



Ghana's Tema Harbor, representing China-Africa Cooperation.

AFRICAN FREE TRADE AREA CONSTRUCTION AND CHINA-AFRICA INDUSTRIAL COOPERATION

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INTRODUCTION

The African Continental Free Trade Area (AfCFTA) is one of the flagship projects of Agenda 2063: The Africa We Want (Agenda 2063), the African Union's long-term development strategy, fashioned after Transforming Our World: The 2030 Agenda for Sustainable Development (UN 2030 SDG) for transforming the continent into a global powerhouse. The AfCFTA is expected to create the world's largest free trade area bringing together 55 African countries consisting of 1.3 billion people with a combined GDP of approximately US\$ 3.4 trillion as well as to expand the size of Africa's economy to US\$29 trillion by 2050. All these will enable Africans

to take full advantage of the trade potential on the continent to create jobs, increase the income and improve the standard of living of every African while positioning the continent as a force in global trade. Regrettably, industries that will produce the needed goods and services for the volume of trade that will sustain the AfCFTA are really not available. Many factors are responsible for this ugly situation, but the most crucial is poor and, in some cases, complete absence of infrastructure. Meanwhile, African countries on their own do not have enough financial capability to provide the needed infrastructure. Certainly, the success of the AfCFTA construction depends predominantly upon the accomplishments of the China-Africa industrial cooperation. This

article adumbrates on the legal framework establishing the AfCFTA and the objectives and principles of the AfCFTA. Thereafter, it ascertains the extent to which industrial cooperation under the Forum on China-Africa Cooperation (FOCAC) has provided infrastructure and promoted industries that will enhance the success of the AfCFTA. Its penultimate part discusses how to make the best of FOCAC and address some of the problems of African countries hindering the success of the AfCFTA. The concluding part highlights the importance of China-Africa industrial cooperation to the AfCFTA and makes recommendations on how best to give full play to the role of FOCAC and address the problems of African states so as to enhance the success of the AfCFTA.

THE LEGAL FRAMEWORK OF AFCFTA: ESTABLISHMENT, OBJECTIVES AND PRINCIPLES

The Agreement Establishing AfCFTA was signed in 2018 by 44 of the 55 African Union (AU) Member States at Kigali, Rwanda. On April 29, 2019, the AfCFTA Agreement entered into force after the 22nd deposit of the instrument of ratification by the Saharawi Republic. The operational phase of the AfCFTA was launched in July 2019 and trading under the AfCFTA Agreement began on January 1, 2021. The AfCFTA Agreement is a framework instrument that covers trade in goods, trade in services, investment, intellectual property rights, competition policy and dispute settlement. Successful conclusion of the first phase of negotiations led to signing of the Protocol on Trade in Goods (Trade in Goods Protocol), Protocol on Trade in Services (Trade in Services Protocol), and Protocol on Rules and Procedures on the Settlement of Disputes (Dispute Settlement Protocol). The three protocols are integral parts and form part of the single undertaking with the AfCFTA Agreement after it entered into force. Phase II negotiations on investment, intellectual property rights, and competition policy after the adoption of the AfCFTA Agreement by the Assembly of the AU are ongoing.

The cardinal general objective of the AfCFTA is to create a single liberalized market for goods and services, facilitated by movement of capital and natural persons in order to deepen the economic integration of the African continent. It is also among the general objectives of the AfCFTA to promote industrial development through diversification and regional value chain development,

agricultural development and food security. In order to fulfil and realize these general objectives, the state parties are mandated, among others, to eliminate tariffs and non-tariff barriers to trade in goods, and progressively liberalize trade in services. The principles governing the AfCFTA are: driven by Member States of the AU; Regional Economic Community's (REC) Free Trade Areas (FTAs) as building blocs for the AfCFTA; variable geometry; flexibility and special and differential treatment; transparency and disclosure of information; preservation of the acquis; Most-Favored-Nation (MFN) treatment; National Treatment; reciprocity; substantial liberalization; and consensus in decision-making.

THE FORUM ON CHINA-AFRICA COOPERATION

The diplomatic relations between China and African countries started 66 years ago. However, it was only in 2000 that the Forum on China-Africa Cooperation (FOCAC) was established based on sincere friendship and equality, win-win for mutual benefit and common development, fairness and justice, progress, openness and inclusiveness. During the 2000 FOCAC, the Ministers from the two sides adopted the Program for China-Africa Cooperation in Economic and Social Development (the Program), which detailed the 18 areas of their strategic cooperation. Notwithstanding the FOCAC creating a form of uni-multilateralism in which all countries are equal partners, the comparative weight of China's state capacity effectively indicates 53 pairs of bilateral relationships under a single architecture. Between 2000 and 2022, FOCAC has witnessed three phases.

