Chapter 3

Conceptual Issues in the Political Economy of Integration and the CFTA

This chapter reviews the political economy of the Continental Free Trade Area (CFTA). It seeks to understand why there is a gap between continental and regional policies and programmes and their implementation. Despite past and current efforts to accelerate the dynamism of intra-African trade, implementation remains a challenge.

The discussion draws on the "five-lens" analytical tool developed by the European Centre for Development Policy Management (ECDPM) (Byiers et al., 2015). The value of this tool is that it unpacks and explains the complexities and challenges of regional integration. It does this by identifying the actors and factors that have had a significant impact on regional integration processes, which helps to explain "why things are as they are."

However, the way things are need not be deterministic. The chapter concludes by drawing on Economic Commission for Africa (ECA)'s research on institutional capacities and sustaining policy reform in the context of the developmental state and structural economic change (ECA, 2011, 2012, and 2014). It shows that a developmental state, guided by leadership committed to national developmental goals and empowered by competent bureaucracies, is needed to steer the CFTA process and to ensure the outcome is an implemented CFTA conducive to African development.

A conceptual approach to the political economy of the CFTA

The 10 key findings from the assessment are framed across the five lenses (Table 3.1).

Foundational factors

Foundational factors—the first of the lenses—come in two forms: the structural and the historical. The former refers to the geographic or economic structure of a country, the latter to its historical legacies. What they have in common is that they are either impossible, or

Table 3.1

A conceptual approach to the political economy of the CFTA—five lenses and 10 findings

Lens	Finding
FOUNDATIONAL FACTORS structural and historical	1. Foundational factors include Africa's structural and historical foundations. These shape but do not determine the environment in which the CFTA will be negotiated and implemented.
INSTITUTIONS form and function	2. The CFTA institutional forms must be designed such that they serve the stated functions, rather than imitate best practice examples that will not work in the CFTA context.
ACTORS interests and incentives	3. Member states may signal support for the CFTA even when implementation is not a political priority.
	4. Implementation of the CFTA will take place when in line with key national interests as defined by national decision makers.
	5. Influential states are in a strong position to drive the CFTA agenda and its implementation but small countries can adopt a variety of strategies to promote their interests.
	6. Individual personalities, leaders, negotiators and the choices they make will tend to shape—and can be decisive for—the negotiation and implementation of the CFTA.
	7. Engaging the diversity of private sector actors and civil society organizations in the CFTA is essential for recognizing the wide array of interests involved.
SECTOR-SPECIFIC dimensions	8. Trade agreements generally demonstrate high levels of ambition with low levels of implementation.
EXTERNAL FACTORS donors and critical junctures	9. The quantity and quality of donor support to the CFTA present opportunities and challenges for reducing the implementation gap.
	10. Critical junctures such as rising emerging market trade with Africa, the post-AGOA agenda, Brexit and the stagnation of the EPAs can trigger progress but also block dynamics conducive to the CFTA.

Note: EPA is the Economic Partnership Agreement; AGOA is the African Growth and Opportunity Act.

Source: Byiers et al. (2015).

at least very difficult, to change in the short to medium term. These structural and historical foundations frame the political economy interests of a country, but they need not be deterministic.

Structural foundations: Geography and economy

Africa's countries have a breadth of geographic and economic configurations. There are 15 land-locked countries and six Small Island Developing Economies in Africa (ECA, 2017). Africa's economies range from $337 million GDP in São Tomé and Príncipe to $568 billion GDP in Nigeria. GDP per capita extends from $130 in Somalia to $20,381 in Equatorial Guinea (UNDESA, 2017). Many of these countries are dependent on extractive resources, with 73 per cent of Africa's exports to the rest of the world comprising such resources.[1]

Regional integration is especially attractive to land-locked countries. It helps them establish transit corridors for port access and regional investments in transport infrastructure, all of which assist land-locked countries in trading with the outside world. Some examples: Successful integration in the East African Community (EAC) is eased by the strong desire of its land-locked countries for port access (Byiers, 2016). In West Africa, the Economic Community of West African States (ECOWAS) helps smooth the transit of goods from the ports of its coastal countries to the markets of its interior land-locked countries. The win-win benefits of linking land-locked and coastal economies can drive integration. The CFTA can be especially beneficial to land-locked countries if it improves the ease with which they can transit goods. (This is discussed further in Chapter 5.)

