



Public Servants Association
The African Continental Free Trade Agreement and Labour Migration

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There is a growing excitement about Africa's integration as a path towards socio-economic development. The project of continental-wide integration has been attempted before but failed to gain traction for a number of reasons. The first of these attempts was in the form of the Treaty Establishing the African Economic Community - the Abuja Treaty of 1991 – whose primary objective was to achieve an African Economic Community.¹ A significant step towards achieving an African Economic Community was taken by the AU Assembly of Heads of State and Government in January 2012 through its adoption of the decision to boost intra-African trade by establishing a Continental Free Trade Area by an indicative date of 2017.² The African Continental Free Trade Area (AfCFTA) seems on track to concretise the vision of an integrated continental market.

It was in March 2018 that African leaders formally established the AfCFTA in Kigali, Rwanda. The other significant development at the summit was the presentation of the Kigali Declaration and the Protocol to the Treaty Establishing the African Economic Community relating to the Free Movement of Persons, Right to Residence and Right to Establishment. This development was important as it is widely acknowledged that the free movement of persons is a crucial aspect of integration alongside goods and services, capital, and harmonisation of regulatory measures.

The African Continental Free Trade Agreement (AfCFTA) and intra-African Trade

The operationalisation of AfCFTA in 2020 promises to usher in new prospects for Africa's development given the benefits associated with intra-regional trade. The primary objectives of the AfCFTA are the creation of a single continental market for goods and services. This agreement also incorporates the free movement of business persons and investments. While the AfCFTA is expected to expand intra-African trade by engineering better harmonisation and coordination of trade liberalisation and enhance the competitiveness of African economies in the main, it is also expected to ultimately lay the foundation for the establishment of a continental Customs Union.³

The AfCFTA includes all 55 member states of the African Union and in the process and creates a market of over 1.2 billion people. The single market has an estimated combined gross domestic product (GDP)

¹ United Nations Economic Commission for Africa. 2013. Assessing regional integration in Africa: Harmonizing policies to transform the trading environment.

https://www.uneca.org/sites/default/files/PublicationFiles/aria_vi_english_full.pdf

² Trade Law Centre. 2020. African Continental Free Trade Area (AfCFTA) Legal Texts and Policy Documents.

<https://www.tralac.org/resources/our-resources/6730-continental-free-trade-area-cfta.html>

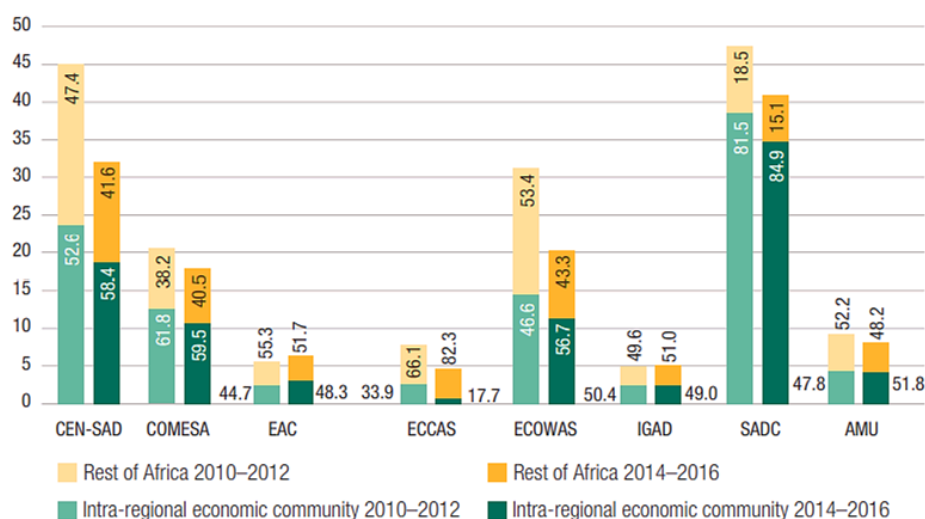
³ African Union. 2018. Agreement Establishing the African Continental Free Trade Area.

https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf

of more than US\$3.4 trillion. Change in trade patterns are likely to be stalled by various issues such as the degree of variance between African economies i.e. economies vary considerably in size, levels of economic development and diversification. There will also be a range of technical barriers to trade that erode the benefits that come with a free trade area. Many African economies are still commodity-dependent and have a long way to go before they diversify their production base and create a strong basis for cross-border value chains. Many of Africa's economies - particularly the 32 Least Developed Countries (LDCs) – face challenges in developing their industrial sectors and diversifying their production capacity, something that is critical for cross-border value chains.

The key to Africa's resilience is diversification of exports and intra-African trade has proven to be more diversified in terms of exports when compared to Africa's exports to the rest of the world. Evidence also shows that when African countries trade with themselves they exchange more manufactured and processed goods.⁴ Despite this, intra-African trade remains very low in comparison to other regions (see below). Intra-regional trade in Africa is highly concentrated within Regional Economic Communities (RECs), and it may take a while for this to gain continental traction. Another complicating factor is that the African continent has a multiplicity of regional economic communities with overlapping membership.⁵

Figure 1: Intra-regional economic community trade in Africa, 2010–2012 and 2014–2016
(Billions of dollars and percentage of total African trade)



(Source: UNCTAD, 2019)⁶

As earlier indicated, many of African economies have low levels of economic diversification. Countries with a diversified export base tend to have higher shares of intra-African exports than countries that have less diversified exports. As an example, SACU's member states who collectively account for more than 50% of intra-African trade have - apart from South Africa - a narrow export base. This is exhibited by more than two thirds of Botswana's exports to member countries being comprised of mineral resources, precious stones (diamonds) and machinery and equipment (primarily electrical wire products and equipment related to the production of vehicles), about 80% of Lesotho's exports to SACU members are made up of textile products and food and beverages, the bulk of Namibia's exports to the members

⁴ Songwe, V. 2019. Intra-African trade: A path to economic diversification and inclusion.

