from objectives of decolonisation to NEPAD's dwindling economic impetus are assessed, and the processes leading up to the formation of the AfCFTA are elucidated.

3.1. Overview of African Integration

Africa has a lengthy yet differentiated history of regional integration efforts. Newly independent African states sought alignment with other countries of the Global South in the periods following decolonisation, acting as blocs to increase bargaining power in the asymmetric global political economy (Adesina, 2006: 14). This resulted in Latin American principles of import-substitution industrialisation becoming popularised, while the subsequent failures of the method led to a greater emphasis being placed on regional integration as a pathway to structural socio-economic transformation (Asante, 2016: 133). This has meant that a longstanding understanding of development strategy in Africa has acknowledged the structural disadvantage held in relation to the global economy. Attempts to remedy this include acting as larger, uniform economic blocs, thereby avoiding the disadvantages of isolated bargaining in asymmetric circumstances with external actors.

In some instances, these principles were diverted, as African states experienced disastrous effects of structural adjustment programmes. More recent external threats and opportunities to growth can be found in the EU-ACP country EPA relations (Akokpari, 2017: 59). These present a threat to growth in Africa, as some countries turned against one another in order to ensure their respective trading interests when negotiating bilaterally with the EU. On the other hand, a coordinated approach to external relations with the EU could provide a significant source of capital and investment from a large trading partner, given the enthusiasm with which the EU approaches rules-based, democratic regional integration agreements that resonate with its own institutional architecture.

Several of Africa's regional communities have survived from the colonial period. These regions often retain links to former colonial powers, as well as lasting influence in terms of institutional character, infrastructure, and trade relations. Notable cases include the African Financial Community (CFA) region, composed of the Central and West African CFA francs. The West African CFA franc was later integrated into the West African Economic and Monetary Union (WAEMU), situated within ECOWAS. The Central African CFA franc for its part is intended to be incorporated into the Economic and Monetary Union of Central Africa (CEMAC), within ECCAS. Another regional arrangement is the Southern African Customs Union (SACU) – the longest standing customs union in the world (Alence, 2006: 3). There is an intended process to incorporate the SACU measures within the Southern African Development Community (SADC) in the future.

Regional arrangements in Africa developed from the early immediate goals of facilitating decolonisation, and eradicating apartheid in South Africa, to wider ambitions of sustainable economic growth and development, focussing on good governance and poverty eradication (Lee, 2003). Although these ambitions remain largely under-achieved, regionalism remains a core tenet of African development strategies. The goals contained in these strategies and

Africa's regional economic communities comprise efforts to i) increase trade and market integration within the regions, ii) promote macroeconomic policy convergence, iii) ease the free movement of persons, iv) cooperate on matters of governance, peace, security, and stability, and v) harmonisation of sectoral policies (African Union, 2020a).

Attempts to provide economic growth and development through regional integration are premised on the fact that small sized states and populations are unable to provide the markets necessary for large-scale industrialisation (Akokpari, 2008b: 92). Market integration is seen as a possible remedy to regionalism challenges in Africa and is thus an argument in support of regionalism as an augmented form of export led growth. However, in the current global political economy, the growth path through industrialisation and/or export-led development is significantly less achievable, leaving the viability of such strategies underpinning regional integration in question. This shifts the assessment of prospects towards a focus on efficiency gains through standardisation of trade measures across regions, as well as efforts to facilitate trade in and development of services and investment.

Recent developments of regionalism in Africa, encompassing the formation of the OAU, the principles of the Lagos Plan, and the formation of the AU and its relationship to NEPAD form the focus of the discussion below. Emergent contextual conclusions of relevance for the AfCFTA are considered.

3.1.1. The Organisation of African Unity (1963)

The Organisation of African Unity (OAU) was established by governments of 30 of the then 32 independent African countries following the Conference of Independent African States, in 1963 (Hervey & Schollij, 2012: 308). The OAU's core mandate was continued assistance in decolonisation and anti-apartheid efforts on the continent (Duodu, 2012: 17). Auxiliary objectives included strengthening unity and solidarity among African states in order to achieve the primary goals (Hartzenberg, 2011: 14). Moreover, the Conference expressed aims to promote and increase developmental cooperation between states on the continent, as well as protection of national and territorial sovereignty.

The OAU reflected a compromise between three negotiating groups' perspectives on paths to African unity and regional integration. The *Casablanca Group* of radicals, composed of countries such as Ghana, Guinea, Mali, and Morocco, pushed for immediate unity and significant integration through measures such as the formation of a common standing army within the OAU, and providing it with a capital (Adesina, 2006: 19). This group was opposed by the more conservative *Monrovian bloc* of Liberia, Nigeria, and Tanzania, which proposed a more gradualist approach to integration (Adesina, 2006). The Monrovian Group was suspicious of Kwame Nkrumah's perceived designs to dominate Africa, and with this position they received the support of the USA, given the context of the Cold War (Ibrahim, 2013: 87). The third approach was presented by the *Brazzaville Group,* a mainly Francophone grouping of states, which was more ambivalent towards promoting or opposing any form of immediate unity (Jonas, 2012: 89). The OAU's formation reflected a compromise between these actors, but chiefly benefitted the gradualists. Desires for African unity cemented through regional integration were held back by newly independent states guarding their fragile sovereignty.

The OAU struggled to operate as a more traditional regional organisation from the onset, with little capacity for conflict resolution, few legal instruments for enforcement, and an ineffectual appellate body. These already limited capabilities were increasingly diminished as a result of growing globalisation.

Shortly after the formation of the OAU, an agreement was also reached between 23 countries establishing the African Development Bank (ADB) in 1963 (Landberg, 2008: 212). Signatories noted the importance of cooperation in terms of public and private capital investment projects on the continent, in order to promote socio-economic development (African Development Bank, 2020: 29). The ADB has since sought to identify and distribute investment capital for its members, as well as providing policy advisory services through technical assistance efforts in support of development initiatives. The Bank has undertaken initiatives such as the formation of the African Export-Import (Afrexim) Bank in 1993 as the trade finance bank of Africa. The Afrexim Bank has provisioned a significant adjustment facility for compensation of LDC participants in the AfCFTA as a signal of its enthusiasm for the project (African Export-Import Bank, 2019a: 149).

3.1.2. The Lagos Plan of Action (1980)

Many of the regional integration initiatives, economic communities, and organisations in Africa attribute the origins of their legislative frameworks to the Lagos Plan of Action (Magliveras & Naldi, 2002: 418). The Plan re-emphasised the need for both national and continental self-sufficiency and was adopted at an extraordinary OAU Summit in 1980 (Taylor, 2003: 314). Objectives outlined included the future creation of an African Economic Community through the strengthening of the regional economic communities that existed on the continent, as well as the creation of additional economic communities to cover other regions of the continent where necessary (Moore, 2013).

Subsequent manifestations of these intentions included the formation of the Southern African Development Coordination Conference (SADCC) in 1980, a precursor to the SADC which was established in 1992 (Taylor, 2016b: 164). South East African states formed a preferential trade area (PTA) in 1981, which would serve as the foundation for COMESA, established in 1993 (Khadiagala, 2016: 179). Central African states similarly used the existing foundation of the region's loose customs and economic union to form ECCAS in 1983 (Adar, 2005: 33). In West Africa, the already-established ECOWAS formed another pillar of the Plan (Adejumobi, 2016: 219). These core pillars were incorporated into the African Economic Community initiative that was established with the Abuja Treaty, signed in 1991 (Organization of African Unity, 1991). Outside of the Abuja Treaty, other regional economic communities formed include: IGAD (1986), AMU (1989), CEN-SAD (1998), and the EAC (1999), which were subsequently officially recognised as regional economic communities in addition to those defined under the Abuja Treaty.

The Abuja Treaty is therefore of similar importance as the Treaty of Maastricht, as it involved reaching agreement on significant High-Policy areas which spanned socio-economic, political and security coordination, collaboration, and alignment through Africa's regional economic communities, serving as a roadmap for future African trade and integration. Moreover, the Charter of the OAU was subsequently revised in order to provide greater alignment with the Abuja Treaty, an outcome that could only be achieved through consensus following the establishment of the African Union (AU).

3.1.3. The African Union (2002)

The formation of the AU began with the Sirte Declaration at an OAU Summit in 1999, envisaging convergence of the OAU and Abuja Treaty (Adesina, 2006: 14). This Declaration was followed by the AU Constitutive Act promulgated in Lomé in 2000 (African Union, 2000). In 2001, at the sitting of the Assembly of the Heads of State and Government of the OAU in Lusaka, a 12-month transition period from the OAU to the AU was agreed to. The AU was eventually inaugurated in Durban in 2002.

3.1.4. The New Partnership for Africa's Development (2002)

The New Partnership for Africa's Development (NEPAD) was adopted in Lusaka in 2001, and ratified by the AU in 2002 (Gelb, 2002b: 3). It became the AU's flagship development project for the 21st Century. Its key goals included the reduction of poverty on the continent, promoting sustainable development, combatting Africa's marginalisation from the global political economy, as well as promoting gender equality (Jonas, 2012: 89). NEPAD initiated important regional efforts such as the Programme for Infrastructure Development in Africa, which aimed to promote regional infrastructure projects involving energy, information and communications technology, transport, and water sectors. Another co-initiative was the African Peer Review Mechanism (APRM), intended as an accountability measure for promotion and oversight of good governance on the continent.

NEPAD's formulation was similarly influenced by global and continental political and economic changes. Promoted by the newly democratic South Africa, NEPAD's imperatives aligned with the ambitious new foreign policy role envisaged by then President Mbeki, as well as corporate interests to access a larger African market more easily, potentially benefiting from closer political integration that would ensure more stability for their operations in countries in Africa (Landsberg, 2008: 214). Particularly important changes experienced at this time were the increasingly redundant nature of the OAU, which had achieved its primary mandate of ensuring African states had achieved juridical sovereignty (African Union, 2019: 105) (Akokpari, 2004: 257). The OAU's largely ineffective management and non-achievement of its Charter's secondary objectives gave increasing momentum to the formation of the AU as a replacement organisation (Yihdego, 2011: 571). Therefore, NEPAD's incorporation into the

AU’s operating structures within the AU Commission was suited to the broadly defined goals of ensuring continental peace and security, whilst promoting member states to collaborate in achieving democracy and good governance (Adesina, 2006: 6).

Overview of NEPAD

NEPAD and the formulation of the AU coincided as initiatives arising from the OAU’s increasing redundancy in terms of its effectiveness and operational objectives. Therefore, the AU and NEPAD became increasingly linked as initiatives emerging from this new juncture. The OAU’s original mandate of assisting African states in achieving juridical sovereignty from colonial regimes had been largely fulfilled. This increasingly focused attention on the relative non-achievement of the secondary objectives added to its Charter over time. Therefore, the AU and NEPAD became the replacement methods for continental objectives in Africa. However, these objectives of bringing about lasting continental peace and security through democracy and good governance have been held back by financial constraints, compliance deficits and policy uncertainty, compounded by significant reliance on external funding sources for implementation, which in turn hold greater sway over policy direction than should be the case (Melber, 2004: 94).

NEPAD was formed as a result of contestation between the African Renaissance initiative of South Africa’s President Mbeki’s Millennium Africa Recovery Plan (MAP), and Senegalese President Abdoulaye Wade’s Omega Plan (Taylor, 2010: 60). Eventual compromises were articulated, along common principles of promotion of good governance as a means for African countries to take ownership of their affairs. Accompanying these core pillars was the need to foster regional integration in order to promote economic competitiveness, as well as attracting external investment through publicised provision of good governance structures. It was hoped that this combination would shift Africa from its peripheral position in the global economy, to a more competitive one (Ankomah, 2012: 64).

NEPAD received strong support from President Mbeki and was promoted as a flagship initiative to encourage improved relations between democratic South Africa and other African states (Moore, 2014: 373). This political impetus was accompanied by South African private sector interest in expansion of operations into new markets on the continent, particularly buoyed by their relative comparative advantage as well as productive and provisionary efficiency for goods and services (Weeks, 1996: 108). As NEPAD and AU initiatives continued, alignment increased, eventually leading to incorporation. Whilst NEPAD in particular served as an application of the South African state's realisation of the need to promote investment attraction programmes and policies as the state became increasingly fiscally limited, the AU advocated for increasing responsibility over it (Melber, 2002: 199). These principles also increasingly came to be incorporated into the AU policy umbrella (Adesina, 2006: 4).

As the AU's developmental project, NEPAD focussed on alignment of AU directives in order to provide an overarching framework for policy and guidance, to improve economic growth and development in Africa (Melber, 2004: 92). NEPAD retained its original Secretariat headquarters in South Africa, which carried over its relative autonomy from Addis Ababa (Jonas, 2012: 87). NEPAD has nonetheless encountered typical difficulties in terms of implementation of its intended good governance and cooperative measures. Whilst more successful in its attraction of funding and capital for investment, this is often accompanied by dilution of African ownership and authority over strategies for fund deployment. Moreover, the voluntary nature of the co-implemented African Peer Review Mechanism (APRM) has proven ineffective in resolving compliance issues (Juma, 2004: 179).

The Role of the Private Sector in NEPAD

An analysis of NEPAD provides particularly useful insights for the AfCFTA with respect to the role of the private sector in promoting regional regimes, as well as the wider context of continental regional integration initiatives. The two pillars of support for NEPAD from a political standpoint, as well as from the private sphere, stemmed from recognition of the South African state's increasing fiscal limitations aligning with private sector demand for access to larger markets (Ashman & Fine, 2013: 159). This led to attempts to incorporate elements aimed at creating enabling business environments for the private sector, in order to share fiscal responsibility in striving to achieve developmental objectives (Games, 2004: 2).

South Africa has subsequently become one of the ten highest investors throughout Africa, as both the state and private sector have expanded significantly across the continent (Alence, 2015b: 287). This relationship is shown in Figure 5 below, which reflects the differentiated nature of South Africa’s trade balance, wherein it enjoys a surplus with the continent as a whole, as well as a significant surplus in relation to its immediately adjacent regional partners, in comparison to the rest of the world.

Figure 5: South Africa's Trade Balance with Regional Blocs, ZAR Billions, 2013

(Author’s design, data from Alence, 2015b: 290)

The increased involvement of the private sector and general increasing focus towards Africa is representative of increasing fiscal limitations across Africa after the conclusion of the Cold War, whereby African states could no longer rely on leveraging proxy conflicts for hegemonic spheres of influence for fiscal gains. This shortage was compounded by the advances of globalisation and the resultant impacts, as well as tremors from structural adjustment programs (Habib & Padayachee, 2000: 249). This made de-linking from the global economy a less viable state building strategy, as the increased promotion of the roll back of the state, liberalisation of trade, and reduction of capital controls began to pervade the global economy, as well as becoming critical to attracting much needed FDI (Fine & Rustomjee, 2018: 15).

The resulting easing of market access accompanying these structural shifts increased desires from the South African private sector for expansion into Africa, ensuring alignment of support for regimes such as NEPAD (Taylor, 2003: 315). The private sector benefited from its comparative advantage and more diversified and complex structural base, ensuring strong support for regional initiatives (Daniel, Naidoo & Naidu, 2003: 376). The willingness of the South African state to incorporate the private sector into its African expansion initiatives is reflected in the phasing out of capital controls to facilitate investment in Africa (Taylor, 2003: 319).

South Africa's private sector expansion and general increase in international trading relations are most notable with its immediate neighbours, an environment that has proved significantly beneficial to South African firms and its government, whilst representing the possibly downside presented by unchecked trade liberalisation to smaller, less economically complex states under future AfCFTA conditions.[21] These are a result of forces as explained by the Gravity Model's principles on smaller economies being attracted to larger markets, as well as the distance variable, and the principles of functional integration, as discussed earlier in this dissertation. These opportunities emerged following democratisation, when South Africa no longer stood in isolated opposition to other decolonised countries in the region. A similar process occurred in Eastern and Northern Africa, although to a lesser extent (Alence, 2006: 7). This was a reflection of the manner in which the "political lead taken by President Thabo Mbeki, which [had] dovetailed with the NEPAD initiative, has, in some cases, served to deepen business relationships or at least create a space for better association between business sectors", and has linked governments through trade agreements and relationships in the process (Games, 2004: 22).

Thus, NEPAD reflected a convergence of the South African government's attempts at reintegration into the continent at both political and economic levels, with investment and expansion the attraction presented to South Africa's private sector (Gelb, 2002b: 4). This resulted in NEPAD being endorsed from a range of domestic and international private sector stakeholders, including several business chambers, the Blair Commission for Africa, along with the ADB's Investment Climate Facility, the South African NEPAD Business Group (Businesses who endorse NEPAD), and several export councils facilitated by the South African

[21] It is however important to note that tariffs are by no means the only mechanism by which to protect domestic industry and have consistently been shown to be some of the least effect measures to offset imbalances.

Department of Trade and Industry (Monbiot, 2005: 2) (Blair Commission for Africa, 2005: 4) (Parliamentary Monitoring Group, 2001).

NEPAD's relative lack of success (despite this seemingly enabling environment) may be due to the disproportionate gains presented to both the South African state and private sector in relation to other participants. This must remain a close consideration for the AfCFTA, particularly in ensuring adjustment cost facilities to offset negative impacts of liberalisation.

NEPAD nonetheless created new pathways for established South African businesses to expand into an enabling business environment on the continent. The core sector actors that present evidence of this expansion are: i) ABSA, FNB and Standard Bank in the banking sectors; ii) Sasol in the chemicals and energy sectors; iii) Checkers and Shoprite in the food and retail sectors; and iv) MTN and Vodacom in the telecommunications sector.