Discrepancies in size and relative strengths of economies create tensions over the perceived distribution of regional integration benefits. Competition from economically more sophisticated and powerful neighbours can intimidate economically weaker states. The collapse of the predecessor to the EAC in 1977 stemmed largely from the belief that the benefits accrued disproportionately to Kenya, which was more industrialized (Mathieson, 2016).

What does this mean for the CFTA? The breadth of economic forms across African countries has two implications. First, the industrial powerhouses, such as Egypt, Kenya, Nigeria and South Africa, may be perceived as having more to gain from the CFTA. As seen with the failed Free Trade Area of the Americas (FTAA) in Lessons learned from the Free Trade Area of the Americas (as well as the earlier phase of the EAC), such perceptions can unravel negotiations and cause trade agreements to fail. It is crucial that the CFTA be designed through a win-win approach that shares its benefits both across and within Africa's countries. (This is the topic of Chapters 5 and 6.)

Second, the larger and more influential countries are critical to bringing the CFTA about. Most successful regional arrangements around the world have been underpinned by one or more regional powers championing the arrangement. The attitude and behaviour of these champions towards the CFTA will be crucial. On the one hand, larger economies may be ably placed to tap into the gains from trade liberalization. On the other, they may fear opening up their own "backyards"—their immediate RECs—to competition from large economies in other subregions. For instance, Nigerian businesses might conceivably fear South African competitors in ECOWAS (see "Actors: interests and incentives" below).

Box 3.1

Lessons learned from the Free Trade Area of the Americas

The FTAA initiative was launched in December 1994 at the First Summit of the Americas, in Miami, US. The goal of this US-led project was to create, by 2005, the world's largest free trade area comprising 34 economies of the Western Hemisphere (only Cuba was excluded, on political grounds). Most of the actual negotiations took place between 2000 and 2003, coinciding with the first years of the Doha Round at the World Trade Organization (WTO). After repeatedly failing to reach an agreement, the FTAA process was terminated in November 2005.

From the start, the negotiations were complicated by huge disparities in development levels, institutional capacities and size (economic, demographic and geographic) among the 34 countries. At one end was the

Box 3.1

Lessons learned from the Free Trade Area of the Americas (continued)

world's largest economy and third-most populous country, the United States, while at the other were the English-speaking Caribbean countries, nearly all of which have populations below 1 million. Compared with the $18 trillion US economy, only Brazil, Canada and Mexico can be considered large economies (with a GDP above $1 trillion in 2015). Argentina, Chile, Colombia, Peru and Venezuela are mid-sized economies, with GDP in the $200–700 billion range, while all other Western Hemisphere countries are small economies. Per capita GDP of the United States exceeded $56,000 in 2015, while that of Haiti (the only least-developed country in the Western Hemisphere) was less than $1,000.

Yet the negotiations were conceived as a single undertaking, with the general principles agreed to in March 1998, that "the rights and obligations of the FTAA will be shared by all countries." With the exception of different phase-out schedules, this left limited scope for flexibility, special and differential treatment, and variable geometry.

The substance of liberalization proposed was ambitiously deep, and it was seen to be mainly of interest to the United States. It included elimination of almost all tariffs on goods, opening-up of government procurement, liberalization of trade in services and investment on a negative list basis,[2] investor-state dispute settlement, and TRIPs-Plus intellectual property rights protections.[3] It notably included weak or no substantive commitments on issues sensitive to the United States, such as antidumping and other trade remedies, trade-distorting domestic support to agriculture, or easing border restrictions to foreign individuals providing services.

