

HORN OF
AFRICA
BULLETIN

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HORN
OF
AFRICA

The African Continental
Free Trade Area (AfCFTA)

The AfCFTA and Regional Integration:
Implications for Peace and Security in the
Horn of Africa

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Since its formation, LPI has carried out programmes for conflict transformation in a variety of countries, conducted research, and produced numerous publications on nonviolent conflict transformation and the role of religion in conflict and peacebuilding. The main focus of our work has been on Africa, with the Horn of Africa Programme being established and well-known in the 1990s, not least our work in Somalia. Other initiatives have been carried out in Congo-Brazzaville, Croatia, Sri Lanka and East Timor. We have strengthened the capacity of our civil society partners to address the conflicts in their own context, in some of the most difficult and war-torn countries.

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The AfCFTA and Regional Integration: Implications for Peace and Security in the Horn of Africa

Darlington Tshuma

Introduction

Regionalism and regional integration are not new practices in Africa. More recently, the signing and ratification of the African continental free trade area (AfCFTA) by most African states has reignited academic and policy interest in integration and regionalism. This essay unpacks the continental free trade area and analyses its implications for peace and security in the Horn. On the one hand, it argues that the implementation of AfCFTA could exacerbate grievances emanating from regional economic disparities and uneven distribution of integration benefits and costs. This is particularly true in contexts where relations between states are complex and characterised by intense rivalry and negative competition. Weak and fragmented regionalism, slow growth, political instability, and the absence of harmonised security policies to tackle illegal trade and smuggling add to the challenge of integration. On the other hand, this essay avers that current measures to deepen regional economic integration through, for example, the creation of one-stop-border posts under the Horn of Africa Initiative and the African Union (AU) plan to Boost Intra-African Trade (BIAT), can go a long way in deepening integration and creating economies of scale with built-in flexibilities to withstand external shocks. Doing so could promote economic development, particularly in fragile contexts, while simultaneously positioning Regional Economic Communities (RECs) as sites for developmental regionalism. The essay concludes by advancing recommendations that will hopefully result in re-evaluating current thinking about regional economic integration in Africa.

Prospects for regional integration in the Horn of Africa

Free trade constitutes a major step toward the African integration agenda. The AfCFTA has the potential to transform the economic trajectory of African economies whose combined Gross Domestic Product (GDP) in 2019 was USD 2.6 trillion.¹ Simulations based on economic modelling by various institutions including the World Bank, show that Africa's GDP could reach USD 6.7 trillion if free trade is fully implemented by 2030.² Similarly, the United Nations Economic Commission for Africa (UNECA) forecasts that free trade can boost intra-African trade by over 52% if import duties are eliminated and non-tariff barriers reduced.³ However, poor regional connectivity, slow growth and aging infrastructure contribute to fragmented regionalism characterised by low intra-regional

trade. For example, intra-regional trade in the Horn averaged 15% in 2018.⁴ These persistent problems, which are not restricted to the Horn, continue to militate against developmental regionalism as benefits often take long to materialise, and when they do materialise, are unevenly distributed creating winners and losers.

However, new multi-million infrastructure projects like the Addis-Djibouti railway line, the El Wak – Rhamu trunk road and Standard Railway Gauge in Kenya are expected to improve and deepen regional integration. Such kinds of infrastructure projects play an immense role in making the movement of people and goods within and outside the region accessible and cheaper. In addition to easing mobility, new infrastructure projects can also lay strong foundations for greater forms of integration. Fragmented regionalism and bureaucratised tax regimes have derailed the incorporation of Africa's small-scale traders into formal economies.

Liberal scholars argue that trade liberalisation and economic interdependence reduce fragility in three main ways. First, economic integration makes conflict costly, which compels states to work together to pre-empt aggression while reducing the temptation to use force and military might to resolve disputes. Second, regional trade boosts economic growth within regional blocs, which in turn reduces the possibility of intra-conflict within participating states.⁵ Lastly, the 'democratic peace' argument holds that in addition to democracies not fighting each other, 'liberalising coalitions' characteristic of Western Europe, advocate liberalisation which favours regionalism.

