

HARMONIZING THE BELT AND ROAD INITIATIVE AND THE AFRICAN CONTINENTAL FREE TRADE AREA FOR THE ECONOMIC PROSPERITY OF AFRICA

Uche Collins NWOGWUGWU

*Director of International Collaborations and Linkages
Nnamdi Azikiwe University, Awka, Nigeria*

The source of African underdevelopment has been linked with inadequate and inflexible intra-African trade. It has evolved into a problem that must be resolved if Africa is to meet the sustainable development goals (SDGs) by 2030 and its ambitious development plan by 2060. Among the frustrating problems facing the continent are trade and investment within Africa, particularly the implementation of the African Continental Free Trade Area (AfCFTA) Initiatives, Africa's industrialization and export development, trade finance, and financial sustainability.

Out of all the continents in the world, intra-continental trade is lowest in Africa. Her options are restricted by a high average of 8.7% applicable tariff protection rates. Other barriers to trade include the underdeveloped economies of Africa and their over-reliance on the production and sale of commodities, as well as inadequate trade logistics, inadequate transportation infrastructure, and significant security concerns. Non-tariff barriers are another obstacle to trade.

Trade restrictions that limit the import or export of goods without the use of tariffs are known as non-tariff barriers. Non-tariff trade barriers encompass various measures such as import licensing, pre-shipment inspections, rules of origin, custom delayers, and other trade-prevention or trade-restricting devices.

According to the United Nations Conference on Trade and Development (UNCTAD) research, intra-continental trade in Africa was 15%, while it was 59% in Asia and 69% in Europe. The direct result of inflexible intra-African trade is Africa's macroeconomic disequilibrium, which shows up as unemployment, underdevelopment, insecurity, poor output, high and spiral inflations, and multifaceted poverty.

This imperialism and underdevelopment stemmed from Africa's colonial past in terms of intra- and inter-African trade. Because the colonial authorities did not give intra-continental trade development any thought, it not only performed horribly under the colonial system but also was not the main objective of their program. For example, the Berlin Conference of 1884, which jumbled and divided Africa into fragments, not only kept tribes apart but also erected inflexible hurdles to trade between the colonized countries. Since then, trade has primarily taken place between the colonizing power's capital and its colonies. Under colonial trade strategy, manufactured commodities traveled from Europe to Africa, while natural resources traveled the opposite way. The goal of the import substitution industrialization plan was to encourage optimism for growth, but it hasn't yet been able to fully transform into an export-orientation approach.

African post-colonial leaders either never had enough

time to consider the issues or the vision was not present until lately. Regardless, they were unable to alter the colonial trading structure of their economy. African nations continue to engage in trade connections with colonial superstructures and structures. Even if new limits are being drawn every day, the old ones still stand. Intra-African trade is perhaps considerably more difficult than it was under colonization due to strict immigration laws and border police. Today, the lack of infrastructure everywhere further hinders intra-African trade.

THE AFRICAN CONTINENTAL FREE TRADE AREA

One of the main initiatives of the African Union (AU) is the African Continental Free Trade Area (AfCFTA) which was created to bridge the development gap caused by inadequate intra-African trade. The AfCFTA Agreement was established on May 30, 2019, and it has very defined goals. The project seeks to unite 54 African nations and their citizens around the goals of economic development and self-governance. AfCFTA, the biggest free trade area since the World Trade Organization (WTO) was founded, is expected to increase intra-African trade by almost 100% when non-tariff obstacles are removed and by 52.3% when import taxes are removed. According to UN estimates, the AfCFTA would be one of the world's largest free trade areas, valued at over \$2.5 trillion. Thus, the AfCFTA has emerged to improve intra-African integration and trade.

Goals of the AfCFTA

The ambitious goals of the AfCFTA are to

Create a single market to further the continent's economic unity.

Create a liberalized market by going through several rounds of talks.

Encourage the flow of people and capital to make investment easier.