Towards the end of the negotiations in 2004, alternative integration regimes were gaining traction with different political or integration objectives. This included the Bolivarian Alliance for the Peoples of Our America and the Community of South American Nations (which in 2007 became the Union of South American Nations, UNASUR). As the FTAA stalled, the United States readjusted its approach, expanding its network of alternative bilateral free trade areas with "can do" countries, starting with a Chilean free trade area in June 2003.

Today the United States has FTAs in force with 11 Latin American countries, effectively splitting Latin America between those countries that are more closely integrated with the United States, which lie mostly on the Western side of Latin America, and those on the Eastern side that are not. The effect is a fragmented Latin America of two main blocks: the US-friendly Pacific Alliance, and Mercosur. Intra-regional trade remains low, at just 16 per cent of exports in 2015.

The experience of the FTAA offers some important lessons for any large-scale regional integration project, including the CFTA:

- Leadership is essential, but the main driver of the negotiations cannot be seen as one country seeking to concentrate most benefits for itself.

- Differences among participants in terms of size, development levels and expectations make a "one size fits all" agreement politically impossible. Therefore, it is preferable to proceed incrementally, leaving enough space for poorer countries to assume more demanding commitments at their own pace. This would be especially important for the CFTA, given the large number of African least-developed countries.

- It would be advantageous if African countries formulated common positions for the CFTA within their RECs rather than negotiate individually. This would expedite the process; otherwise it is a negotiation with 55 participants.

- North–South negotiations are particularly difficult, since the demands of developed country participants in areas like intellectual property and investment tend to be resisted by developing countries fearing the loss of policy space. To that extent, reaching agreements within the CFTA could prove easier than in the FTAA, since it would be a purely African negotiation.

Many African countries have struggled to shrug off economic histories of natural resource extraction and the export of basic commodities. There is both similarity and limited complementarity between the trade profiles of most countries: Ghana need not import cocoa from Côte d'Ivoire, nor Kenya tea from Uganda, other than to re-export. Conversely, this lack of economic complementarity motivates a lot of the political support behind the CFTA: African leaders are keen to *change* the economic status quo and understand the CFTA as a means of promoting industrialization (Sommer and Luke, 2017).[4] Economic circumstances need not be deterministic.

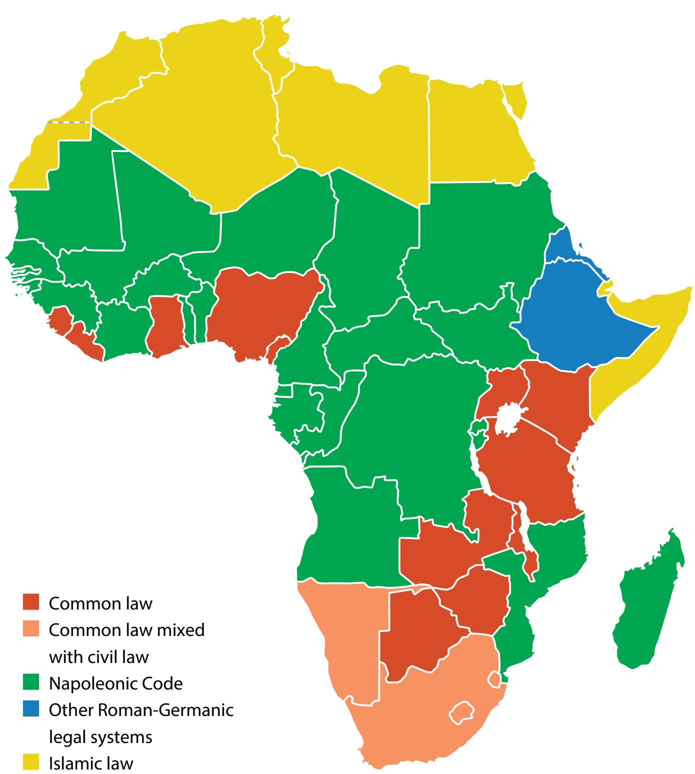
Historical foundations: Colonial and liberation legacies

