

Review of Economic Integration, Industrialization, Global Value Chains & Intra-Trade

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Received: 19/12/2023

Accepted: 06/02/2024

Published:31./03/2024

Abstract:

The USA-led imperialist globalization project across the globe has been disrupted by the emerging powers: China-Russia-India-Brazil-South Africa led 'BRICS' through 'One Belt One Road (OBOR)' and 'De-dollarization' Initiatives' to achieve the goals of 'Self-reliance', sustainable development and economic growth, and inclusive multilateralism along-with multi-polarity. In this context, the fourth largest trading and economic bloc AfCFTA attracts the global community for trading and investment in the region. This study reviews China-Africa and India-Africa economic relations along the lines of trade flows (dynamics, structure, and destinations of exports and imports) and foreign direct investment (stocks accumulated in African countries). The author identified the existing problems and challenges of trade and investment integration and revealed opportunities for sustainable and economic growth. The purpose of this study was to fill a gap in academic research to re-investigate the current status and analyse intra-trade performance among AfCFTA countries by using the analytical and statistical methodology of collected secondary data from various sources. Finally, set recommendations and conclusion.

Keywords : Intra-trade among AfCFTA-BRICS, Multi-polarity, Sustainable and Inclusive Development and Multilateralism, Green Energy and Environment etc.

I- Introduction:

Africa is surrounded by the Mediterranean Sea, the Suez Canal, the Red Sea, the Indian Ocean, the Atlantic Ocean, and the Sinai Peninsula. The African continent is the world's second-largest. It covers an area of 30.2 million km, which is equivalent to almost 20.4% of the total world's land area. Africa has 900 million population, which is around 14% of the world's total population. In Africa, there are 55 countries, out of which 48 countries are considered Sub-Saharan Africa and seven countries are related to North Africa.

Africa is rich in natural resources; however, the majority of African economies are dominated by agricultural production with around 80-90% population living in rural areas. In economic terms, the continent is divided into four parts. The southern and northern parts of Africa are the most prosperous (based on agricultural, industrial, and trade performances) and people enjoy freedom and democracy along with socio-political stability, whereas in the other parts, people are striving for democracy, freedom, and social and political stability. South Africa, Nigeria, Mauritius, Kenya, Angola, Libya, Sudan, and Egypt are the richest nations in Africa, while the poorest economies are Somalia, Burundi, Eritrea, and Ethiopia. The combined GDP (based on PPP 2022) of Africa was around US\$8.05 trillion and nominal GDP is estimated at US\$3.1 trillion in 2023. According to the World Bank report (2023), sub-Saharan Africa's economic growth dropped to 3.6% in 2022 from 4.1% in 2021 and is expected to dip to 3.1% in 2023.

The global economy has continuously been facing a full-flagged economic crisis since 2008 due to systemic crisis, the geopolitical tensions between the major superpowers such as China and the USA, and the war between Russia and 31 member countries of NATO in Ukraine. Global supply chains have been disrupted. The economies of Africa, Europe, and Arabian Gulf countries are suffering from food crises, energy crises, sovereign public debt crises, and economic recession, and unemployment and high inflation rates have risen at the last 45-year levels. Gross domestic product (GDP) has sharply declined.

Thus, Africa's economic growth is estimated to pick up to 3.7% and 3.9% in 2024 and 2025, respectively predicted by the World Bank. The GDP growth of Western and Central Africa is estimated to decline to 3.4% in 2023, from 3.7% in 2022, while that of Eastern and Southern Africa declines to 3.0% in 2023, from 3.5% in 2022. The region's performance is still dragged down by lower long-term growth in the largest countries on the continent. Economic activity in South Africa is set to weaken further in 2023 (0.5%) as the

energy crisis deepens, while the growth recovery in Nigeria for 2023 (2.8%) is still fragile as oil production remains subdued. Among the 10 largest economies in Sub-Saharan Africa. The fiscal deficit of the region widened to 5.2% of GDP in 2022, up from the estimated 4.8% of GDP in 2021. Weak growth combined with a fast accumulation of public debt has pushed the median public debt-to-GDP ratio from 32% in 2010 to 57% in 2022 (56% in Western and Central Africa; 64% in Eastern and Southern Africa). The number of SSA countries at high risk of external debt distress or already in debt distress stands at 22 (up from 20 in 2020).

Africa faces a significant challenge to meet its universal, high-quality energy access goals. In 2022, 600 million people in Africa, or 43% of the continent, lacked access to electricity. However, Africa's resource base and associated investments could help accelerate progress by developing diverse energy sources. Because many natural resource projects are located in remote and rural communities, the scale-up of green energy investments and regional infrastructure could be leveraged to alleviate rural poverty and promote productivity gains.

In January 2012, the African Union decided to fast-track the establishment of the Continental Free Trade Area, (CFTA) with the main aim of boosting intra-African trade. The negotiations on the CFTA were launched in July 2015 and the first phase of negotiations was scheduled to finish by October 2017 (Stiftung, 2017). Create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African Customs Union. • Expand intra-African trade through better harmonization and coordination of trade liberalization, as well as the creation of better facilitation regimes and instruments across RECs and Africa in general. • Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes. • Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

Methodology

The study used an analytical approach and statistical tools and applied methods for collecting data and information from various secondary sources, the World Bank's database, the UNCTAD's reports, the United Nations Economic Commission for Africa, social networking sites, journals, PhD thesis, newspapers, magazines, and webinars etc.

Review of Literature

According to Kituyi, M. (2017), the African continent Free Trade Area is a landmark achievement in fostering regional integration for the unification of Africa. The CFTA will result in the development of a single African continental market with more than 1.3 billion people and an aggregate annual GDP of \$2.2 trillion. The transition phase to the CFTA alone is expected to generate welfare gains of \$16.1 billion and boost intra-Africa trade by 33 per cent.

The United Nations Conference on Trade and Development (UNCTAD), as the leading United Nations body on trade and development, embarked on this historic initiative with African member countries providing technical support in exploiting the potential gains of the African Continental Free Trade Area.

Stiftung, B. (2017), while the removal of tariff barriers may reduce the cost of exports and imports of goods and services across borders the presence of weak institutions, deficient infrastructural development, absence of product export diversification and premature de-industrialization pose some challenges to intra-Africa trade.

Tralac (2017), South Africa in 2017 was the largest exporter of intra-Africa trade with 53 per cent and Nigeria was the second largest exporter with 7 per cent followed by Egypt (5%), Ivory Coast (4%) and Morocco (3%). South Africa was also the largest importer of intra-Africa trade with 17% being intra-Africa imports followed by Botswana with 7%, Zambia (7%), Namibia (6%), Mozambique (5%) and Zimbabwe (4%). All these large intra-Africa importers are in Southern Africa. The major intra-Africa exports in 2017 were machinery, chemical products, food, beverages and tobacco, transport equipment and mineral products in that order of importance.

According to Schwikowski, M (2019), Africa's new free trade zone only exists on paper. To make it implementable, Ministers from the 23 convened in 2019 to discuss the implementation modalities. However, missing from the deliberations were two of Africa's biggest economies of Republic of South Africa and Nigeria. These major economies chose to boycott the CFTA agreement for economic reasons. Despite, the absence of these two major African economies, the political will behind the new agreement is commendable. African Continental Free Trade zone must be provided with space to grow from scratch as even the European market did not develop overnight but took some good years.

According to the United Nations Economic Commission for Africa, African continental trade accounts for only 13%. This figure is just as low as compared to the opportunities that exist for intercontinental trade. The estimates by the African Union Economic Affairs Department show that 40 per cent of the population in Africa lives in poverty. Estimates by the World indicate that Africa's aggregate GDP is expected to increase to 3.2 per cent in 2018 and 3.5 per cent in 2019 and much more can be done as the major economies in Africa recover from economic woes.

One of the driving forces for regional integration in Africa is the promotion of intra-continental trade. The Heads of State and Government therefore in 2012 adopted the decision to establish a Continental Free Trade Area and agreed to the action plan on boosting intra-Africa trade. The main aim of CFTA is to create a single African market for goods and services allowing free movement of business people and investment (African Trade Statistics Yearbook, 2017).

Adekunle, B. (2015), indicated that among the factors that hinder intra-Africa trade are tariff barriers, too many documents required and harsh custom procedures, inefficient ports and poor infrastructure. These factors result in the increased cost of exporting and importing goods. Trade facilitation measures can lower the cost of transporting goods across borders by around 12.5% to 17%. Trade facilitation measures can increase exports as the cost of imports for raw materials will be reduced. Trade facilitation measures can also create a conducive environment for foreign direct investment. Poor producers are the ones who are most affected by red tape and trade facilitation is more beneficial to small and medium-sized businesses and this is more crucial for African nations...

According to Sow, M (2019), Forty-four (44 countries) out of 55 African countries have so far ratified the CFTA and the countries have agreed to cut tariffs on 90% of goods to increase intra-Africa trade. But 11 countries have not yet signed the agreement including Africa's biggest economies of South Africa and Nigeria, South Africa with the reason of technical and Nigeria indicating that the agreement will undermine its local businesses.

A Harvard University study led by Professor Calestous Juma showed that "Africa could feed itself by making the transition from importer to self-sufficiency. "African agriculture is at the crossroads; we have come to the end of a century of policies that favoured Africa's export of raw materials and importation of food. Africa is starting to focus on agricultural innovation as its new engine for regional trade and prosperity."