Proceed with the creation of a future customs union for the continent.

Attain gender parity, inclusive and sustainable socioeconomic growth, and structural changes in member states.

Boost member states' competitiveness in the African market and worldwide.

Promote industrial development through agricultural development, food security, diversification, and regional

value chain development.

Address issues of overlapping and multiple memberships.

With these goals in place, the AfCFTA is anticipated to support job creation, food security, poverty alleviation, economic growth, and the elimination of insecurity throughout the continent. Additionally, it will enable Africa to more effectively finance its development, lessen its reliance on the volatile prices of oil and other mineral resources, and eventually enhance intra-continental trade.

Deficit in Infrastructure and the AfCFTA

The availability of contemporary, multifaceted infrastructure is essential to achieving the goals of the AfCFTA, as it is now either nonexistent or antiquated. For example, Africa requires expansion of existing seaports, doubling or tripling of national and international road lengths, building of new bridges and the renovation of existing ones, and construction of new airports to accommodate the anticipated rise in air travel while maintaining the use of existing ones. It is necessary to extend and repair older rail lines. It is necessary to build new railways through the deep jungles, the Sahara, the huge grasslands, and the coastlines. Development of infrastructure is essential, and the AfCFTA's success largely rests on it.

Other problems also include under-stimulation of intra-African trade, under-exposure of tradable commodities, and need to create demand. A significant portion of Africa's imports are manufactured commodities, yet exporting these goods from a small number of African nations is not supported. The extractive industry receives a disproportionate amount of Foreign Direct Investment (FDI) in Africa; the industrial sector still lacks the funding it needs to expand. Due to the inadequate hard and software infrastructure technology, security apparatuses, and infrastructure, investors are also wary of investing in Africa's industry. Closing this gap would be difficult because Africa lacks the financial resources to start building the infrastructure that would be needed to support the AfCFTA plan full-time right now.

THE AFRICAN ECONOMY AND THE BELT AND ROAD INITIATIVE

President Xi Jinping declared in 2013 that China would establish the Silk Road Economic Belt and the 21st-century Maritime Silk Road that would connect the

Middle East and Europe with Central Asia via the South China Sea and the Indian Ocean. This initiative aims to strengthen already-existing trade channels while revitalizing historic ones. After swiftly combining these, Beijing gave the name Belt and Road Initiative (BRI).

The primary goal is for China to provide loans and aids to the developing nations so they may build infrastructure in the areas of transportation, electricity, water supply, and so on. In May 2017, President Xi stated in his inaugural speech at the Belt and Road Forum in Beijing that “Infrastructure connectivity is the foundation of development through cooperation.” We should encourage connectivity across land, sea, air, and cyberspace; focus our attention on important routes, cities, and projects; and link networks of roads, trains, and seaports. To create global energy inter-connection and accomplish green and low-carbon growth, we must make use of the opportunities given by the latest cycle of changes in the energy mix and the revolution in energy technologies. To create institutional safeguards

for boosting connectivity, we should strengthen the trans-regional logistics network and encourage policy, rule, and standard linkage. The project is widely favored in the developing nations, nearly all of which have inadequate infrastructure.

If the BRI is successful, China will be able to use its excess savings and building capacity more effectively to support African development. By creating economic lanes that bypass those under the authority of the United States and its allies, China may increase trade, strengthen political and economic ties with participating nations, and diversify its imports of energy and other resources.