For example: ABSA was able to leverage its more competitive and established resources and services to take over the local banking networks in Mozambique and Tanzania. Similarly, because of gaps in Uganda's market and a lack of competition, Standard Bank absorbed Uganda Commercial Bank. FNB focussed on South Africa's immediate regional markets, seeking safer integration in Botswana, Eswatini and Namibia (Games, 2004: 32). Therefore, as a result of a lack of sectoral spillover across participant economies, NEPAD's focus on investment promotion through facilitating public-private partnerships proved unable to reach potential. This has resulted in differentiated integration levels across sectors, countries, and economies.

The biggest beneficiaries have arguably been South African telecommunications companies, due to the high number of mobile users in Africa, many of whom have skipped the computing stage of doing business, operating entirely from a mobile base. Vodacom, for example, has become a mainstream mobile service provider in the Democratic Republic of Congo and Tanzania, and MTN in Nigeria and Uganda. Both companies have significantly expanded revenue generation as a result of having sufficient capital to overcome the significant costs of entry into such markets, a luxury not available to many companies (Games, 2004: 36).

These sectors have been able to significantly boost profits as a result of further expansion into Africa in the wake of restructured tariffs, customs alignment and attractive investment incentives (Klaaren, Roberts & Valodia, 2017). Despite relative success, further functional spillover resulting in sectoral integration has been hindered by constraining the benefits of integration to larger corporate actors, as the high costs of doing business, a lack of economic complementarity, perceptions of risk and/or political instability, NTBs across African borders, and a lack of competitive advantage for smaller actors, have remained (Lee, 2002: 11).

NEPAD proved particularly beneficial to established South African private sector actors, who have enjoyed the expansion of market access due to their comparative advantages and resulting demand. This has unfolded without creating inter-sectoral linkages critical to further developing more constructive regional integration.

Conclusions for the AfCFTA from the NEPAD Experience

The patterns of regional integration in NEPAD are less visible than in some of Africa's more integrated RECs and microregions, such as can be seen in the 'successful' case of the Maputo Development Corridor (MDC).[22] The most immediate explanation for this is the consideration of scale, reducing the ease of intersectoral operations across the region the larger it becomes. The ease of regional integration is more heavily tested once areas of integration become increasingly diverse and require the coordination of additional sectors. The importance of sector-specific motivations and complementarity for integration, the sectoral interdependence of which creates demand for further integration, is a key consideration in the formulation of integration of political regions, to facilitate trade measures such as the AfCFTA.

The NEPAD case study links to broader regional theory that emphasises economic demand for sectoral integration as a strong driving factor in RTAs, when coordinated in partnership with the state in order to facilitate successful implementation. Another closely related factor is the

[22] For further studies on the MDC, see: Soderbaum, F. & Taylor, I. 2008. Competing Region-building in the Maputo Development Corridor. In *Afro-Regions: The Dynamics of Cross-Border Micro-Regionalism in Africa.* F. Soderbaum & I. Taylor, Eds. Nordiska Afrikainstitutet.
Soderbaum, F. & Taylor, I. 2001. Transmission Belt for Transnational Capital or Facilitator for Development? Problematising the Role of the State in the Maputo Development Corridor. *The Journal of Modern African Studies.* 39(4): 675-695.
F. Soderbaum. 2001. Institutional Aspects of the Maputo Development Corridor. University of Cape Town Development Policy Research Unit Working Paper. 01(47): 1-24.

consideration of the scale of RTAs. Such thinking is expressed by the Gravity Model which, when combined with arguments emphasising the importance of economic complementarity and political coordination with the relative sizes of and distances between participating economies, can be used to explain the difficulty achieving comparatively successful RTAs of the scale of NEPAD (Bergstrand, 1985: 475). Therefore, smaller scale RTAs such as the MDC show how pre-existing networks of economic and communal sectoral integration serve to amplify demand for further integration. When considered in relation to NEPAD which, despite resulting in beneficial expansion for a limited number of larger corporate actors in specific sectors of comparative advantage, was unable to produce similar demand side integration and functional spill over, the lessons of empowering and incorporating microregions into the AfCFTA is a key long-term consideration (Games, 2004: 46).

3.1.5. The Tripartite Free Trade Area (2011-12)

NEPAD's relative lack of success saw the Minimum Integration Programme (MIP) adopted at the Conference of African Ministers of Integration in 2009. The Programme aimed to increase the rate of regional economic coordination, collaboration, and convergence toward realisation of the African Economic Community. Express challenges that were identified included both structural and financial obstacles to fully realising the implementation of the Abuja Treaty, with a roadmap to remedy the issues being formulated.[23]

At the same time as the Minimum Integration Programme was adopted, agreement was reached between COMESA, the EAC, and SADC to form a Tripartite Free Trade Area under the Tripartite FTA (Tralac, 2020a). The success of the FTA was met with enthusiasm from other states and was later incorporated into the framework for achieving a Continental Free Trade Area. The AU later fast-tracked a plan to increase intra-African trade using a Continental Free Trade Area at an Assembly meeting in 2012. The first negotiation for the AfCFTA was held in early 2016 (Munshi, Wilson & Saleh, 2019).

[23] See: African Union. 2009b. *Minimum Integration Programme (MIP).* Addis Ababa: African Union. Available: https://au.int/sites/default/files/pages/32825-file-minimumintegrationprogrammeeng.pdf.

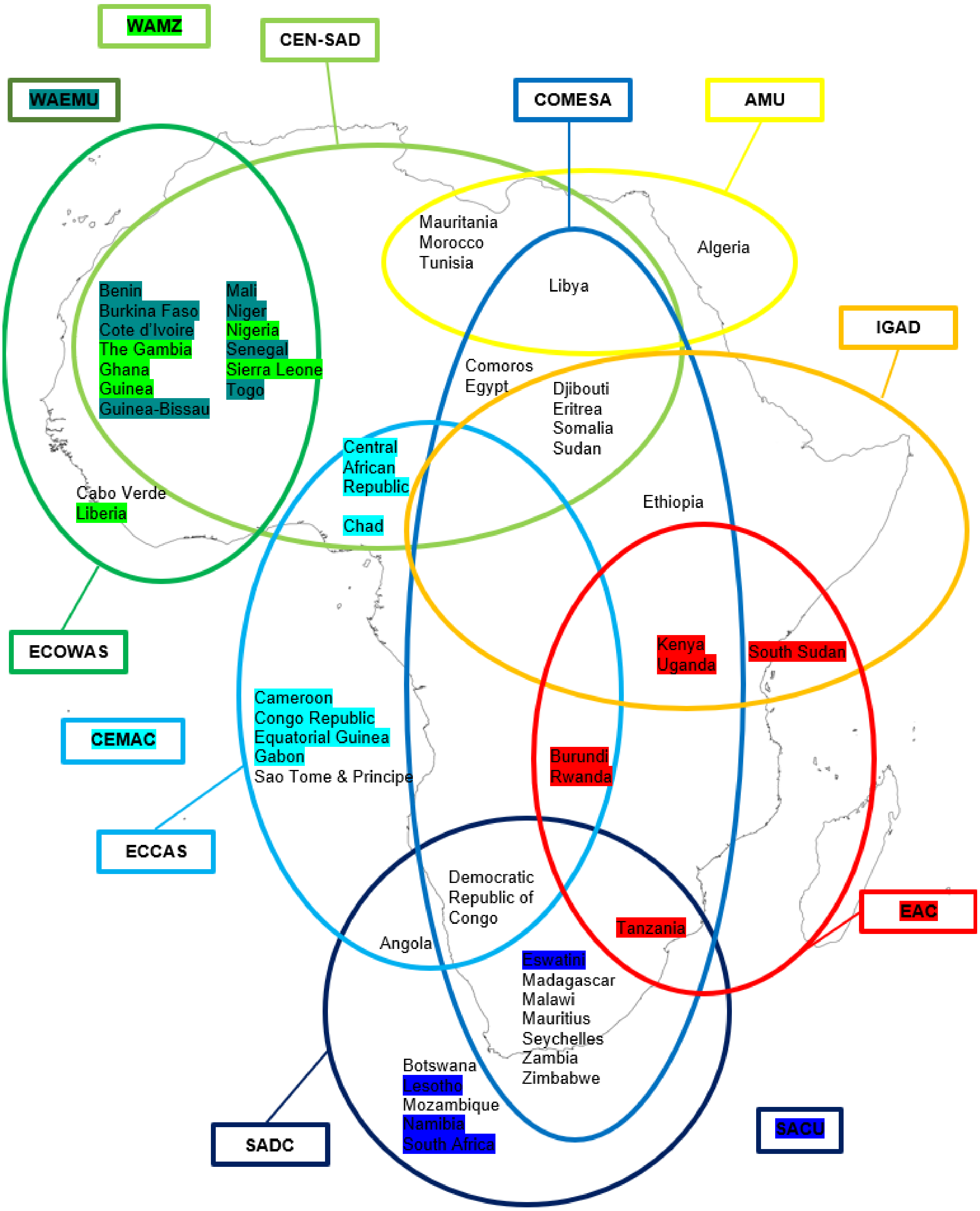
3.1.6. The African Continental Free Trade Area

The preceding section outlined Africa's path to integration relative to the comparative example of European integration. This was followed by the historicization of African RTAs, an understanding of which is required in the build up to the formation of the AfCFTA.

African integration was significantly hindered by the global and regional conditions of the 1980s and 1990s, with huge economic challenges, and countries facing high levels of debt and structural adjustment. In 2000, the changing world economy, particularly driven by China's commodity boom, created conditions for increased growth (Jenkins & Edwards, 2013: 107). This was accompanied by increased productivity and re-industrialisation across certain emerging market countries (Jenkins & Edwards, 2013: 107). This rejuvenated the pursuit of regional integration, with more robust plans being formed by the newly minted AU. The result was what Jagdish Bhagwati[24] termed the "spaghetti bowl" effect of RECs in Africa, with significant overlap in RECs and decreased effectiveness (Jenkins & Edwards, 2013: 107). These cross-regional arrangements resulted in a climate of incoherence, complexity, and sometimes illogical trade agreements, diagrammatically depicted in Figure 6.

[24] See: Bhagwati, J. & Panagariya, A. 1996. Preferential Trading Areas and Multilateralism: Strangers, Friends or Foes. In *The Economics of Preferential Trade Agreements.* J. Bhagwati & A. Panagariya, Eds. Washington, D.C.: AEI Press. 1-37; 30.
Byiers, B., Woolfrey, S., Medinilla, A. & Vanheukelom, J. 2019. The political economy of Africa's regional 'spaghetti bowl'. *European Centre for Development Policy Management (ECDPM) Political Dynamics of Regional Organisations in Africa Synthesis Report*. 1-18.

Figure 6: African RECs' "Spaghetti Bowl" Character



(Author's design, REC information adapted from African Union, 2020a; blank map of Africa from Free World Maps, 2020)

However, since 2010, African states have undertaken a more systematic approach to regional integration. The watershed moment was the regularisation of trade through the Tripartite FTA (TFTA), signed in 2015, which signalled a significant commitment to regional integration by bringing together three RECs – COMESA, EAC, and SADC.[25] This platform for integration between these states quickly experienced functional spill over, with additional states joining the agreement in subsequent years. This momentum was eventually transfigured into the CFTA Agreement in 2018, as the number of members eager to join a single coherent region continued to increase.[26] The agreement received sufficient ratification levels by members in 2019 and is legally in force, with implementation underway and trading under the regime beginning in 2021.

3.2. Regional Trade Agreements and Africa

The above section has shown how failure of the Doha Round negotiations resulted in formulation of RTAs and bilateral trade agreements, either in pursuit of continuing trade liberalisation efforts of the WTO, or as a means of rolling back structural shifts that preceded it (Ismail, 2017b: 14). The changing dynamics of global trade have resulted in detrimental competitive measures and increasing conflicts over trade, with significant impacts on regionalism in Africa. This shift in participation from multilateral trade to regionalised and/or bilateral trade has allowed for shortened bureaucratic processes in trade related matters, as well as the increased likelihood of members reaching agreements on inevitable trade compromises due to the decreased number of actors. These formalised intergovernmental collaborations over matters of common trade interest have on the one hand reflected greater adaptive capability to the differing needs of those involved in the RTAs, whilst also reintroducing increasingly asymmetric trade negotiations and scenarios of increasing marginalisation of countries due to the move away from multilateral negotiations (Owoeye, 2016: 1093) (Ravenhill, 2017: 142). RTAs reduce the trade barriers between participating member states in agreed upon sectors

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[25] See: Tralac. 2020. SADC-EAC-COMESA Tripartite Free Trade Area Legal Texts and Policy Documents. *Tralac.* Available: https://www.tralac.org/resources/by-region/comesa-eac-sadc-tripartite-fta.html).

[26] As of December 2020:

Libya, Eritrea, and South Sudan are the only members of the 27 member states yet to sign the TFTA Declaration (Tralac, 2020a).

The TFTA has been signed by 22 members: Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, South Africa, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe (Tralac, 2020a).

8 countries have ratified the TFTA Agreement: Botswana, Burundi, Kenya, Egypt, Namibia, Rwanda, South Africa, and Uganda (Tralac, 2020a).

(Donno & Rudra, 2019: 579). Notable RTAs are often identifiable as a result of the high proportion of members' exports being intraregional. In the EU, around 60% of exports are intraregional, while within NAFTA, around 50% of exports are intraregional (World Trade Organization, 2017: 50-51) (Ravenhill, 2017: 14).

Rationales for RTAs have been presented with varying endorsements and critiques. One core argument is that in "some cases, RTAs have generated more efficient production within the bloc, either while infant industries are maturing or in response to competition from outside industries" (Balaam & Dillman, 2019: 178). RTAs have also been argued to function as a means of attracting increased FDI, when the blocs are able to effectively reconcile rules for investment across the region. However, this also introduces a major critique of RTAs – the difficulty of blocs being able to effectively reconcile trading conditions across the region, which increases in a directly proportional relationship to the number of multilateral stakeholders involved. This is a critical consideration for the AfCFTA, seeking to serve as a significant attractor of FDI due to its large market size, whilst simultaneously facing the difficulty of reconciling the wide range of member interests in order to provide the coherent bloc that precludes such critical FDI (Mulat, 1998: 119).

Recent shifts in international trade from a globalising trend to increasingly regionalised and bilateral trade relations can, in the case of developing markets, be seen as a reflection of the asymmetries of globalised trade due to the detrimental factors endured by emerging markets when overly exposed to more established markets. Increasingly, a perception of unchecked globalisation not matching the developmental imperatives or prospects for long term gains of many countries has emerged (Mansfield & Solingen, 2010: 148). This provides another rationale of the AfCFTA, where countries such as "China, India, and Brazil seem to have more interest in signing FTAs with other developing countries and groups such as ASEAN and Mercosur", providing a platform for South-South cooperation with countries participating in the AfCFTA (Balaam & Dillman, 2019: 178).

The positive outcomes of successful RTAs (including increased economic growth, production network efficiency, and further growth prospects associated with increased FDI), are important in combating many of the critical challenges facing African states. Additional considerations for effective regional integration and development include the provision of job security, the strengthening and entrenchment of democratic norms and standards, the solidifying of contextually relevant modes of good governance, as well as ensuring that environmental and worker protection schemes are not relegated from consideration under unfettered trade liberalisation efforts (Damuri, 2012: 19).

3.3. Overview: The African Continental Free Trade Area

Signed in March 2018, the AfCFTA seeks to remove the tariffs on significant portions of goods traded between participating African states (African Union, 2018a). From the outset, the AfCFTA has been cognisant of the unprecedented scale of the agreement and its difficulties. For this reason, sensitive goods have been identified in the trade negotiations, exempting them from initial tariff removals. This has an encouraging effect on negotiating states and expresses the flexibility and adaptability necessary for the AfCFTA to succeed.

AfCFTA aims that extend beyond tariff removal on goods include: the reduction of services' tariffs, increasing non-tariff-related efficiencies, such as border transfer times (through customs harmonisation, increasing oversight of officials, and alignment of production standards), as well as the importance of interstate infrastructure projects to improve industrial linkages between African partners (Chidede, 2019b: 6). The AfCFTA also contains several long-term strategic goals, envisaging the eventual movement to a common continental market, although many of these objectives are not legally binding.

The AfCFTA is an ambitious initiative, create a single market for goods and services, with freedom of movement for businesspeople and investments. With this, intra-African trade aims can be facilitated, with the objective of enhancing continental economic competitiveness and economic transformation.

As the flagship project of the AU's Agenda 2063, the AfCFTA forms a foundation for the goals of inclusive and sustainable development in Africa by increasing current comparatively low levels of intra-African trade. It aims to do so by forming a comprehensive and mutually beneficial RTA to reduce trade costs amongst the current 54 participants spanning the various RECs, on matters concerning the trade in goods and services, investment, intellectual property, as well as competition policy (African Export-Import Bank, 2019c: 25).

An AU Assembly of Heads of State and Government had in 2012 adopted the decision to establish a continental FTA by 2017 as an indicative date (African Development Bank, 2015: 14). Simultaneously, the action plan for Boosting Intra-African Trade (BIAT) was endorsed, identifying priority clusters relating to trade policy and facilitation, productive capacity, trade-related infrastructure, trade finance and information, as well as market integration (African Development Bank, 2018: 19).

This was followed by the signing of the Agreement establishing the AfCFTA in March 2018, where the primary legal texts of the Agreement were concluded (African Union, 2018a: 9). This encapsulated the main objectives of the AfCFTA as the creation of a single market for goods and services, along with facilitating the movement of people, promotion of industrial development, as well as striving for sustainable and inclusive socioeconomic growth (Muchanga, 2019: 24). Several matters of critical importance were not concluded in this first phase of negotiations. These included matters relating to rules of origin, countries' tariff offers, as well as services schedules. The second phase of negotiations concerned matters on competition, intellectual property rights, as well as investment. The AfCFTA also begins the process of future negotiation phases for regional integration towards a continental common market in Africa.