Shared experiences with decolonization and liberation struggles drive integration in Africa. These underpin a common identity and a sense of solidarity that in turn form the pan-African ideology. This is well encapsulated by the stated purpose of the Organisation of African Unity (OAU), the precursor to the African Union (AU), which brought together African countries for unity, solidarity and "eradicat[ing] all forms of colonialism from Africa" (OAU, 1963).

Alternative colonial legacies have, however, fostered very different administrative, religious and bureaucratic traditions. Africa's francophone countries are consolidated by a shared language, the civil law legal system, and in many cases monetary union. Likewise, Africa's arabophone countries to the north share language and Islamic law, and are covered by similar REC and FTA memberships. Continuing geopolitical tensions in the Horn of Africa can be traced back to the legacy of Italian occupation of the area (Plaut, 2016).

The legacy of these histories is that African countries approach the CFTA from a variety of legal systems (Figure 3.1), languages and geopolitics. On a practical note, negotiating in four languages[5] is cumbersome, and translation and interpretation add to negotiation expenses. On the other hand, these histories have helped coalesce countries into a number of regional free trade areas and customs unions that form useful building blocks for the CFTA. These histories have also fostered the shared pan-African spirit that underpins the grander pan-African vision, to which the CFTA contributes. (The regional economic communities [RECs] in the CFTA, CFTA institutions in the AU, and the Abuja Treaty as a framework for the CFTA, are discussed in Chapter 8.)

Figure 3.1
Legal systems of Africa



Source: http://www.notarius-international.uinl.org/DataBase/2009/Notarius_2009_01_02_worldmaps.pdf.

Institutions: Form and function

The formal institutions to implement the CFTA are being constructed, and lessons can be drawn from the political economy of Africa's existing formal and informal regional institutions. (These ideas are incorporated in the institutional options outlined in Chapter 8.)

Africa has a well-developed architecture of formal institutions to support regional integration. Nevertheless, these institutional forms—often look-alikes of best-practice models—do not always match their stated functions. The *forms* that regional public institutions have—the budget and accountability rules and processes, the organizational structures, the apex decision-making bodies, regional parliaments and courts, etc.—may easily be mistaken for the stated institutional *functions* such as budget management accountability and transparency, conflict mediation and arbitration, or the delivery of regional public goods or services. In other words, what you see is *not* always what you get. This state of affairs helps explain the widely criticised gap between policy decisions and implementation.

Tensions between form and function apply to Africa's regional trade policies and agreements. Market integration and related policies of industrialization and of regional and continental infrastructure development all enjoy near unanimous support from the apex bodies. Multiple formal institutions and programmes have been put in place to implement these aspirations through the RECs, including arbitration or compliance institutions, such as courts or tribunals. Yet free trade policies are frequently circumvented or undone by a combination of the slow or incomplete transposition of regional commitments to national regulatory and legal texts; uneven or incomplete application of regional agreements; and other practices such as (legitimate and illegitimate) non-tariff measures that create de facto barriers to integration.

For instance, many RECs have free trade areas, yet in practice, trade between member states is restricted by a variety of non-tariff barriers (NTBs), internal taxes and lists of "sensitive" goods (Bilal et al., 2015). Prevailing norms against the use of formal dispute settlement procedures against other African states mean that those institutions that have been established to ensure compliance with regional agreements, such as the Common Market for Eastern and Southern Africa (COMESA) Court of Justice, the Southern African Development Community (SADC) Tribunal or the East African Court of Justice, are underused and do not effectively fulfil their functions, despite efforts to strengthen some of them.