One of the BRI projects in Kenya is the \$3 billion Mombasa – Nairobi Standard Gauge Railway (SGR). Mozambique’s \$785 million Maputo to Katembe Bridge allowed it to participate in the BRI. China’s state-owned Sino Hydro corporation built a \$1.7 billion 600MW hydroelectric dam at Karuma, Uganda, as part of the BRI. China constructed the 153 MW Adama II wind farm and the Hawassa Industrial Park in Ethiopia. China is mod-



(Photo/Xinhua)

The Central Business District of the new administrative capital under construction, photographed on September 11, 2023, east of Cairo, Egypt.

ernizing Nigeria's dilapidated colonial railway, which runs from Lagos in the south to Kano in the north. China is also constructing railroads to link the cities in the south with each other, as well as the central regions with the nation's Capital Abuja. The first \$2 billion of the massive \$19 billion bauxite infrastructure agreement signed in 2018 is being delivered to Ghana by Sino Hydro. There are many items on the list. Chinese engineers will create a brand-new, state-of-the-art port in Tanzania's Bagamoyo, reportedly at \$10 billion.

Through the expansion of Africa's infrastructure, China's Belt and Road Initiative is making a significant contribution to the continent's growth. Africa would quickly make up a large portion of its infrastructure deficit if the current rate of construction were to be maintained.

Given the scale of Nigeria's market, the railway linking Lagos and Kano, for example, might meet a large portion of the transportation demands of local traders in West Africa under the AfCFTA. Additionally, it might act as a point of entry for Nigerian goods into neighboring markets like those in Niger, Cameroon, and Benin.

Ghana would have easier and more affordable access to its markets with Chinese-funded roads and railways. Similarly, it will be simpler for Ghanaian traders to enter the markets of neighboring countries like Burkina Faso, Côte d'Ivoire, and Togo. Additionally, it has been anticipated that the Belt and Road Initiative's transportation infrastructure projects will shorten shipment times to the rest of the globe by 3.2% and save transportation expenses (Belt and Road Forum Advisory Council, 2021).

Kenya's SGR was initially intended to run along the borders of South Sudan, Uganda, and Rwanda, from the port city of Mombasa to the Lake Region of Kisumu. More trade, jobs, and prosperity for the local population are the results of this. China's construction of the Karuma Hydroelectric Dam in Uganda and other renewable energy projects in Africa is a critical investment for the continent's businesses. More investors will come into Africa's manufacturing sectors thanks to the special economic zones that China has established in Ethiopia, Nigeria, and other countries.

The BRI has undoubtedly become an essential component for the success of the AfCFTA by serving to connect Africa. African leaders must show the political will to commit to the AfCFTA to use the BRI to make the AfCFTA successful; otherwise, BRI projects risk turning into financially unprofitable endeavors. For the BRI pro-

jects to be sustainable, African governments must also guarantee their effective administration.

Although the BRI is well-liked by the developing nations, wealthy industrial economies have expressed opposition to it:

That the initiative lacks transparency and helps China export its autocratic model;

That new debt problems in the developing countries are being triggered by the terms of commercial loans;

Additionally, the projects' social and environmental safeguards are insufficient.

This relationship has two sides, much like a coin has two sides. Among the main obstacles are legislative restrictions. There are policy-based restrictions on the movement of products among the AfCFTA member countries. Some actions could impede the free movement of goods. Infrastructure projects carry a risk of encountering certain issues that could impede their progress and ultimately defeat their purpose.

Here, the reduction in tax revenue can be inferred from the consequences of the AfCFTA objective. This is the money that the government gets and uses to grow the economy and accomplish long-term objectives.

BRINGING THE CHINA'S BELT AND ROAD INITIATIVE INTO HARMONY WITH THE AFCFTA TODAY

Two separate projects that seek to support economic growth and development in Africa are the AfCFTA and the BRI. The BRI wants to promote connectivity and collaboration across countries and regions by heavily investing in infrastructure projects, while the AfCFTA aspires to boost intra-African trade by removing trade obstacles and strengthening local and regional value chains.

The promotion of economic development in Africa is the shared objective of both programs, despite their distinct goals. With China's attempts to create infrastructure in Africa, particularly in the areas of rail, roads, and energy, the AfCFTA can gain from the BRI. In addition to international rail and expressways, seaports, hydro-power and carbon-based power, water supply, sanitation, and numerous other development programs that both help meet African needs and pave the way for future developments, the BRI projects in Africa primarily focus on transportation and power.