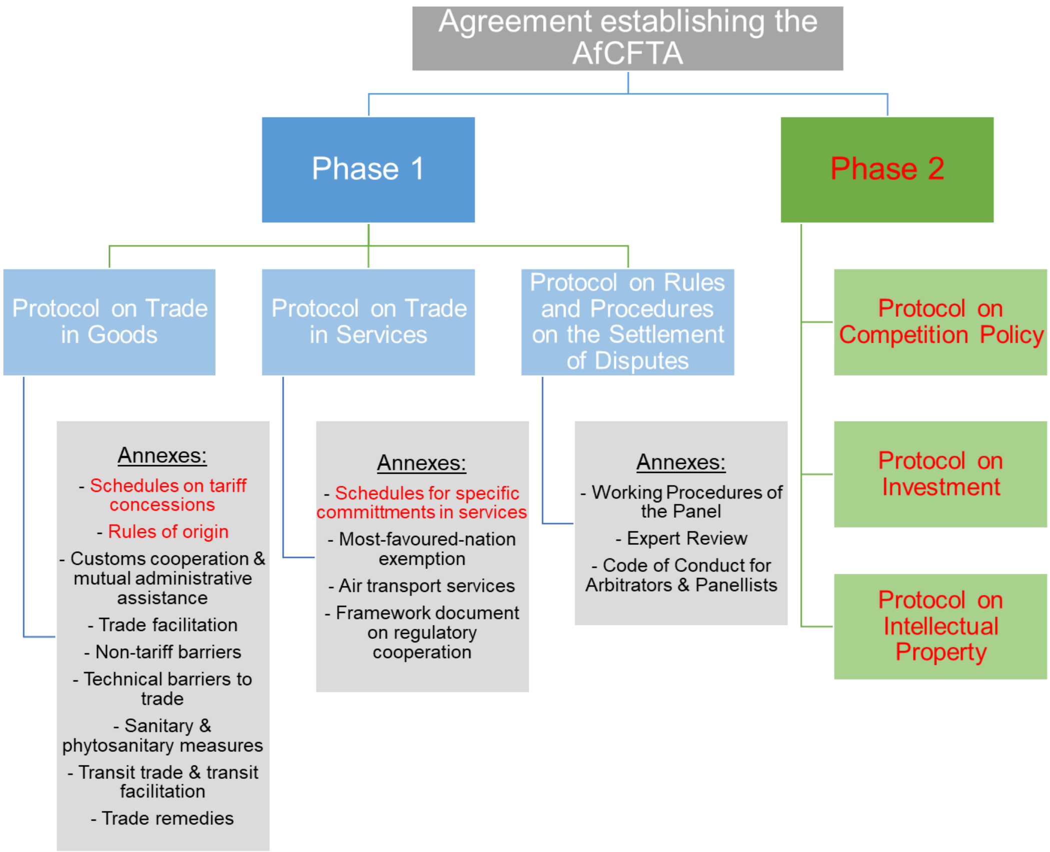
The AfCFTA Agreement entered into force at the end of May 2019, with the required 24 African states having deposited instruments of ratification with the chairperson of the AU Commission (Tralac, 2020b: 2). This launched the operational phase of the AfCFTA in July 2019. Trading under the AfCFTA began at the start of 2021, with 34 countries participating, after experiencing delays due to COVID-19. The second phase of negotiations continue, covering ancillary matters on trade in services and dispute settlement, as well as negotiations on matters of investment, competition policy, and intellectual property rights.

3.3.1. The AfCFTA Architecture

The AfCFTA Agreement is a framework agreement that spans trade in goods and services, intellectual property rights, investment, as well as competition policy (Chidede, 2019a). Protocols on Trade in Goods, Trade in Services, Investment, Intellectual Property Rights, Competition Policy, and Dispute Settlement are the core components of the Agreement (Erasmus, 2018c: 2).

The adaptive nature of the AfCFTA's legal mechanisms is shown through its phased approach. The first phase focuses on Trade in Goods and Trade in Services. Included in these negotiations are issues of tariff concessions, goods' rules of origin, and service commitment scheduling (Erasmus & Hartzenberg, 2020a: 19). Following the completion of the first phase, negotiations move to Competition Policy, Intellectual Property Rights, and Investment (Hartzenberg, 2019) (Chidede, 2020) (Figure 7). This was scheduled for completion by January 2021 but has since been delayed due to COVID-19, whilst trading under the regime began on 1 January 2021.

Figure 7: AfCFTA Architecture and Phases, 2020



(Author's design, adapted from Tralac, 2020b: 5)

3.3.2. The AfCFTA Institutional Structure

The AfCFTA institutions are unique in that the institutions themselves and their associated powers straddle the line between the typical institutional arrangements of FTAs and the AU-managed AfCFTA as its flagship project under its Agenda 2063 initiative (Tralac, 2019a: 6). The Agreement outlines this hierarchical institutional structure under the auspices of the Assembly of the AU (Erasmus, 2019d).

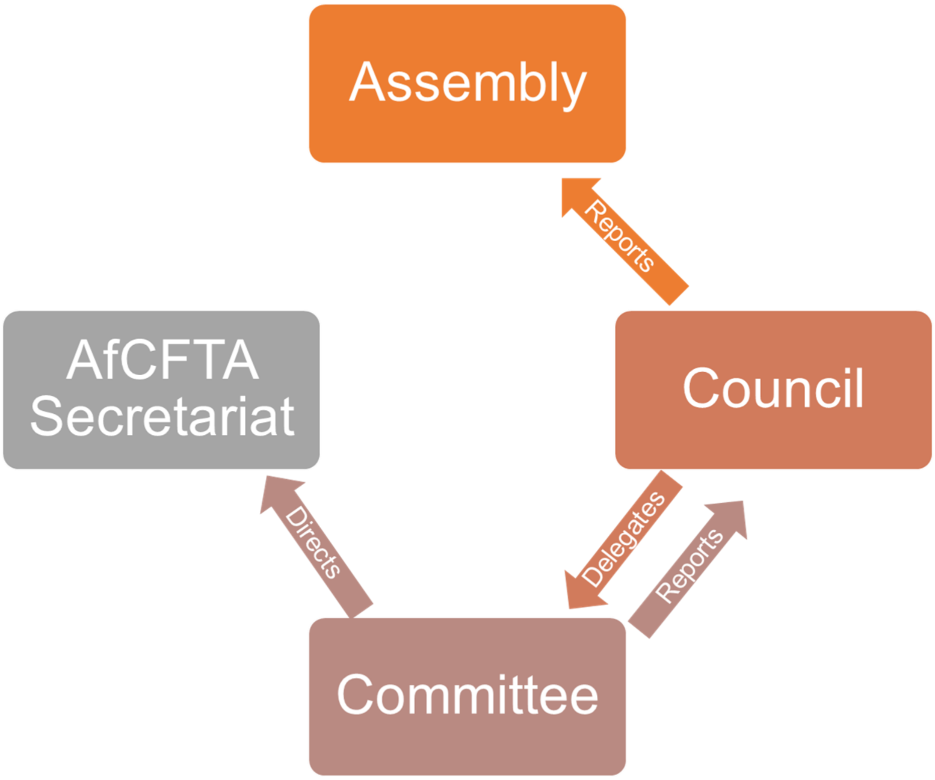
The Assembly of Heads of State and Government is the highest decision-making body of the AfCFTA, providing overall guidance (Erasmus, 2019h: 7). It comprises all AU Heads of State, not limited to State Parties to the Agreement. Its function is to ensure oversight and to guide the AfCFTA. The Council of Ministers comprises Ministers for Trade and/or others nominated by State Parties to the Agreement (Tralac, 2020b: 6).

The Council is the intermediary between the related AU organs and institutions and AfCFTA matters and has the authority to decide on all matters concerned by the Agreement, in collaboration with AU partner bodies. Whilst separate from the AU, it reports to the AU Assembly through the AU Executive Council (Luke & Macleod, 2019). The Committee of Senior Trade Officials is a working group of permanent secretaries and/or officials nominated by State Parties (Obeng-Odoom, 2020: 169). The Committee develops programmes and plans of action for the implementation of the Agreement.

The AfCFTA Secretariat is the administrative body that coordinates implementation of the AfCFTA. Whilst remaining within the AU, it works autonomously, save for being under the supervision of the AU Commission Chairperson and receiving funding from the AU budget. The Dispute Settlement Mechanism is a regional adaptation of the WTO Appellate Body (Obeng-Odoom, 2020: 181). Litigation applications can only be brought by State Parties.

The Agreement also establishes several *technical committees* to assist with the implementation of the AfCFTA (Tralac, 2019a: 8). Committees include Trade in Services and Trade in Goods. The Committee on Trade in Goods has six sub-committees: Trade Facilitation, Customs Cooperation and Transit; Non-Tariff Barriers; Trade Remedies; Sanitary and Phytosanitary; Technical Barriers to Trade; and Rules of Origin. The Non-Tariff Barriers Sub-Committee oversees a Non-Tariff Barriers Coordinating Unit. The Committees consist of designated State Party representatives (Figure 8).

Figure 8: AfCFTA Institutional Structure



(Author's design, adapted from Tralac, 2019a: 7)

3.3.3. The AfCFTA as it Stands

With the AfCFTA's aims of increasing intra-African trade, it targets key manufacturing goods industries, which currently total around 18% of external continental exports and around 43% of intracontinental trade (United Nations Economic Commission for Africa, 2019). Through this process, the AfCFTA hopes to address several structural deficiencies of African economies. Over half of Africa's exports consist of fuels, low-cost primary commodities, and raw materials – low value-added goods which remain vulnerable to volatile global commodity pricing, as well as providing less extensive broad based economic growth benefits to the larger populations in which the activity takes place (Byiers, Karaki & Woolfrey, 2018: 4) (Vanheukelom, Byiers, Bilal & Woolfrey, 2016: 35).

It is evident that the AfCFTA expresses several elements of developmental functionalism, whereby the increase of intra-African trade and investment created through a larger African market would develop economies of scale with increasing comparative advantage (Stephan & Hervey, 2008a: 57). Through this, along with creation of better-integrated cross-border infrastructure, a highly mobile African labour force would be able to operate outside of the artificially created colonial border constraints on the freedom of movement, increasing development prospects (African Union, 2018a).

Initial critiques of the Agreement have focussed on the reluctance of large key players, such as Nigeria and South Africa, to sign the Agreement (Woolfrey, Apiko & Pharatlhatlhe, 2019: 14). However, more significant issues remain around matters of ratification and implementation of the Agreement's legal instruments – as of December 2020, 34 of the 54 country signatories to the AfCFTA have deposited instruments of ratification with the Chair of the African Union Commission.[27] These considerations of the long-term political and financial commitments to successful implementation of the Agreement pose significant challenges, especially when considered against the poor precedent of implementation of RTAs (Erasmus, 2020d: 8).

Considering these considerations, the AfCFTA currently stands as a remarkably ambitious and encouraging initiative of moving in the direction of necessary deepened economic and political integration between African countries. However, significant challenges remain to be addressed when moving forward towards an integrated continental market. These include tensions between legal enforcement mechanisms and political considerations, as well as adequate management of economic transition costs and non-tariff barriers (Woolfrey, Apiko & Pharatlhatlhe, 2019). Positive early signs surrounding the impetus of the Agreement remain mitigated by its relative infancy, as well as the lofty and complex implementation standards requiring widespread multilateral coordination across vastly differing state and economic structures, albeit operating in the AfCFTA's well-structured initial framework.

The following sections briefly overview the main tenets of intra-African trade, tariffs, services, and facilities, as these pertain to the AfCFTA and the AU Agenda 2060.

[27] The agreement is triggered when 22 member states have deposited their instruments of ratification.

3.3.4. Intra-African Trade

2018 trade data suggests that intra-African exports amounted to $74 billion, comprising 15% of African countries' export revenue (Tralac, 2019a: 10). Intra-African exports increased by 1% between 2017 and 2018, in comparison to a 22% increase with exports to the rest of the world (United Nations Conference on Trade and Development, 2019: 20). Within these numbers, South Africa is the dominant intra-African exporter and importer, with 34% of intra-African exports coming from South Africa, and 20% of intra-African imports going to South Africa (United Nations Conference on Trade and Development, 2019: 112).

Total intra-African trade in agriculture in 2018 amounted to $25 billion, of which $13 billion were exports and $12 billion were imports (Tralac, 2019a: 14). This represents around 18% of intra-African exports and 16% of intra-African imports. Intra-African agriculture exports declined by 15% between 2017 and 2018. There was also a marginal decline of 3% in intra-African agriculture imports during the same period. South Africa remains the principal intra-African agriculture commodity exporter, followed by Uganda and Zimbabwe (Tralac, 2019a: 14). Botswana, Kenya, and South Africa are the principal intra-African agriculture commodity importers (Tralac, 2019a: 14).

Around 34% of intra-African exports were commodities in 2018; 50% were neither agricultural products nor commodities (Tralac, 2019a: 16). Mozambique and South Africa export significant amounts of megawatt hours of electrical energy to Africa, with the Democratic Republic of Congo (the Grand Inga Dam) and Ethiopia (the Grand Ethiopian Renaissance Dam [GERD]) planning significant investment projects to trade in this sphere using renewables.

3.3.5. Intra-African Tariff Overview

Africa's various FTAs negotiated within the REC blocs have brought about reduced or zero tariff provisions for Party States. Several RECs have progressed to customs unions, and trade under duty-free conditions.[28] Notable African countries affected by tariffs include Egypt, Kenya, Nigeria, and South Africa. A brief overview of the various tariffs instituted on relevant goods is given below.

[28] Such as the EAC, SACU and WAEMU.

Egypt, as part of COMESA and CEN-SAD, grants preferential access to imports from COMESA members except Eswatini and the Democratic Republic of Congo. CEN-SAD is not an FTA. Egypt imposes MFN tariffs on goods from outside COMESA (Tralac, 2019a: 20).

Kenya is a member of CEN-SAD, COMESA, the EAC and IGAD. As part of CEN-SAD and IGAD, the preferential trade arrangements are not yet in place. Kenya provides preferential access to members of COMESA and the EAC and implements MFN tariffs on goods from outside the EAC and COMESA (Tralac, 2019a: 21).

Nigeria is a member of CEN-SAD and ECOWAS RECs. While CEN-SAD is not an FTA, all imported goods that qualify under the ECOWAS Trade Liberalisation Scheme (ETLS) from approved producers are duty-free. Nigeria imposes MFN tariffs on goods from outside ECOWAS (Tralac, 2019a: 21).

South Africa is a member of SACU and SADC. Under the SACU customs union, South Africa trades duty-free with Party States and imposes a common external tariff on goods. South Africa imposes MFN tariffs on goods from outside SACU and SADC (Tralac, 2019a: 21).

3.3.6. Intra-African Trade in Services

African trade in terms of services is comparatively low, while intra-African trade in terms of services is even lower. Growth potential remains, as automation processes result in increasingly widespread service-based activities. This potential for growth must be leveraged through specific focus on building services capacity, rather than focussing solely on export-led industrialisation through production of goods. However, between 2017 and 2018, Africa's exports of services (5%) increased at a rate comparatively lower than the increase in global services exports (7%) (Tralac, 2019a: 24). Africa's cumulative percentage in world services exports remains lower than the US (around 15%), the UK and Germany (just over 5% respectively), and China and France (close to 5% respectively) (Erasmus, 2020c). Positive signs remain, as services commitments are included under the first phase of AfCFTA negotiations, with regulatory reform and capacity building being key pillars to these negotiations.

The AfCFTA breaks down services commitments into five sectors of priority: business services, communications, financial services, transport, and travel (Hope, 2019).

According to the ITC (2020), trade in services restrictiveness is four times higher in Africa than in OECD countries (International Trade Centre, 2020a). Africa's priority services sectors in 2018 were travel (40%), transport (23%), business services (5%), telecommunications (3%), financial (2%) and all other services (26%) (Tralac, 2019a: 25). The top exporters of travel, transport, telecommunications, and business services on the continent are Egypt, Morocco, and South Africa. The top transport, business and travel service importers are Egypt, Nigeria and South Africa (Tralac, 2019a: 25).

3.3.7. Trade Facilitation in Africa

Trade facilitation improvement remains critical to the success and increased prospects of the AfCFTA and general trade outcomes. In Africa, the most pressing trade facilitation deficits are infrastructure-related, due to transport costs (Ismail, 2018: 546-547). Secondly, trade facilitation deficits are procedural in terms of their NTB nature due to port inefficiency delays, and customs and border procedures, for example (Erasmus, 2019a). These add additional 'tariffs' to intra-African trade.

According to the World Bank *Doing Business Index* 'Trading Across Borders' measure, the average score of AU Party States was 54% in 2018 (World Bank, 2020b). The index is composed using eight indicators representative of import and export costs and time required to cross borders, as shown in Figure 9.

Figure 9: World Bank "Ease of Doing Business Index", 2018

Ease of Doing Business Index: 'Trading Across Borders' Measure, Top & Bottom 5 Country Scores, 2018			
Top 5 Countries	**Score**	**Bottom 5 Countries**	**Score**
Eswatini	93	Eritrea	0
Lesotho	92	DRC	4
Botswana	87	Cameroon	16
Morocco	86	Sudan	19
Mauritius	81	Liberia	19

(Author's design, data from World Bank, 2020b).

The World Bank's *Logistics Performance Index,* which is based on survey data from questions sent to logistics sector professionals, ranks countries based on scores in customs, infrastructure, international shipments, quality and competence, timeliness, and tracking and tracing (World Bank, 2020c). South Africa is the highest performing country, with Angola the lowest.

The OECD trade facilitation indicators measure countries' availability of information, border agency cooperation, documents and governance, fees and charges, and governance and impartiality. Sub Saharan Africa performs most poorly in the country scores based on the indicators due to poor performance in information availability, advance ruling mechanisms and automation, as well as in governance and impartiality (Organisation for Economic Cooperation and Development, 2018: 53).