The colonization of most of Africa by seven Western European powers during an era known as “New Imperialism” between 1833 and 1914. The 10 per cent of Africa that was under formal European control in 1870 increased to almost 90 per cent by 1914, with only Liberia and Ethiopia remaining independent. The Berlin Conference of 1884, which regulated European colonization and trade in Africa, is usually accepted as the beginning. In the last quarter of the 19th century, there were considerable political rivalries between the European empires, which provided the impetus for the Scramble. The later years of the 19th century saw a transition from “informal imperialism” – military influence and economic dominance – to direct rule. Most of Africa was decolonized during the Cold War period from 1945 to 1990. However, colonial legacies still exist despite the political independence of Africa.

The old imperial boundaries and economic systems imposed by the Scramble still affect the politics and economy of African nations today. Africa contains 55 sovereign countries, most of which have borders that were drawn during the era of European colonialism. Since independence, African states have frequently been hampered by instability, corruption, violence, and authoritarianism. The vast majority of African states are republics that operate under some form of the presidential system of rule. However, few of them have been able to sustain democratic governments permanently – per the criteria laid out by Luhrmann et al. (2018), only Botswana and Mauritius have been consistently democratic for the entirety of their post-colonial history. Most African countries have experienced several coups or periods of military dictatorship. Between 1990 and 2018, though, the continent as a whole has trended towards more democratic governance. Upon independence, an overwhelming majority of Africans lived in extreme poverty.

The continent suffered from the lack of infrastructural or industrial development under colonial rule, along with political instability. With limited financial resources or access to global markets, relatively stable countries such as Kenya still experienced only very slow economic development. Only a handful of African countries succeeded in obtaining rapid economic growth before 1990. Exceptions include Libya and Equatorial Guinea, both of which possess large oil reserves. Instability throughout the continent after decolonization resulted primarily from marginalization of ethnic groups, and corruption. In pursuit of personal political gain, many leaders deliberately promoted ethnic conflicts, some of which had originated during the colonial period, such as from the grouping of multiple unrelated ethnic groups into a single colony, the splitting of a distinct ethnic group between

multiple colonies, or existing conflicts being exacerbated by colonial rule (for instance, the preferential treatment given to ethnic Hutus over Tutsis in Rwanda during German and Belgian rule).

Overall, though, violence across Africa has greatly declined in the 21st century, with the end of civil wars in Angola, Sierra Leone, and Algeria in 2002, Liberia in 2003, and Sudan and Burundi in 2005. The Second Congo War, which involved 9 countries and several insurgent groups, ended in 2003. This decline in violence coincided with many countries abandoning communist-style command economies and opening up for market reforms, which throughout the 1990s and 2000s promoted the establishment of permanent, peaceful trade between neighbouring countries.

Improved stability and economic reforms have led to a great increase in foreign investment in many African nations, mainly from China, which further spurred economic growth. Between 2000 and 2014, annual GDP growth in sub-Saharan Africa averaged 5.02%, doubling its total GDP from US\$811 Billion to US\$1.63 Trillion (Constant 2015 USD). North Africa experienced comparable growth rates. A significant part of this growth can also be attributed to the facilitated diffusion of information technologies specifically the mobile telephone. While several individual countries have maintained high growth rates, since 2014 overall growth has considerably slowed, primarily as a result of falling commodity prices, continued lack of industrialization, and epidemics of Ebola and COVID-19.

Although it has abundant natural resources, Africa remains the world's poorest and least-developed continent (other than Antarctica), the result of a variety of causes that may include corrupt governments that have often committed serious human rights violations, failed central planning, high levels of illiteracy, low self-esteem, lack of access to foreign capital, legacies of colonialism, the slave trade, and the Cold War, and frequent tribal and military conflict (ranging from guerrilla warfare to genocide). Its total nominal GDP remains behind that of the United States, China, Japan, Germany, the United Kingdom, India and France. According to the United Nations Human Development Report in 2003, the bottom 24 ranked nations (151st to 175th) were all African. Poverty, illiteracy, malnutrition and inadequate water supply and sanitation, as well as poor health, affect a large proportion of the people who reside in the African continent. In August 2008, the World Bank announced revised global poverty estimates based on a new international poverty line of \$1.25 per day (versus the previous measure of \$1.00). Eighty-one per cent of the sub-Saharan

African population was living on less than \$2.50 (PPP) per day in 2005, compared with 86% for India.

Sub-Saharan Africa is the least successful region of the world in reducing poverty (\$1.25 per day); some 50% of the population living in poverty in 1981 (200 million people), a figure that rose to 58% in 1996 before dropping to 50% in 2005 (380 million people). The average poor person in sub-Saharan Africa is estimated to live on only 70 cents per day, and was poorer in 2003 than in 1973, indicating increasing poverty in some areas. Some of it is attributed to unsuccessful economic liberalization programmes spearheaded by foreign companies and governments, but other studies have cited bad domestic government policies more than external factors.

Africa is now at risk of being in debt once again, particularly in sub-Saharan African countries. The last debt crisis in 2005 was resolved with help from the heavily indebted poor countries scheme (HIPC). The HIPC resulted in some positive and negative effects on the economy in Africa. About ten years after the 2005 debt crisis in sub-Saharan Africa was resolved, Zambia fell back into debt. A small reason was due to the fall in copper prices in 2011, but the bigger reason was that a large amount of the money Zambia borrowed was wasted or pocketed by the elite.

The continent is believed to hold 90% of the world's cobalt, 90% of its platinum, 50% of its gold, 98% of its chromium, 70% of its tantalite, 64% of its manganese and one-third of its uranium. The Democratic Republic of the Congo (DRC) has 70% of the world's coltan, a mineral used in the production of tantalum capacitors for electronic devices such as cell phones. The DRC also has more than 30% of the world's diamond reserves. Guinea is the world's largest exporter of bauxite. As the growth in Africa has been driven mainly by services and not manufacturing or agriculture, it has been growth without jobs and a reduction in poverty levels. The food security crisis of 2008 which took place on the heels of the global financial crisis pushed 100 million people into food insecurity.

In recent years, China has built increasingly stronger ties with African nations and is Africa's largest trading partner. China had announced a US\$10 billion debt relaxation and provided again USD10 billion to Africa. In 2007, Chinese private companies invested a total of US\$1 billion in Africa.

According to Professor A.C. Prabhakar, "the current wave of the western foreign financial capital flows had moved to semi-feudal and semi-capitalist developing countries

(particularly, in East and South-East Asia). It can be seen in the forms of outsourcing corporations or multinational companies (MNCs) controlled ‘financial and trade’ liberalization along with new opening supermarkets, which was practised by the US, the EU, and Japanese-based transnational and multinational corporations at the beginning of the 1970s. The same corporate multinational groups are now internalizing their financial movements in the semi-feudal-semi-capitalist developing countries (Prabhakar A. C., 2020).”

Africa’s Challenges & Opportunity

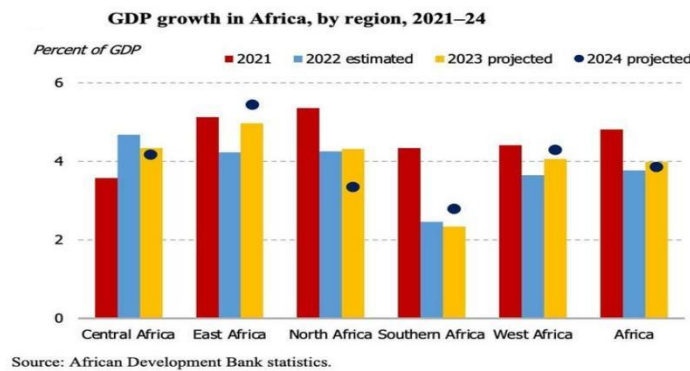
African people have been facing a lot of problems and tough challenges since independence (for example, food insecurity, unemployment, poverty, hunger and malnutrition-related illness /diseases, illiteracy, poor and backward infrastructures (e.g. around 600 million people in Africa, or 43% of the continent, who have lacked access to electricity till 2022), lack of supply access of safe drinking water, lack of comfortable shelters, lack of democracy and freedom etc.). Africa is still marginalized even in the era of globalization. The industrialization process has been an unfinished task since independence, and therefore, the ‘*self-reliance*’ goal with sustainability and inclusiveness is far away from achieving the goal of high-quality energy access. Civil war, ethnic violence, and authoritarian military conflicts are the main causes of the barriers to industrialization and development due to migration and poverty in Sub-Saharan Africa.

External forces such as the USA and particularly the former imperialists (colonial masters) like Western Europe were the most responsible for economic and social backwardness in Africa through direct military intervention to destabilize the political system and economic exploitation by multinational corporations. These destructive elements destroy investors’ confidence in the economy and lead to wasteful military spending. Social and political conflicts lead to destabilize economic activities, disrupt food value chains, and increase the risk of food insecurity and hunger. People feel unsafe and unrest due to migration and restricted transportation, trust and social capital get destroyed, and finally, people are forced to live in fear and panic situations with little or no hope for a better life. All these above-mentioned elements destroy the values of human freedom, peace, and stability, which are necessary conditions of investment for industrialization, economic growth, and development with job creation for poverty reduction (the best

examples are: Congo, Burundi, Somalia, Ethiopia, Niger, the Central Africa Republic, and Liberia, which are highly conflict-affected countries) in Africa (Baah, 2020).