While the economic dividends of free trade have been succinctly articulated by institutions like UNECA, who demonstrate the net gains of economic integration, this essay concerns itself primarily with the peace and security implications of the free trade area. An optimistic scenario is that, if fully implemented, the free trade area will lead to greater peace, stability, and sustainable development. Seen this way, the free trade area is more than a Pan-African economic project, but a peace and security response initiative intended to facilitate the economic and political integration of Africa. In fact, AfCFTA optimists argue that the free trade agreement signals a new type of African agency designed to confront the hard political-economic reality of African economies playing a subordinate role in global affairs.⁶

Since integration involves participating states voluntarily accessing each other's markets, there is a need to develop innovative ways to minimise conflict and optimise the benefits of mutual interdependence. Free trade areas offer incentives for participating states to cooperate and collaborate on security matters through, for example, harmonising regional border security policies, anti-smuggling, and money laundering laws. In 2002, the Intergovernmental Authority on Development (IGAD) set up its Conflict Early Warning and Response Mechanism (CEWARN) to detect potentially violent conflicts and encourage information sharing and analysis. CEWARN operations are credited with a significant reduction in violent conflicts along the Kenya-Uganda and Ethiopia-Kenya-Somalia borders.⁷ To further the goal of regional integration, IGAD and its Member States created the Horn of Africa Initiative which, to date, has raised in excess of USD 4 billion from development partners to deepen regional integration through regional infrastructure projects like the Isiolo/Mandera corridor.⁸ Priority areas for the initiative include security, transport, energy, trade and regional value chains and investments.⁹ However, the Initiative has failed to shake-off criticism that it is externally driven and lacks home-grown institutional support. Additionally, dependence on external support and donors to fund strategic regional initiatives like regional integration gives donors undue power and influence to underwrite regional initiatives often informed by dominant international agendas of the time.

In the Horn, Ethiopia-Djibouti cooperation demonstrates potential benefits likely to be derived from an integrated market. The two countries have invested more than USD15 billion in road and railway connectivity to boost trade between themselves.¹⁰ Ethiopia also uses Djiboutian ports for over 90% of its foreign trade and continues to invest heavily in developing and upgrading infrastructure. Djibouti's trade with Ethiopia accounts for more than 80% of its GDP and includes water and electricity imports. Millions of dollars have been spent in securing key trade routes and infrastructure and streamlining custom procedures culminating in the region's first single border post. Analysts note that trade liberalisation between Kenya and Ethiopia has the potential to create strong regional value chains and investments. The El Wak - Rhamu trunk road linking Kenya with Somalia and Ethiopia, is an example of a large-scale infrastructure project needed to deepen integration in the Horn. At present, total bilateral trade between Ethiopia and Kenya is extremely low, averaging USD 70 million in 2019. This translates to 0.05% of Ethiopia's total exports and 0.09% of Kenya's total exports.¹¹

Regional integration and implications for peace and security in the Horn

Uneven distribution of benefits and costs within regional economic schemes, including the threat of job losses and migration of high-cost industries to low labour cost zones, can trigger new conflict dynamics. Similarly, where regionalism reaches dazzling heights in the absence of mechanisms to address the uneven distribution of benefits that include infrastructure development and job opportunities, new conflict dynamics may emerge with major implications for security and regional politics. In a region like the Horn characterised by complex and complicated relations between states, perceptions of 'unfair advantage' and negative competition may spark distrust creating new conflict patterns alongside security configurations. Additional stressors like regional instability, socio-economic hardships and environmental concerns can prevent greater forms of integration. Overlapping regional membership encourages unhealthy competition and may lead to institutional jealousy. Consequences of overlap include regional bodies pursuing conflicting and divergent mandates that weaken the capacity to champion inclusive growth and effect structural transformation underpinning regional integration and trade.

Additional threats to integration in the Horn stem from the complex regional geopolitics of border securitisation, political instability, illicit financial flows and smuggling which limits free trade between countries. Illegal trade and smuggling are facilitated by porous borders and the absence of harmonized security policies to regulate the movement of goods and people. Infrastructure projects like the El Wak - Rhamu road connecting Kenya with Ethiopia and Somalia, is not only critical to consolidating regional integration and facilitating trade but may also benefit informal traders and transporters through improved access to larger markets and a more secure regional corridor. Enhancing intra-regional trading and augmenting cross-border trading communities within the region's broader vision of integration is one way to address the challenge of low intra-regional trade.