The CFTA will be a set of formal institutions created to monitor, resolve conflicts, facilitate implementation, arbitrate and nudge stakeholders to implementation. It is crucial that the institutions for the CFTA be designed so that they can fulfil their intended functions. Depending on prevailing formal and informal norms and practices, the most effective institutional designs may not be those adhering to global best practices but could include, for example, dispute settlement procedures that adopt non-litigious methods as a first approach before resorting to formal procedures.

Actors: Interests and incentives

Regional integration is driven by groups and coalitions of actors. Important elements are the incentives driving the main groups and how these interact with the formal and informal institutions. This section identifies five groups critical for the CFTA.

National decision makers and national interests

Implementation of regional initiatives takes place when in line with key national interests as perceived and defined by national decision makers and in accord with domestic political pressures.

It is easy for leaders to express support for integration, but it is far harder to ensure the commitment of national decision makers operating on the basis of national interests. It would be a mistake to underestimate the resolve of negotiating delegations to promote national interests. As stated by Rob Davies, the South African Minister of Trade and Industry, "Trade negotiations have to be recognised now more than ever as being what they have always been, a process of giving and taking driven by competing interests" (Davies, 2017).

Influential states

Countries can be influential in different areas, depending on their ability to muster diplomatic, economic, military and political influence, and their capacity to compensate losers, unblock stalemates and overcome coordination failures in regional collective action. The considerable weight and leadership that some states can wield will be crucial in bringing the CFTA about.

Across Africa's regions, individual states wield more or less influence. Some, for instance, may fear that the CFTA would open up their economic sphere of influence to trade with other influential states from other regions. Others may pursue the CFTA as a means of articulating perceived trade interests. If these interests are not balanced, influential states may exercise their weight against the CFTA and threaten its implementation. However, there is reason for optimism. As it approaches conclusion, the Tripartite Free Trade Area (TFTA) is setting a precedent for how the sometimes-conflicting interests of influential states across regions can be balanced for a mutually beneficial trade agreement (Lessons learned from the Tripartite Free Trade Area).

Box 3.2

Lessons learned from the Tripartite Free Trade Area

The TFTA concerns 26 countries from the EAC, SADC and COMESA. Phase 1 of the negotiations (covering trade in goods) started in 2011 and is almost complete with a signed text and several annexes. Negotiations on issues outstanding at the TFTA's launch in 2015—trade remedies, dispute settlement and tariff negotiations—have been completed or have greatly advanced.

Like the CFTA, the TFTA aims to adopt better legal frameworks for promoting intra-African trade in the 21st century. It seeks to address similar challenges, such as the difficulties caused by overlapping membership in RECs, bottlenecks in movements of goods and services, trade facilitation issues, and more generally to establish a predictable and transparent trade environment. The TFTA concerns a diverse range of African countries with different incentives and foundational factors, and at different levels of economic and industrial development. The aims, modalities and major challenges and successes of the TFTA offer lessons for the CFTA.

Reconciling the preservation of RECs with the desire to rationalize overlapping REC membership

When negotiations started, the TFTA was expected to reconcile "the challenges of multiple [REC] membership and expedite the regional and continental integration processes."[6] It was resolved that the three RECs "should immediately start working towards a merger into a single REC."[7] This did not happen. The TFTA evolved to represent, in at least the short to medium term, a new layer of FTAs over the three RECs, rather than a consolidation. Why did this happen? The TFTA Negotiating Principles included "building on the REC acquis," which was not reconciled with the objective of consolidating the RECs.[8] Hence in the CFTA, considerable care must be taken to balance the desire to retain the existing RECs with the objective of rationalizing the REC FTAs into a consolidated trading area. If mishandled, the CFTA may merely add an FTA layer and miss an opportunity for rationalizing and simplifying trade in Africa.

Signing partially complete or "framework" agreements

The Agreement Establishing the TFTA was signed in June 2015 with transitional arrangements for the outstanding components (rules of origin, tariff offers and trade remedies). TFTA member states were to conclude the outstanding annexes by June 2016, but missed the deadline. Care should be taken with the CFTA to ensure that deadlines are provided and adhered to for any outstanding issues left when it is signed.