Africa’s huge reserves of mineral wealth are divided up between the huge European and the USA-controlled multinational corporations, and local people are unlikely to receive a share of the huge profits being made. Petroleum oil, gold and diamond, and other natural resources of Africa are directly controlled by 4,000 US and European-based multinational corporations. Africa’s more globally integrated economies, especially commodity-exporting countries such as South Africa, Nigeria, Kenya, Algeria, Angola, Niger, Mali, Botswana, Zimbabwe, Malawi, South Sudan etc., have lost substantial value against the dollar in 2023, because of monetary policy tightening in the USA in 2022 (for example, the depreciation rates ranged from 21% in Malawi to 69% in South Sudan).

Figure-1: GDP Growth in Africa (2021-24)



Africa’s abundant resources can be utilized by increasing investments in infrastructure development, education and health will help accelerate economic progress by developing diverse energy sources. Because many natural resource projects are located in remote and rural communities, the scale-up of green energy investments and regional infrastructure could be leveraged to alleviate rural poverty and promote industrial productivity gains. Food markets are set to increase fourfold to exceed \$400 billion by 2030, requiring major agribusiness investments in processing, logistics, market infrastructure, and retail networks (Chakrabarti & Ghosh, 2014). Africa is estimated to be home to 30% of the world’s mineral reserves, and an even higher proportion of deposits of gold, platinum, diamonds, and manganese. However, despite rich natural resources and a

hard-working workforce, Africa is the most backward continent in the world (Prabhakar A. C., 2020).

West Africa's economy is based around oil and diamonds. All diamonds bought and sold in the U.S. Precious minerals (including much of the world's diamonds) are abundant in the south and east of a line from the Gulf of Guinea to the Sinai Peninsula; extensive oil, gas, and phosphate deposits occur in sedimentary rocks to the north and west of this general line. Manufacturing is concentrated in South Africa Kenya and North Africa (especially Egypt and Algeria). These African countries have eliminated 15 per cent of poverty (for example; around 50% of the population in Sub-Saharan Africa was living in extreme poverty in the 1990s based on around US\$2.15 per person per day consumption as an estimated by the World Bank), after the three decades of globalization, around 35% people are still forced to live in the worst conditions under the below poverty line. Most of Sub-Saharan Africa is in the World Bank's lowest income category of less than \$765 Gross National Income (GNI) per person per year. Ethiopia and Burundi are the worst off with just \$90 GNI per person. Even middle-income countries like Gabon and Botswana have sizeable sections of the population living in poverty. North Africa generally fares better than Sub-Saharan Africa. Africans' average real per capita income is lower today than they were two or three decades ago. More than 300 million African people live on less than US\$1 per day (Source: IMF/World Bank & UN forecasted). The incidence of extreme poverty never seems to go down, despite decades of work by the UN agency with the African governments and NGOs, outside NGOs, and foreign government aid programs.

According to UNCTAD's Economic Development in Africa Report 2023; "Africa has the potential to become a major participant in global supply chains for high-technology sectors like automobiles, mobile telephones, renewable energy and health care. Recent disruptions due to trade turbulence, economic uncertainty, a global pandemic and geopolitical tensions have compelled manufacturers worldwide to diversify their production locations and geographical footprint. This presents opportunities for African governments and businesses to position the continent as the new destination for global supply chains. It has an abundance of critical minerals needed for high-tech and green products and is home to a young, tech-savvy population, an adaptable workforce and a burgeoning middle class.

Some African countries such as South Africa, Morocco, Algeria and Egypt, manufacture automobiles while most (about 84%) supply raw and semi-raw materials. Untapped potential lies in producing non-automotive grade components, such as batteries and lamps, which are less

technology-intensive than parts like motors. Opportunities also abound in mobile telephone supply chains. For instance, the Democratic Republic of the Congo, which holds about 46% of the world's cobalt, is venturing into producing cathode precursors – a main component in batteries. Africa can also harness its potential for solar energy. Egypt, Morocco and South Africa already manufacture solar panels and further prospects exist in assembling solar fields, which require components like ball joints and cables that are used by many industries. There is also potential in pharmaceutical and medical product supply chains.

However, the continent requires more investment to boost manufacturing. Even with renewable investments in Africa soaring by a yearly average of 96% since 2000, the continent attracts a mere 2% of the global total. Africa provides 12% of global exports of vital minerals used by the medical industry. But intra-African trade in the sector remains weak. For instance, South Africa, the world's leading exporter of titanium and platinum – essential for medical devices – accounts for just 5% of African imports of these metals. The African Continental Free Trade Area could play a pivotal role in facilitating intra-African trade and strengthening regional supply chains in high-tech sectors by cutting tariffs, boosting infrastructure investments and building links between companies and local suppliers.

Table-1. Africa's Share of Global Reserves (in Percentage)

Cobalt	48.1
Gold	50
Platinum	90
Tantalite	70
Chromium	98
Manganese	47.6
Uranium	33
Coltan	70
Diamond	30
Graphite (Natural)	26.6
Copper	5.9
Nickel	5.6
Lithium	1
Iron Ore (Crude Ore & Iron Content)	0.6

Source: UNCTAD calculations, based on data from the Knoema database 2023

Table-2. South Africa has the World's largest reserves of manganese (2018-2022, 1000 metric tons)

Year	South Africa	Rest of the World
2018	530K	230K
2019	550K	260K
2020	780K	520K
2021	780K	520K
2022	860K	640K

UNCTAD Report 2023

Investment Opportunity and Global Supply Chains

The African Continental Free Trade Area offers advantages by easing access to regional markets and strengthening production chains across the continent, helping domestic industries become more prepared for the global arena. The report recommends policy actions to overcome supply chain hurdles African countries face, including poor logistics, low levels of technology, fragmented markets, limited capital sources, and weak institutions and regulations.

- With about 60% of Africans under the age of 25, the continent is emerging as a magnet for consumer markets and products, making it an attractive destination for investment and global supply chains.
- Comparative advantage is Africa's vast reserves of critical minerals – including aluminium, cobalt, copper, lithium and manganese – needed for high-tech and green products like smartphones and solar panels.
- Expanding energy supply chains into Africa is also an opportunity to accelerate climate action. The continent has at least a fifth of the world's reserves in a dozen metals critical for the energy transition – including about 19% of those needed for electric cars. As the global push for cleaner energy intensifies, demand for such metals will soar – an electric car, for example, needs about six times more minerals than a traditional vehicle.

- Besides providing direct access to the raw materials, African economies can help manufacturers shorten and simplify supply chains and cut transportation costs by locally processing the metals into intermediate products, such as batteries or screens.
- Africa offers opportunities to green supply chains by tapping the continent's green hydrogen potential and renewable energy resources, particularly solar.
- To seize these comparative advantages, African countries need to enhance productivity through technology adoption, improve logistics and leverage trade agreements.
- Investments in the continent's infrastructure, including ports, roads and rail, have lagged, contributing to delays that discourage businesses from sourcing products from African countries.
- Initiatives like the Continental Programme for Infrastructure Development in Africa and South-South partnerships such as the Silk Road Economic Belt initiative could help upgrade the region's infrastructure.

Despite Africa's enormous potential for hydroelectric power production, only a small percentage of it has been developed. Most of Africa's population around 80-90 percent live in rural areas and in small and medium scale industries around 80 percent contribute to GDP. Except for cacao and peanuts, agricultural production is low by world standards; Africa produces three-quarters of the world's cocoa beans and one-third of its peanuts. Major fishing grounds are found over the wider sections in the continent's North West, South West, South Africa and North West Madagascar. Africa is a donor dependent, and highly dependent on (imported) trade. Major heavy industries are controlled by the USA and the EU-based MNCs. Africa's per capita GDP is extremely low (Source: World Bank, UN). Around 3-4 per cent of people, who live in urban areas, are military bourgeois, petty-bourgeoisies or petty traders, and the rest are in service sectors.

Since the decade of 1990s, 40 of 48 sub-Saharan African countries have been adopting the packages of Structural Adjustment Programme (SAP) and Liberalization Economic Policies under the supervision of the World Bank and International Monetary Fund. By 1990, forty of the nations of Sub-Saharan Africa had agreed to follow rigorous IMF restructuring plans. Structural adjustments have dismantled existing rural systems, but have not built new ones. In many transitional economies, the rural situation is marked by

continuing stagnation, poor production, low incomes and the rising vulnerability of poor people. Lack of access to markets is a problem for many small-scale enterprises in Africa. Africa's huge reserves of mineral wealth are divided up between the giant multinationals based in Europe and the United States - local people are unlikely to receive a share of the huge profits being made. These new *colonial policies* are directly responsible for many of Africa's modern problems. The true effects of *new colonialism* are *psychological* and that *domination by a foreign power* creates a lasting sense of inferiority and subjugation that creates a barrier to growth and innovation. With the entry of Multinational Corporations (MNCs) into export-oriented agriculture, a serious threat of dispossession of small and marginal farmers is becoming a reality with grave social consequences. IMF recommendations saw the continent's currencies drop by an average of 50%, the selling off of government-owned industries, and the slashing of government spending.

Globalization and trade liberalization have developed a new measure of the scale of export dumping by the EU and the USA. Sub-Saharan Africa seems to have been left behind and marginalized by globalization. Agricultural superpowers are exporting at prices more than one-third lower than the costs of production. Subsidized exports from rich countries are driving down prices for exports from Africa, and devastating the prospects for smallholder agriculture. Around 80-90 per cent of African workers are employed by the agricultural sector, with about three-fifths of African farmers still subsistence farmers. Larger farms tend to grow cash crops such as coffee, cotton, cocoa, and rubber. These farms, normally operated by large corporations, cover tens of square kilometres and employ large numbers of labourers. The EU and the USA protect their agricultural sectors with high import tariffs and offer subsidies to their farmers, which many contend leads to the overproduction of such commodities as grain, cotton and milk. The global price of such products is continually reduced until Africans are unable to compete.

