TRADE & INDUSTRIAL POLICY STRATEGIES

WORKING PAPER

A ‘DEVELOPMENTAL REGIONALISM’ APPROACH TO THE AfCFTA

In celebration of the 90th birthday of

Chief Olu Akinkugbe CFR CON

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Trade & Industrial Policy Strategies (TIPS) is a research organisation that facilitates policy development and dialogue across three focus areas: trade and industrial policy, inequality and economic inclusion, and sustainable growth

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DEDICATION

Five years ago, the Centre for Comparative Law in Africa (CCLA) at the Law Faculty of the University of Cape Town became the beneficiary of the **Olu Akinkugbe Business Law in Africa Fellowship**, an annual visiting fellowship of six to eight weeks. The fellowship supports short-term visits by two law academics from African universities to research an aspect of business law for a paper in a peer-reviewed academic journal or book. More than 15 African Fellows have benefitted from this endowment thus far. This visionary contribution to African integration was made possible by a generous endowment by Chief Olu Akinkugbe. On the 5th of December 2018, Chief Olu Akinkugbe will celebrate his 90th birthday. This paper is written in celebration of this significant contribution.

CONTENTS

ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGA	African Governance Architecture
AIDA	Action Plan for Accelerated Industrial Development of Africa
APRM	African Peer Review Mechanism
APSA	African Peace and Security Agenda
ASF	African Standby Force
AU	African Union
BIAT	Boosting Intra-African Trade
CEN-SAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
CSR	Corporate Social Responsibility
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOSOCC	Economic, Social and Cultural Council
ECOWAS	Economic Community of West African States
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross National Product
GVCs	Global Value Chains
IGAD	Intergovernmental Authority on Development
LDCs	Least Developed Countries
LLDCs	Land Locked Developing Countries
MFN	Most Favoured Nation
NEPAD	New Partnership for Economic Development
OAU	Organisation of African Unity
PAP	Pan-African Parliament
PIDA	Programme for Infrastructure Development in Africa
PSC	Peace and Security Council
RECs	Regional Economic Communities
SMEs	Small and Medium-sized Enterprises
SADC	Southern African Development Community
SIDs	SIDS
SVEs	Small, Vulnerable Economies
TFTA	Tri-Partite Free Trade Agreement
TNCs	Transnational Corporations
UMA	Arab Maghreb Union
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organization

1 INTRODUCTION

The African Continental Free Trade Area (AfCFTA) was launched on 21 March 2018 at a Summit of the African Union, held in Kigali, Rwanda, and declared by President Paul Kagame as “historic”. With the signing of the AfCFTA in March 2018, the African continent has begun to accelerate its momentum towards regional integration. This historic event was preceded by the signing of the Tri-Partite Free Trade Agreement (TFTA) - between the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) - at Sharm-el-Sheikh, Egypt, on 10 June 2015, and the launching of the CFTA negotiations a week later, in South Africa, on 15 June 2015, that had set in motion a new phase in Africa’s integration process.

It was also during this period (2015) that the African Union (AU) launched its own 50-year vision, on the occasion of the 50th anniversary of the Organisation of African Unity (OAU), referred to as Agenda 2063 (AU, 2015). This document, also titled, *The Africa We Want*, called for “a prosperous Africa based on inclusive growth and sustainable development” as the first of seven aspirations. Its second aspiration is for an “integrated continent, politically united, based on the ideals of Pan-Africanism and the vision of Africa’s Renaissance”. This second aspiration is elaborated further by the statement that “Africa shall be a continent where the free movement of people, capital, goods and services will result in significant increases in trade and investments amongst African countries…”. Agenda 2063 has also called for the fast-tracking of the AfCFTA negotiations.

The decision to fast-track the adoption of the AfCFTA was taken earlier by the Heads of State in their meeting held in January 2012 (AU and ECA, 2012). Together with this decision the African Leaders also adopted an Action Plan for Boosting Intra-African Trade (BIAT) with seven clusters including trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information and factor markets (UNECA, 2012). By adopting the Action Plan for BIAT at the same Summit as the AfCFTA, the leaders recognised that trade integration alone will not solve Africa’s development challenges. The BIAT Action Plan refers to, and incorporates, the Action Plan for Accelerated Industrial Development of Africa (AIDA) and the Programme for Infrastructure Development in Africa (PIDA, 2012). Thus African leaders envisaged that the AfCFTA would be implemented together with the BIAT, AIDA and the PIDA.

It is an opportune moment for African policymakers to ask a few pertinent questions. How can the AfCFTA advance inclusive growth and economic development of the African continent? How can the AfCFTA benefit *all* African countries? How can the AfCFTA lead to economic transformative and industrialisation of the continent? How can the AfCFTA also catalyse and advance the building and strengthening of democracy, good governance and peace and security in Africa?

To address these concerns, the most recent *Assessing Regional Integration in Africa* report has placed "developmental regionalism at the centre of its strategy for growth and structural transformation" (UNECA, AU and AfDB, 2017: p.12). Thus, much store is placed on the implementation of the AfCFTA to increase intra-regional trade, increase inclusive and sustainable growth and reduce poverty in Africa (AU, 2015). African leaders have also recognised that significant improvements in poverty reduction and sustainable development will not be possible without advances in good governance, democracy and peace and security. They therefore ensured that when they adopted the New Partnership for Economic Development (NEPAD) in July 2001, in Lusaka, they stated in their declaration that, "we believe that poverty can only be effectively tackled through the promotion of democracy, good governance, peace and security" (NEPAD, 2001). Since the adoption of the NEPAD programme of work, significant progress has been made by African countries to deepen regional integration and build a stable and peaceful Africa.

This paper argues that adopting a "developmental regionalism" approach to trade integration provides the best prospects for the AfCFTA to catalyse the process of transformative industrial development, cross-border investment and democracy, governance, peace and security in Africa. This paper also discusses the progress being made by African countries and the continent in implementing each of the four pillars of the "developmental regionalism" approach to implementation of AfCFTA) that benefits *all* African countries and advances the objectives of NEPAD, and Agenda 2063.