The AfCFTA aims to enhance economic integration between African nations by establishing a single market

for products and services. This will facilitate the continent's industrialization and structural transformation. Despite their seeming independence, both projects are convergent and offer two tools for economic diplomacy that can be used to address the industrialization problem facing Africa and the barriers to intra-African trade for equitable and sustainable development.

Africa must take advantage of the integration to fulfill its goals and develop into a powerful continent that China can rely on as an ally and partner.

First, encouraging initiatives that align with the goals of the AfCFTA and the Belt and Road Initiative. This is an early advantage that ought to be taken advantage of. Given the foundation of the BRI, projects that are impeded by infrastructure ought to be at the top of the list. Before long, the initiative would be accomplishing its goal and both sides would be gaining from one another.

Second, with the removal or reduction of tariffs inside the African countries in the AfCFTA, agreements leading to international imports and exports can become a bit tactical. To maintain free movement, these ought to be a few of the issues that the BRI can assist Africa in resolving. The main obstacle that Africa faces is infrastructure. With the BRI's specific infrastructure goals, Africa might be well on its path to prosperity.

Regarding the BRI and the growth in trade, the initial relationship between China and Africa was based on economics before other terms of cooperation were added. After the majority of trade obstacles were removed, trading between China and Africa would be unrestricted.

The pandemic's emergence had a significant impact on the majority of economic sectors on both sides, which raised the poverty rate. Because the integration of the initiatives will offer employment opportunities for both sides, hence reducing the amount of poverty and nuisance in society, it is anticipated that the BRI will help elevate up to 8 million people out of poverty.

CONCLUSION

China is Africa's biggest trading partner no doubt, precautions must be taken to prevent trade dominance.

African nations can take a few actions to address the seemingly inharmonious issues that may likely arise. First, they can create a well-thought-out, coordinated reaction to connect the BRI with the AfCFTA. This would entail figuring out where the two projects complement

one another and creating a plan to take advantage of China's infrastructure development endeavors in Africa to create local and regional value chains. Secondly, African nations may prevent the rush of low-cost, fiercely competitive Chinese goods into their markets by cultivating their own manufacturing and value-added businesses. To increase productivity and competitiveness, investments in innovation, technology, and human capital would be necessary. Thirdly, to guarantee that the advantages of the BRI and the AfCFTA are dispersed fairly throughout society, African nations should fortify their governance structures and institutions. To do this, it would be necessary to make investments in public goods like social protection, health care, and education.

AfCFTA and BRI harmonization can result in a win-win partnership that supports African economic expansion and development. While the BRI can benefit from the AfCFTA goal of boosting intra-African trade by creating new business dynamics that offer investors access to a population of 1.7 billion people with combined business and consumer spending reaching \$6.7 billion by 2030, the AfCFTA can take advantage of the BRI's infrastructure and build efforts to develop regional and local value chains.

The African Union (AU) established the AfCFTA Adjustment Fund to assist African nations and the private sector in successfully navigating the new commercial landscape brought about by the AfCFTA. The Base Fund, General Fund, and Credit Fund make up the Adjustment Fund. Contributions from member states, grants, and funding for technical support will make up the Base Fund, which will be used to compensate for tariff income losses when tariffs are gradually removed. Additionally, it will assist nations in putting the AfCFTA Agreement, its Protocols, and Annexes into practice. Concessional finance will be mobilized through the General Fund, and commercial funding will be mobilized through the Credit Fund to support the public and private sectors, allowing them to adapt and seize the opportunities presented by the AfCFTA. It is predicted that \$10 billion in resources will be needed for the Adjustment Fund during the next five to ten years.

Lastly, there are benefits and drawbacks to aligning the BRI with the AfCFTA. Although the two programs aim to promote economic development and progress in Africa, they have different goals, and their effective integration will depend on the governments of those countries responding in a coordinated and well-thought-out manner. ■