3.3.8. The AfCFTA and the AU Agenda 2063

The AU Agenda 2063 is a strategic framework for realising socioeconomic transformation in Africa. It reflects the transition in objectives of the continental body from the OAU to AU, along with incorporating the principles of NEPAD, prioritising broad-based socio-economic development, promotion of regional and continental integration, whilst strengthening democratic governance measures and regional peace and security (African Union, 2015: 4). These principles, embodied in the AfCFTA as Agenda 2063's flagship project, build on pillars of previous initiatives such as the Lagos Plan (1980), the Abuja Treaty (1991), the MIP (2009), the Programme for Infrastructure Development in Africa (PIDA) (2012), the Comprehensive African Agricultural Development Programme (CAADP) (2003), as well as NEPAD (2002). These draw upon broad, long term principles for achieving political, social, economic, as well as technological transformation on the continent, by leveraging regional integration through the formation of a single market and continental customs union under the African Economic Community envisioned by the Abuja Treaty.

It is reflective of the importance of the role of trade policy and regional integration in realising these objectives that the AfCFTA forms the flagship for the Agenda 2063. In order to achieve the high targets for economic growth and development, the core projects around the AfCFTA are aimed at increasing the value added to commodity exports, the reduction in barriers to intra-African trade, to more easily create a greater goods and services market through the tariff and non-tariff reductions (African Union, 2018a: 19).

Complementary initiatives seek to build capacity in sectors critical to trade including agriculture, energy, mining, and transport, to enable the achievement of the objectives, requiring collaborative implementation with the AfCFTA to realise success. The awareness of the need for broader complementary policies to enhance the effectiveness of the AfCFTA in the trade policy realm is reflected in the relations between the AfCFTA and other AU Agenda 2063 institutional structures. This shows awareness of the need to design and implement national strategies to enhance the AfCFTA's effectiveness, identifying priority sectors that present strategic opportunities for export, job growth, and development of RVCs that stand to benefit from the market access increases provided by the AfCFTA.

The BIAT initiative is closely linked to the AfCFTA. It expresses the importance of increasing intra-African trade volumes in conjunction with deepening regional integration as key pillars in being able to address the challenges faced by African countries in the multilateral trading system and global political economy (African Union, 2012: 2). Increased trade volumes will increase productive capacities and provide receptive markets to strengthen standings relative to the global market. BIAT targets priority sectors aimed at enhancing trade facilitation, policy, finance, and information, as well as productive capacities, market integration and trade-related infrastructure (African Union, 2012: 2). Increasing productive capacities and trade-related infrastructure in the domestic and regional economies of states is critical to AfCFTA success, the importance of which is already recognised in the Accelerated Industrial Development for Africa (AIDA) action plan. Here, AU member states have made commitments to continental industrialisation, implementing numerous initiatives to address development challenges (African Union, 2007: 3). These policies are closely linked to the principles of NEPAD and the AfCFTA.

One of the more sector-specific initiatives include PIDA, which covers a range of infrastructure-related programmes including ICT, energy, transboundary water, and transportation, in order to facilitate regional integration utilising improved and increased infrastructure in order to decrease barriers to trade (African Development Bank, African Union & United Nations Economic Commission for Africa, 2012b: 7). The principles within these initiatives include mutually beneficial infrastructure initiatives that promote trade integration and RVCs to increase efficiency.

Another critical sector to many African economies is agriculture. The CAADP serves as the policy framework for agricultural transformation, to increase equitable operational efficiency within the sector, whilst simultaneously addressing the prolonged challenges of food security and malnutrition (New Partnership for Africa's Development Agency, 2003: 35). These structural transformations encompass improvement to the agricultural policy and institutional environment, as well as employing new technologies to attract investment and increase growth. The AfCFTA will catalyse the CAADP's efforts to boost agricultural exports.

In terms of the primary commodities sector specific initiatives, the African Mining Vision (AMV) and African Commodities Strategy are the principal actors. The AMV expresses the realisation of the need to reconfigure the way mining operations are structured in Africa in order to improve prospects for sustainable economic growth and development (African Union, 2009a: 22). It seeks to address the resource curse by linking mining to local, national, and regional development policies, with mining being better integrated into industrial and trade policy across these levels.[29]

The African Commodities Strategy seeks to better manage Africa's commodities and natural resources, to reduce the divergence between wealth and economic growth associated with such industries (African Union, 2019: 56). This entails initiatives to facilitate the increased addition of value by African countries in the minerals and natural resource sector through national industrial policies, as well as integrating mineral resource strategies into RVCs in order to localise value addition and vertical and horizontal diversification within the sector on the continent (African Union, 2019: 98). This would thereby increase the income and industrialisation levels from commodities for African workers in the high priority commodities, mineral resources, and energy sectors.

3.4. Conclusion

This chapter has analysed the changing nature of regionalism and international trade relevant to Africa and the AfCFTA. Core milestones, key achievements, and non-achievements in the history of African integration, and how these affect the AfCFTA's prospects, were considered. The formation of the OAU, its progression to the AU and the NEPAD initiative, implemented through the organisation's RECs, and the incorporation of the AfCFTA into the AU's 2063 Agenda as its flagship project for reviving regional integration, were discussed. The role of the private sector in the success or undermining of regional integration was shown to be critical for the AfCFTA. The nature of RTAs and the changing international trade landscape provided a point for overviewing the context for and key priorities of the AfCFTA. Thereafter, the AfCFTA's architecture, institutional makeup, and implementation status provided a foundation for consideration of initial prospects and challenges in relation to the key conditions of African trade politics and macroeconomics.

The AfCFTA has seemingly marked a shift from rhetoric to action on progression of political and economic regional integration in Africa. Despite the difficulties faced in terms of such large-scale continental initiatives, the AfCFTA has thus far shown surprising progress in

[29] For more on the resource curse, see: Mehlum, H., Moene, K. & Torvik, R. 2006. Institutions and the Resource Curse. *The Economic Journal.* 116(508): 1-20.
Robinson, J.A., Torvik, R. & Verdier, T. 2006. Political foundations of the resource curse. *Journal of Development Economics.* 79(2006): 447-468.

implementation, marking it as a potential turning point for regional integration in Africa. Provided African leaders and prominent business stakeholders continue to be willing to trade off their power, and access to rents and resources, to the organisation and its institutions, the growth potential presented by the AfCFTA may continue. This precedes the achievement of the stated goals of political and economic regional integration and the realisation of the benefits presented by the AfCFTA, as outlined in the following section on political and economic prospects.

The ensuing discussion will evidence that based on this history, the biggest political and economic challenges to realising a successful and effective form of the AfCFTA revolve around political will and capacity for implementation, as well as averting the common practice by leaders and dominant private sector actors who seek to retain access to their nations' resources in order to retain power. These factors have been repeated impediments to realisation of the transformative regional integration in Africa to overcome the political and macroeconomic structural disadvantages presented to the continent in the international trading system. This threat to sovereignty is a result of the natural effects of political and economic regional integration that result in rearrangements of existing forms of sovereignty in the form of political and economic capital used to maintain power bases, as these become increasingly diverted to regional and supranational levels. The AfCFTA and its institutions must therefore balance intergovernmentalism and supranational characteristics to ensure continuation of progress made thus far.

4. Prospects and Challenges for the AfCFTA

The prospects for regional integration in Africa that can be achieved by the AfCFTA stem from the transformative potential of its projected increases in intra-continental trade. The developmental prospects associated with this have resulted in increasing political support for the AfCFTA. Due to the associated opportunities for increasing relatively low levels of intra-continental trade through the creation of a large market with significant potential to attract investment, the AfCFTA has been endorsed by a wide range of political and economic stakeholders. This is critical to ensuring the economic growth it projects, as well as adding to the ease of implementing regulatory congruence and cooperation. Creation of increasingly widespread support for, and confidence in, this new market increases coordination for creation of RVCs which will serve as investment channels across the continent. These positive characteristics portend increased potential for cooperation and integration in Africa which, through the trade foundation and collaboration required to achieve it, will increase stability across the region and make African states more competitive.

In order to construct a robust policy analysis, the prospects of the AfCFTA must be weighed against potential challenges for trade, regional integration and cooperation in Africa. These political and economic challenges can broadly be grouped according to the issues of *erosion of sovereignty* that accompany the supranational shifts required by regional integration, as well as the problems presented by *overemphasis on market-led regional integration* and the question of *which stakeholders benefit* from the AfCFTA.[30] These issues are explored using the political-legal case study of Polytol v Mauritius in the COMESA Court of Justice regarding the treatment of obligations under RTAs in Africa. Another broadly significant issue is that of *asymmetrical comparative advantage*. This issue is explored using the political-economic case study of dominant South African firms' behaviour in the region, to gain insight into potential scenarios brought by the Agreement.

Whilst this dissertation strongly grounds itself in the field of IPE, emphasising the interlinked nature of political and economic considerations, particularly in trade regimes, the political and

[30] For more on the concept of *cui bono* and the importance of questioning "who benefits" in the study of IPE, see: Strange, S. 1998. *States and Markets.* London: Continuum. Pg. 64. & Strange, S. The Study of Transnational Relations. *International Affairs.* 52(1976). Pg. 339.

economic prospects and challenges of the AfCFTA are addressed separately below in order to demonstrate that the issues are varying facets of the same coin. Political and legal challenges in relation to the economic matters faced by the AfCFTA are discussed throughout. The case studies elucidate relevant challenges.

4.1. Political Prospects

The foremost evidence for the political prospects of the AfCFTA can be seen in the increasing support by African countries for the Agreement at successive AU summits, as well as signatories swiftly approving or depositing their ratification instruments with the AU Commission.[31] Signatories range from smaller states to larger ones, as well as those with varying political and economic influence. This widespread measure of adoption is used as evidence for the nature of the political momentum in support of the AfCFTA, creating a formidable trade bloc in terms of raw GDP and population growth potential.

This range of support is likely attributable to the AfCFTA expressing clearly targeted goals from the outset, addressing many concerns (if only rhetorically) that typically accompany FTAs. This can be seen in how the AfCFTA attempts to benefit "small and medium-sized businesses (SMEs), which are responsible for more than 80% of Africa's employment and half its GDP" through its trade facilitation measures (Akeyewale, 2018: 14). This reach can be further increased by efforts promoting the widespread informal sectors of many participants' economies, thereby alleviating concerns of comparative advantage marginalising significant sectors of countries' economies. With the AfCFTA's aim of increasing imports and exports between its member states through the reduction and elimination of certain tariffs, accompanied by improved cross-border infrastructure development and harmonisation of standards and practices, it is hoped that African-owned businesses, goods, and services will expand their

[31] As of December 2020:
Countries [34] that have approved/deposited instruments of ratification of the AfCFTA with the AU Commission include: Angola, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Republic, Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, eSwatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Kenya, Lesotho, Mali, Mauritania, Mauritius, Namibia, Nigeria, Niger, Rwanda, Sahrawi Republic, Sao Tome and Principe, Senegal, Sierra Leone, South Africa, Togo, Tunisia, Uganda, and Zimbabwe (African Union, 2020c).
Countries [20] that have signed the AfCFTA Agreement and are yet to approve/deposit instruments of ratification with the AU Commission include: Algeria, Benin, Botswana, Burundi, Cape Verde, Comoros, Democratic Republic of Congo, Guinea-Bissau, Liberia, Libya, Madagascar, Malawi, Morocco, Mozambique, Seychelles, Somalia, South Sudan, Sudan, Tanzania, and Zambia (African Union, 2020c).
The country that has failed to sign the AfCFTA Agreement is Eritrea (African Union, 2020c).

consumer bases – a longstanding political objective across the region (International Monetary Fund, 2019: 2).

The resultant increase in intra-continental trade through creation and facilitation of new markets is intended to incubate regional products and services and attract investment, thereby driving innovation (Signe & van der Ven, 2019: 8). As a result of positive effects of the economic integration Agreement, the AfCFTA hopes to move towards achieving further long-standing goals of Pan African regional integration (African Union, 2018a). Such integration would address the structural inhibitors that continue to be imposed by the legacy of colonial boundaries and infrastructure dedicated to extractive processes from Africa for the metropoles, reducing cross-border African links (Stephan & Hervey, 2008: 57). This demonstrates principles informed by the logic of functional spill over: through collaborative efforts of deepening economic integration through the FTA, political consultation will increase at the supranational level, thereby facilitating increasing trust amongst actors and ensuring added coherence to further efforts at political and economic integration for the purpose of improved governance and development.

In addition to promoting more efficient and increased trade patterns within the continent, the AfCFTA encourages regulatory cooperation and harmonisation efforts, benefiting from trade-related network effects (International Monetary Fund, 2019: 40). Another positive characteristic has been the adaptability of AfCFTA's legislation shown, for example, in the provisions for insulation and protection of "sensitive goods" from immediate tariff removal. The status of sensitive goods is also subject to continuous assessment, showing an adaptable framework to compensate against the dangerous effects of uncontained liberalisation. This provides evidence that the "balance between ambition and flexibility is key to the Agreement's sustainability as well as its inclusivity" (Muchanga, 2018: 11).

Therefore, whilst FTAs formalise the reduction in tariffs on 90% of all traded goods, the AfCFTA has retained a positive character of flexibility. By allowing lengthier adjustment periods in the annual instalments for tariff reductions, the costs of transition are decreased, accounting for the economic divergences of participants. For this reason, participants classified as LDCs will be assisted to decrease tariffs on 90% of traded goods in equal annual instalments over a period of 10 years, versus five years for the other participants. This character of flexibility is enhanced through the provisions for the remaining 10% of tariffs. For 7% of traded goods that are classified as "sensitive", tariffs can be reduced annually over a period of 13 years for LDCs, and over 10 years for non-LDCs. The AfCFTA also provides for 3% of goods to be excluded from tariff removal to allow flexibility in matters of strategic and/or sensitive importance to states. These are open to a review process within the AfCFTA architecture, allowing for further adaptability and coherence within the broader institutional implementation. These accommodative measures to avoid further economic divergence amongst participants come with the slight concession of the pace at which the transformative growth effects of the AfCFTA can be reached.

Additional positives for the AfCFTA's political prospects are found in the wide range of stakeholders that have been involved in the Agreement, further enhancing its flexible character. These stakeholders include, for example, the African Export-Import Bank, engaged with the purpose of consulting on financial stability mechanisms of the Agreement (Muchanga, 2018: 11).[32]

Overall political prospects for the AfCFTA can be attributed to the inclusionary character of AfCFTA and the emphasis on achieving stakeholder buy-in, and swift and coordinated implementation, which may serve as a new foundation for African collaboration and unity to realise sustainable growth and development through regional integration and trade.

4.2. Economic Prospects

The AfCFTA's potential market size of around $3 trillion, along with dynamic continental population growth, means there is significant economic potential for the Agreement, when supported by political cooperation and stakeholder management (World Trade Organization, 2017). Additionally, this market of around 1.2 billion people is, according to African Union Development Agency projections, likely to create around 300 000 direct employment opportunities, as well as an additional 2 million indirectly (Shaw, 2018: 30).

[32] Other examples of stakeholders include: the African Business Council, African Development Bank, African Union Development Agency, NEPAD Agency, and various civil society organisations.

Moreover, economic growth is projected to be enhanced through RTAs promoting manufacturing sectors, particularly targeted at value-added goods, as well as the creation of value-added services through investment into skills development (Stuart, 2019). Prior to implementation of the AfCFTA, manufacturing comprised around 10% of continental GDP (International Monetary Fund, 2019: 15).

Other positive projections of the Agreement point to the reduced tariffs increasing intra-regional trade, allowing members to more easily access raw materials required in manufacturing processes from other participants, thereby reducing the input costs in production processes, and increasing productivity and employment (Viljoen, 2019). Tariff reductions provide the AfCFTA with a foundation to develop economies of scale within the larger market. This will also increase investment attractiveness necessary to provide African firms and economies with the capital to increase competitiveness, efficiency, and employment (Muchanga, 2018: 11). As a result, the "development of regional value chains, part of the AfCFTA agenda, will also contribute to development of inclusive trade in the emerging market" (Saygili, Peters & Knebel, 2018: 12). The success of these RVCs is however contingent upon the reduction of tariff and non-tariff barriers. Whilst cross-border infrastructure projects can serve as investment drivers to ease trading across borders, alignment of more efficient bureaucratic processes is another consideration without which the removal of tariffs may prove insufficient (United Nations Economic Commission for Africa, 2019: 13).

African businesses have been faced with tariffs close to 7% when conducting trade over the more than 100 land borders on the continent in the past five years, in addition to numerous NTBs, significant regulatory and SPS differences and technical standards across the 55 countries, as well as insufficient domestic and cross-border infrastructure, resulting in trade costs being raised by close to 15% (Cadot, Apsrilla, Goudon, Knebel & Peters, 2015: 14). Through the reduction in trade tariffs, NTBs, and regulatory alignment, the AfCFTA will ease the export of industrial goods, increasing industrialisation potential.

Outside of industrial exports, increased future alignment and increased efficiency in the trade in services can potentially boost economic growth further (African Development Bank, African Union & United Nations Economic Commission for Africa, 2017: 66). The projected industrial and agricultural growth will also allow diversification from current reliance on extractive industries focussed on primary commodities. These industries form a substantial part of extra-continental exports, while being almost halved intra-continentally (Stuart, 2020b). Due to global commodity volatility, external dependence subjects multiple African economies and fiscal environments to risks of fluctuation. This necessitates divergence from extractive commodity exports to more stable industrial production revenues as well as moving into the services space, building RVCs and competitive efficiency that can be leveraged to secure more public sector revenue, foreign exchange and FDI in the future.

Whilst accounting for close to 20% of the global population, Africa is currently the recipient of only close to 3% of global investment (United Nations Conference on Trade and Development, 2020). The AfCFTA provides a mechanism for remedying this chronic under-investment. In doing so, the move from extractive industries towards more opportunities in agricultural and manufactured goods and services sectors will also potentially provide increased job opportunities for the young African population. This is shown in the AfCFTA's identification of dynamic 21st century sectors for industrialisation, energy, and agricultural policy, as well as the core services sectors identified, namely business, communications, finance, tourism and travel, and transport related services (African Union, 2018: 17).