FOCAC: EARLY EFFORTS ON TRADE, INFRASTRUCTURE AND INVESTMENT

During the 2000-2006 phase, China and Africa focused on deeper trade engagement, which led trade between the two sides to expand by 5.2 times. No doubt, generally, China's strategy was to attract more imports from Africa, and more specifically it offered tariff free imports for over 440 items from Africa's Least Developed Countries. In para 2.3 of the Program, the Chinese government agreed to continue to cooperate with and provide development assistance to African countries, focusing among others on the promotion of local industries. During this phase, China also strengthened

its cooperation with Africa in human resources development and trained up to 10,000 African personnel in different fields. At this time, the AfCFTA was not established and no specific reference was made to it by the two sides. During the 2006-2015 phase, China expanded its area of cooperation with Africa from trade only to include foreign aid, direct investment, development finance, including US\$5 billion preferential loans and credits, and infrastructure building under its Belt and Road Initiative (BRI) launched by Chinese President Xi Jinping in 2013. Indeed, by the end of the 1st quarter of 2009, China had smoothly cancelled 150 mature debts of 32 African countries. The milestone gains for Africa was the establishment of the China-Africa Development Bank which increased China's foreign direct investment (FDI) in Africa; and enhanced China's funding of physical investment in priority areas including agricultural development, infrastructure construction, human resources training and health care, power grids, special trade zones, ports, and transportation. In the Beijing Action Plan (2013-2015) adopted during the 5th Ministerial Conference of FOCAC, China promised to continue to support the development of overseas business cooperation zones established in Africa so that they can contribute towards rapid industrialization and economic restructuring in Africa. Again, the Beijing Action Plan (2013-2015) did not make any reference to the AfCFTA because the negotiations for establishing the AfCFTA were launched in June 2015.

FOCAC: SHIFT OF FOCUS TO INDUSTRIALIZATION AND DIGITAL INFRASTRUCTURE

The third phase (2015-2021) commenced with the second summit of the FOCAC which was held at Johannesburg, South Africa. During the Summit, Chinese President Xi Jinping promised China's cooperation with Africa in major areas including industrialization, agricultural modernization, building infrastructure, financial services, green development, trade and investment facilitation, etc. To ensure smooth implementation of the initiatives, President Xi announced that China will provide Africa with US\$60 billion of funding support, including US\$5 billion of free aid and interest-free loans, US\$35 billion of preferential loans and export credit on more favorable terms, US\$5 billion of additional capital for the China-Africa Development Fund

and the Special Loan for the Development of African Small and Medium Enterprises (SMEs) each, and a China-Africa production capacity cooperation fund with the initial capital of US\$10 billion. President Xi stressed that the programs will focus on helping African countries among others achieve accelerated industrialization and realize sustainable development. President Xi made other specific commitments in the areas of human resources development, among others. During the closing ceremony of the 2015 FOCAC Summit, the Chinese Foreign Minister reported that China helped Kenya in building new industrial parks that contain several firms operating in various economic sectors, including manufacturing for export. In Ethiopia, China constructed industrial parks which produce footwear for both domestic and export markets. All these efforts will accelerate the development of the AfCFTA.

During the Beijing Summit of FOCAC in 2018, the Declaration - China and Africa: Toward an Even Stronger Community with a Shared Future through Win-Win Cooperation adopted by consensus stressed in para 4.2 the agreement between China and Africa to form a strong synergy between the BRI and the UN 2030 SDGs and AU Agenda 2063 and, among others, strengthened industrial capacity cooperation under the BRI. The two sides also agreed that greater cooperation in the planning of African infrastructure and industrial development will lend new impetus to the win-win cooperation and common development between China and Africa. In para 13.2 of the Declaration, China declared its support for early progress in developing AfCFTA and the Single African Air Transport Market. Furthermore, China promised to strengthen cooperation with Africa in trade and investment facilitation, as well as support African countries in the areas of infrastructure development and industrialization. As a matter of fact, the BRI has enabled African countries to rebuild some of their infrastructure which will facilitate and aid in the implementation of the AfCFTA. Examples of such infrastructure are the Mombasa-Nairobi Standard Gauge Railway in Kenya, the TAZARA railway in Tanzania, the rail projects in Ethiopia, the Lagos-Ibadan rail projects, Abuja-Kaduna, Lagos-Calabar and Abuja light rail projects and the Lekki Free Trade Zone in Nigeria. Indeed, there are many other BRI or FOCAC projects strategically located in many African countries that will enhance movement of people, goods and service, a sine quo non

for the success of the AfCFTA.

