

South-South Integration and the SDGs: Enhancing Structural Transformation in Key Partner Countries of the Belt and Road Initiative

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China and Africa :
Lessons from the Belt and
Road Initiative in ASEAN
for a Developmental Regionalism
approach to African Continental Free Trade Area

Abstract

In March 2018, the African Continental Free Trade Area (AfCFTA) was launched, bringing new prospects for the development of the African economy. This paper discusses the possible impacts of AfCFTA on the African continent, including its influence potential consequences on inclusive, mutually beneficial economic integration that advances industrialization, infrastructure development and democratic governance.

The paper draws lessons from the previous experiences of regional integration in Southeast Asia, especially between China and ASEAN, as well as the Belt and Road Initiative (BRI). Based on these cases of regional integration, the policy brief argues that the potential benefit will depend on whether AfCFTA adopts “developmental regionalism” approach, understood as a cooperation among countries in a broader range of areas than just trade and trade facilitation and including investment, research and development policies.

Key words: developmental regionalism, African Continental Free Trade Area



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1. Introduction

African Continental Free Trade Area (AfCFTA)

The African Continental Free Trade Area (AfCFTA) was launched on 21 March 2018 at a Summit of the African Union, held in Kigali, Rwanda. The AfCFTA was declared by President Paul Kagame as “historic”. Seen from the long lens of history, this was indeed a historic event. It was the most ambitious expression yet of the dream and vision of Pan-African leaders such as Kwame Nkrumah, Jomo Kenyatta, ...and others who had begun the long journey towards African unity and integration since the de-colonization and independence of African States in the late 1950s. The AfCFTA officially entered into force at the Summit of the AU – on the 7th of July, 2019, in Niamey, Niger, and will now be implemented as from the 1st of July 2020.

Several studies undertaken by UNECA economic researchers predict that the AfCFTA has the potential to increase growth, raise welfare and stimulate industrial development on the continent (Karingi and Davis, 2016). However, there are also concerns that some countries, particularly the smaller and more vulnerable economies, may experience the negative impacts of premature liberalization and fiscal revenue losses (Hoekman and Njinkeu, 2016). It is an opportune moment for African policymakers to ask a few pertinent questions. How can the AfCFTA advance inclusive growth and economic development of the African continent? How can the AfCFTA benefit *all* African countries? How can the AfCFTA lead to economic transformative and industrialization of the continent? How can the AfCFTA also catalyze and advance the building and strengthening of democracy, good governance and peace and security in Africa?

This essay argues that adopting a “developmental regionalism” approach to trade integration provides the best prospects for the AfCFTA to catalyze the process of transformative industrial development, cross-border investment and democracy, governance, peace and security in Africa. These questions are not unique to Africa. Regional integration in South East Asia, especially between China and ASEAN, raises similar questions. Thus this essay discusses the process of regional integration in ASEAN and the role of China’s Belt and Road Initiative (BRI) and reflects on whether this approach to regional integration promises to also deliver inclusive, mutually beneficial economic integration that advances industrialization, infrastructure development and democratic governance. This essay thus first discusses the concept of ‘development regionalism’ in Africa. It then argues that the “developmental regionalism” approach is the most helpful to advance regional integration in Africa. The Chinese concept of the Belt and Road Initiative (BRI) is then unpacked and assessed and its application in the Greater Mekong Subregion is discussed. African countries are advised to use their agency and urge China to advance “developmental regionalism” in Africa in a similar manner as the BRI is being applied in the Greater Mekong Subregion, in ASEAN.

“Developmental regionalism” is defined as “cooperation among countries in a broader range of areas than just trade and trade facilitation, to include – for example – investment, research and

development, as well as policies aimed at accelerating regional industrial development and regional infrastructure provision, such as the building of better networks of roads and railway” (UNCTAD, 2013). In its 2017 *Assessment of Regional Integration Report* (ARIA VIII), the UNECA also make the case for a comprehensive approach to the implementation of the AfCFTA. The report argues that “at the heart of the AfCFTA is a developmental approach that recognizes the need for trade liberalization to proceed, and at the same time, address supply capacities and promote structural transformation” (UNECA, AU and AfDB, 2017: p.12).

The analytical framework on regional integration thus draws on the work of Davies (1996), UNCTAD (2013), and UNECA, AU and AfDB (2017) and extends the concept of “developmental regionalism” to include cooperation among African countries in a regional integration framework on four parallel and interconnected pillars: a) cooperation on building mutually beneficial trade integration (fair trade integration); b) cooperation on industrial development and upgrading in regional value chains (transformative industrialization); c) cooperation on investment in cross-border infrastructure and trade facilitation; and d) cooperation on the building of democracy, good governance and peace and security.

2. CHINA’s Belt and Road Initiative (BRI): Lessons for Africa from the experiences of the China-ASEAN Free Trade Area (CAFTA) and the Greater Mekong Subregion?