The AfCFTA stands to benefit the African youth and female traders. Women have been estimated to account for around 70% of informal cross-border trading activity on the continent (World Bank, 2020f: 101). Informal traders, particularly women, face increased harassment, violence, goods confiscation, and imprisonment due to the vulnerabilities inherent in informal trading. Through the AfCFTA's reduction in trade costs, it becomes more affordable to trade through formal channels which provide more protection, increasing formal economic participants and their wellbeing. Moreover, through regulatory convergence and standardisation, female traders are less likely to face bureaucratic harassment when trading across borders. This links to the broader provisions made within the AfCFTA for cooperative action on customs and administrative trade-related procedures, trade facilitation measures, reduction in technical barriers to trade, and SPS matters. By harmonising trade and logistics procedures, standards, and infrastructure, the AfCFTA brings a higher level of coherence to the African regional integration environment and its participants.

As a result of the increased demand from consumers created from economic growth and market expansion, more industrialised countries will also be able to service larger markets, whilst others enjoy increased export opportunities due to reductions in trade barriers (Woolfrey, Apiko & Pharatlhatlhe, 2019: 25). The AfCFTA, through its movement towards widespread mutually recognised standards and licensing among its members, would promote regulatory convergence, leading towards a more amenable environment for trade amongst members (Erasmus, 2020a: 3).

This increase in cross-border efficiency and bureaucratic convergence, when applied in tandem with sufficient cross-border infrastructure, stands to facilitate significantly eased access to ports and other trade hubs, particularly for landlocked African states (Vanheukelom, Byiers, Bilal & Woolfrey, 2016: 11). Creation of a larger export base brings with it the opportunity for diversification which, with increasingly stable prospects, will attract more FDI within the AfCFTA region. According to UNECA pre-COVID-19 predictions "the creation of a common market could increase intra-African trade from 16% presently [2018] to more than 52% by 2022" (Shaw, 2018: 31). This will potentially add new sources of necessary capital for the promotion of local businesses, industries, and development projects (Claussen, 2018: 385). As a result of such measures and the accompanying collaboration, the AfCFTA provides strong opportunities for cooperative action on issues extending beyond trade to financial and regulatory integration (Ismail, 2017b: 12).

Another potential consideration is the fact that the AfCFTA could mitigate against the looming threats presented by the expiry of the AGOA in 2025, which thus far seems unlikely to be renewed (Davis, 2017: 381). This presents strong prospects of job losses in sectors both directly and indirectly reliant on US exports, some of which the AfCFTA's internal market alternatives may offset (Ismail, 2017a: 532). Moreover, the coordination of rules of origin and reduction in non-tariff obstacles implemented by the AfCFTA have also been cited as means to (re)encourage US-Africa trade with the single market in the wake of AGOA (Davis, 2017: 381).

Thus, prospective economic benefits are envisioned from the AfCFTA's proposed reductions of tariff and non-tariff barriers to trade, leading to increased intra-African trade, attracting FDI, reduced input costs to expand production and efficiency, and increased job market prospects through increasing accessibility to RVCs.

4.3. Political Challenges

The most apparent political challenge to the AfCFTA in its first phase of implementation stems from the delegitimising effects of the cautious approach by certain influential stakeholders. This was seen most notably in Nigeria's initial reluctance to sign the AfCFTA, relative to other signatories, as the Nigerian government was faced with significant domestic opposition from business lobbies and interest groups (Woolfrey & Apiko, 2019) (Woolfrey, Apiko & Pharatlhatlhe, 2019: 5). Challenges were most publicly raised by the Nigerian Labour Congress, with the union managing to halt Nigeria's accession process to the AfCFTA for a time due to concerns of an "extremely dangerous and radioactive neo-liberal policy initiative" being promoted by the AfCFTA (Akeyewale, 2018: 15). This is due to the aforementioned increased downward price pressures that could result from the lower tariffs of the AfCFTA, the damaging effects of which will be unavoidable without necessary subsidy, industrial and adjustment programmes, as well as macroeconomic policy coordination amongst member states, RECs, and private sector actors, in order to ensure that workers are not displaced in sectors across Africa's RVCs.

Other challenges relate to issues of rules of origin, with difficulties negotiating "tariff concessions that specify which products can be traded duty-free and the rules of origin that determine whether a traded product really comes from a member state and can therefore benefit from preferential market access under the Agreement" (Woolfrey & Apiko, 2019). This has resulted in extensions for member states to present positions on rules of origin and tariff concessions for goods and services, delaying subsequent phases and processes for implementation of the Agreement (International Monetary Fund, 2019: 46). Discussions on rules of origin and services negotiations are notoriously difficult in the trade arena, as are outstanding matters on negotiation of competition, investment, and intellectual property conventions (Erasmus, 2020c). Negotiations on the treatment of intellectual property are yet to be concluded, with many participants in fact lacking legal frameworks protecting patents or doing little to enforce patents where measures are in place (Erasmus, 2020c). This has raised concerns that the AfCFTA may worsen these conditions through its market access provisions at a later stage, despite much of its current focus being on trade in goods.

These delays accompany the equally significant challenge of the high sustained levels of political impetus required to drive the implementation of the Agreement. The AfCFTA's numerous prospects – such as increasing low levels of intra-continental trade, industrial competitiveness, efficiency, and employment – require a concerted response by participating governments in application of AfCFTA texts into national law to be brought about (International Monetary Fund, 2019: 46). When considering the history of poor implementation of RTAs and developmental initiatives, the concerning possibility of uneven implementation processes is more likely without political coordination and collaboration, despite early signs of promise (Woolfrey & Apiko, 2019).

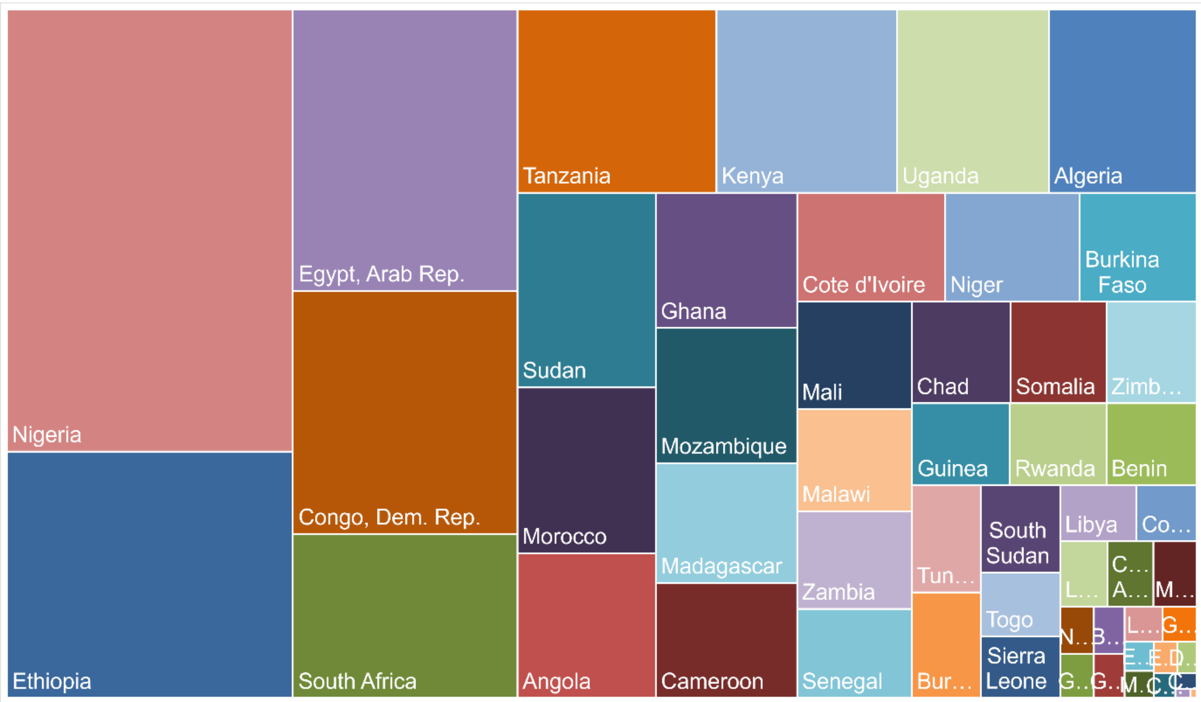
Other non-tariff challenges concern issues related to current design, coverage, and quality of cross-border infrastructure across the continent (Akpan, 2014: 65). In order to effectively cope with and facilitate the projected targets of increased intra-regional trade created by the AfCFTA, significant and sustained political commitments are required to coordinate the reversal of these structural deficits. Poor cross-border infrastructure remains as a legacy of colonialism, as economies were structured towards production of low value-added goods dependent on extractive economies of raw materials for the colonial metropoles (Byiers, Karaki & Woolfrey, 2018: 14) (Young, 1994: 119). Therefore, transboundary infrastructure investment is a critical economic challenge for the AfCFTA to overcome, requiring political collaboration and direction of targeted funding. Management and formulation of public-private partnerships (PPPs) to facilitate the trade of goods under reduced tariffs through improvement of such infrastructure requires expert political handling (Hartzenberg, 2011: 22).

A further issue facing the AfCFTA is that of participants' overlapping membership of RECs and their accompanying trade agreements, encapsulated under the "spaghetti bowl" adjective (Stuart, 2019). In theory, the Agreement provides a long-term resolution to these issues through its Supranationalist intentions but does not replace existing (and overlapping) memberships of RECs beyond the uniform elimination of tariffs simply formalised by FTAs (Viljoen, 2020: 5).

African states' difficult history with relinquishing hard-won sovereignty to supranational institutions is another consideration. Viewed through an Intergovernmentalist lens, "regional integration initiatives like the AfCFTA are more likely to be fully implemented by member states when they help further the interests of the ruling elites in those states" (Woolfrey &

Apiko, 2019). The accession of elements of sovereignty and control necessary to promote effectively functioning regional institutions may not have been considered during the pre-implementation phase by state elites, caught up in the grandiose nature and ambitions of the AfCFTA. This would mean the critical feature of the AfCFTA being leveraged to address the structural economic deficiencies would remain unaddressed (Abrego, de Zamaroczy, Gursoy, Issoufou, Nicholls & Perez-Sainz, 2020: 21). The risk also remains that a minority of larger partners and members with economic or population clout will manipulate the agreement at the expense of smaller members (cf. Figure 10).

Figure 10: AU Member States' Total Population, 2019



(Author's design, data from CIA World Factbook, 2020b)

Therefore, when faced with unintended functional spillover resulting from the integration process, participating governments may resist the increasing importance of supranational regional institutions, to the detriment of regionalism (Haas, 1976: 209).

4.3.1. Legal Uncertainty of Trade Obligations and Dispute Settlement in Africa: The Case of Polytol v Mauritius

The matter of sovereignty, trade obligations and dispute settlements in Africa present unique scenarios. Case studies (such as Polytol v Mauritius discussed below) show that African governments tend not to litigate against one another regarding matters of trade and employ a different approach to the treatment of trade law and agreements. This is an important consideration as the AfCFTA protocol on dispute settlements, modelled on the WTO Dispute Settlement, deals only with interstate disputes. This suggests there is a significant likelihood that the AfCFTA dispute settlement mechanism will not be utilised frequently, particularly given the history of African interpretations of dispute settlement best practice. This can be seen when examining the existing REC dispute settlement courts in COMESA, the EAC, and ECOWAS (the only currently functional courts, as the SADC Tribunal was disbanded in 2011 following the Zimbabwe Judgement).[33] What is more likely is that the RECs' regional courts of justice and tribunals could be utilised by non-state actors in particular, as well as potential interstate resolution through other AfCFTA institutions, such as the Secretariat.

4.3.2. Technical Nature of the Dispute and Parties Involved

The dispute in the Polytol case study concerned a tariff tax placed on particular commodities used by the company within the COMESA REC (*Polytol Paints & Adhesives Manufactures Co. Ltd. v the Republic of Mauritius*, 2012 (1) (COMESA Court of Justice): 2).[34] Under dispute was the fact that, in terms of the COMESA Treaty, tariffs levied on certain products were to have been eliminated by 2000, yet Mauritius continued to impose duties (Erasmus, 2015). The available legal safeguard measures/mechanisms had not been pursued, with Mauritius rather entering into a bilateral agreement with Egypt to disregard the tariff obligations. This legally binding provision was demonstrated by Polytol to have been violated in terms of implementation and interpretation of the agreement.

Polytol Paints, the applicant in the case, presented a matter of wider interest in that it is not a member state of COMESA (as would be expected under the auspices of WTO dispute settlement, for example), but an individual company. This is further evidence that African

[33] For details on the SADC Tribunal disbanding, see: Law Society of South Africa and Others v President of the Republic of South Africa and Others (CCT67/18) [2018] ZACC 51.
[34] Henceforth: (*Polytol v Mauritius*, 2012 (1)).

governments do not litigate against one another for violations of trade agreements and presents precedent for treatment under the AfCFTA. This is consistent with the continent-wide treatment of trade law, obligations, and agreements by states domestically and between themselves. There is therefore the clear characteristic of a flexible philosophical approach to trade by members, which undermines the rules-based nature of the trade agreements concerned.

A counter argument is that this may be a necessary provision given the divergences across various levels of development within RECs and on the continent, making it extremely difficult to align all members in terms of trade obligations. Therefore, it seems that flexibility has been built into the basic constructs of regional and continental interstate trading relations. The Polytol case is however a reminder that if this flexibility is undertaken whilst continuing membership of RECs, there is a risk that a *private* party will litigate and make use of the tribunal.

4.3.3. Remedies / Relief Sought by the Applicant

Several relief avenues were sought by Polytol. One was to obtain a declaration stating that there had been a failure to keep to the principles of the COMESA Treaty and the necessary legal effects (Erasmus, 2015). Polytol also sought an order to show that, by continuing to exact tariffs on goods from Egypt, the Mauritian government had not taken the FTA treaty into consideration. Polytol therefore sought damages for being charged tariffs incorrectly.

An important and progressive development that has taken place in some of Africa's RECs is the provision of legal standing to private parties in disputes regarding the implementation of the regional legal systems (*Polytol v Mauritius,* 2012 (1): 4). In the AfCFTA Protocol this will not be possible (Erasmus, 2018a: 2). However, there is a strong possibility that private parties in certain RECs[35] may have, and continue to have, access to remedies which they will not have under the AfCFTA. This is possible because, for example, the relevant article in the COMESA Treaty states that if private parties have exhausted domestic remedies whilst there is still a violation of their rights, they may invoke the COMESA legal instruments using their standing before the COMESA Court of Justice (*Polytol v Mauritius,* 2012 (1): 4).

Thus, Polytol first sought relief from the highest Mauritian court, but was rejected on a technicality when the court ruled that the international treaty invoked by Polytol had not been

[35] I.e., COMESA, the EAC, and ECOWAS.

incorporated into Mauritian law (Erasmus, 2015). This is a consequence of the ‘dualist’ legal approach followed in Mauritius (and in many African countries) whereby international and trade agreements are not considered part of the domestic municipal law unless incorporated or ‘domesticated’, despite being legally binding on the state concerned as a state party to the agreement (Maniruzzaman, 2001: 310). Therefore, in countries employing dualist legal systems, such as Mauritius, international agreements cannot be invoked in the national courts. After exhausting legal remedies in Mauritius, Polytol was entitled – under the COMESA Treaty – to bring an application to the COMESA Court of Justice under the provisions of *locus standi*.[36] Having done so, it was successfully granted the remedy it sought.

4.3.4. Mauritius' Response

Mauritius began to reduce the duty on the goods concerned until reaching zero, as it had initially been supposed to (Erasmus, 2015). Mauritius had first stated it would lodge an appeal application but ended up not doing so and complied with the judgement. The most important defence invoked by Mauritius before the COMESA Court of Justice to justify its increasing of the tariffs was that it had reached an agreement with the government of Egypt in terms of raising the tariff prices on specific goods. The Court disagreed with this defence on the basis that the agreement had gone against the purpose of the COMESA Treaty, Article 56(3) under an MFN provision.[37]

Mauritius and Egypt had, on a bilateral level, agreed to ignore the obligations in the relevant COMESA trade instrument (Erasmus, 2015). The implications of this were significant. Following the FTA provision to remove tariffs and focus on non-restrictive trade regulations, the legal instrument that had been adopted and implemented by the member states was removed by Egypt and Mauritius on an ad hoc basis. This resulted in discriminatory behaviour without legal basis as the treaty in question was not amended. A Mauritian representative argued that COMESA obligations were “not cast in stone” (*Polytol v Mauritius*, 2012 (1): 19). Such sentiment has significant implications for the success of the AfCFTA’s implementation and treatment should the legal provisions of international trade agreements be viewed in this

[36] Taken to mean: “The right or capacity to bring an action or to appear in a court.”
[37] “Nothing in this Treaty shall prevent two member states from entering into new preferential agreements among themselves which aim at achieving the objectives of the common market, provided that any preferential agreement accorded under such agreement is extended to other member states on a reciprocal and non-discriminatory basis.”

manner amongst participants – and may explain why member states do not litigate against one another.

4.3.5. Importance of the Judgement

The importance and relevance of the Polytol judgement for the AfCFTA and promotion of deeper integration in Africa, such as the future establishment of the African Economic Community, is the inclusion of mechanisms in such agreements for parties to seek recourse for non-compliance to obligations (Erasmus, 2015). The COMESA Court of Justice was able to invoke both Article 56(3) of the COMESA Treaty, as well as Article 18 of the Vienna Convention on the Law of Treaties under the principle of *pacta sunt servanda*[38].[39] This resulted in the COMESA Court of Justice conclusively rejecting the argument offered by Mauritius. If trade obligations are not legally certain, predictable, and rules based, private companies, investors, and external states are deterred from undertaking trading relations in a region, undermining a core tenet of the AfCFTA's value proposition.