The Action Plan adopted at the Beijing Summit in 2018 captured the major initiatives and other outcomes of the summit. Within the context of AfCFTA discourse, the Action Plan reiterated China's support for building of the AfCFTA and boosting trade between the two sides by helping Africa to increase its export while China increases its import, particularly non-resource products from Africa, with a focus on value added agricultural products and industrial products. Para 3.2 of the Beijing Action Plan is specifically on industry partnering and industrial capacity cooperation by China and Africa. Of importance is China's promise to step up support in the development of industries in Africa, including processing and manufacturing industries, and the development of industrial parks and transfer technology to African countries in order to help them build more diversified economies and stronger capabilities for self-driven development. China also encouraged developmental financial institutions such as the China-Africa Development Fund, the China-Africa Fund for Industrial Cooperation and the Special Loan for the Development of African SMEs to increase support for China-Africa industrial capacity cooperation to boost the industrialization of Africa. To achieve this, China will extend US\$20 billion of credit lines and support the setting up of a US\$10 billion special fund for development financing. What is more, the two sides agreed that infrastructure development particularly railway, sea port, maritime shipping, Single African Air Transport Market, and information and communication technology (ICT) that sustain digital economy, etc. will enhance industrial development and trade as envisioned in the AfCFTA Agreement.

AFCTA AND INDUSTRIALIZATION IN AFRICA AFTER THE FOCAC DAKAR 8TH MINISTERIAL CONFERENCE

The FOCAC 8th Ministerial Conference held in Dakar, Senegal in November 2021 marked a watershed in the China-Africa partnership. Four documents were adopted but the China and Africa Cooperation Vision 2035 (China-Africa Vision 2035) stands out as a 15-year mid-to long-term cooperation plan jointly developed by China and Africa. Under the China-Africa Vision 2035, eight areas of cooperation are envisaged: 1) partnerships for common development; 2) trade/investment/financ-

ing; 3) industrial cooperation; 4) green cooperation; 5) health; 6) people-to-people exchanges; 7) peace and security; and 8) cooperation on global governance.

Regarding the AfCFTA, the wordings of the China-Africa Vision 2035 indicate that China actively participates in the development of the AfCFTA. More so, China-Africa infrastructure cooperation is upgraded as China supports the development of African railway, highway, shipping, port, airline, and communications networks. Fortunately, promoting transformation and growth to advance industries in one of the very few areas stressed by China-Africa Vision 2035 mixes China's promise and reorientation. For instance, China supports Africa in:

(i) Developing modern agriculture and agro-industries so as to enhance food security capabilities of African countries and improve safety and value added of African agricultural produce.

(ii) Setting up parks for blue economy to foster industrial clusters and regional growth poles.

(iii) Building new types of infrastructure and developing the digital economy to bridge the digital divide.

Concerning China's promises, China will help Africa develop 'Made in Africa' brands and integrate them into global industrial and supply chains by assisting Africa to develop its manufacturing sector as well as sharing its experience with Africa to help Africa upgrade and enhance the competitiveness of its manufacturing sector, invigorate the private sector and create more jobs in the private sector. Also, China will cooperate with Africa to conduct extensive scientific research, develop Africa's

People celebrating the completion of Ghana's Tamale Interchange built by Chinese company.



(Photo/Xinhua)

technological innovation capability and transfer technology and its application to Africa in order to improve sustainable economic and social development in Africa. Indeed, the only economic and financial commitment of China to Africa under the China-Africa Vision 2035 is China's promise to invest US\$60 billion in Africa by 2035 directly in agriculture, manufacturing, infrastructure, environmental protection, digital economy and blue economy.

In his Keynote Speech at the Opening Ceremony of the 8th FOCAC Ministerial Conference, President Xi decided to reaffirm China's commitment to Africa under the FOCAC mechanism by laying out the specific economic, financial or projects commitments of China to Africa in nine areas. With regards to enhancing the objective of the AfCFTA, President Xi affirmed that China will open 'green lanes' for African agricultural exports to China, accelerate inspection and quarantine procedures and further increase the scope of LDCs products allowed zero-tariff import treatment in China. This will enable China to meet the expected US\$300 billion total import from Africa in 2024. China will provide US\$10 billion of trade finance to support African export; undertake 10 connectivity projects in Africa; collaborate with African countries to expand Silk Road e-commerce cooperation; hold online festivals featuring quality African products; and launch a campaign to market 100 African stores and 1000 African products on e-commerce platforms. All these commitments will give continued support to the development of the AfCFTA. Concerning industrial promotion commitments, China will encourage its private sector to invest US\$10 billion in Africa in three years; establish a platform for China-Africa private investment promotion; undertake 10 industrialization and employment promotion projects for Africa; provide credit facilities of US\$10 billion to African financial institutions, support the development of African SMEs on a priority basis; and undertake 10 digital economic projects aside from setting up centers for China-Africa cooperation on satellite remote-sensing application.