<https://www.brookings.edu/research/intra-african-trade-a-path-to-economic-diversification-and-inclusion/>

⁵ Trade Law Centre. 2020. Summary of intra-Africa trade 2019.

<https://www.tralac.org/documents/publications/trade-data-analysis/3982-summary-intra-africa-trade-2019/file.html#:~:text=Intra%2DAfrica%20trade%20for%202019,the%20same%20as%20for%202018>

⁶ Ibid

of the customs union are made up of transport equipment (predominantly related to sea vessels), food and beverages (largely beer) and precious stones, and the bulk of Swaziland's exports to the trade bloc are comprised of food and chemical by-products of the sugar industry, clothing and textile products.⁷ Due to their lack of diversity in exports, these SACU members are dominated by South Africa. In 2017, South Africa accounted for 71% of the intra-SACU exports.⁸

Despite traditionally low levels of intra-African trade, there was an 8% increase in intra-African exports in the 2016 - 2017 period – leading to intra-African exports reaching 16.6% of Africa's world exports in 2017.⁹ In the very same period, intra-African imports only constituted 13% of Africa's world imports. Four countries accounted for 50% of intra-African exports in 2017 with South Africa accounting for 34% of the exports, Nigeria accounting for 7%, Egypt exporting 5% of all intra-African exports, and Ivory Coast being responsible for 4% of those exports. The performance of South Africa could be seen as a result of its well-established manufacturing base – a factor that could prove beneficial to maximising AfCFTA benefits. South Africa was also the main destination for intra-African imports for the very same period as it accounted for 17% of the imports – making it both the top exporter and importer in terms of intra-African trade. The 2017 figures also indicated that SADC bloc is the main importer of intra-African imports as the other countries completing the top six importers are Botswana with accounting for 7%, Zambia accounted for 7%, Namibia accounted for 6%, Mozambique accounted for 5% and Zimbabwe accounting for 4%.¹⁰ These six countries accounted for 46% of all intra-Africa imports.

Impact of AfCFTA on Migration

As indicated before, the free movements of persons is an important objective of continental integration efforts. The signing of the Protocol to the Treaty Establishing the African Economic Community relating to the Free Movement of Persons, Right to Residence and Right to Establishment is testimony to this commitment. While this protocol is technically not part of the AfCFTA, it is quite relevant to the good functioning of the free trade area.¹¹ Migration is expected to play an integral part in addressing Africa's development challenges.

It is generally accepted that highly skilled migrants contribute positively to receiving countries through transfers of knowledge and know-how to local employees. As such, many governments would limit free movement of persons to selected categories in order to avoid social tensions that often flare up when there is competition over resources. It is important to note that the impact of migration rarely exceeds 0.5 per cent of GDP in either positive or negative terms. Free movement of persons can also make it easier for emigration flows to occur from countries with struggling economies and increasing unemployment levels as we have seen in the case of the European Union.

Poorly managed migration can lead to tensions between host countries and migrants. It could also potentially overstretch social services. Unmanaged migration has a potential to act as a channel for cross-border criminal activities such as human trafficking. Thus, a differentiated approach to promoting free movement of persons makes better sense especially in regions that have vastly countries with

⁷ Ginindza, P., Nekwiyu, W., Phuthogo, M., Seleke, M., Ramkolowan Y and Stern, M. 2017. The Trade Reform of SACU – Country Case Studies on Regional Integration.

https://media.africaportal.org/documents/GA_Th3_DP_ginindza_et_al_20190920.pdf

⁸ Chidede, T. 2018. Southern African Customs Union (SACU)'s trade and tariff profile.

<https://www.tralac.org/blog/article/13807-southern-african-customs-union-sacu-s-trade-and-tariff-profile.html>

⁹ Trade Law Centre. 2019. Intra-Africa trade profile – 2017.

<https://www.tralac.org/resources/infographic/13964-intra-africa-trade-profile-2017.html>

¹⁰ Ibid

¹¹ United Nations Conference on Trade and Development. 2019. UNCTAD Economic Development in Africa Report. https://unctad.org/system/files/official-document/aldcafrica2019_en.pdf

divergent economic profiles yet all struggling with socio-economic tensions. The African Union acknowledges that effective management of labour migration could be achieved through actions such as the domestication of International Labour Organisation (ILO) Conventions on Labour Migration as well as through the harmonisation of national laws and regulations with international labour standards.

Conclusion

The operationalisation of AfCFTA is a monumental achievement given the developmental aspirations of the African continent and the role intra-African trade can play in creating the desired levels of development. African RECs will however need to improve their intra-regional economic activity through addressing the underlying causes of the low levels of trade within their RECs. This requires political commitment and will to achieve. Furthermore, African leaders will be required to address factors that might impede the successful implementation of the AfCFTA. The positive effects of migration on export diversification is an important aspect to note considering the need to diversify African exports to aid the quest for sustainable development.