Alternate Model of Industrialization

Africa requires an 'agricultural-based industrialization strategy' because 85-90 per cent of people live in rural areas and are directly/indirectly engaged with agriculture and its allied sectors. Natural Raw Materials are also available in the remotest zone. Therefore, small and medium-scale social industries or social entrepreneurship must be promoted. South Africa is even the wealthiest state where the progressive African National Congress government has failed to implement an alternative industrial model. Land reform is also subject to re-

distribute among the landless not only in S. Africa where already 85 per cent of fertile agricultural land areas are controlled by only 14 per cent of white people but in Zimbabwe and other countries of Africa. The small but oil-rich states of Gabon and Equatorial Guinea round out the list of the ten wealthiest states in Africa. Since the late 1990s, the development discourse in Africa has been dominated by the mantra of the “New Green Revolution in Africa.” The South African and Ugandan governments have targeted policies to take advantage of the increased demand for certain agricultural products and plan to stimulate agricultural sectors.

Agro-imperialism

Investment in agriculture by foreigners can be seen in East Africa. East Africa signed an agreement with the foreign investors in Addis Ababa on 7th March 2010. At large-scale farming, more than 15 million hectares of land at dirt cheap rate (only 50 cents/hectare/year) Ethiopia offered on lease for 45 years to foreign investors at a time when their people face the spectre of mass starvation. Indian (Delhite) Karuturi Global was an agro-imperialist, grabbing Ethiopia's land of more than 300,000 hectares, at bargain prices and exporting profits, and other hand more than 80 million people use only 120 million hectares, certainly go hungry.

Foreign Investors in Africa

A significant increase in private investment flows at large scale in Africa has been received from most notably US-based multinationals –Walmart, Coca-Cola IBM, and the EU. Africa received a huge investment flow from emerging economies such as China, India, Russia, Brazil, Malaysia, South Korea and the UAE.

Global South Initiatives

The Bandung conference in 1955, where mostly newly emerged independent African and Asian nations gathered, created a background, to promote trade among developing countries, to achieve the goal of a self-reliance economy, through institutional structures and mechanisms such as:

- to establish a Global System of Trade Preferences among developing countries;
- to set up state-run trade organizations; and

- Multinational sales enterprises among the developing countries.

Africa is preparing itself to build and intensify its relationship with emerging nations such as China, India, Brazil, and Russia since the developed nations, particularly, the USA and the EU, have refused to extend foreign aid packages to Africa in the 21st century. China and India are the two major investors and trade partners of African countries. The Western nations have withdrawn financial support such as foreign aid, donations and special types of trade preferences from Africa since 2008. International financial organizations like the World Bank and the IMF are unable to provide even conditionality-based loans as per the financial requirements of Africa (especially, for infrastructural development). China and India's engagement with Africa has come at a time when the business climate has improved across Africa and interest in Africa as a market has grown (Cheru & Obi, 2010).

China-Africa Economic Integration

Forum of China–Africa (FOCAC), where 51 African countries' heads including 80 ministers participated, China has declared US\$ 10 billion (previous) debt relief, which was a great accomplishment and tariff exemption, and the same amount provided with concessionary loans to Africa, which was more worth relaxations than the IMF/World Bank or any other developed countries including the USA. China launched various programmes including science and technological fields, allowing 100 African postdoctoral fellows to carry out scientific research in China. Since 2012, China provides scholarships have risen to 5,500, and around 20,000 African professionals already trained over the next three years. China's plans also include building 50 schools and training 1,500 school principals and teachers in Africa. China increased the number of its agricultural technology demonstration centres in Africa. China sent 50 agricultural technology teams to train 2,000 agricultural technology personnel, to help boost the continent's food security.

In the field of health care, China provides medical equipment and anti-malaria materials worth \$73.2 million to 30 hospitals and 30 malaria prevention and treatment centres built by China. Around 3,000 doctors and nurses would also be trained under this initiative. China opened its market for African products, with provisions of duty-free access to 95 per cent of the products produced by the least developed African countries. China's 12 firms signed with worth US\$ 1.9 billion and assured that it would not monopolize

Africa's resources. Chinese SMEs (which are around 42 million), are well organized, and with wide international networks SME sectors play a major role in Africa. However, China's Foreign Direct Investment (FDI) in Africa is still only 3 per cent of China's total FDI.

Sino-Africa Trade

China is the second-top trading partner, behind the United States, and ahead of France and Britain. Africa's 85% exports to China come from five oil-rich countries such as Angola, Equatorial Guinea, Nigeria, the Republic of Congo, and Sudan. Chinese firms import a significant amount of non-oil commodities such as timber, copper, and diamonds. The bilateral relationship has yielded a remarkable revenue of approximately USD 2 trillion a testament to the mutual benefits derived from this partnership. The trade volume increased by an impressive 42.8%, amounting to revenue of \$55.6b. To deepen their economic cooperation, China and Africa have signed contracts worth a staggering 700 billion US dollars. These contracts encompass various sectors, including infrastructure development, technology transfer, and industrial projects, showcasing the broad scope of their collaboration.

China has demonstrated its commitment to capacity building by conducting over 1000 specialized training programs tailored specifically for African professionals. These programs aim to enhance skills, knowledge, and expertise in various fields, contributing to Africa's long-term development and self-sustainability. The China-Africa Economic and Trade Expo has emerged as a pivotal platform for promoting economic cooperation and fostering a shared future between China and Africa. Through this expo, both regions have witnessed substantial growth in trade volume, revenue generation, and valuable partnerships.

Africa requires a huge investment of around *ONE TRILLION US Dollars/* yearly for physical infrastructure development (including scientific education and research, technological innovation, and health to accelerate its sustainable industrialization and inclusive development. The World Bank and the IMF are unable to provide even 25% of Africa's investment requirements.

China stands as the fourth-largest investor in Africa, with its investments on the continent reaching \$3.4 billion in 2022. Over 3,000 Chinese companies have established a presence in Africa (Reporter, 2023). In the first four months of this year alone, China's direct investment in Africa surged to \$1.38 billion, marking a 24 per cent year-on-year increase. This robust growth underscores the resilience of Sino-African economic and trade cooperation and reflects the confidence of Chinese enterprises in the African market.

From 2000 to 2021, Beijing extended approximately \$326 billion in loans and grants to African countries, according to AidData, a research lab at the College of William and Mary. These funds facilitated 7,985 projects across nearly every African nation over this 21-year period. The energy and transport sectors were significant beneficiaries, receiving nearly half of this funding, which totalled about \$153 billion.

China's commitment to Africa is further exemplified by the establishment of its first foreign military base in Djibouti, symbolizing the steady strengthening of its ties across the continent. Additionally, China has been convening the Forum on China-Africa Cooperation (FOCAC) every three years since 2000. Initially launched as a ministerial conference, FOCAC was elevated to an international summit in 2006. Despite the pandemic, the forum continued virtually in 2021, and the next summit is slated for the autumn of this year.

The third China-Africa Economic and Trade Expo, held from June 29 to July 2 in Changsha, Hunan, saw participation from 50 African countries and eight international organizations. Over the past decade, total bilateral trade between China and Africa has surpassed \$2 trillion. In the first five months of 2023, China's total import and export volume with Africa reached 822.32 billion yuan (113.5 billion U.S. dollars), demonstrating a 16.4 per cent year-on-year increase. China's trade with Africa has grown from less than 100 billion yuan in 2000 to 1.88 trillion yuan in 2022, a more than 20-fold increase with an average annual growth rate of 17.7 per cent. Bilateral trade between China and Africa amounted to \$282 billion in 2022. In the first four months of this year, new direct investment from China in Africa reached \$1.38 billion, a 24 per cent year-on-year rise. It is anticipated that China-Africa trade will reach \$300 billion by the end of the year 2025 (Xinhua, 2023).

Table-3.: Chinese Investment in Top 20 Destinations & Sectoral-wise number of Projects (1998-2012)

Country	Number of Projects		Sectoral-wise	Number of Projects
Nigeria	404		Business Service	1053
South Africa	280		Wholesale & Retail	693
Zambia	273		Import & Export	539
Ethiopia	255		Construction, Transportation, Storage, Postal Services	392
Egypt	197		Mineral Products	319
Congo	193		Base Metals & Articles of Base metals	148
Ghana	192		Articles of Stone, Plaster, Cement	96
Angola	189		Machinery & Electronics	76
Zimbabwe	167		Textiles & Articles	75
Tanzania	149		Vegetable Products	72

Sudan	148		
Kenya	137		
Algeria	123		
Mozambique	94		
Uganda	89		
Gabon	71		
Mali	68		
Namibia	66		
Mauritius	65		
Cameroon	60		

Source: <http://brook.gs/1KWTFcX>

India-Africa Economic Integration

India-Africa Forum Summit, which was held in New Delhi in 2008, where 13 African countries participated in the event, adopted two documents, the Delhi Declaration and the Africa-India Framework for Cooperation, to enhance the “true partnership”. The Framework for Cooperation covers agreed areas of cooperation in many sectors including education, science and technology, agricultural productivity, food security, industrial growth, infrastructure and the development of the health sector. In a speech at the two-day summit, African Union Chairman Alpha Oumar Konare said infrastructure, health, education, science and food security were areas where it wanted Indian know-how.