This paper is organised as follows:

Section Two: History of regional integration in Africa: from Pan-Africanism to the AfCFTA.

Section Three: Theory and Norms – the case for "developmental regionalism".

Section Four: Four pillars of developmental regionalism: a) Fair trade integration; b) Cooperation on transformative industrialisation; c) Cooperation on cross-border infrastructure investment (and trade facilitation); and d) Cooperation on democracy, good governance and peace and security.

Section Five: Conclusion.

2. HISTORY OF REGIONAL INTEGRATION IN AFRICA: FROM PAN-AFRICANISM TO THE AfCFTA

The launch of the Continental Free Trade Area (AfCFTA) on 21 March 2018, at the Summit of African Leaders, was declared an "historic" event by President Kagame (see Introduction). Seen from the long lens of history, this was indeed a historic event. It was the most ambitious expression yet of the dream and vision of Pan-African leaders such as Kwame Nkrumah, Jomo Kenyatta, W.E.B. Du Bois, George Padmore, Leopold Senghor and others who had begun the long journey towards African unity and integration since the decolonisation and independence of African States since the late 1950s (Mkandawire, 2005). Pan-Africanism has been argued to have passed through three main phases: a) the first phase reflecting the Pan-African Congresses that were held between 1900 and 1945; b) the second phase begins with the creation of the OAU in May 1963; and c) the third phase is stated to have started with the creation of the African Union in 2002 (Mathews, 2018).

The formation of the OAU in 1964, formed by independent African states reignited the vision of regional integration. However, it was only in the early 1980s that the vision of regional integration was to be given substantive meaning and programmatic direction by the first executive secretary of the Economic Commission of Africa, Adedeji Adebayo (Adebayo, 2014). His influential leadership led to the launch of the Lagos Charter in 1975 and the Lagos Plan of Action in 1980. The OAU Heads of State adopted the Lagos Plan of Action that called for the integration of the continent based on "self-reliance, endogenous development and industrialization" of Africa. While Adedeji's vision was based on the concept of "developmental regionalism" the Lagos Plan of Action has been criticised for not having a detailed implementation strategy (Bach, 2016).

It took 10 more years (June 1991) for the OAU to address this gap in its regional integration strategy by adopting the Abuja Treaty. The African Economic Community formed under the Abuja Treaty came into force in 1994 (Mutasa, 2018). The treaty set out a step-by-step approach to regional integration in Africa with the creation of the Regional Economic Communities (RECs) and setting out a path for the creation of an African Economic Community by 2028. The treaty envisaged six stages or steps in the process of integration. The first step in this pathway was the creation of Free Trade Areas (FTAs) in each region followed by customs unions, common markets and monetary unions. By the early 2000s eight significant RECs were advancing the process of regional integration within each region.

- Southern African Development Community (SADC);
- East African Community (EAC);
- Common Market for Eastern and Southern Africa (COMESA);

- Economic Community of West African States (ECOWAS);
- Economic Community of Central African States (ECCAS);
- Intergovernmental Authority on Development (IGAD);
- Arab Maghreb Union (UMA);
- Community of Sahel-Saharan States (CEN-SAD)

Notwithstanding the many efforts made by African leaders in the 1980s and 1990s, the process of African integration has been slow and uneven across the continent due to the many challenges of low growth, high levels of debt, political instability and overlapping regional arrangements (Adedeji, 2002).

By the early 2000s Africa's RECs were beginning to overlap, creating a so-called "spaghetti bowl" of overlapping regional arrangements. Some countries were members of more than one REC and had committed to joining more than one Customs Union – which, by definition, was impossible to achieve. To break the impasse in the regional integration process and to provide momentum to the process of regional, ministers of trade and industry of the three RECs (SADC, EAC and COMESA) led the process of building a Free Trade Agreement (FTA) between all three RECs (Bach, 2016). In June 2011, Heads of State of the SADC, EAC and COMESA launched the Tri-Partite Free Trade Agreement (TFTA) negotiations at a Summit in Johannesburg (Vickers, 2015). Ministers of the three RECs had been preparing for this tri-partite arrangement since 2008.

In January 2012, in a paper titled *Boosting Intra-Africa Trade. Issues affecting Intra-Africa Trade, Proposed Action Plan for boosting Intra-Africa Trade and Framework for Fast Tracking of a Continental Free Trade Area*, the Economic Commission for Africa made a strong case for a Continental Free Trade Area negotiation to be launched by the African Union. The paper lamented the fact that over the past decade only about 10-12 percent of Africa's trade took place with other African countries. It argued for enhanced efforts to boost intra-African trade, the building of regional value chains, and diversification of Africa's economies (AU, 2012).

The TFTA agreement between SADC, COMESA and the EAC was signed at Sharm el Sheikh, Egypt on 10 June 2015 by representatives of most of the 26 member states, representing a combined population of more than 600 million people and gross national product (GDP) of US$1 trillion dollars (Vickers, 2015). The Sharm el Sheikh Declaration launching the TFTA reaffirmed the "developmental integration approach built on the three pillars of industrial development, infrastructure development and market integration" (Luke and Mabuza, 2016). While a legal text has been agreed on tariff liberalisation, disciplines on non-tariff barriers to trade, rules of origin, trade remedies and dispute settlement, among other issues, the negotiations on tariff offers are still ongoing as part of the built-in agenda.

Phase II of the negotiations provides a timeframe of 24 months to conclude the negotiations on trade in services, competition policy, intellectual property rights, movement of business persons and other trade-related matters (Luke and Mabuza, 2016).