The COMESA Court judgement is further significant in that it is one of the only instances in Africa where a private party has requested relief and brought an application before a regional court for trade related violations.[40] Therefore, the Polytol case provides a quintessential and extremely important case where a commitment to deeper regional integration through the removal of trade tariffs was violated and remedied through regional courts (Erasmus, 2015). This contains important insights into how trade agreements are implemented, can be enforced, and the remedies provided to stakeholders within certain RECs or domestic courts to ensure that third party agreements do not defeat the objectives of the AfCFTA.

Finally, further challenges for the AfCFTA can be found in the realm of environmental degradation and health concerns. The effects of COVID-19 have made macro challenges facing countries in the 21st century trade environment more acute. Foremost are climate and health emergencies, whose interdependence with trade can no longer be ignored.[41] Whilst the AfCFTA will form a cornerstone of Africa's post-COVID-19 recovery, the increased

[38] Taken to mean: "Agreements must be kept" (Manolios, 2018).

[39] "A state is obliged to refrain from acts which would defeat the object and purpose of the Treaty when it has signed the Treaty or exchanged instruments of ratification." (*Polytol v Mauritius,* 2012 (1): 22).

[40] There have been a small number of other trade related cases brought before regional courts, such as in the EAC relating to port procedures and customs matters.

[41] For discussion of climate and trade, see: Lopes, C. 2021. Europe and Africa need to see eye to eye on climate change. *OECD Development Matters.* Available: https://oecd-development-matters.org/2021/01/04/europe-and-africa-need-to-see-eye-to-eye-on-climate-change/.

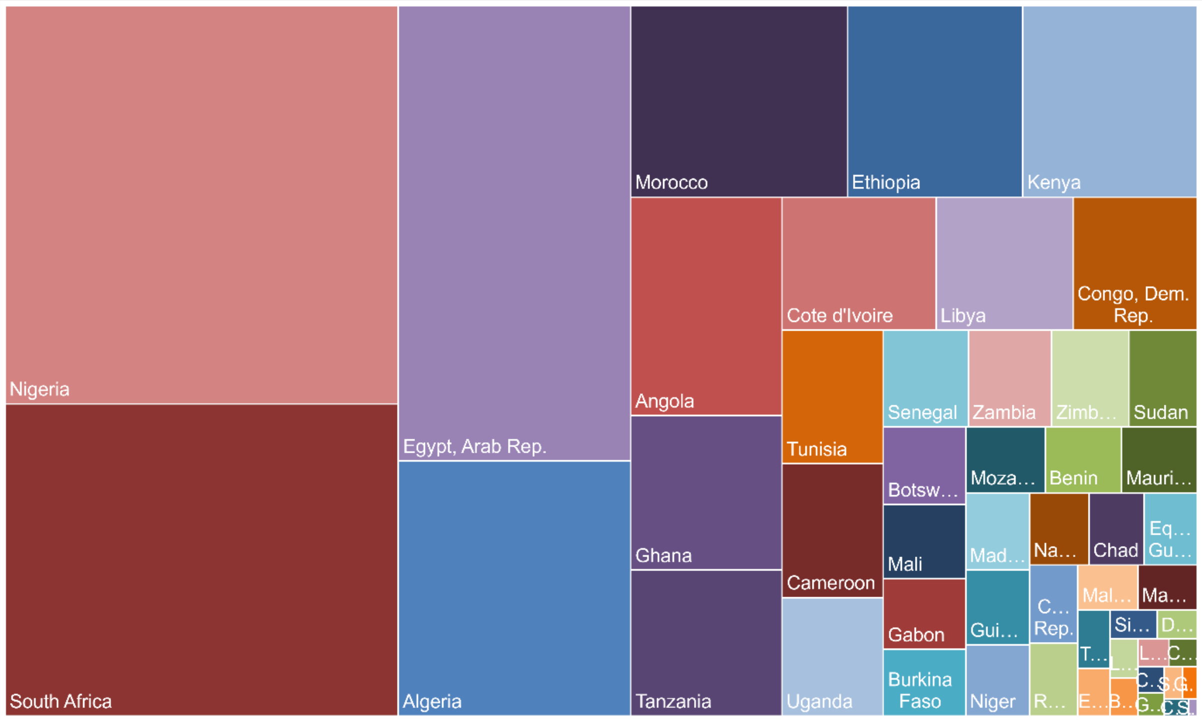
competition it enables may also lead to undercutting efforts by actors where environmental standards are lowered to decrease costs, such as in the product fabrication process and waste disposal, to remain profitable. Ensuring that there are sufficient regulatory and support efforts to offset these challenges will be crucial to the longer-term success and growth effects for the AfCFTA in Africa.

Overall, the *Polytol vs. Mauritius case study* illustrated that tariff reductions may not be universally implemented and equally interpreted. Until tariff reduction effects become more formalised, political challenges in the form of protectionism, and of minority interests seeking to retain access to rents and unwilling to relinquish sovereignty to regional institutions, remain. Other challenges outlined above relate to future negotiations on sensitive matters such as rules of origin, as well as broader treatment of environmental and health considerations.

4.4. Economic Challenges

The foremost challenge to the AfCFTA is to account for economic heterogeneity of participating countries within the FTA (Hartzenberg, 2020). Ensuring equitable distribution of the gains of increased trade, as well as avoiding the widening of the divide between more developed economies and the rest due to comparative advantage, are of particular importance (Hartzenberg, 2019). This is of concern given that Egypt, Nigeria, and South Africa can account for over half of continental GDP (Woolfrey, Apiko & Pharatlhatlhe, 2019: 9) (cf. Figure 11).

Figure 11: AU Member States' GDP (current US$), 2019



(Author's design, data from CIA World Factbook, 2020a).

These macroeconomic divergences are accompanied by significant measures of inequality within and between participating economies, shown by the fact that the "AfCFTA has the greatest levels of income disparity of any continental free trade agreement, and more than double the levels witnessed in economic blocs such as ASEAN and CARICOM" (Akeyewale, 2018: 15). Therefore, while increasing levels of trade may be shown to improve economic growth, without consideration of the effects of increasing competitiveness between countries brought about by the AfCFTA, threatening the livelihoods of smaller scale, informal economies and communities, the positive effects of the trade gains will be muted (International Monetary Fund, 2019: 49). This would mean that small-scale local SMEs would likely be the non-beneficiaries, as more established continental suppliers able to produce products at lower costs find it easier to operate in a wider range of markets due to the reduction in tariffs (United Nations Economic Commission for Africa, 2019: 64). The AfCFTA is yet to be tested on formulation of schemes making use of the skills and knowledge possessed by smaller local informal sectors and incorporating or repurposing these stakeholders to benefit from the effects of the Agreement as active participants in RVCs.

Another issue outside of the direct effects of the AfCFTA is the impending loss of low-skilled jobs to automation and the decline in viability of export led growth and industrialisation long championed as a path to development with reference to examples such as the East Asian Tigers, Germany, and China.[42] Therefore, it is important to expand the Agreement to encompass and promote trade in services and incubation of intellectual property, as well as the green economy and its infrastructure, in order to repurpose the continent for the 21st century. Again, the gains brought about by increased trade under the AfCFTA must be effectively re-invested to improve working conditions and avoid the further erosion of wages (Ismail, 2020b). These economic concerns have already produced political impediments to the AfCFTA, such as the aforementioned case of the Nigeria Labour Congress.

While these effects of increased trade openness on working conditions and standards, as well as on wage levels due to increased competition with actors with greater comparative advantage, remain the core concern to be addressed in the AfCFTA, several secondary risks emanate from this. Sectors of the economy exposed to operations with greater comparative advantage will attempt to impose cost cutting measures, both eliminating jobs as well as potentially increasing exposure to environmental degradation practices (United Nations Economic Commission for African, 2019: 79). Being forced to dramatically reduce operating costs due to swift exposure to more efficient markets often leads to environmentally damaging attempts to maintain a chance of operating in the market.

To mitigate these effects, the AfCFTA requires stimulus packages and macroeconomic policy from national governments as well as those coordinated from the AfCFTA management bodies in order to inject liquidity and build capacity to both facilitate trade (such as cross-border infrastructure development), as well as ensuring that sectors are not left behind by the FTA and are encouraged to participate. The likelihood of this is unfortunately difficult to envision given the declining trends in African states' tax-GDP ratios (Figure 12), as well as the pre-existing fiscal deficit and public sector debt levels that preceded the COVID-19 economic and health crises. Therefore, efficient distribution of the gains from trade and FDI direction are supplementary measures that must be undertaken.

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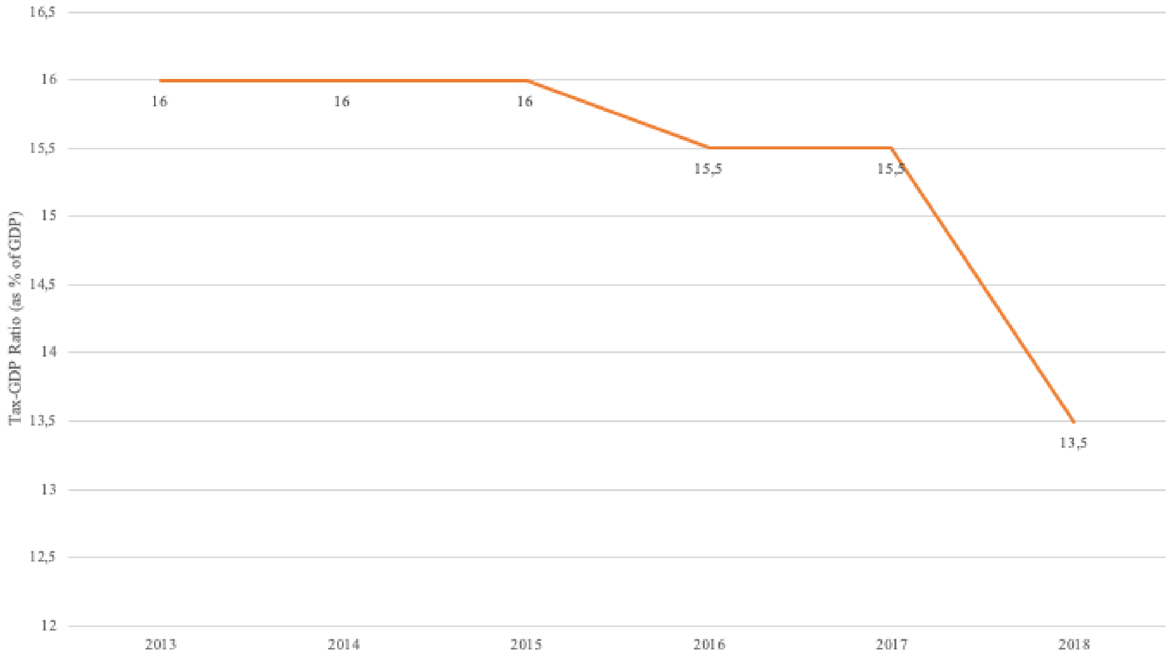
[42] For more on developmental models of export-led growth and discussions of continued viability, see: Chang, H.J. 2002. *Kicking Away the Ladder: Development Strategy in Historical Perspective.* London: Anthem Press.; Evans, P. 1995. *Embedded Autonomy: States and Industrial Transformation.* USA: Princeton University Press.; Edigheji, O. 2010. *Constructing a Democratic Developmental State in South Africa: Potentials and Challenges.* Cape Town: HSRC Press.

Figure 12: Africa's Overall Tax-GDP Ratio Downtrends

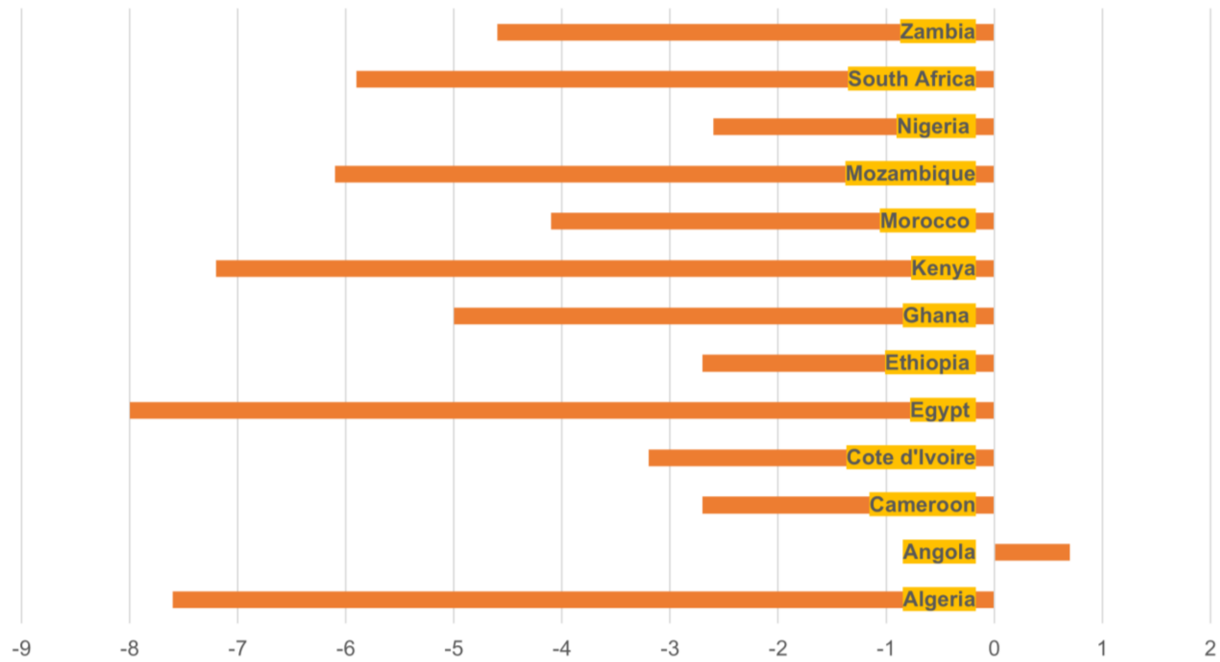


(Author's design, data from: World Bank, 2020a).

The UNECA Executive Secretary, Vera Songwe, expressed this sentiment when commenting on the AfCFTA requiring participating governments to provide increased fiscal support to its implementation by "boosting tax revenues, improving efficiency of public expenditure management, tackling illicit financial flows and making use of private finance for public projects", in order to effectively manage the costs and benefits of the trade agreement (Shaw, 2018: 31). This would mean member states and the AfCFTA Secretariat must collaborate to ensure modern and effective economic policy and oversight instruments in order to most effectively manage AfCFTA trade flows and promote an equitable distribution of gains from the increased trade within a high growth environment (Erasmus, 2019g: 14).

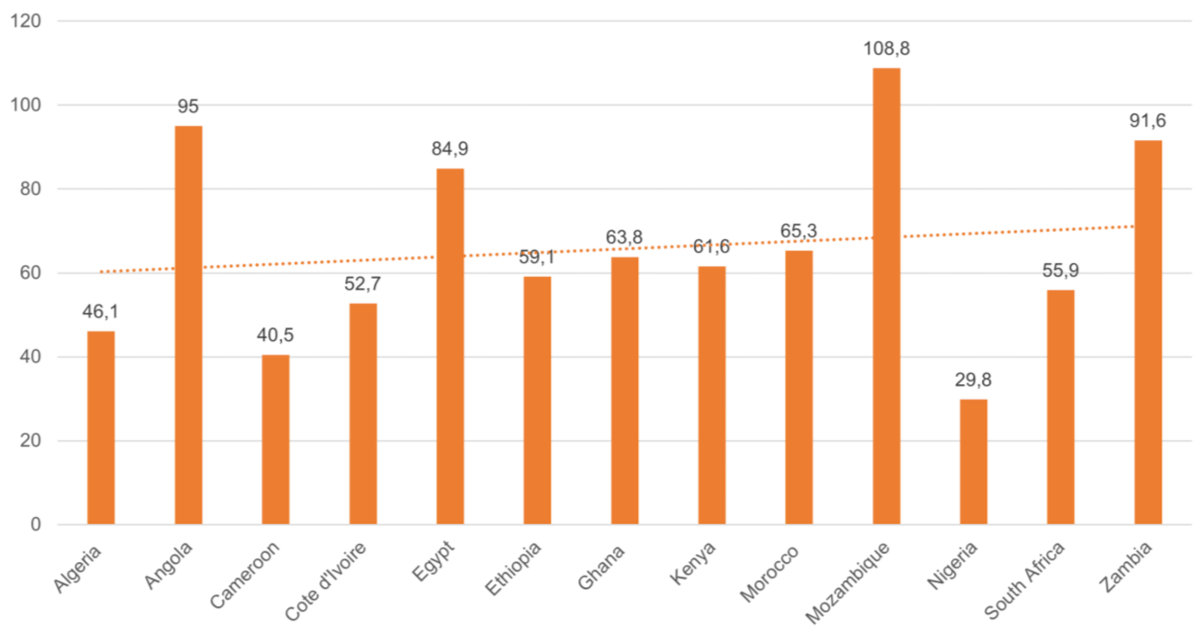
However, African states' fiscal space remains relatively limited, and cannot be sufficient to ensure effective implementation of the AfCFTA (cf. Figures 13(a) and 13(b)).