Democratic Republic of Congo President Joseph Kabila said, "Africa needs to meet fundamental needs of its population by building schools, providing housing and generating employment. In an inaugural address, Prime Minister of India Dr. Singh announced, that India will double financial credit to Africa to 5.4 billion dollars in the next five years, and provide preferential market access for exports from all 50 least developed countries,

including 34 of Africa. Africa as the "land of awakening", adding that the two billion people of India and Africa could set an example of "fruitful partnership."

By 2050, Africa's population is projected to reach 2.5 billion, constituting approximately 25 per cent of the global population. Currently, with around 1.4 billion inhabitants, Africa's economy is estimated at nearly \$3 trillion. India prioritizes Africa in its foreign policy, aligning its development partnership with African priorities. This collaboration aims to enhance trade and investment, transfer India's digital advancements to the continent, and cooperate in sectors such as agriculture, energy, trade, technology, infrastructure development, automotive, health, education, solar energy, climate change, and maritime security. Furthermore, India seeks to bolster global engagement in Africa, reform international institutions, and secure greater representation for African nations.

As part of this partnership, the Export-Import Bank of India (Exim Bank), a key external financing body, has extended nearly \$11.2 billion through lines of credit (LoCs) to African countries for 197 projects as of February 15, 2024. Recently, India announced an expansion of its defence diplomacy in Africa, appointing new defence attachés in Ethiopia, Mozambique, the Ivory Coast, and Djibouti. This strategic enhancement coincides with India's efforts to export arms and military aircraft to these nations. Economic ties between India and African countries reached \$100 billion during the 2022-23 financial year. By February of the 2023-24 financial year, trade had exceeded \$75 billion, representing nearly ten per cent of India's total trade in goods. Over the past two decades, significant progress has been made in this economic partnership, with Indian trade with Africa valued at \$98 billion in 2022-2023, compared to \$89.6 billion the previous year. India's exports to African countries amounted to \$51.2 billion in 2022-23 and \$41.3 billion in 2023-24, while imports from Africa were valued at \$46.7 billion in 2022-23 and \$34.6 billion in 2023-24 (Source: Indian Ministry of Commerce and Industry).

Table 4: India's Exports to African Countries

African Region	Year 2022-23 Value in US\$ Million	Year 2023-24 (April-Feb.) Value in US\$ Million
South African Customs Union	8,916	8,551
Other South African Countries	3,566	2,855
West Africa	17,726	11,646
Central Africa	1,571	1,361
East Africa	11,072	10,320
North Africa	8,347	6,603
Source: Indian Ministry of Commerce & Industry		

Since 2017, India has significantly expanded its diplomatic footprint across the African continent. In 2018, India announced its intention to establish 18 new diplomatic missions in Africa, 17 of which are now operational, according to the Ministry of External Affairs (MEA). These new missions are located in Burkina Faso, Cameroon, Cape Verde, Chad, the Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Guinea, Liberia, Mauritania, Rwanda, Sao Tome and Principe, Sierra Leone, Somalia, Eswatini (Swaziland), and Togo.

Africa presents numerous "unexplored markets" for Indian manufacturers, notably in textiles, pharmaceuticals, automobiles, and light machinery. The continent also holds significant potential in the energy sector, traditionally a weak point for India. Optimism is high among Indian businesses, evidenced by at least six delegations from sectors such as chemicals, textiles, and pharmaceuticals visiting Ethiopia alone in the past year. Currently, there are approximately 650-670 Indian companies operating in Ethiopia across various sectors. Agriculture, a sector ripe for the application of Indian expertise, stands to benefit from India's successful green revolution, offering valuable lessons for Ethiopia.

In 2016, India exemplified its commitment to promoting contract farming by announcing the import of 100,000 tonnes of pulses from Mozambique. Additionally, the Indian government is looking to Africa to help achieve its goal of exporting \$5 billion worth of defence equipment by 2025. Highlighting this ambition, between February and July 2015, Ashok Leyland supplied 1,200 vehicles to six African countries—Zimbabwe, Tanzania, Kenya, Djibouti, Seychelles, and Botswana. In July 2015, Ashok Leyland delivered 633 of 670 troop carriers, buses, transport trucks, water tankers, fuel tankers, fire-tenders, ambulances, and light commercial vehicles to the Zimbabwe Defence Forces for \$50 million. Similarly, it supplied 679 vehicles to the Tanzanian defence force under a \$36.5 million loan agreement with India.

India's engagement with Africa extends beyond trade and defence. International organizations founded by India, such as the International Solar Alliance (ISA), are channelling investments into the continent and building capacity in solar energy. This initiative underscores New Delhi's commitment to fostering sustainable development in Africa. Both India and Africa are striving to create a multipolar world that eschews great power politics, embraces contemporary diversity, and relies on broad-based collaboration. India views Africa's rise as crucial to rebalancing the global power structure.

Lessons from the COVID-19 Situation

The COVID-19 pandemic has exposed the structural insufficiency of industries and Africa's dependency on foreign manufacturers and intermediate goods, particularly pharmaceuticals and medical devices, which were required to respond to the health crisis across the globe. The disruption of the global supply chains during the COVID-19 pandemic, the geopolitical conflicts between China and the USA since 2017, and the Russia-NATO war in Ukraine since 24th February 2022 have discovered, 'how Africa has been marginalized even in the so-called "Golden Era of Globalization" and how Africa is still unable to actively participate in... and fails to strengthen their AfCFTA to create and improve 'global value chains and global supply chains.

African domestic Industry has not acquired the capacity to contribute significantly to either inside or outside of Africa, or even build physical infrastructures and skilled

human capital by providing well-paid jobs for large numbers of unskilled or under-educated workers—particularly those outside the formal economy—with an attendant increase in household income and, hence, domestic as well global demand.

African Industry cannot create extensive backward and forward linkages with other sectors and fails to provide a wealth of opportunities for suppliers, distributors, retailers, and business services. For example, the inputs needed for different kinds of industrial production generate demand for agriculture, mining, and other raw materials, as well as for energy and information technologies, while it increases the supply of products for consumer markets, construction, and other sectors.

We believe that a wide network of strong manufacturing sectors can expand Africa's external account balance by decreasing imports and increasing diversified exports, thereby increasing resilience to external shocks as compared to reliance on primary commodities. The best example is China, 'how China has created a huge network of rural-urban based networks of small-medium enterprises and tie-up with global levels large companies/corporates including foreign multinational companies, which have been performing in terms of 'value-added manufacturing exports' and significantly share into gross domestic product.

During the post-independence period, the African economy led by "state-owned public sector units," which played a significant role as an "Engine of Growth" under protectionist policies, and was significantly contributed to Africa's GDP, but it sharply declined during the mid-1980s, because of a series of external oil and energy shocks (in 1971-73), foreign currency (US Dollar) crisis due to floating exchange rate system, prices of the essential goods and commodities suddenly increased, domestic primary agricultural based commodity's price suddenly decreased, bank's real interest rate rose, saving and investment ratios declined, therefore, overall GDP/outputs sharply declined. Most African nations have adopted the packages of long-term so-called- 'Structural Adjustment Programme' and short-term 'Liberalization' policies under the supervision of the World Bank and the IMF since the 1990s. And, most African nations signed agreements with the 'World Trade Organization' in 1995, by following new economic reforms and multilateral rules and regulations to promote efficiency and competitiveness of the workers and organizations through innovation to improve quality and maintain standards at global levels.

African governments have adopted an ‘export-oriented growth model’ through promoting investment and technology transfer, selling state-owned domestic public sector units and handover to the private capitalists, reducing the government public expenditure, cutting subsidies in welfare schemes, liberalizing the banking and financial markets and institutions, including trade etc.

Although, Africa’s GDP reached the highest levels, even during the 2008-2009 global financial crisis, strikingly lagged by growth in manufacturing, except in a few countries like Nigeria, Kenya, Tanzania, and Ethiopia. In 2017, Africa’s manufacturing value added was about \$145 billion, just under 10% of GDP.

Much of Africa’s industrial production remains centred on resource-based manufacturing, owing to natural resource wealth endowment. This resource-based manufacturing accounts for approximately half of the total manufacturing value added and manufacturing exports. Moreover, investment in manufacturing has also been uneven, with almost 70% of the continent’s manufacturing activities now concentrated in just four countries – South Africa, Egypt, Nigeria and Morocco. Thus, sub-regional patterns vary, for example, the East African Community has surpassed the Southern Africa Development Community in terms of manufactured good’s share of total trade, at 54% and 51%, respectively, and both substantially exceeding the rates in the Community of Sahel-Saharan States at 34% and the Economic Community of West African States at 26% in 2017. The African Development Bank (2020) observed that the agro-processing-based manufacturing sector is the dominant in food and beverages, which is creating and providing millions of jobs in farming, processing and logistic support in Nigeria, Rwanda, Kenya, and Ethiopia.

Commodities-based intra-trade among African countries since 2015

AfCFTA is the world’s second-largest in terms of geographical land area with the world’s second-largest population, as it covers 1.4 billion in 55 African countries including 8 regional economic blocs, and creates 80% of African employment, and shares 50% of its GDP. Currently, the AfCFTA’s intra-Africa trade stands at 14.4% of total African exports in 2023. UNCTAD estimates that the AfCFTA could boost intra-Africa trade by 33% and cut the continent’s trade deficit by 51%. About 34% of households in Africa live below the international poverty line (\$1.9 per day). Around 40% of the continent’s total wealth is owned by just a few of the top richest. According to UNCTAD, around 70% to 80% of

small businesses are being contributed to cross-border business by the traders. The Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) formal cross-border trade make up to 90% of official trade flows and contribute up to 40% of total trade. Africa's current untapped export potential amounts to \$21.9 billion, equivalent to 43% of intra-African exports. There is an additional export potential for \$9.2 billion, which can be materialized through partial tariff liberalization under the AfCFTA over the next five years (Economic Development in Africa Report 2023, 2023).