The African Union Heads of State, meeting in Johannesburg on 15 June 2015, launched the negotiations towards a Continental Free Trade Area (AfCFTA). They directed that the AfCFTA negotiations should run in parallel with the TFTA II phase negotiations. The scope of the AfCFTA negotiations were to include trade in goods, services, investment, intellectual property rights, and competition policy (Luke and Mabuza, 2016). The negotiations on the AfCFTA began in earnest in early 2016, at the level of technical working groups, senior officials and Ministers. In July 2016 the Heads of State of the AU decided to fast-track the AfCFTA negotiations and create a High Level Panel to oversee these.

The AfCFTA was launched on 21 March 2018 at a Summit of the African Union held in Kigali, Rwanda. President Paul Kagame stated that: “With the signing of the historic agreement a new chapter in the story of African Unity is set to begin.” South Africa and Nigeria were not ready to sign the agreement in Kigali. According to the press statement issued after the 31st AU Summit held in Nouakchott, Mauritania (from 25 June to 2 July 2018), South Africa, Namibia, Burundi, Lesotho, and Sierra Leone signed the agreement increasing the number of signatories to 49 countries. Nigeria was still unable to sign as consultations were still taking place with domestic stakeholders.

Phase I of the AfCFTA negotiations were mostly concluded by the time of the Mauritania Summit. The major documents agreed in this phase include an Agreement establishing the AfCFTA (referred in this paper as the “framework agreement”) plus three Protocols, including; the Protocol on Trade in Goods; the Protocol on Trade in Services; and the Protocol on the Rules and Procedures on the Settlement of Disputes. The Protocol on Trade in Goods has nine annexes, listed below:

Protocol on Trade in Goods: Annexes

ANNEX 1	SCHEDULES OF TARIFF CONCESSIONS
ANNEX 2	RULES OF ORIGIN
ANNEX 3	CUSTOMS CO-OPERATION
ANNEX 4	TRADE FACILITATION
ANNEX 5	NON-TARIFF BARRIERS
ANNEX 6	TECHNICAL BARRIERS TO TRADE
ANNEX 7	SANITARY AND PHYTOSANITARY MEASURES
ANNEX 8	TRANSIT
ANNEX 9	TRADE REMEDIES

These agreements will come into force after 22 of the members of the African Union have ratified the Agreement (deposited the instrument of ratification). The agreements form the first phase of the negotiations. This phase includes the negotiations on the tariff phase down and the exchange of offers on services trade.

The modalities for liberalisation in the Protocol on Goods envisages a five-year liberalisation phase down period for Non-Least Developed Countries (LDCs) and 10-year liberalisation phase down period for LDCs. The modalities allow for a total of 10 percent of tariff lines to be either excluded or declared to be sensitive products. In the case of Non-LDCs, the liberalisation phase down period for these tariff lines is 10 years while LDCs are allowed 13 years. The percentage of lines for each category is still to be negotiated. The Mauritania Summit of the AU also adopted the five services priority sectors – Transport, Communication, Finance, Tourism and Business Services – for the member states to begin making requests and offers on as they advance on the Services negotiations.

Phase II of the AfCFTA negotiations will include the issues of Investment, Competition and Intellectual Property Rights.

Member states will begin to negotiate Protocols/Agreements on each of these issues that will become part of the AfCFTA. The senior officials will thus be negotiating detailed tariff reductions on goods trade. They will also request and submit offers to other African countries on services liberalisation. In parallel with this process of detailed technical negotiations on trade liberalisation, African countries will negotiate and develop the architecture of the agreements on investment, competition and intellectual property rights in the last quarter of 2018 and in the course of 2019. This is a very tight timeframe which is most likely to be extended.

3. THEORY AND NORMS – THE CASE FOR A ‘DEVELOPMENTAL REGIONALISM’ APPROACH TO THE AfCFTA

Regional integration and indeed the process of globalisation and “free trade” have become major topics of political debate and controversy, across the world, expressed in Trump’s “America First” trade policies and Britain’s “Brexit”. It is thus useful to revisit the basic objectives and purpose of freer trade and regional integration. This theoretical section will thus reassert the need for norms and values to guide the African trade negotiators, critique the basic theory of “free trade”, and make the case for a “developmental regionalism” approach, that is based on four interconnected pillars that include trade integration, industrial transformation, cross-border infrastructure and democracy, governance, peace and security.

3.1 The debate about free trade and regional integration

African countries have made considerable progress in increasing intra-regional trade, rising from a mere 10 percent in 1995 to 18 percent in 2014 (WTO, 2015). This increase is still low compared to other regions. Intra-regional trade accounts for 70 percent of the European Union’s total trade. For North America, intra-regional accounted for 50 percent of its exports and in Asia just over half its exports were within Asia (52 percent) in 2014 (WTO, 2015).

Several studies undertaken by UNECA economic researchers predict that the AfCFTA has the potential to increase growth, raise welfare and stimulate industrial development on the continent (Karingi and Davis, 2016). However, there are also concerns that some countries, particularly the smaller and more vulnerable economies, may experience the negative impacts of premature liberalisation and fiscal revenue losses.

In a critical appraisal of the European integration project, including the Euro, Joseph Stiglitz, reminds us that, “the objective of the founding fathers of regional integration in Europe (or in Africa) was not *more trade* but increased social and economic development (Stiglitz, 2016: p. xix). However, he argues, “means have become ends in themselves: the ultimate objectives have been undermined. Europe has lost its compass.” (Stiglitz, 2016: p. xix). Stiglitz argues, that “most policies have ambiguous effects: some individuals are made better off, others are worse off. With sufficient political integration, some of the gains of the winners can be transferred to the losers, so that all are made better off, or at least no one is much worse off. With sufficient political integration, those who lose in one policy reform can have the confidence that in the next they will win, and thus in the long run, all will be better off.” (Stiglitz, 2016: p.52). He argues that, “for reforms to work, there have to be common understandings of what makes for a successful economy and a minimal level of ‘solidarity’ or social cohesion, where countries that are in a strong position help those that are in need” (Stiglitz, 2016: p. 22). This principle of “solidarity” is similar to the African concept of

Ubuntu ("humanity towards others") that was projected by earlier African leaders in the idealism of Pan-Africanism (Mazrui, 2005).