Resolving pan-African ideals with national interests

Though the TFTA was launched under the banner of pan-Africanism and African solidarity, the negotiations amounted to typical offensive and defensive exchanges. When concluding binding trade agreements, including the CFTA, national interests, such as dealing with unemployment at home, national development and industrialization plans, will prevail.

Funding large-scale negotiations in Africa

The TFTA negotiations involved three RECs and 26 Member/Partner States and four languages. Negotiations at this scale require financial, logistical, secretarial and technical support. The funding was based on donor support, which can be unpredictable—at one stage it looked like it would stall the TFTA negotiations. The funding of the CFTA should endeavour to be less donor reliant.

Influential states may drive regional dynamics. They could resource their participation in negotiations, for instance by funding large negotiating delegations with a broader range of expertise than smaller states. These experts are better able to steer negotiations, but there can be risks if they manipulate the process for their own gain.

In bringing the CFTA about, it is crucial that its benefits are shared across African countries for a win-win outcome. Trade agreements that are not win-win can remain unimplemented, as partner countries have little interest in their application (Jones, 2013). If the gains are perceived as being captured by only a few countries, trade agreements may unravel, as with the former EAC and the FTAA. (Policies to ensure the equitability of the CFTA are discussed in Chapters 5 and 6.)

Though there are undeniably some influential states in the CFTA, other countries can also exercise influence, through coalitions for example. By stitching together groups with similar views, smaller countries can effectively promote their interests. In the case of the CFTA, one such coalition involves the non-WTO states that form a diverse group of similar interests.

Political leaders

Individual personalities and the strength of exceptional leaders can define, drive and create momentum for regional integration initiatives. For example, the eminence of presidents Thabo Mbeki and Olusegun Obasanjo helped establish the AU.

Leadership and vision are required for designing and pursing policies to move Africa from its heavy dependence on primary commodity exports and low intra-African trade (ECA, 2011). Powerful leadership is an important resource for ensuring that political economy forces do not become deterministic. Leaders can drive scenarios that break with the status quo and achieve better outcomes. For the CFTA, such leadership will be required to overcome many of the political economy challenges seen in this chapter, and to use the political economy windows of opportunity.

Trade negotiators

The actors who most directly filter national interests, steer negotiations and pen the negotiated texts are the chief negotiators of member states. They channel their particular experience, expertise and capacity.

Trade negotiators tend to have more experience with the trade in goods and revenue interests of negotiations, rather than the "new" issues that populate the most comprehensive agreements. The expertise required to progress discussions on trade in services, investment and competition, for instance, is instead held by regulators and institutions that usually sit beyond traditional trade ministries. This arrangement can enable negotiations on goods to progress while causing a stumbling block for other areas of negotiations, which can be deferred to "phase 2" negotiations.

Trade technocrats devote more attention to the finer details of trade agreements than can be afforded by the heads of state who agree to "grander visions" which can be tempered by the risk aversion and analysis required of technocrats. The final communiqué adopted by the Heads of State and Government of the COMESA-EAC-SADC Tripartite Summit, for instance, envisaged the three RECs "working towards a merger into a single REC" (COMESA, EAC and SADC, 2008), but as the first phase of the negotiations draws to a close, it is clear that the negotiated outcome instead represents another FTA, rather than the envisaged and highly ambitious consolidation of RECs.

Africa's trade negotiators are influenced by their prevailing negotiating norms. Most African countries have been involved, for the last 14 years, in highly defensive negotiations with the European Union (EU)—the Economic Partnership Agreements (EPAs)—in which the goal for many African negotiators was to minimize and delay their market opening, limit restrictions to their policy space, and deal with a considerably better resourced and experienced negotiating partner. These negotiations offered little offensive interest to African negotiators, with most countries already enjoying duty-free access to the EU market. Consequently, African negotiators may be prone to approaching regional trade agreements with the defensiveness developed during the EU negotiations, and therefore reach for larger exclusion lists of sensitive products and longer liberalization timeframes.