UNCTAD's report (2021) says that 'intra-African trade comprises 61% processed and semi-processed goods, suggesting higher potential benefits from greater regional trade for transformative and inclusive growth.' AfCFTA has been playing a significant role in promoting intra-trade along with investment and technology transfer within the continent. AfCFTA can mobilize resources from internal and external sources to enhance industrialization and can increase GDP to approximately USD 3.4 trillion by 2035. Intra-African fast-growing markets are successfully operating in South Africa, Kenya, Botswana, Nigeria, Rwanda, Benin, Ethiopia, Tanzania, Uganda, Zimbabwe, Senegal, Mali, Egypt, Morocco, Sudan, Cameroon, Ghana, Mauritius, Niger and Tunisia. According to the UNCTAD's Economic Development in Africa report (2021), "Borderless intra-trade markets among AfCFTA, which was projected at \$3 trillion, could be influential to achieve inclusive and sustainable economic growth. Intra-Africa trade areas cover ceramic tiles, batteries, tea, coffee, processed meat products, corn starch, sugar, pasta, glucose syrup, dried fruits, and sisal fibre etc.

AfCFTA has decided to remove 90% of the trade taxes, which was a burden for free trade movements and effected economic gains nearly at US\$1 billion with 2 million jobs. No doubt, AfCFTA is a most attractive marketplace for investment opportunities for not only African investors but for foreigners with a GDP of US\$2.5 trillion along with 1.2 billion potential customers.

Afreximbank Trade Finance Facility (AFTRAF) has provided US\$8 billion credit to support intra-African trade-in Trade Confirmation lines with the partnership of the African Union Commission and the AfCFTA, which has launched the commercial operations of the Pan-African Payment and Settlement System (PAPSS), and has the potential to save the continent's at least US\$5 billion in transfer and settlement charges.

Current Status of intra-African Trade

The driving forces for African integration are mainly committed to boosting investment for trade and technological transfer among the African continent to promote industrialization for economic development through promoting “intra-trade”. Pre COVID-19 intra-Africa trade was reached 15.26%.

Table 4. Intra-trade and rest of the world trade of Global South countries in 1995-2018, percentage by destination

Countries	1995		2000		2005		2010		2015		2018	
	IG	W	IG	W	IG	W	IG	W	IG	W	IG	W
Africa	12.01	87.99	9.382	90.62	9.537	90.47	13.81	86.19	17.94	82.06	15.26	84.74
America	20.50	79.50	17.84	82.16	18.66	81.34	19.97	80.03	17.26	82.74	16.14	83.86
Asia	42.22	57.78	41.65	58.35	46.58	53.42	51.46	48.54	53.60	46.40	53.85	46.15
Oceania	0.355	99.65	2.419	97.59	3.991	96.01	2.900	97.10	2.819	97.19	2.628	97.38

Note: IG – intra-group; W – rest of the world

Source: Authors' development based on UNCTAD (2019)

Table 5. Intra-trade and extra-trade of Global South countries by-products in 1995-2018, percentage by destination

Countries	1995		2000		2005		2010		2015		2018	
	IG	W	IG	W	IG	W	IG	W	IG	W	IG	W
Africa												

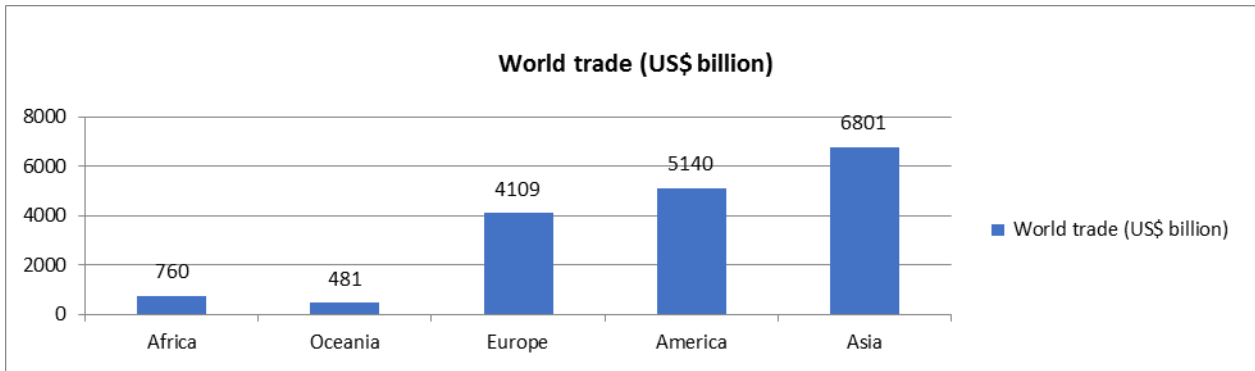
Food items	15.05	84.95	17.47	82.53	18.46	81.54	26.66	73.34	26.04	73.96	23.77	76.23
Ores and metals	5.02	94.98	7.90	92.10	8.13	91.87	6.55	93.45	6.26	93.74	11.97	88.03
Fuels	6.03	93.97	5.01	94.99	5.29	94.71	6.62	93.38	10.26	89.74	9.08	90.92
Manufactured goods	24.44	75.56	18.66	81.34	19.78	80.22	33.70	66.30	33.62	66.38	25.52	74.48
Chemical products	30.33	69.67	27.62	72.38	26.64	73.36	32.88	67.12	39.16	60.84	29.13	70.87
Machinery	28.87	71.13	20.13	79.87	16.83	83.17	36.81	63.19	29.35	70.65	19.96	80.04
Electronic goods	55.61	44.39	64.53	35.47	47.43	52.57	49.21	50.79	44.31	55.69	37.47	62.53
Iron and steel	20.59	79.41	12.37	87.63	15.98	84.02	23.29	76.71	28.49	71.51	28.28	71.72
Textile and clothing	9.54	90.46	7.09	92.91	7.13	92.87	11.88	88.12	15.20	84.80	12.53	87.47

Note: IG – intra-group; W – rest of the world

Source: Authors' development based on UNCTAD (2019)

While Africa's total trade to the rest of the world was US\$760 billion on average in current prices during the period 2015 -2017 as compared with \$481 billion from Oceania, \$4,109 from Europe, \$5, 140 billion from America and \$6,801 billion from Asia. Figure 1 depicts comparable continental contribution to world trade in 2015-2017.

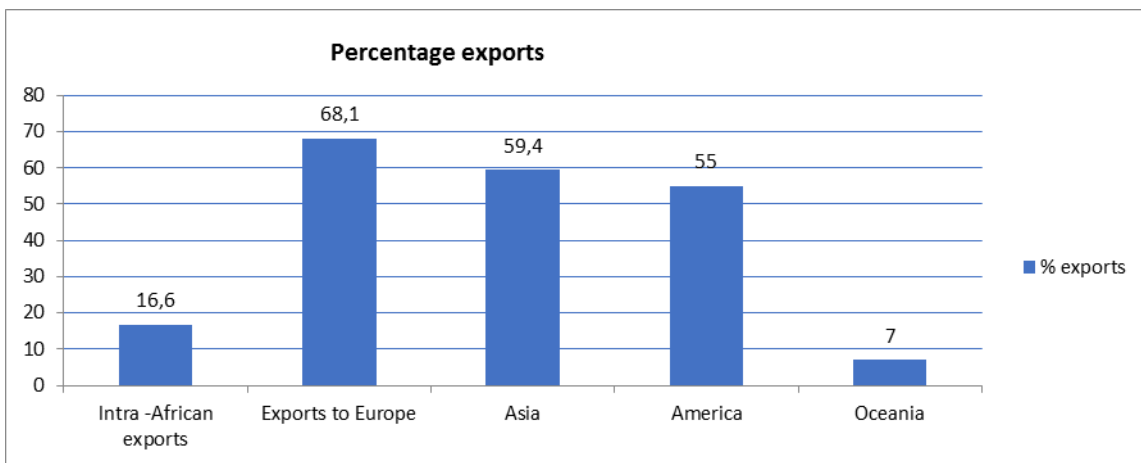
Figure 2: Comparable contribution of continental trade to the international market (US\$ billions) 2015 -2017



Source: Adopted from Intra-Africa trade profile, 2017.

Africa’s share of exports to the rest of the world ranged from 80% to 90% in 2009 - 2017. On the contrary, intra-African exports were 16.6% of total exports in 2017 compared with 68.1% in Europe, 59.4% in Asia, 55.0% in America and 7% in Oceania. 53% of intra-Africa exports were products exported from South Africa, Nigeria, Egypt, Ivory Coast and Morocco. Figure 2 shows Africa’s exports to other continents.