The experience of Europe on regional integration that has led to a right-wing populism – the withdrawal of the United Kingdom from Europe (BREXIT) and the sceptism and suspicion of European Leaders – in Southern European Countries (Greece, Spain, Portugal and Ireland) and Northern European Countries, such as Netherlands and France – raises several questions? What is required for globalisation to succeed? What are the benefits and costs, and who receives those benefits? Who bears the costs? Stiglitz argues that the successes and failures of Europe are seen as lessons for both regional integration and globalisation (Stiglitz, 2016: p.51).

3.2 A 'developmental regionalism' approach to the AfCFTA

The traditional approach to regional integration followed the linear approach to regional integration enunciated by David Viner in the 1950s (Viner, 1950). Viner, who was a disciple of the comparative approach of trade theorised by David Ricardo, argued that adopting an approach to trade integration that was "trade creating" and not "trade diverting" would offer greater welfare gains from trade liberalisation. He suggested a linear and sequential approach that would first see countries adopting free trade areas, then customs unions, and then common markets. The comparative advantage theory of David Ricardo has been critiqued on conceptual and theoretical grounds (Stiglitz and Charlton, 2005) ethical grounds (Reinert, 2007) and historical grounds (Chang, 2002) and will not be discussed further in this paper.

In his overview of regional integration processes around the world, Pascal Lamy observes that "the regional integration landscape today is extremely diverse" and does not follow the linear approach of Viner (Lamy, 2010). The linear approach to regional integration has been critiqued by several writers, as being inadequate and not appropriate for the development conditions of African countries (Davies, 1996; UNCTAD, 2013). Instead Davies has proposed a "development integration" approach, which argues that "development integration stressed the need for both macro and micro co-ordination in a multi-sectoral programme embracing production, infrastructure and trade". In addition, Davies argued that, to compensate the least developed countries in a regional integration project that ensured a more equitable balance of the benefits of regional integration, trade integration would need to be complemented by regional industrial development. The United Nations Conference on Trade and Development (UNCTAD) has also been a proponent of this approach and in its 2013 report argued that African countries should adopt an approach to regional integration referred to as "developmental regionalism" (UNCTAD, 2013). Developmental regionalism is defined as "cooperation among countries in a broader range of areas than just trade and trade facilitation, to include – for example – investment, research and development, as well as policies aimed at accelerating regional industrial development and regional infrastructure provision, such as the building of better networks of roads and railway” (UNCTAD, 2013). In its 2017 *Assessment of Regional Integration Report* (ARIA VIII), the UNECA also make the case for a comprehensive approach to the implementation of the AfCFTA. The report argues that “at the heart of the AfCFTA is a developmental approach that recognizes the need for trade liberalization to proceed, and at the same time, address supply capacities and promote structural transformation” (UNECA, AU and AfDB, 2017: p.12).

Said Adejumobi and Zebulun Kreiter (2016) review the literature on developmental regionalism and offer a concept of “developmental regionalism” that includes six key features. These features include: i) a strong institutional architecture and capacity to drive the regional integration agenda; ii) a clear articulation of goals, objectives, essence, nature, and direction of the regional integration project, and the benefits of regional integration as a mechanism for facilitating regional development; iii) ensuring peace and security as a composite and foundation of a regional integration agenda; iv) evolving complementary and symmetrical benefits for all member states involved in the regional development project; v) articulation of regional public goods and development priorities necessary for facilitating economic transformation in the region including on infrastructure, trade, agriculture and food security, private sector development and industrialization; and vi) evolving a bond of common regional citizenship and identity necessary for regional human capital mobilisation.

Drawing on the discussion above it is possible to distinguish between the concepts of “development integration” (Davies, 1996) that is not as comprehensive as the concept of ‘developmental regionalism’ as conceptualised by Adejumobi and Kreiter (2016). The concept of “development integration” and “developmental regionalism” incorporate the need to adopt an approach to regional integration that is based on a heterodox economic view of the world and an idealism that incorporates values or solidarity as an essential ingredient for the success of regional integration in Africa.

The analytical framework for the discussion in this paper on regional integration thus draws on the work of Davies (1996), UNCTAD (2013), Adejumobi and Kreiter (2016) and UNECA, AU and AfDB (2017) and extends the concept of “developmental regionalism” to include cooperation between African countries in a regional integration framework on four parallel and interconnected pillars: a) cooperation on building mutually beneficial trade integration (fair trade integration); b) cooperation on industrial development and upgrading in regional value chains (transformative industrialisation); c) cooperation on investment in cross-border infrastructure and trade facilitation; and d) cooperation on the building of democracy, good governance and peace and security. Each of these pillars of cooperation is discussed in the following section.

4. FOUR PILLARS OF DEVELOPMENTAL REGIONALISM

4.1 Fair trade integration

This paper argues that: a) building asymmetrical trade agreements in favour of small and less developed economies (such as LDCs and Small, Vulnerable Economies – SVEs); and b) encouraging African firms to invest in the African region and drive the regional integration process in a manner that supports the building of local capacity and development, will assist in contributing to fairer outcomes of the AfCFTA and a more balanced and mutually beneficial regional integration process.

Asymmetrical trade integration

The African trade negotiators have inserted a number of principles in the Agreement Establishing the African Continental Free Trade Area framework, which include the concepts of "most favoured nation" (MFN), "national treatment", "reciprocity" and "flexibility" and "special and differential treatment" drawn from the General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO). The principle of MFN (or non-discrimination) in the GATT did not recognise the differences between developed and developing countries until 1964 when the GATT was amended to include an annex on Trade and Development. Since then, the principle of Special and Differential Treatment for developing countries has been incorporated in the WTO. While the category of Least Developed Country is formally recognised in the WTO, the concept of developing countries covers a wide range of developing countries prompting some WTO members to identify different categories of countries that may require special treatment to address their specific development needs, such as SVEs. The concept of Special and Differential Treatment in the WTO has become associated with a) longer timeframes for tariff reduction; b) flexibility in the rules of trade; and c) the need for capacity building.