The private sector and civil society

Private sector actors and civil society groups have the potential to influence regional agreements and initiatives by emphasizing the interests of those whom they represent. Regional institutions often include formal mechanisms for consultation with private sector apex bodies and civil society organizations. However, Bilal et al. (2016) found little evidence of the impact of such groups on formal processes, agenda-setting or policy implementation within regional institutions.

The private sector often prioritizes working with national governments on regional issues, assuming it is more effective than engaging regional organizations directly. For instance, Kenyan and Tanzanian transport operators lobby at the national level to defend their interests and represent them as national interests when they engage in the EAC (Bilal et al., 2016). There is a perception that regional organizations can be dysfunctional "talking shops." By contrast, the COMESA Business Council has effectively informed COMESA's agenda on illicit trade, though this reportedly relies somewhat on the strength of the well-resourced tobacco business lobby.

It is also important to differentiate between different types of private sector actors and their ability to lobby. Incumbents who already trade across borders through informal channels have little incentive to adjust pre-existing regimes that may see their business advantage eroded; private sector actors can profit from the status quo. On the other hand, small cross-border traders, small and medium-sized enterprises and small civil society organizations may lack the means to lobby and raise their voices as effectively as larger private sector actors. (The considerations of these vulnerable groups form the subject of Chapter 5.)

Engaging private sector actors and civil society organizations in the CFTA must recognize the wide array of interests involved, including those of firms seeking to benefit from the status quo. Likewise, mechanisms for consultation must be cognizant of small private sector and civil society actors to ensure that their voices are heard.

Sector-specific dimensions

Particular technical and political characteristics are relevant to different sector or policy areas of regional integration. National interests vary greatly by sector, and they affect the choice of policy and of implementation arrangements. For instance, those concerning peace and security tend to be well resourced by donors and of special interest to countries in conflict-prone regions, while those involving infrastructure can be particularly important to land-locked countries.

Subject areas that concern immediate financial or human costs, such as peace and security, tend also to attract greater urgency. Trade relates to aspirations of future benefits, which lack such obvious immediacy.

However, the CFTA is taking place in an evolving world trade environment, and the AU readily highlights the risks and costs if the CFTA does not come to fruition. Here it is important to frame the timeliness and importance of the CFTA.

Trade covers a wide range of subsectors and issues, and it is important to prioritize them with political buy-in or the potential for political coalition building. An important sectoral factor facing the CFTA is the "spaghetti bowl" of regional FTAs that it will have to build on, as well as the yet-to-be concluded TFTA. A stated aim of the CFTA is to rationalize overlapping membership challenges and not to add another layer or complication. This must include effectively redefining the role of the RECs in trade, requiring the CFTA to outline that role and how the RECs will interact with new CFTA institutions.

External factors: Donors and critical junctures

External factors that can shape Africa's continental and regional agendas, including the CFTA, include donor support and changes to the international trade landscape.

The quality and quantity of donor support presents opportunities and challenges. Donor support can help finance negotiations, critical studies and analyses, and the participation of less well-resourced countries and groups. There is a risk, however, that donors move from supporting regional processes to driving them. For instance, they may be more willing to finance initiatives that address their own priorities for aid and other policies, which can be a concern if these policies are not aligned with Africa's. Most regional organizations, ECOWAS aside, are also heavily dependent on donor funding, giving donors an important say in their direction. (Chapter 8 expands on this topic by looking at resourcing the CFTA, and the particular role of Aid-for-Trade.)

Changes to the international trading landscape present another source of external factors that can hinder or help drive the CFTA process. These include the trade policy strategies of important trading partners, and developments in the multilateral trading system in general, as well as changes in trade patterns. For instance, concerned about rising protectionism, the South African Minister of Trade and industry, Rob Davies, stated, "what is emerging in the developed world is a backlash with the potential to propel us […] into a new era of outright mercantilism" (Davies, 2017).