Figure 32: Africa's exports continent-wise as a percentage of total exports in 2017

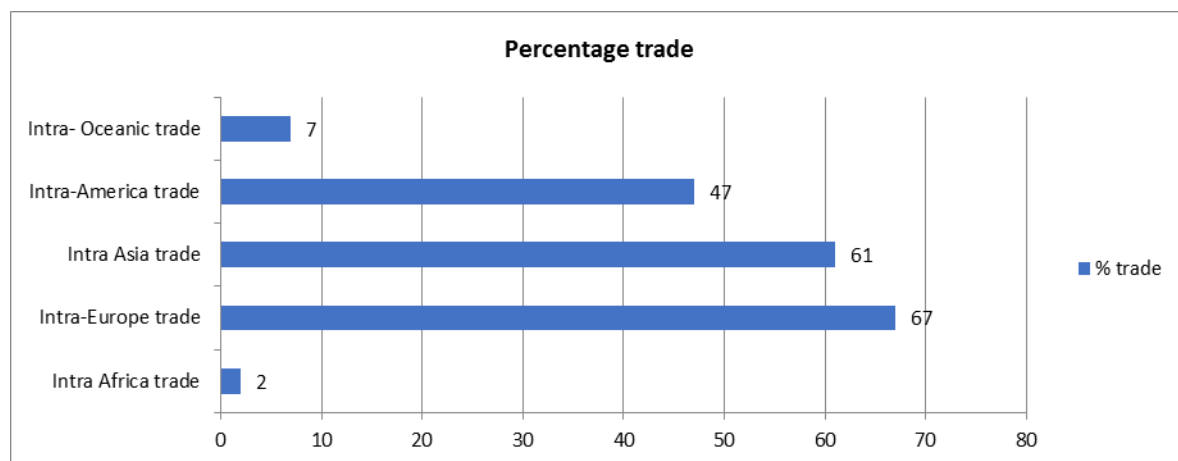


Source: Adopted from Economic Development in Africa report, 2019

Intra-African trade (the average of intra–African exports and imports) was around 2% in 2015 -2017 as compared to America (47%), Asia (61%), Europe (67%) and Oceania (7%). The top six markets for intra–African exports are all countries in Southern Africa with South Africa (17%) and Botswana (7%) leading the list. The other countries are Zambia (7%), Namibia (6%), Mozambique (5%) and Zimbabwe (3%). The main products exported include crude petroleum oil (8%), unwrought gold (3%), electric energy (2%), and unworked diamond (2%). Figure 3 graphically shows comparable intra–continental trade 2015 -2017. The African continent has 8 regional economic blocks/communities (RECs) that are recognized by the African Union (AU). The RECs are the Arab Maghreb Union (AMU), the Common Market for Eastern and Southern Africa (COMESA), the Community

of Sahel-Saharan States (CEN –SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS).

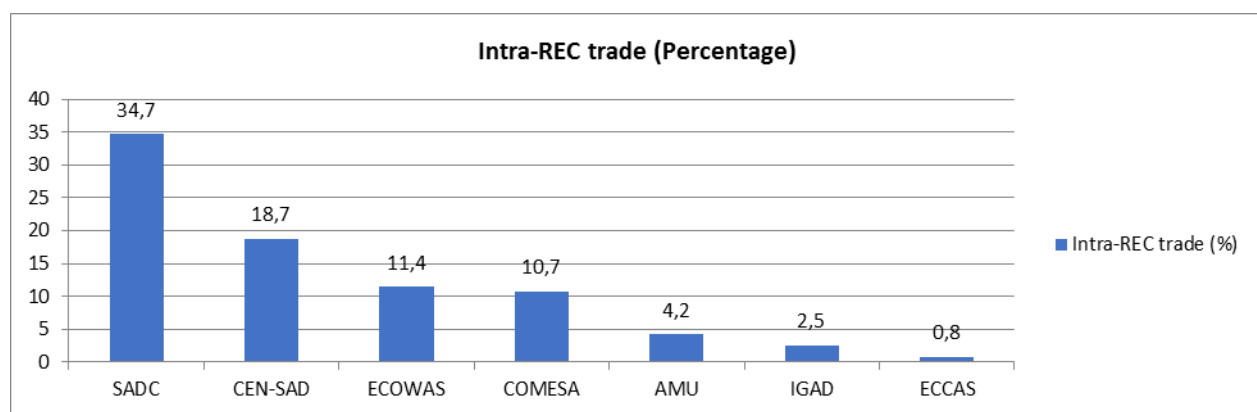
Figure 4: Comparable intra-continental trade 2015 -2017



Source: Adopted from Economic Development in Africa report, 2019

The Inter-Governmental Authority on Development (IGAD) and the Southern African Development Community (SADC). As regards to intra -regional economic community trade, in 2016 SADC was the highest (\$34.7 billion), followed by CEN-SAD (\$18.7 billion), ECOWAS (\$11.4 billion), COMESA (\$10.7 billion), AMU (\$4.2 billion), EAC (\$3.1 billion), IGAD (\$2.5 billion) and ECCAS (\$0.8 billion). Figure 4 illustrates comparable intra–REC trade in 2016.

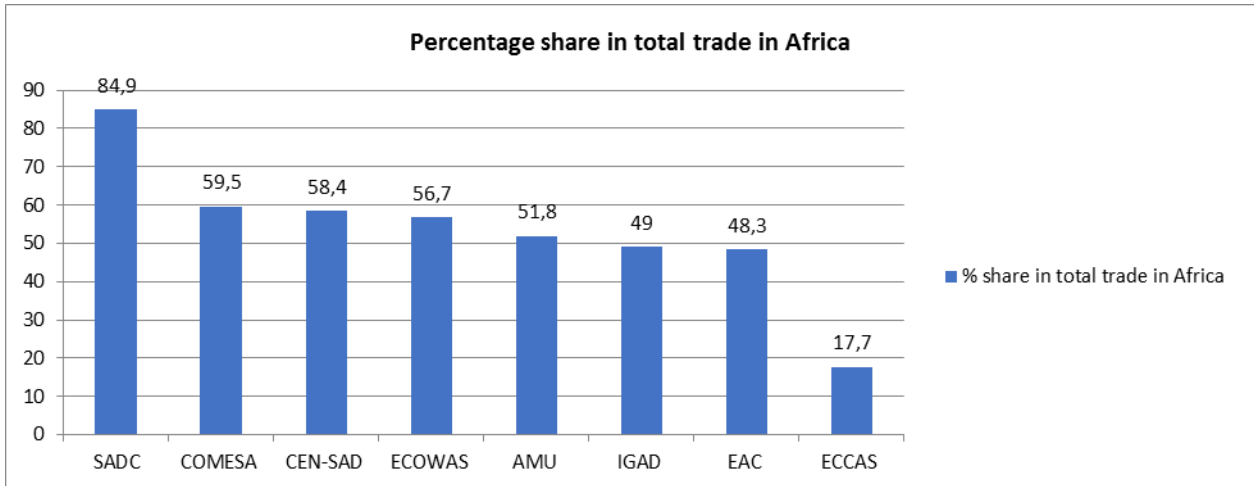
Figure 5: Comparable intra-REC trade 2016



Source: Adopted from Intra-Africa trade profile, 2017

In 2016, SADC had deeper levels of integration as it had 84.9% share in total trade in Africa followed by COMESA (59.5%), CEN-SAD (58.4%), ECOWAS (56.7%), AMU (51.8%), IGAD (49.0%), EAC (48.3%) and ECCAS (17.7%). Figure 5 shows the percentage share in total trade in Africa.

Figure 6: Percentage share in total trade in Africa



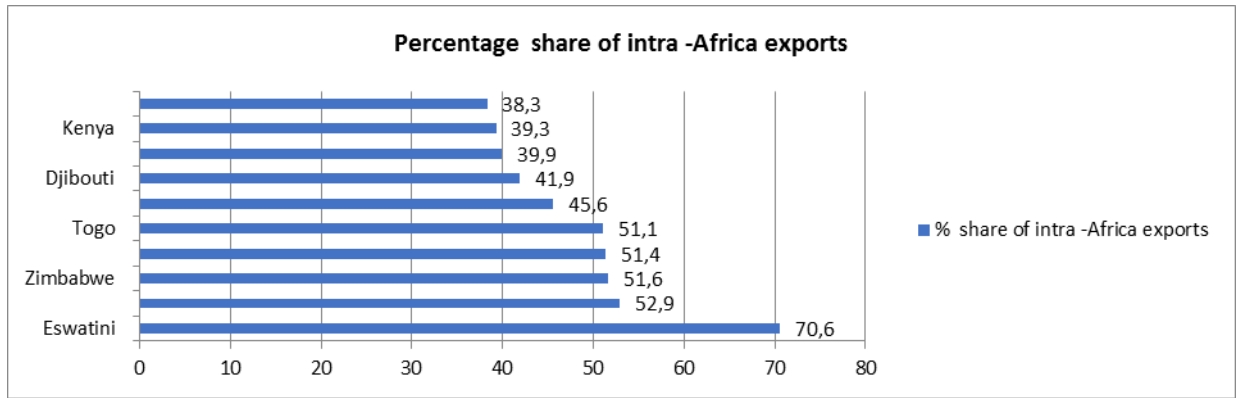
Source: Adopted from Intra-Africa trade profile, 2017

The ten (10) countries that had the most intra-African exports in 2015-2017 were Eswatini (70.6%), Namibia (52.9%), Zimbabwe (51.6%), Uganda (51.4%), Togo (51.1%), Senegal (45.6%), Djibouti (41.9%), Lesotho (39.9%), Kenya (39.3%) and Malawi (38.3%).

In terms of top exporters, 53% of intra-Africa exports in 2017 were products exported from South Africa (34%), Nigeria (7%), Egypt (5%), Ivory Coast (4%) and Morocco (3%). Category-wise, Africa's top intra-Africa goods exports in 2017 were machinery, chemical products, food, beverages, tobacco, transport equipment and mineral products in that order.