Figure 13 (a): African States' Overall Weak Macro-Fiscal Position – Fiscal Deficit as a Percentage of GDP, 2019



(Author's design, data from: Organization for Economic Cooperation and Development, 2020)

Figure 13(b): African States' Overall Weak Macro-Fiscal Position – Public Sector Debt as a Percentage of GDP, 2019



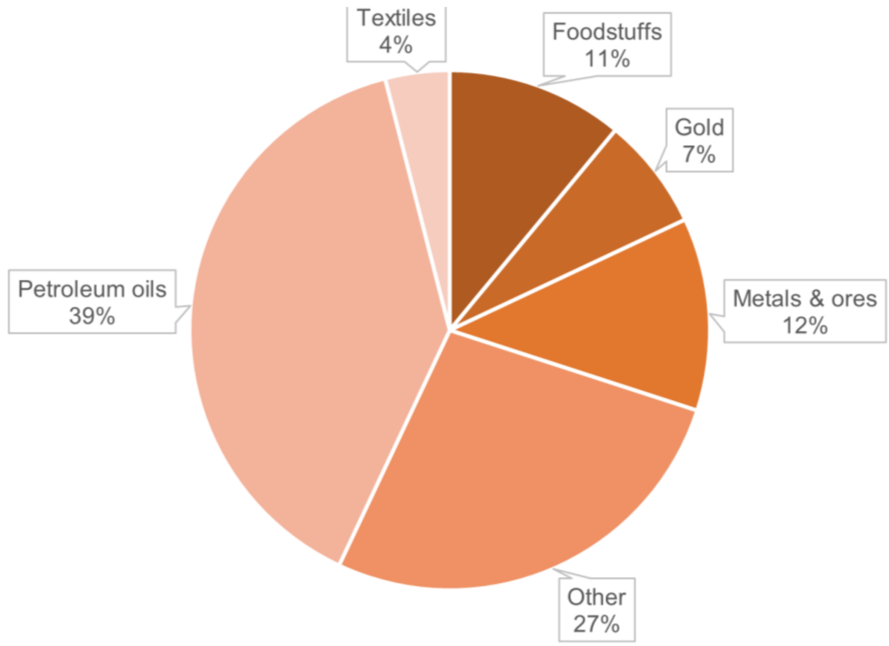
(Author's design, data from: World Bank, 2020a)

In this regard, the AfCFTA needs to be supported by development partners and well-managed PPPs, so as to avoid scenarios of recurrent implementation gaps in policy initiatives. Such concerns have been outlined by the African Capacity Building Foundation, stating that "out of the 51 treaties signed by the AU between 2002 and 2018, only a third had been ratified while 19 had taken five years to reach that stage" (Shaw, 2018: 32). Therefore, the AfCFTA requires the commitment of participating governments in collaboration with civil society in order to develop the necessary capacity and continued momentum to produce "interrelated and interlocking human, institutional and infrastructural dimensions at national, regional and continental levels" to promote its successful implementation (World Bank, 2020e: 42).

A further consideration is the potential for exclusive focus being placed on universal tariff elimination, which excludes the necessary consideration of variances in production capacity and sectors across participants. This would mean that for the most part, the more advanced economies and larger corporates with greater access to capital and productive capacity would be disproportionate beneficiaries from the lowering of tariffs, allowing them access to a larger market (Vanheukelom, Byiers, Bilal & Woolfrey, 2016: 9). Whilst increased competition and improved access to a larger market has been shown to improve overall macroeconomic conditions, realisation of broader welfare gains requires active state intervention, direction, and redistribution, in order to prevent increasing inequality within the AfCFTA.

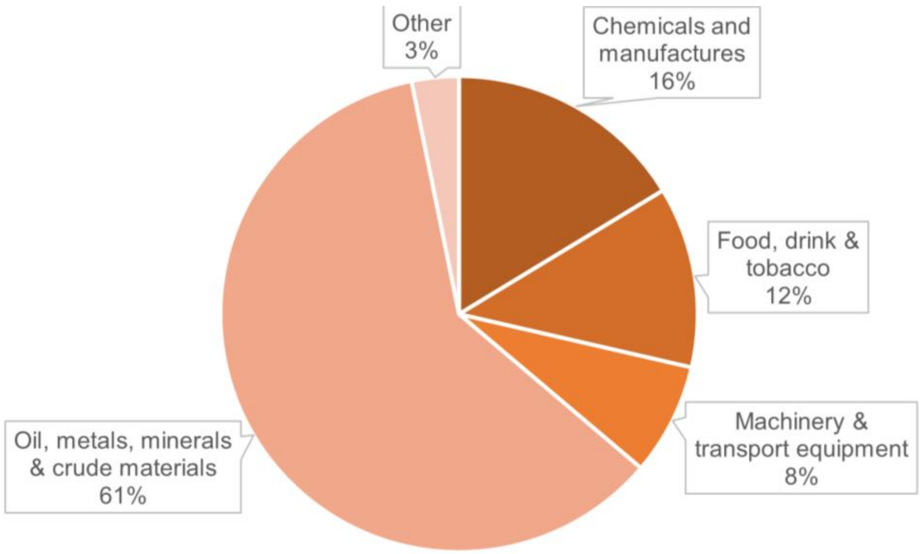
Another related consideration is the homogenous character of participating economies, which may result in demand for traded products being capped at lower-than-expected levels, despite the reduction in trading costs. The content of intra- and extra-African traded goods is shown comparatively in Figures 14(a) – 14(e). Resolving this consideration requires efforts at increasing the complexity of African economies, with initiatives to increase skills and infrastructure in order to produce increasingly value-added goods and services for trade.

Figure 14 (a): Average Composition of Africa's Total Exports, 2016-2018



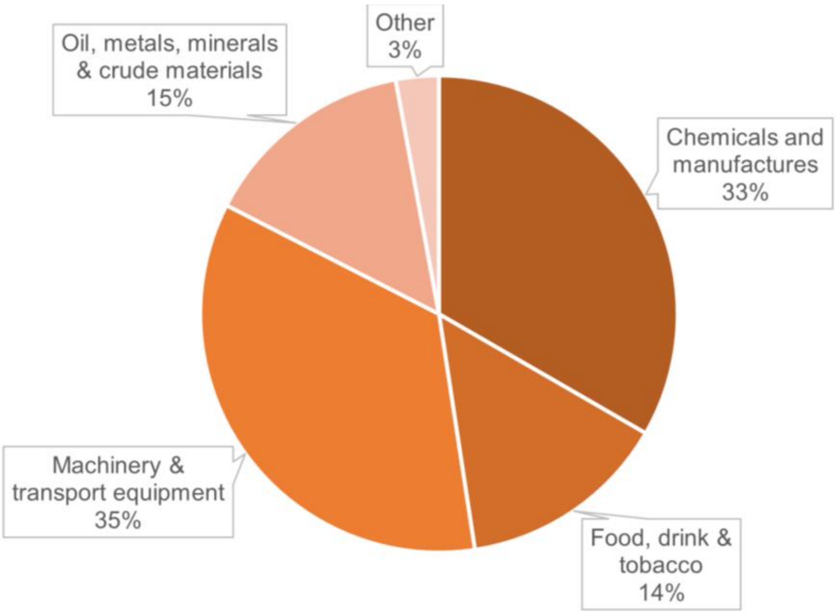
(Author's design, data from United Nations Conference on Trade and Development, 2019: 25)

Figure 14(b): Average Composition of African External Exports, 2000-2017



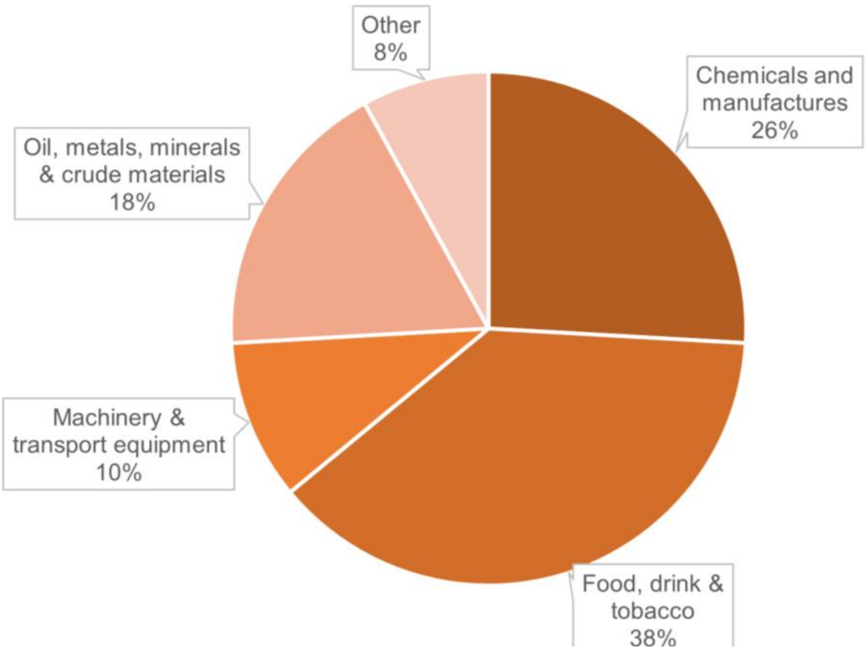
(Author's design, export and import composition data from: United Nations Comtrade, 2020)

Figure 14(c): Average Composition of African External Imports, 2000-2017



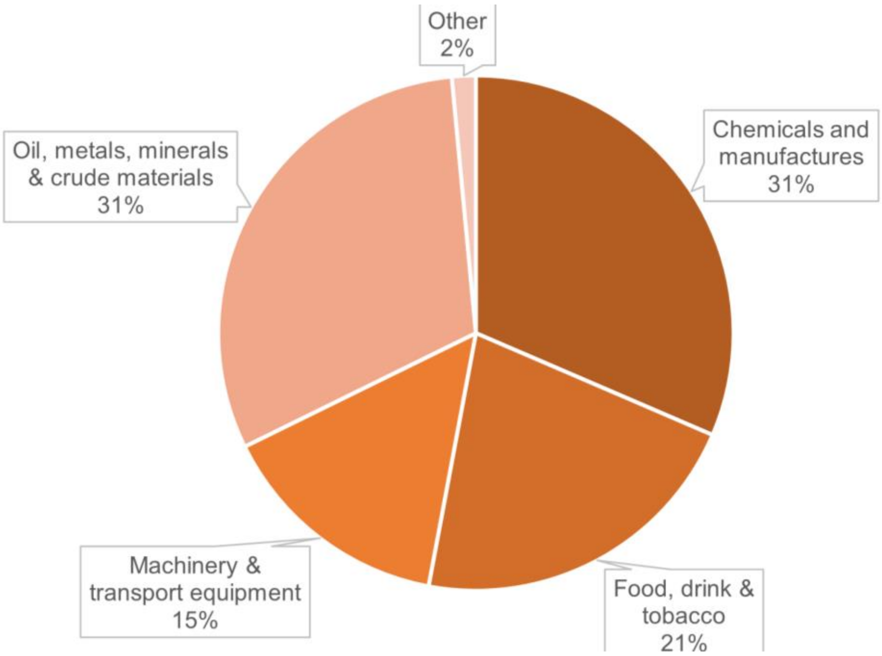
(Author's design, export and import composition data from: United Nations Comtrade, 2020)

Figure 14(d): Average Composition of Intra-African Exports, 2000-2017



(Author's design, export and import composition data from: United Nations Comtrade, 2020)

Figure 14(e): Average Composition of Intra-African Imports, 2000-2017



(Author's design, export and import composition data from: United Nations Comtrade, 2020)

Whilst the productivity gains from removal of both tariff and non-tariff barriers are significantly higher, other non-tariff impediments remain significant hurdles in prospects for swift and successful implementation (Abrego, de Zamaroczy, Gursoy, Nicholls & Perez-Sainz, 2019: 11). Core non-tariff concerns include the ability to align domestic customs procedures and negotiate the TBT provisions of participants, as well as the capital-intensive task of facilitating the trade and transit of goods requiring significant infrastructure development across multiple jurisdictions.

Additionally, consensus on the nature, scope, and length of the provisions in the AfCFTA legislation regarding preferential treatment towards economies, sectors and industries that are at risk because of immediate and/or universal tariff elimination remains a difficult task (Aniche, 2020: 4). For consensus, as well as effective coordination of other aspects of the Agreement, an "efficient and participatory institutional architecture" is required, which remains thus far untested (Chidede, 2019a).

Finally, the underlying economic ideology of the Agreement as a rationale for driving regional integration must account for the African context and differentiate itself from purely market-led integration in order to ensure the AfCFTA is truly effective.

4.4.1. Comparative Advantage: The Case of South Africa's Regional Trade Surplus

Whilst South Africa is no longer the largest African economy, and has experienced anaemic growth rates for successive years, it remains the most diversified and best developed economy, with strong financial regulatory requirements and economic robustness. The AfCFTA has significant prospects for South Africa, as the creation of a larger market allows it to leverage its comparatively superior size and more complex economy to derive value from trade access – potentially at the expense of other actors if adjustment mechanisms insufficiently provide incorporation efforts into RVCs and industrial plans.

4.4.2. Overview of South Africa's Changing Regional Trade Relations

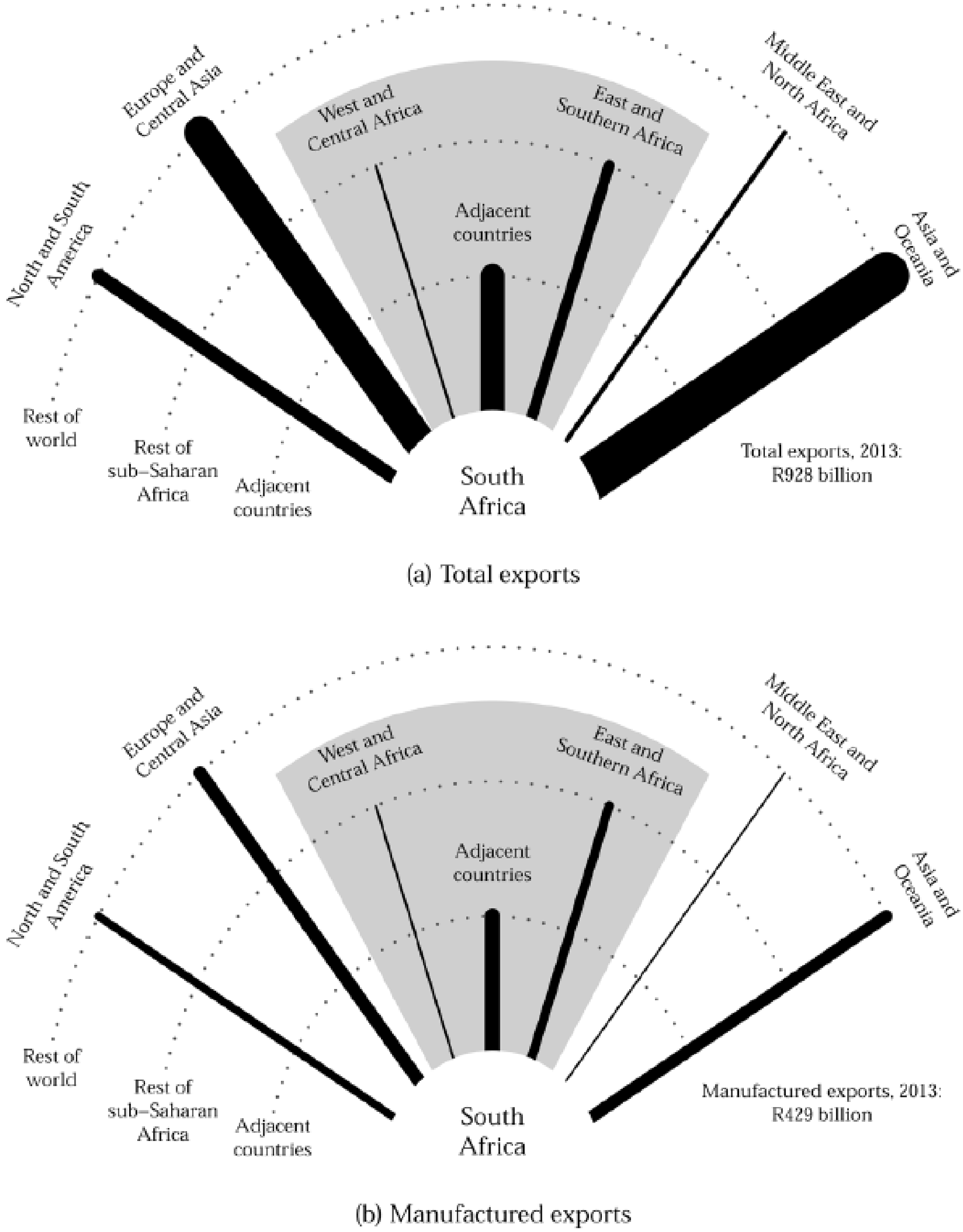
The redefinition of the state-market relationship of post-apartheid South Africa saw a changing political stance of elites towards the rest of Africa. These changes are most evident under the African Renaissance Initiative of President Thabo Mbeki, as South Africa no longer faced isolation from anti-apartheid sanctions measures (Moore, 2014: 373). The Initiative brought together several stakeholders of diverse groups of interest in aligning South African foreign policy both strategically and economically towards expansion into the rest of Africa. This served both foreign policy interests of the state, and the prospects for South African business and industry in expanding access to a wider range of markets where they for the most part enjoyed greater comparative advantage (Alence, 2015b: 285). These accompanied South Africa's foreign policy attempts to forge closer continental relations and roll back its pariah status through intergovernmental trade facilitation.

In South Africa's immediate region, sectoral integration with countries sharing its land borders was significantly enhanced through the various spatial development initiatives of the South African Department of Trade and Industry after 1995. In line with the new perception of the democratic South Africa and the aegis of promotion of good governance under the African Renaissance, a broader foreign policy at wider continental level was also pursued (Adesina, 2006: 14). A core motivation for these initiatives was that they were seen as critical to enhancing the prospects for South African investment attraction and promotion, both at the public and private spheres (Daniel, Naidoo & Naidu, 2003: 398).