Another change will come through the African Growth and Opportunity Act (AGOA), which offers duty-free access to the US for many African products, when it is replaced with reciprocal arrangements when the current legislation expires in 2025. Turmoil within Africa's traditional EU trading partners, and in particular Brexit, has stalled the conclusion and deployment of EPAs with African countries. Meanwhile, emerging market economies, in particular China and India, have evolved into key trading partners for many African countries. This may help African countries increase their policy space and prioritize more of their own development goals, but it also tends to boost Africa's natural resource exports rather than its industrialization (Chapter 9).

Addressing Africa's political economy challenges and opportunities: The developmental state

The political economy lens of integration in Africa and the CFTA helps to explain "why things are the way they are." Moving forward from that position requires the dedicated action of developmental states, led by political leadership committed to national developmental goals and empowered by competent and professional bureaucracies (ECA, 2011).

A developmental state can be defined as one that has "the capacity to deploy its authority, credibility and legitimacy in a binding manner to design and implement development policies and programmes for promoting transformation and growth, as well as expanding human capabilities" (ECA, 2011). One of the most critical challenges for African development is forming developmental states. Doing so requires a "democratic socio-political environment that endows the state with legitimacy and authority" (ECA, 2011). It also requires political leadership and a capacitated bureaucracy.

The political economy issues detailed in this chapter form the bedrock on which the developmental state must inevitably operate in approaching the CFTA. These issues concern factors that need to be taken as given, at least in the short to medium term. They must be considered by the developmental state as it takes responsibility for designing and implementing the CFTA.

For instance, the interests of various actors and their influence on the CFTA must be considered so that they do not capture the gains of the CFTA and reduce its developmental potential. Policy makers must be vigilant so that the interests of vulnerable groups are not drowned out by the voice of well-resourced lobbyists. Similarly, changes in the international trading landscape can threaten the benefits of integration, requiring action to be taken more urgently to conclude the CFTA.

Yet elements of the political economy can provide windows of opportunity through which development states can take action. For instance, the shared historical legacies can help coalesce African countries into building blocks for more easily negotiating the CFTA. Used correctly, development assistance can support the CFTA. Developmental leaders can also be aware that the CFTA relates to *aspirations* for realizing future benefits, which could result in its being otherwise under-supported relative to short-term and visible political goals. Such leaders can also instramentalize influential states to champion the CFTA.

The political economy of integration in Africa need not be deterministic. The developmental state provides a means to take hold of the rudder and direct African development across the political economy terrain of the CFTA, and to ensure that the result is an outcome conducive to African development.

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Endnotes

1 ECA calculations based on CEPII-BACI 2015 reconciled trade flows.

2 That is, all sectors and activities are subject to liberalization commitments unless explicitly excluded, which is generally more conducive to substantial liberalization.

3 Trade-Related Aspects of Intellectual Property Rights.

4 In Chapter 4 we elaborate on the CFTA as a tool for export diversification and African industrialization. This also underpins the attention that ECA has given to several aspects of structural transformation in its annual flagship report, the *Economic Report on Africa*, in recent years. In refuting economic and structural determinism, the underlying premise of these reports is that deliberate policy choices and action can change the status quo (ECA, 2011, 2012, 2014).

5 Arabic, English, French and Portuguese.

6 Article 3(3) Draft Tripartite Agreement.

7 Final Communique of the COMESA-EAC-SADC Tripartite Summit, October 2008 Heads of State and Government.

8 Acquis is a French term meaning "that which has been agreed." In the context of the TFTA it means that the negotiations should start from the point

the COMESA, EAC and SADC trade negotiations have reached. Tariff negotiations and the exchange of tariff concessions would be among Member/Partner States of the TFTA that have no preferential arrangements in place between them. This will both preserve the acquis and build on it.