Also worth noting is that 55% of COMESA's exports to Africa were intra-COMESA exports, 65% of intra-Africa exports by CEN-SAD members were Regional economic community exports, 54% of the EAC's intra-Africa exports were intra-EACs exports, 35% of exports from ECCAS's intra-Africa exports were intra-EAC exports. 65% of exports from ECOWAS countries were intra-ECOWAS exports, 56% of intra-Africa exports by IGA member states were intra-AGAD exports, and 87% of exports from SADC countries were intra-SADC exports.

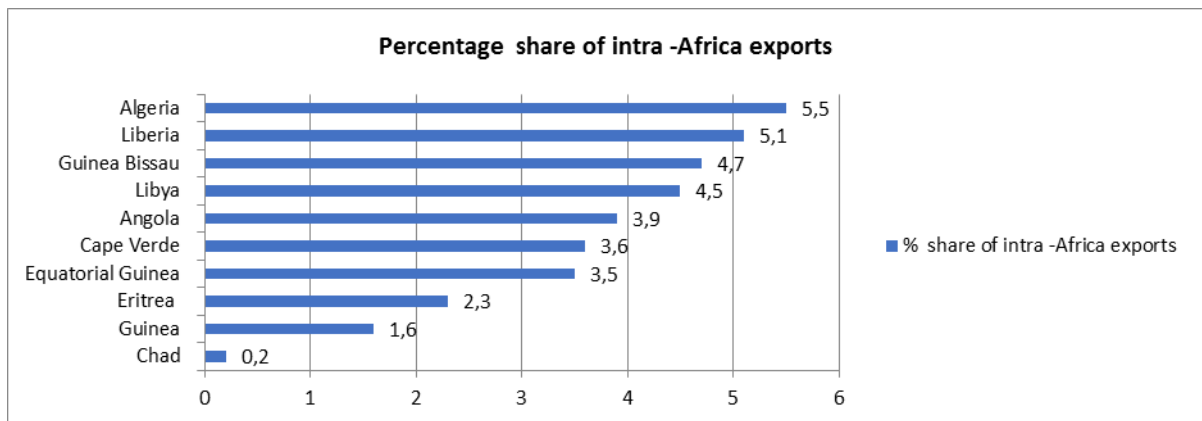
Figure 7: 10 countries with the biggest share of intra-African exports (%) 2015-2017



Source: Adopted from Intra-Africa trade profile, 2017

The ten countries with the lowest share of intra-African exports include Chad (0.2%), Guinea (1.6%), Eritrea (2.3%), Equatorial Guinea (3.5%), Cape Verde (3.6%), Angola (3.9%), Libya (4.5%), Guinea Bissau (4.7%), Liberia (5.1%) and Algeria (5.5%).

Figure 8: 10 countries with the lowest Percentage share of intra-African trade 2015-2017



Source: Adopted from Intra-Africa trade profile, 2017

Currently, Africa has the lowest intra-regional trade in the world. Economic analysts have estimated that a single African market would increase the aggregate GDP by billions of dollars. As part of the economic revolution, Africa is charting a new path towards a single continental market. To establish a single African market, the continent has set up the Continental Free Trade Area (CFTA), an initiative which is expected to make Africa more integrated, united and prosperous. It is of the view that the CFTA will bring together all African countries with an estimated population of 1.2 billion people and a combined GDP of over \$3.4 trillion under a single continental market for goods and services including free movement of business people and investments and expansion of intra-African trade. As at 2018, 44 African nations out of 55 had signed the CFTA. The African nations agreed to cut tariffs on 90% of goods to accelerate intra-Africa trade.

According to the United Nations Economic Commission for Africa, it is estimated that the CFTA could increase trade between African countries by as much as \$35 billion, an

increase of more than 50% from the current levels. It is also said that a single continental market has the potential to push the African regional trade level up from 15% to 25% within a decade thereby exponentially increasing Africa's annual economic growth, creating wealth more inclusively and reducing poverty.

The CFTA has four major objectives and these are:

- The establishment of one continental market for goods and services allowing free movement of businessmen and investments, and thus put in place the conditions for fast-tracking the establishment of the continental Customs Union and the African Customs Union;
- Increasing intra-African trade through better harmonization and coordination of trade liberation and trade facilitation regimes and instruments across RECs and across Africa in general;
- Resolving the challenges of multiple and overlapping memberships and fastening the regional and continental integration processes and;
- Enhancing competition for both industries and enterprises through finding opportunities for large-scale production, continental market access and better reallocation of resources.

Thus, the reduction of tariffs on most of the products will improve trade, some factors impend the growth of intra–African trade. These factors include weak institutions, deficient infrastructure, lack of export product diversification and premature deindustrialization. In terms of the CFTA, some of the foreseen challenges are that major economies in Africa, the Republic of South Africa and Nigeria have not signed/ratified the CFTA. As these countries are major economies in the continent, their absence poses a big challenge in the implementation of the CFTA. Secondly, there are issues of regional security. The African continent has been characterized by frequent civil wars These civil wars may hinder the free movement of goods and services, and business people across the continent. Political unrest is a challenge to the effective implementation of CTFA. Political unrest is a common sight in Africa. These political unrests are a result of discontent with election results, poor transformative leadership, corruption, power struggles, nepotism, high unemployment etc. These Political unrests can retard the production of goods in the African continent and also hinder intra – African trade.

Summing Up

The AfCFTA attracts cross-border investments as well as foreign direct investments by removing tariff and non-tariff barriers and enabling an investor in one of the ratifying countries to have access to a continent of 1.3 billion people with a combined GDP of \$3.4 trillion. The AfCFTA's plan, in future, creates a continental market that allows companies to benefit from the economies of scale, double the manufacturing sector's output to more than \$1 trillion and potentially create an additional 14 million stable and well-paid jobs. The World Bank predicts that if fully implemented the Agreements, it would raise incomes in Africa by 9% by 2035 and lift 50 million people out of extreme poverty. Foreign Direct Investments to Africa would increase by between 111% and 159%, under the Agreement and wages would rise by 11.2% for women and 9.8% for men by 2035. Africa's exports to the rest of the world would also go up by 32% by 2035, and intra-African exports would grow by 109%, led by manufactured goods (The Imperatives for Industrial Development in Africa, 2023).

Trade expansion among African countries is key to accelerating economic growth and development and improvement of the welfare of the people of the continent. Africa has to unlock its potential through focusing on trade facilitation and the simplification and modernization of trade procedures. The factors that hinder trade in Africa include non-tariff trade barriers, excessive document requirements, burdensome customs procedures, inefficient ports and poor infrastructure. These factors result in increased costs of exporting and importing goods.

Therefore, the African continent has to reduce the red tape and other non-tariff barriers if the trade is to be expanded for the benefit of all the African countries. Trade facilitation measures can reduce the cost of transporting goods across borders by 12.5% to 17%. Trade facilitation can increase exports by making it cheaper for firms to import raw materials required to produce a finished product for sale in other countries. Trade facilitation also creates an enabling environment for foreign direct investment.

Recommendations

Africa can achieve the goals of sustainable and inclusive economic growth and development. It depends on the political 'will-power' of the African people including economic and business leaders and policymakers to complete the industrialization process through investment promotion, technology transfer, and trade promotion. The challenges facing AfCFTA for 'intra-Africa trade' need to be collectively addressed by all African

nations, certainly, Africa will be achieving benefits from intra-continental trade through African economic integration with emerging BRICS-SCO-EAC-RCEP led by ‘China-India-Russia-Brazil.’ China and the BRICS are at the Centre of South-South cooperation and ready to boost economic development across Africa.

African economies can become major participants in global supply chains by harnessing their vast resources of materials needed by high-technology sectors and their growing consumer markets. To help them capitalize on their comparative advantages, the report recommends policy actions to ensure an attractive business and investment environment and new market opportunities in the areas of:

Automobile industry

1. Provide new vehicle-financing mechanisms with lower interest rates to capitalize on Africa’s growing demand for automobiles
2. Coordinate regional automotive strategies and development plans to avoid duplicating efforts and to better integrate low-income countries through, for instance, preferential treatment under rules of origin requirements.
3. Set up multi-brand mega-factories in countries with small assembly plants like Ghana, Kenya and Nigeria to attract the production of parts and components.
4. Improve collaboration between African countries and the private sector to fund technical institutes and adapt curriculums to reflect new industry developments, such as electric vehicles.

Health care industry

1. Harmonize pharmaceutical product regulation and registration to improve market access, achieve regional certification and scale-up production. Bolster efforts like the African Medicines Regulatory Harmonization programme.
2. Increase demand and access to medicine by promoting pooled procurement and financing programs like the Africa Medical Equipment Facility and the Africa Medical Supplies Platform.
3. Support cluster formation, such as Medicine City in Egypt, to ensure access to essential infrastructure for pharmaceutical operations and attract investment.

4. Encourage collaboration between companies like partnerships and joint ventures to increase access to knowledge and industrial design and facilitate technology transfer and intellectual property exchange.

Renewable energy technologies

1. Stimulate demand for solar panels in Africa through structured renewable energy procurement programs.
2. Prioritize advisory, installation and repair services in countries unable to manufacture solar panels. Local entrepreneurs can better cater to local needs, and such a strategy would create jobs.
3. Ensure local companies are included and local content requirements are considered by development finance institutions in tender procedures, to avoid excluding them from large-scale projects.

Mobile telephones

1. Promote local assembly and manufacturing in resource-rich countries by creating special economic zones and fostering favorable investment environments.
2. Address environmental, social and governance issues, such as raw materials transparency, to ensure the sustainable development of the sector.
3. Adopt circular supply chains that focus on recycling and re-manufacturing products and components to enhance supply chain sustainability and attract sustainable investments.

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