HOW TO MAKE THE BEST OF FOCAC AND ADDRESS THE PROBLEMS OF AFRICAN COUNTRIES

The author believes that the effectiveness of FOCAC would be greatly enhanced if the two sides could come up with a well-defined binding agreement that takes

into account the AfCFTA Agreement and the existing bilateral trade and investment agreements between China and some Africa countries. Negotiating and adopting such an agreement is very important because some African countries having bilateral trade or investment agreements with China can circumvent the conditions permitting such agreements to gain African market without a commensurate gain for the African continent. This will certainly jeopardize the collective resolve of member states of AU to use AfCFTA to reduce poverty and boost African economy by liberalization of intra-African trade.

Secondly, African countries must realize the best solution to their low level of industrial development is not China's financial aids and loans. The International Monetary Fund downgraded China's growth to 3.3 per cent in 2022, the lowest level in more than 40 years, and to 4.6 per cent in 2023. The truth is neither China nor any developed country or international organization may be financially capable of providing all the funding for industrialization of Africa. A glimpse of how bad the situation is can be best illustrated using Nigeria. China has promised to invest US\$60 billion in Africa by 2035 under the China-Africa Vision 2035. Nigeria's National Development Plan 2021-2025 requires N348.1 trillion. The government (Federal, States and Local Government Areas) investment is expected to be only N49.7 trillion. The remaining balance of N298.3 trillion is expected from the private sector. Meanwhile, the prevailing investment climate and business environment in the country have already incapacitated majority of private business concerns. In order to achieve the objective of the NDP 2021-2025, the Federal Government will still resort to external funds. While the US\$60 billion investment in Africa under the China-Africa Vision 2035 is budgeted for the period of 2021-2035 (15 years), the Nigeria's NDP will last from 2021 to 2025 (5 years). Unfortunately, at the current official exchange rate of N422.88 to US\$1, Nigeria needs about US\$705.4 billion from external sources for its priority investment from 2021-2025. Meanwhile, industrialization is just one sector out of the numerous sectors of the economy, which are open for investment.

Another problem Nigeria and many other African countries are likely to encounter is poor accountability and transparency on the part of those in government. One aspect of poor governance in most African coun-

tries is lack of sincerity on the part of the government to use foreign aids, grants and loans for the purposes such funds were given. Where the exact projects are executed, padding of costs of the projects or contracts, most times to the knowledge of foreign donor agents or officers, has emerged as a new form corruption in African countries. All these call for transparency, accountability and prudent management of African countries' financial resources by heads of state and government as well as their political appointees. It further calls for sincerity on the part of all levels of government in allocating scarce financial resources to sustainable infrastructure projects. Definitely, industries can only thrive in environment with basic infrastructure. The cases of Dunlop and Michelin Tyres relocating their plants from Nigeria to Ghana because of epileptic power supply, despite the teeming market in Nigeria for their products, should serve as excellent lessons for those in government in Africa. Probably, they need to be informed that in the symbiotic relationship between industries and social infrastructure, it is the latter that first attracts the former. Investors will always prepare to locate industries where there are infrastructure.

Local workers working in Chinese industrial park in South Africa.



(Photo/Xinhua)

CONCLUSION AND RECOMMENDATIONS

The establishment of the AfCFTA represents a major step towards greater economic integration and trade on the continent. To an extent, the slogan “African solutions for African problems” is correct, but when it comes to getting adequate funds to finance industrialization and investment that will facilitate and aid the development of the AfCFTA, Africa definitely need external funding and investors. The FOCAC industrial cooperation has greatly assisted Africa to gradually build up its industrial base and provided financial resources to invest in construction of necessary infrastructure that will enhance the growth of industries. As on November 11, 2021, information from the Ministry of Foreign Affairs of the People’s Republic of China revealed that China has established industrial capacity cooperation mechanisms with 15 countries in Africa. China and African countries have worked together to build economic and trade cooperation zones, special economic zones, industrial parks and science parks, attracting enterprises from China and other countries to invest in Africa. By the end of 2020, direct investment of Chinese companies in Africa had surpassed US\$43 billion. China has established over 3,500 companies of various types across the continent. From 2000 to 2020, China helped African countries build more than 13,000 km of roads and railways and more than 80 large-scale power facilities. All these and other projects embarked upon by China in Africa will make free movement of people, capital, goods and services in Africa possible and in the long-run contribute immensely to the success of the AfCFTA.

The recommendations are:

- 1.China and Africa should come up with a well-defined binding agreement that takes into account of the AfCFTA Agreement;
- 2.There should be transparency, accountability and prudent management of African countries' financial resources by those in government;
- 3.The success of the AfCFTA depends on availability of basic infrastructure such as roads, railways, airports, seaports, digital communication system, etc. and efficient interconnectedness of all these. African countries should focus on developing these infrastructure. 🇨🇳