4.4.3. Impact on South Africa's Regional and International Trade Strategy

Regional expansions have followed an inverse relationship to South Africa's trade balance with the international economy outside the continent (Akokpari, 2017: 57). South Africa has been able to compensate for its asymmetrical external economic relations by quickly becoming an exporter of large proportions of locally produced capital and goods without comparable trade flows back into the country from the immediate region (Alence, 2015b: 285). This has enabled South Africa to account for its international trade deficit through facilitation of these regional trade relations, which has seen many of its comparatively efficient companies and industries make use of the advantages provided by the quick expansion into the lesser developed African markets (Taylor, 2003: 311). These differing regional and international relationships can be seen in Figure 15 below, which depicts the various destinations for South African low value-added exports and manufactured goods.

Figure 15: Destinations for South African Exports, 2013



(Alence, 2015b: 288)

This environment allows for South Africa to maintain trade surpluses with a high number of its regional trade partners, particularly countries in direct vicinity, sharing land borders[43]. This makes it possible for South Africa to conduct international trade relations from a relatively disadvantaged position, whilst continuing support for domestic manufacturing sector exports, as well as continuing to attract foreign currency reserves (Statistics South Africa, 2014) (Alence 2015b: 285). South Africa is therefore able to import essential manufactured goods from more competitive international sources and for which it lacks its own domestic capacity, while for the most part exporting primary commodities in return (Weeks, 1996: 109). In contrast, South Africa's regional trade relationships are with countries with extractive economies that are similarly reliant on primary resources and commodities, with South Africa benefiting from its position of comparative diversification and possessing one of the most complex economies in the region, and able to offset its international trade deficits by expanding operations of its firms throughout the continent, as well as finding willing markets for its more efficient domestic manufacturing sector (Alence, 2006: 4) (Games, 2004: 16).

In summarising the structures of these trade flows, Alence (2015b: 287) distinguishes them according to varying economic complementarity, as well as the relative proximity of trade partners according to immediate land-border partners, those in the wider continental region, and international partners. In this environment, South Africa has been able to serve as a source of competitive manufactured goods and services to regional actors – despite its comparatively less competitive manufacturing capability at the international level. This is shown by South Africa's extra-continental exports remaining mostly confined to natural resources such as diamonds, gold and platinum, a significant economic deficiency as extractive sectors remain low value-added and vulnerable to commodity volatility (Moore, 2014: 374).

In the opposite direction, imports consist primarily of manufactured goods from industrialised countries, as well as a significant oil dependence, resulting in little being imported from non-industrialised African countries that do not produce oil (Alence & Mattes, 2016: 38). These dynamics have shaped South Africa's trade patterns as a regional economic hegemon and can be expanded to consider the similar effects in other regions across the continent and how the dynamics will be affected by the AfCFTA.

[43] Botswana, Mozambique, Namibia, and Zimbabwe.

As a result, South Africa has been incentivised to improve its post-apartheid political image and trading relations principally with its immediate region, as well as the wider continent. This has concurrently opened access to markets for key domestic private sector industries and facilitated its more dependent trade relations with the rest of the world (Moore, 2014: 380). This has afforded South Africa a degree of economic certainty and flexibility in providing an environment wherein the more the state can promote regional trade, the more easily it is able to continue to sustain its necessary trade deficit with the international economy (Alence, 2015b: 290). This flexibility has undoubtedly been a contributing influence in promoting South Africa's African Renaissance foreign policy: (re)forging closer regional political and economic links, accompanied by investment protection and promotion of principles such as good governance and more transparent market access, have no doubt served dual purposes that have led to their incorporation into regimes such as NEPAD and potentially the AfCFTA (Taylor, 2010: 56).

From this case study it is evident that the structural context within which trade flows take place is strongly influenced by "patterns of economic complementarity and geographic proximity," and enhanced by productive efficiency that is increased through mutually beneficial trade specialisation across RVCs according to comparative advantage (Alence, 2015b: 286) (Bergstrand, 1985: 475). This can be seen in South Africa's management of its regional trade policy. As a net exporter on the continent, particularly in its immediate region, a significant number of South Africa's private sector industries have undertaken expansion efforts by making use of the opportunities provided by regional integration. This has historically been undertaken in a one-sided manner by South Africa, resulting in mixed outcomes in markets where adjustment mechanisms were not in place to manage the trade transition costs. This case study illustrates the one of the important potential downsides resulting from the liberalisation of trade under the AfCFTA, whereby the likelihood of economically complex participants with larger markets gaining disproportionate advantages from the reduction in tariffs. This leaves less economically complex countries with little incentive or ability to trade on equal footing with one another.

Economic challenges regarding the potential asymmetrical gains resulting from the easing of barriers to trade and the resulting increased competitive pressures therefore remain central considerations for the AfCFTA. Without sufficient adjustment mechanisms, downward pressure on wages and increased unemployment in less efficient sectors of the market will result in increased political instability. Moreover, successful realisation of trade gains is contingent on the yet to come full *implementation* of reduced tariffs and removal of NTBs, as well as other factors such as cross-border infrastructure deficits and lack of energy security. The resolution of negotiations on rules of origin and NTB matters relating to the universalisation of trade standards and Sanitary and Phytosanitary Measures (SPS) are further complex challenges.

4.5. Conclusion

This section has analysed the political and economic prospects and challenges facing AfCFTA implementation. Political-legal and political-economic case studies were presented to illustrate the range of trade related challenges that regional integration under the AfCFTA could face.

From the analysis, it is evident that the rationale for regional integration through the AfCFTA needs to address the widespread issues of poverty and unemployment, particularly for youths, by increasing intra-regional trade. Many of these issues stem from countries being isolated from trade routes or landlocked. The AfCFTA's regional integration policy vision can be used to increase access to the larger markets, sources of investment, supply chains, and technology. The AfCFTA is a powerful instrument which can be leveraged to assist African SMEs, along with the political dimension of increasing African integration for economic growth held amongst AU member states. Positive indicators of political will to swiftly implement trade initiatives on the continent, and the flexible nature of the AfCFTA's provisions, bode well for its success.

Economically, tariff reductions will increase market access and information, whilst providing initiatives and mechanisms to better eliminate trade barriers, thereby benefiting businesses on the continent. Successful implementation and monitoring through various AU and AfCFTA Secretariat-aligned bodies would allow for access to new and enlarged markets for the African private sector, whilst facilitating the development of priority industry sectors and managing employment and wage related adjustment costs. This expanded customer base could provide access to new products and services, both materially and through an expansion in knowledge base, facilitating increased investment. This ties into the AfCFTA being leveraged politically to catalyse economic growth, as well as serving as an attractive means for FDI. Increased capital would enhance upward productivity cycles, thereby stimulating overall economic growth. Reductions in input costs will also increase member states' companies' competitiveness, increasing cost-effective production, whilst facilitating more integrated RVCs with the potential for job creation.

The AfCFTA's political momentum and economic potential are accompanied by significant challenges, including reconciliation of the heterogeneous nature of participants' sectors and economies, with wide disparities in size, levels of development, lack of complementarity, as well as export incompatibility. These necessitate further regional coordination on long-term macroeconomic policy and strategic priority sectors.

Where implementation is thwarted by dominant industry actors in regional hegemonies seeking to maintain their monopolistic access to rents, negative political and economic implications are compounded. This may prevent the effectiveness of adjustment programmes required to manage the competitive pressures of trade liberalisation. Emerging and/or traditional economies exposed to large scale business actors with more advanced and developed capacities (as shown in the case study assessing the behaviour of the South African private sector in the region) may experience job losses, along with price competition resulting in losses of sales. Without the concurrent implementation of adjustment mechanisms such as re-skilling and collaborative incorporation of smaller actors into RVCs, challenges such as declining working conditions, increased unemployment, decreasing wages, and other labour market concerns would persist. This requires established actors devolving sovereignty to the regional level under the AfCFTA institutions, whilst remaining active participants in the regional integration process.

The AfCFTA has continued its positive pace of implementation despite the effects of COVID-19 and will contribute to Africa's economic and health recovery from the pandemic through the growth effects it provides, as well as the ability of African states to provide healthcare assistance to one another. However, significant implementation challenges remain. The accommodative preferential treatment and concessions afforded to at-risk AfCFTA participants provide for both a flexible integration process, but the comparatively low threshold and pace of tariff reduction amongst participants, relative to more comprehensive trade agreements, also brings with it a greater difficulty in identifying a timeline where comprehensive uniform implementation of the AfCFTA could be said to be complete, along with the growth effects this entails.

Further formulation and improvement of an efficient and participatory institutional structure surrounding the management and implementation of the AfCFTA is necessary to assist all participants in terms of adjustment, monitoring, as well as on technical matters relating to implementation for its success. More importantly than ever in the wake of COVID-19, trade policy will remain contingent on the effectiveness and strategic value that participants' domestic industrial policies and priority economic sectors can cumulatively contribute to regional integration. These must be strengthened and coordinated across participating AfCFTA countries and RECs, focussing on the improvement of productivity, diversification, and complexity of RVCs, SMEs, as well as the manufacturing and agricultural sectors in particular. Overall economic gains cannot be pursued at the expense of environmental destruction and increasing burdens on adverse working conditions and inequality. Therefore, the AfCFTA organs need to seek to inspire healthy competition in coordination with labour union stakeholders, civil society, and environmental agencies across the continent to ensure the sustainability of trade in Africa.

The speed of ratification of the AfCFTA is unprecedented in terms of the size of the trade agreement, as well as when considering the poor track record of the history of African regional integration. This signals a recognition of the need to leverage the size of the continent in terms of its current economic size and growth potential, as well as the region being one of the few with dynamic population growth potential. Moreover, a continental market will allow the currently fragmented member states to leverage economies of scale and investment required for increased industrial growth. These macro level considerations are in addition to other structural deficiencies that can be remedied through easing regional trade.

The positive changes that the AfCFTA will bring to the domestic trade environment in Africa will have significant implications in terms of remedying continental under-investment, through attraction of both international and intra-African investment. Above the attractive yield potentials presented by high economic growth initiatives formalised by the AfCFTA, qualification for preferential trade benefits under the AfCFTA is contingent on international investors ensuring that the productive processes their investment is involved in qualifies for sufficient value-addition within an AfCFTA member state. Therefore, by formalising and institutionalising these rules of origin, the AfCFTA can be leveraged to be a significant attractor of FDI.

Negative challenges for the AfCFTA are founded on the scope and nature of future implementation of the AfCFTA and its partner initiatives. If sufficient cooperation, capacity, and management of the schemes is maintained, the significant prospects outlined by the Agreement will remain broadly attainable.

Conclusion

The AfCFTA presents many opportunities through its implementation. However, the prospects of potential economic gains must be considered in relation to existing and potential challenges. With the aim of bringing 54 of the AU members together through an FTA, resulting in a market with an overall population of over one billion people and total GDP of over $3 trillion, it was scheduled to come into effect in June 2020, but was delayed to 2021 due to COVID-19, with trade commencing for the 34 countries which have deposited the necessary instruments of ratification thus far.[44]

The AfCFTA's core intention is to boost comparatively low levels of intra-regional trade through the reduction of tariffs, thereby serving as a foundation for future deeper regional integration. This allows companies to expand and enter new markets on the continent – an attractive mechanism for increasing FDI. Through creation of the single market, the AfCFTA aims to stimulate future economic growth, increase employment, and diversify participating economies through creation of RVCs, whilst increasing political cooperation at the intergovernmental and supranational level.

Successful implementation of these economic and political prospects is accompanied by significant challenges, and these formed the core research question analysed in this dissertation. The analysis demonstrated the potential presented by the continued successful implementation trajectory of the AfCFTA and its partner initiatives in leveraging Africa's abundant resources and dynamic population for growth through regional integration. Political will and momentum, as well as stakeholder buy in are positive signs, with the need for sustainable growth and increased need for bargaining power in the international trading system seemingly trumping historic impediments to regional integration in Africa.

The analysis was situated within the wider resurgence of RTAs as pathways to development, as well as regional integration's theoretical ties to the state-market relationships analysed within the field of IPE. An overview of the concepts, literature, and theoretical traditions relevant to the field, as well as historical developments of theoretical perspectives, formed the

[44] As of December 2020.

starting point. The AfCFTA was placed within the broader existing literature on regions and regional integration in order to discuss the development and applicability of concepts and theories of regional integration drawn from the experience of the EU, and to place the analysis within the wider study of regional integration literature. This was followed by an overview of the recent history of African regional integration in terms of rationale, objectives, and achievements progressing up to the establishment of the AfCFTA. This provided a standpoint from which to assess the AfCFTA's legal architecture and core principles in relation to wider African macroeconomic and political conditions in order to explicate the core prospects and challenges. From this foundation, analysis of the research question was undertaken through a policy analysis of the political and economic prospects and challenges for the successful realisation of the AfCFTA and its future initiatives.

The analysis evidenced that the *scale* of the AfCFTA presents the greatest immediate challenges to success. Challenges in this regard relate to important specificities of implementation, particularly the ability of state parties to sustain and draw on sufficient capacity to do so. Further concerns relate to distributional issues and matters of sovereignty that may be threatened by regional integration, provoking backlash. If the AfCFTA can ensure equitable growth by balancing the roles of state and market in integration, significant prospects can be identified for the region. Moreover, should successful implementation measures continue to be followed, the significant levels of cooperation would prove highly encouraging for further regional integration prospects. Political and economic prospects and challenges were also discussed in relation to the AfCFTA's institutional structure, legal framework, and potential operating environment, within broader macroeconomic and political conditions.

The AfCFTA provides a useful framework for buffering the negative effects of neoliberalism on the African political and economic environment. In its provision of constructive protective measures against the external trade environment, the AfCFTA joins several progressive regional legislative and policy frameworks across Africa. What will differentiate the AfCFTA, apart from its scale, will be the *form* taken by implementation efforts. The initial signs are positive and are apparent in the significant political momentum enjoyed by the AfCFTA.

Successful realisation of the AfCFTA remains contingent on this continued implementation trajectory, as well as confrontation of entrenched gatekeeping interests of elites in member states' political and economic sectors of power. The political and economic processes of successful regionalism will necessitate more equitable reallocation of this power to stakeholders at various regional levels. A strong impediment to successful regional integration has been the gatekeeping interests centred around extractive industries and control of rents provided by the export of low value-added commodities. The prospects for the development of specialised markets, increasing comparative advantage, as well as embedding RVCs and political cooperation within Africa presented by the AfCFTA for the promotion of sustainable and equitable growth in response to the cumulative effects of colonialism, unchecked neoliberalism, and most recently COVID-19, are contingent on this trajectory continuing.

The provisions made by the AfCFTA legal text for the promotion of protection of vulnerable communities and industries within the AfCFTA institutional structure is a critical factor to success, and to counter the entrenched interests of elites within countries that have prevented the development of deeper and sustainable regionalism to this point.[45] This is of particular importance in the current fractious nature of the global political economy, which is characterised by antagonistic trade relations and the destructive health and economic effects of COVID-19. African states enter this environment bearing the cumulative burdens of colonialism, SAPs and broader unchecked neoliberalism and capital flows – an unstable environment characterised by corruption, mismanagement, and rampant inequality. Through the establishment of a strong foundation for future sustainable regional integration, as well as the cooperative nature by which the AfCFTA promotes sustainable trade, strong prospects for regional integration can be outlined.

Another important consideration relevant to the prospects and challenges of the AfCFTA is its impact on relations with external traders, and this may be a useful focus for future studies. Despite the AfCFTA being an African initiative, it cannot be isolated from the wider context of international trade. For this reason, future research on Africa's external partner relations, particularly with the EU through EPAs, is recommended.[46] Undertaking an initiative as significant as the AfCFTA, premised on rules-based liberalisation of trade, is highly attractive to the EU, which may serve as a source of significant investment in the venture. It is also likely that the EU will remain a large trading partner in concert with the AfCFTA.

[45] For more on how domestic inequalities shape trade wars and harm workers globally, see: Klein, M.C. & Pettis, M. 2020. *Trade Wars are Class Wars: How Rising Inequality Distorts the Global Economy and Threatens International Peace.* USA: Yale University Press.

[46] For examples on existing studies, see: Akokpari, J. 2017. The European Union and Africa: The Political Economy of an Asymmetrical Partnership. In *The ACP Group and the EU Development Partnership: Beyond the North-South Debate.* A. Montoute & K. Virat, Eds. Cham: Palgrave Macmillan. 55-78.
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The analysis demonstrated that the challenge of the poor complementarity of Africa's economies remains, despite the reduction in trading costs brought about by the AfCFTA. The AfCFTA will not create markets within Africa on its own, and for this reason study of Africa's external relations in this context provides the next logical step in research on the subject. However, the foremost consideration for future research on the subject remains the concern of implementation and distribution. African countries are good at making resolutions but lack a track record in implementation. This remains the key to unlocking the substantial benefits presented by the AfCFTA initiative.

From the overall analysis, pathways to the numerous potential prospects of the AfCFTA were identified, and potential detractors and impediments to this process were outlined in the hope of providing guidelines for improving policy implementation under the AfCFTA. This has also provided a means of enriching the literature surrounding regions and regional integration theory, with a view to contributing to improved generalisability of theories of regional integration, as well as increasing their benefit and applicability to Africa.

The political and economic aspects vital to sustaining regional integration were outlined as a means to realising a successful form of the AfCFTA for broad based stakeholder benefit. It is evident that both political and economic integration concerns need to be incorporated into the implementation of the AfCFTA, to prevent policy that is undermined by concerns of threats to sovereignty or resource access. The overall policy determinations of this paper have therefore presented suggestions for value-addition both to the AfCFTA, as well as the implications for broader theory of regional integration. By highlighting the importance of regional integration that is inclusive, developmentally focussed, and affording equal importance to political and economic elements as drivers of regionalism, it is hoped that the findings can contribute to an AfCFTA and theories of regional integration that are more equitable and sustainable, and realise the potential long presented by regionalism in Africa.

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