Africa's member states have a wide variety of categories of countries that may require special attention and specific treatment. Of the 55 African member states, 34 are LDCs, 16 are Land Locked Developing Countries (LLDCs) and six are Small Island Developing States (SIDS). Some LDCs are also SIDS and some are also LLDCs.

The modalities for the Protocol on Goods already provide for different timeframes for tariff liberalization for LDCs and for Non-LDCs. The modalities also provide for 10 percent of tariff lines to be excluded or deemed to be sensitive products with different timeframes for liberalisation of these tariff lines for LDCs (13 years) and non-LDCs (10 years). The Protocol for Goods makes a commitment on behalf of the secretariat to work with member states to "secure avenues to secure resources required for "technical assistance, capacity building and cooperation" (Art 29).

The objectives of the Protocol on Services are consistent with the principles of flexibility and special and differential treatment incorporated in the framework agreement by stating that the members shall: "progressively liberalise trade in services across the African continent on the basis of equity, balance and mutual benefit, by eliminating barriers to trade in services". A specific section of the Protocol on Services provides for "technical assistance, capacity building and cooperation" and commits the secretariat of the AfCFTA to work with member states to mobilise resources for capacity building and technical assistance (Art 27).

The role of the private sector in regional integration

The role of the private sector in driving the process of regional integration is crucial, as the experience of Europe suggests. In Africa only a few countries have a significant private sector that have become regional "multinationals" and are driving the regional integration process. These include companies mainly from South Africa, Nigeria, Kenya and Egypt. South Africa is clearly a major player. Brendan Vickers and Richard Cawood (2018) argue that "South Africa's corporate expansion into the rest of Africa has largely been driven by the private sector, with limited direct facilitation from the government in Tshwane". The rapid expansion of South African companies into the rest of Africa has been controversial with some analysts depicting South African firms as the "new exploiters", "hegemons" or "neo-colonialists" that displace or crowd out local businesses (Vickers and Cawood, 2018). Other writers have argued that South Africa's companies have been contributing to developing industrial capacity and infrastructure in African countries and providing services that improve the lives of people on the continent. Vickers and Cawood point out that South African companies tend to compete in African markets with state-led companies from countries such as Brazil, India and China and state-supported investments such as the United States' Power Africa and Trade Africa. Many international investors also regard South Africa as a "gateway" or "springboard" into the rest of the continent (for example, Wal-Mart's acquisition of Massmart). South Africa is not alone in being part of this strategy of multinational companies. Vickers and Cawood (2018) state that Angola, Egypt, Ethiopia, Ghana, Kenya, Nigeria and Rwanda have increasingly become "gateways" into the African market.

For these reasons, some critics have argued that the major beneficiaries of the AfCFTA will be those economies in Africa that have the capacity to expand their exports of goods and services into the rest of the continent. Private sector companies, such as those in South Africa, Nigeria, Kenya and Egypt, have much to gain from the AfCFTA and would need to be the major drivers of these negotiations. However, some writers have expressed skepticism as to whether the dominance of the private sector from major economies in the negotiations can yield balanced and positive outcomes. Dani Rodrik has interrogated the issue of private sector participation in the process of negotiating free trade agreements. Rodrik highlights the reality that while trade agreements could result in “freer, mutually beneficial trade, through exchange of market access”, and “upgrading of regulations and standards, for labor, say, or the environment” they “could also produce purely redistributive outcomes under the guise of freer trade” (Rodrik, 2018). Thus, there is a need for governments to temper the role of the major private sector firms that could skew the benefits of the AfCFTA towards a few “hegemonic” economies.

The South African government has recognised this reality and taken steps to discipline the role of its private sector. In July 2016, the government of South Africa released a document titled *Guidelines for Good Business Practice by South African Companies Operating in the Rest of Africa* (Vickers and Cawood, 2018). The guidelines are voluntary but offer an opportunity for engagement between the South African government and the major private sector firms on their role in the rest of Africa. The principles listed in these guidelines include: compliance with domestic legislation and fair business practices; adherence to the UN Global Compact; respect for human rights; application of fair labour practices; promotion of Good Corporate Governance – good corporate citizenship; promote environmental responsibility and sustainable business practices; ensuring occupation health and safety; development of regional markets and regional value chains; promotion of corporate social responsibility (CSR); promoting employment of local labour, skills development and technology transfer; avoiding engaging in corrupt and illegal activities; and compliance with tax laws and regulations. These principles need to be complied with, and companies that invest in the rest of the continent should be accountable to their host countries.

The discussion proceeds in the next section to the second pillar of the “developmental regionalism” approach to regional integration in Africa.

4.2. Cooperation on transformative industrialisation and building regional value chains

Building on the “developmental regionalism” approach to regional integration in Africa, this section discusses the need for transformative industrialisation or structural transformation in Africa, the opportunities provided by the emergence of global value chains (GVCs), and how cooperation on building regional value chains can foster both regional integration and industrial transformation, especially for the smaller African economies.

Structural transformation and transformative industrialisation

Africa has made significant progress in the new millennium, growing by over five percent a year on average since 2000 (excluding South Africa) (World Bank, 2013). However, while African countries have continued to grow notwithstanding the impact of the Great Recession following the global financial crisis, high unemployment and poverty have persisted.

Reflecting on this trend, the African Centre for Economic Transformation commented that "the continent is growing rapidly, transforming slowly". Dani Rodrik (2013) thus argues that structural transformation is essential to ensure labour-demanding employment and social inclusion.

The development economics literature has increasingly argued that while growth is essential to reduce poverty, the transformation of the structure of the economy is the key to raising incomes and the standard of living in less developed countries, and not growth per se (Whitfield, et al. 2015). This process of structural transformation or economic transformation[1] is now more widely referred to in the literature (UNECA, 2016).