Security configurations between multiple countries create complexity, ambiguity and ambivalent relationships motivated by a variety of factors. For instance, instability in Somalia has affected her neighbours, not least because of the direct threat of violent extremism but

also the direct intervention and presence of Ethiopian and Kenyan peacekeepers in the country. Additionally, protracted civil wars and conflict in countries like South Sudan and Somalia has destroyed important trade infrastructures like roads, telecommunications, and railways that are essential to trade and economic integration. Protracted conflicts pose significant challenges to the operationalisation of the free trade area with the likelihood that implementation may exacerbate localised grievances emanating from unequal development and distribution of political and administrative power. In countries with multi-layered conflicts, disagreements over resource management and the exercise and distribution of political power often assume ethnic and clan dimensions making them even more complicated to manage. For instance, informal cross-border trade negatively impacted by good infrastructure and cheaper goods by-passing informal markets may give rise to new forms of localised grievances that create pockets of insecurity along key corridors.

To deepen regional integration and transform RECs into sites of developmental regionalism, IGAD Member States must continue to invest

in regional infrastructure development projects that have the potential to transform regional economies away from low-productivity agriculture toward higher productivity manufacturing and services. For instance, investments in good infrastructure including good road and rail networks, electricity and internet in Kenya and Ethiopia was accompanied by a significant shift from low-productivity agriculture to manufacturing and services that enhanced economic development in both countries. Research conducted by the World Bank shows that infrastructure investment can promote economic development in fragile countries. A report by the World Bank estimates Somalia's annual real income to grow significantly if accompanied by investments in transport, electricity and the reform of current customs and tax regimes. While regional integration and free trade may not eliminate illegality and criminality, putting in place efficient systems significantly reduce arbitrage arising from corruption and shadow regionalisation associated with transnational organised criminal syndicates who engage in illegal trade of high-value commodities like gold, diamonds, and charcoal.

Conclusion

This essay presented two scenarios: an optimistic scenario describing a situation where implementation and operationalisation of free trade leads to a better-integrated region with greater prospects for peace and stability and a cautious scenario where implementation exacerbates grievances emanating from unequal development and uneven distribution of integration benefits. Both these scenarios are intended to alert decision-makers of potential developments with significant strategic impact while they can still prepare for or even avoid them. While the signing of the AfCFTA signalled African leaders' commitment to match rhetoric with action, operationalizing the free trade area to achieve optimal integration must be informed by the realities of African economies, particularly Africa's expansive informal markets mediated by informal cross-border networks. Shadow regionalism curated by informal modes of regional interactions can easily morph into criminality and vigilantism thereby undermining free trade and regional integration. On balance, the success of free trade will depend on Member States' ability to develop harmonised security policies on cross-border conflicts, smuggling, human trafficking, and violent extremism, among others. More importantly, integration requires dedicated and visionary leaders with a strong political commitment to act when required to do so. Current negative trends including internecine conflicts in Somalia and South Sudan, competing actors, and multi-layered conflicts mitigate against success of AfCFTA in the short and immediate term.

Recommendations

- For a region synonymous with civil war, violent conflicts, poor development and economic outcomes, Member States have a responsibility to ensure that the implementation of free trade policies do not exacerbate existing grievances emanating from unequal development and that should conflicts arise, they have the capacity to manage or resolve them. This may necessitate broadening IGAD present mandate.
- IGAD Member States can consider establishing an Economic Recovery Development Plan funded through asymmetric contributions, with the bloc's biggest economies contributing more. Funds will be used for reconstruction purposes helping to stimulate growth in fragile countries, particularly those emerging from protracted conflict and war whose key trade infrastructure like roads, rail and communication needs upgrading and resuscitation.
- Implementation of the free trade area must be accompanied by IGAD's political commitment to making membership contingent on the implementation of genuine internal political and economic reforms to reduce the risk of cross-border violence through the promotion of Pan-African values of democracy, rule of law and good governance.
- IGAD Member States and policymakers must proactively work to implement mechanisms that facilitate free movement of persons through domesticating the AU plan for BIAT. The recent creation of 25 one-stop-border posts in the region must be complemented by additional measures, for example, the speedy roll-out of the African passport to ease mobility within and outside the region.

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Endnotes

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