Global Value Chains and Africa's economic transformation

Since the early 1990s, a globalisation of production has taken place, driven by falling transport costs, advances in information and communication technology and lower trade and investment barriers. The proliferation of GVCs has in large part been driven by transnational corporations (TNCs) purchasing more of their raw materials and intermediate inputs from abroad, either through outsourcing parts of their production to companies in the targeted country, or establishing their own production plants abroad (Chang, 2002; Milberg and Winkler, 2013).

The search for cost savings, cheap labour as well as market growth has led companies in the West to relocate large parts of their value chains to developing countries. Therefore, FDI inflows and GVC participation have seen the most explosive growth in those countries. From 1990 to 2013, FDI inflows in developing countries increased from $35 billion to $778 billion (from 17 per cent to 54 per cent of world FDI inflows). In Africa, FDI inflows have increased roughly 20-fold in the same period, from $3 billion to $57 billion (from 1.4 percent to four percent of world FDI inflows), with all sub-regions experiencing a significant increase (UNECA, 2016).

This new trend of increasing FDI flows, accompanied by the increasing proliferation of fragmentation of global production, offers some opportunities for African countries to industrialize and transform their economies.

China is a good example of how to utilise GVCs for economic growth and development. Between 2000 and 2008, China accounted for 67 per cent of the world's processing exports. Chinese exports have also begun to move up the value chain. Chinese firms are increasingly moving from simple contract assembly to 'full-package' manufacturing, with Chinese firms controlling all stages from material procurement to product design. Domestic value added in China's total exported value rose from 49 per cent in 2000 to 66.2 per cent in 2011 (UNECA, 2016).

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[1] The terms structural transformation and economic transformation are used interchangeably as some writers prefer one or the other.

In 2011 almost 50 percent of world trade took place within global value chains (up from 36 percent in 1995) (WTO, 2015). While African countries too are increasingly connected to GVCs they are mainly suppliers of raw materials and other low value manufactures and operate at the lowest rung of the ladder in GVCs (UNECA, 2015). The UNECA report finds that over 50 percent of imports and 80 percent of exports of African countries are intermediate products. However, African countries are mere exporters of raw materials and other intermediate products embodying limited value addition. A study undertaken by UNCTAD indicates that African country's exports were highly commodity intensive especially to the developed countries, and to China. However, the composition of intra-African trade "was more in line with technological upgrading with slightly larger shares of technology-intensive manufactures" (UNCTAD, 2018: p.48).

Regional Value Chains and regional integration in Africa

The special issue of the UNCTAD and UNIDO *Economic Development in Africa Report* (UNCTAD, 2011) focused on an assessment of Africa's industrialisation. The report argued that, "building a robust regional market is necessary in order to unlock Africa's manufacturing potential and prepare it to compete in global export markets. Regional integration can contribute to building robust regional markets through, for example, cooperation in the development of regional infrastructure, harmonization of policies, and maintenance of political stability. Given the small domestic markets of African economies, the regional market can be a force for industrial development in the region.".

In addition, the report argued that developing regional value chains creates opportunities for a greater number of small and medium-sized enterprises (SMEs) and hence countries, to participate in the global industrialisation process and in so doing, spur on their own national industrial development (UNCTAD, 2011). Participation in regional and global value chains also provides SMEs with greater access to international markets and opportunities for task-based trade in foreign countries, as well as the opportunity to develop technological capabilities (UNCTAD, 2011).

The development of integrated regional value chains and the insertion of African firms into global value chains will, by their nature, facilitate increased intra-African trade and could contribute to sustainable long-term growth. They will also lead to further pressure from the private sector for governments to accelerate regional integration. However, the barriers hampering intra-regional trade and investment will be a key determinant of the success or failure of this endeavour. Such challenges include high transport and logistics costs, weak infrastructure, restrictive policies, and incoherent regulations and inefficient customs procedures (Page, 2011). In this regard, priorities for African governments include improving access to finance, reducing trade costs, improving logistics services and infrastructure development, particularly in energy, transport and telecommunications (UNCTAD, 2011).

The discussion thus proceeds in the next section to the need for African governments to cooperate on building cross-border infrastructure that enables transformative industrialisation in Africa.

4.3. Cooperation on cross-border infrastructure investment (and trade facilitation)

Africa is divided into 55 states, including many landlocked (16) and least developed countries (34). The landlocked countries face very specific challenges. Botswana, Burkina Faso, Burundi, Chad, Central African Republic, Ethiopia, Lesotho, Malawi, Mali, the Niger, Rwanda, South Sudan, Swaziland, Uganda, Zambia and Zimbabwe all lack maritime access and are isolated from the world markets, and suffer high transit costs, which seriously constrain their overall socioeconomic development. With the exception of Botswana, Uganda and Swaziland (which are middle-income countries), the countries listed above are classified as LDCs. According to ECA estimates, landlocked developing countries spend almost two times more of their export earnings on transport and insurance services, on average, than developing countries, and three times more than developed economies (UNECA, 2010).

In the preface to the UNECA/NEPAD flagship publication on PIDA (Programme for Infrastructure Development in Africa) Carlos Lopes and Ibrahim Assane Mayaki state that: “Industrialization is at the core of Africa’s structural transformation and infrastructure is its catalyst” (UNECA and NEPAD Agency, 2016). The authors remind us that several of the AU and UN documents have underlined the important role of industrialisation and infrastructure for Africa’s structural transformation and economic development. Indeed, the flagship programme of the African Union – The Agenda 2063 – has called for the fast-tracking of the AfCFTA negotiations and the deepening of regional integration (AU, 2012).

African Union Leaders at the same Summit recognised that trade integration alone will not solve Africa’s development challenges and thus adopted an Action Plan for Boosting Intra-African Trade that includes seven clusters – trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information and factor markets (UNECA, 2012). In addition to these, the AU Action plan of the Accelerated Industrial Development of Africa identifies “infrastructure development” as a priority while the African Union’s Agenda 2063 anticipates that “world class integrative infrastructure” will propel intra-African trade to 50 percent by 2045 and Africa’s share of global trade from two percent to 12 percent.

Hoekman and Njinque (2016) emphasise the role that infrastructure and trade facilitation play in reducing trade costs. They argue that trade costs for the continent are high, partly as a result of the large existing infrastructure deficit. They argue that the *Africa Infrastructure Country Diagnostic* studies find deficits across all the core areas of infrastructure, including transport, telecommunications and energy. They also refer to a study that finds that improved road connectivity in Sub-Saharan Africa could expand overland trade by up to US$250 billion over 15 years.

The study estimates that this initial investment cost required would be of the order of US$20 billion, with an additional US$1 billion annually for maintenance. Thus, the investment costs would be offset by the associated trade gains. Another study they discuss concludes that increasing Sub-Saharan Africa's logistics performance by one percent would involve an up-front investment of some US$18 billion, but that this would generate a welfare gain of some US$70 billion (Hoekman and Njinque, 2016).

Economists make a distinction between *hard* infrastructure and *soft* infrastructure. In a recent article Christian Kingombe argues that while hard infrastructure, such as transport, energy and telecommunications, is essential for competitiveness and trade, a wide range of soft infrastructure constraints obstruct the regional integration process, including the lack of harmonisation of policies, regulations, and procedures governing both trade and infrastructure development (Kingombe, 2017). He states that it is essential to scale-up investment in efficient, seamless, and cost-effective transport, energy, water, and ICT cross-boundary networks, as well as in soft infrastructure reforms such as one-stop border posts. Hoekman and Njinque (2016) emphasise the importance of soft infrastructure, especially trade facilitation to reduce trade costs in Africa. They argue that the returns to hard infrastructure, such as transport infrastructure is highest when investments in facilities and networks – such as transport corridors – is coupled with programmes to improve the "soft" infrastructure needed to streamline the legal, institutional and regulatory frameworks necessary for competitive logistics services.

Hoekman and Njinque (2016) cite the example of the Abidjan-Lagos corridor, which handles more than two-thirds of West African trade, transport and transit activities. They state that there is a major ongoing project that aims to improve the road infrastructure between Abidjan and Lagos as well as modernising the ports in Côte d'Ivoire, Ghana, Togo, Benin and Nigeria. The soft infrastructure component of the operation of the corridor includes customs operations at borders, port efficiency, and reduction of roadblocks along the corridor. They state that while all construction programmes of the 530km road project were on target by the end of 2014, there was only limited improvement of the various soft aspects of trade facilitation.

According to Stephen Karingi and William Davis (2016), Africa is making encouraging progress in implementing trade facilitation measures to improve its paperless trade, but there is still some way to go.

African countries that are members of the WTO have all signed onto the WTO Trade Facilitation Agreement. The AfCFTA has annexes on "customs cooperation" (Annex 3), "trade facilitation" (Annex 4) and on "transit" (Annex 8). All three of these issues are covered in the WTO Agreement on Trade Facilitation. African countries will need to coordinate their commitments to each other in the AfCFTA and their commitments made to the larger membership of the WTO, when implementing trade facilitation reforms.

For African countries to succeed in advancing economic development and structural transformation it is crucial that the fourth pillar of developmental regionalism is also built in parallel with the other three pillars discussed above. The paper thus proceeds in the next section to discussing cooperation on the democracy, governance and peace and security pillar.

4.4. Cooperation on democracy, governance and peace and security

It has become evident that peace and security and democracy and governance are essential conditions for socio-economic development and economic transformation (Brown, et al, 2007). There is thus a strong relationship between democracy and governance; peace and security; and socio-economic development. Sustainable development, some writers have argued, requires good governance, "including respect for the rule of law and basic human rights, and effective, responsive and incorrupt democratic institutions" (Brown, et al, 2007: p.3). For these reasons African leaders who adopted the NEPAD Declaration on Democracy, Political and Economic Governance, in Lusaka, Zambia in July 2001, stated in their declaration that, "we believe that poverty can only be effectively tackled through the promotion of democracy, good governance, peace and security" (African Union, 2001: http://www.nepad.org/). This section sets out the progress that Africa is making in advancing this pillar of regional integration.

The OAU was transformed into the AU in 2001 and officially launched in Durban South Africa, on 9 July 2002. The AU's new doctrine of non-indifference to abuse of human rights within member states places human rights at the centre of its major priorities. This new doctrine also empowers the AU to intervene within its member states in cases of massive human rights abuses, crimes against humanity and genocide (Matlose, 2018). This approach of the African Union took a major leap forward at the 50th OAU/AU year Golden Jubilee anniversary in 2013 when the AU adopted its visionary and path-breaking programme of work: Agenda 2063. Aspiration 3 of Agenda 2063 envisions an "Africa of good governance, democracy, respect for human rights, justice and the rule of law". The AU has established a number of continental institutions to give effect to these ideals. These include the Pan-African Parliament (PAP), the Economic, Social and Cultural Council (ECOSOCC), and the African Court on Human and People's Rights.

Matlosa argues that three architectures have been developed by the African Union to drive Africa's integration agenda: i) the African Governance Architecture (AGA); ii) the African Peer Review Mechanism, which was spawned by NEPAD; and iii) African Peace and Security Agenda (APSA). These three initiatives are briefly discussed in the following sub-sections.

The African Governance Architecture

The AU, at its Summit held in February 2010, endorsed the theme of "shared values" and adopted the Pan-African Architecture on Governance. The same Summit also adopted a decision on "Prevention of Unconstitutional Changes of Government and Strengthening of the Capacity of the African Union to manage such Situations" (Matlosa, 2018: p.90). At its January 2011 Summit, the African Union reaffirmed the need to implement all shared values instruments, including the African Peer Review Mechanism. The declaration also reiterated the importance of strengthening the African Governance Platform "as a basis for facilitating harmonization of instruments and coordination of initiatives in governance and democracy" (Matlosa, 2018: p.91).

A political sea-change has been underway in Africa since the end of the Cold War (in late 1980s and early 1990s) (Matlosa, 2018). Khabele Matlosa argues that most African states have begun accepting multi-party systems of governance in the new millennium. Multi-party elections have begun to replace military coups. He argues that most African countries have embraced a culture of constitutionalism, rule of law and human rights. The African Union, he argues, has made "a paradigm shift from the old doctrine of non-interference to the new doctrine of non-indifference to human rights abuses, mass atrocities and crimes against humanity within its member states" (Matlosa, 2018).

The African Peer Review Mechanism

During the AU Summit held in Durban, South Africa in 2002, the NEPAD Declaration on Democracy, Political, Economic and Corporate Governance was adopted. The declaration committed African countries to work together in pursuit of the following objectives: democracy and good political governance; economic and corporate governance; socio-economic governance; and the African Peer Review Mechanism (APRM). The APRM is a voluntary platform for self-assessment and peer review of governance policies, procedures and institutions by African Union member states aimed at institutionalising and consolidating democratic governance (Matlosa, 2018: p.100).

The APRM is an instrument that is voluntarily acceded to by AU member states (see https://www.aprm-au.org/). It is a self-monitoring mechanism intended to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration of successful best practices, including identifying deficiencies and assessing the needs for capacity building. Countries voluntarily subject themselves to being examined in governance areas within established guidelines. Teams of African governance experts led by a Panel of Eminent Persons assess and critique a country's performance based on key indicators in the above four thematic areas. The

Panel of Eminent Persons is nominated by the Head of State and Government of the member states of the APRM. The APRM is supported by a secretariat and based in Midrand, South Africa. The APRM covers simultaneous evaluations around four distinct pillars: democracy and good political governance, economic governance and management, corporate governance, and socio-economic development (Sawyer and Jerome, 2018: p.140). As at 7 September 2018, the APRM had 37 members with Namibia and The Gambia being the most recent members to accede (see https://www.aprm-au.org/map-areas/) with 21 of its members having already undertaken a first country review.

The APRM is unique in both scope and breadth, with the review process extending to all levels of government, parliamentary and judiciary as well as the private sector and civil society organisations (Sawyer and Jerome, 2018: p.140). These writers argue that the APRM is a truly indigenous, locally owned initiative designed by Africans for Africans.

The African Peace and Security Architecture

Aspiration 4 of Agenda 2063 envisions a "peaceful and secure Africa". This is the key objective of the APSA. A flagship project of the AU's Agenda 2063 is "ending all wars and silencing guns in Africa by the year 2020". The AU provides the bureaucratic support for APSA. The powers of the Peace and Security Council (PSC) include "anticipating and preventing disputes and conflicts, as well as polities that may lead to genocide and crimes against humanity; undertaking peace-making, peace-building and peace support missions; and recommending intervention in member states in respect of grave circumstances, such as war crimes, genocide and crimes against humanity" (Apuuli, 2018). The RECs are the basic building blocks of the PSC protocol and part of the overall architecture of the AU.

It took a great deal of negotiating and engagement with the member states of the United Nations for Africa to develop its own African Standby Force (ASF) that became fully operational by January 2016 (Apuuli, 2018: p.169). The ASF, which is to serve as a rapid reaction force comprising 15 000 troops drawn from Africa's Standby Forces, has been declared to be in a state of readiness with a Rapid Deployment Capability to intervene within 14 days in cases of genocide and gross human rights abuses.

African countries have also made significant operational progress in the area of Peace and Security. ARIA VIII has documented some notable examples of African cooperation: a) ECOWAS member states prevailed on the outgoing president of The Gambia to leave office, in 2017; b) the AU has its own military mission in Somalia to destroy Al-Shabaab strongholds in central Somalia and cut off its supply routes; and c) African countries contribute 38 071 personnel across the nine United Nations peacekeeping missions in Africa (UNECA, 2017: p. 23). This is a major achievement for Africa and for its "developmental regionalism" vision.

5. CONCLUSION

This paper has argued that for the AfCFTA to advance inclusive growth and economic development; to catalyse transformative industrialisation; to strengthen democracy, good governance, and peace and security; and to benefit all countries in Africa, the four pillars of the development regionalism approach to regional integration need to advance together and to reinforce each other in an integrated and holistic manner.

Joseph Stiglitz has reminded us that the original objectives of the European integration project was not “more trade” but “more social and economic development”. For this objective to be realised, Stiglitz argues that greater social cohesion and solidarity needs to be displayed, particularly by the larger and more economically powerful members of the regional integration project. This approach is not very different from the African values of Ubuntu that the earlier Pan-African leaders preached. Nelson Mandela also strongly advocated for this approach in his foreign policy perspective on the new South Africa’s role on the African continent (Mandela, 1993).

The signing of the AfCFTA on 21 March 2018 by African leaders in Kigali was indeed historic. It could become an important landmark in the history of African integration on the continent – almost as important as the three other phases of integration identified by Kuruvilla Mathews (2018), namely, a) the Pan- African Congresses between 1900 and 1945; b) the inauguration of the Organization of African Unity (OAU) in 1963; and c) the creation of the African Union (and NEPAD) in 2002.

This paper has illustrated and argued that all four pillars of the developmental regionalism approach have begun to gain traction across Africa and have begun to reinforce and strengthen each other in practice. This approach to regional integration in Africa has great potential to catalyse and accelerate a virtuous circle of regional trade integration, transformative industrialisation, cross-border infrastructure and democracy, good governance, and peace and security across the continent. Policymakers need to make the necessary linkages both conceptually and in practice through the many programmes of work undertaken on each pillar at the national, sub-regional and regional levels. The launching of the AfCFTA on 21 March 2018 could become a landmark and the transition to a fourth phase in the historic journey of Africa to realise the dreams of the Pan-African leaders for a peaceful, prosperous and integrated Africa.

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