President Xi Jinping, in his speech at Nazarbayev University in Kazakhstan, on September 7, 2013, proposed building a Silk Road Economic Belt and a 21st Century Maritime Silk Road as a ‘grand cause benefiting people in regional countries along the route’. Formerly known as the One Belt One Road Initiative, the programme became known as the Belt and Road Initiative (BRI) since 2016. In October 2013, Beijing proposed building an Asian Infrastructure Investment Bank (AIIB) to provide funds for infrastructure development in Asia. China was to hold a stake of 50 percent as the biggest shareholder in the bank. Beijing proposed to build highways, ports, and dam projects in the East Asian Region in an attempt to increase “infrastructure connectivity” (Zhang, et al, 2018). What exactly is the Belt and Road Initiative and what are its principles and approaches to regional economic development?

The Chinese “Office of the Leading Group for Promoting the Belt and Road Initiative”, produced a book titled: *The Belt and Road Initiative: Progress, Contributions and Prospects* (2019). The office identifies six pillars that define the Belt and Road Initiative.

- (i) Policy coordination (including in the United Nations; regional organizations such as Beijing proposed to build on highway, port, and dam projects in the East Asian Region in an attempt to increase “infrastructure connectivity”; Forum on China-Africa Cooperation - FOCAC; on sectoral issues, such as digitalization, standardization, tax, IP and maritime cooperation),
- (ii) Infrastructure Connectivity (several major six corridors are proposed including, the Greater Mekong Subregion Economic Cooperation; Ports),

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- (iii) Unimpeded Trade (bilateral and regional co-operation agreements; Free Trade Agreements such as China-ASEAN, China- Singapore, China- Pakistan)
 - (iv) Financial Integration (innovative investment and financing models including with cooperation between the Peoples Bank of China, the World Bank, European Bank for Reconstruction and Development, the BRICS Bank, bilateral currency swops and Renminbi clearing arrangements)
 - (v) People to people ties (including in art, film, and cultural links, education, tourism and health; and the creation of 153 Confucious Institutes)
 - (vi) Industrial cooperation (industrial cooperation signed with over 40 countries including Ethiopia, Egypt, and the establishment of industrial parks) (Office of the Leading Group, 2019)

The Office of the Leading Group identifies the principles of extensive consultation, joint contribution and shared benefits as priorities for the BRI. Mutual benefit and win-win outcomes (increased imports, outward FDI) are actively encouraged. International agreements and the building of international coalitions for Green Development within the Belt and Road are encouraged. The Belt and Road Forum was launched in 2017 and held for the second time in 2019 to build transparency and support for these principles and the BRI. The Office of the Leading Group states that China believes that; “our world suffers from an outdated governance structure and imbalanced development”. The Office argues that “The Belt and Road will become a road of peace, prosperity, opening up, green development, innovation, connected civilization and clean government. It will make economic globalization more open, inclusive, balanced and beneficial to all” (Office of the Leading Group, 2019).

China developed its own approach to recognize the differential levels of development between itself and its neighbours and applied this in its economic agreements with ASEAN. A year before China joined the WTO, in 2000, President Zhu Rhongji, initiated the idea of economic cooperation between China and ASEAN. In November 2002, ASEAN and China signed the Framework Agreement on Comprehensive Economic Cooperation (FACEC). This process of economic cooperation finally led to the signing of a China-ASEAN Free Trade Agreement (CAFTA) on the 1st of January 2010. This was a historic agreement as it was China’s first free trade agreement and for ASEAN it was the first between the Union and a third country (Lei Yu, 2018).

Lei Yu points out that at the time of signing the agreement three members of ASEAN (Vietnam, Laos and Cambodia) were not members of the WTO. However, China accorded most favoured nation (MFN) treatment to all the non-WTO members. China also granted the newer ASEAN members (Asean-4: Myanmar, Vietnam, Laos and Myanmar) five years longer to liberalize than the six old members (ASEAN-6: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei). China agreed that Special and differential treatment shall be given to Cambodia, Laos, Myanmar and Vietnam, allowing them to open fewer sectors and liberalize fewer transactions ((Lei Yu, 2018).

The above approach was also utilized to support infrastructure development. The experience of the Greater Mekong Subregion economic cooperation programme in South-East Asia provides a good example of how regional integration — and ‘developmental regionalism’ in particular —

can be used and adapted in the face of changing domestic and global circumstances in order to enhance and support economic development and transformation (UNCTAD, 2013). In 1992, the six countries sharing the Mekong River in South-East Asia — Cambodia, China, the Lao People’s Democratic Republic, Myanmar, Thailand and Viet Nam — launched a subregional programme of economic cooperation with the assistance of the Asian Development Bank (ADB) in order to promote development in the subregion by enhancing economic linkages across their borders. The underlying strategy of this initiative, known as the Greater Mekong Subregion economic cooperation programme, was to integrate the countries of the subregion through improvements in infrastructure, with an initial focus placed on overcoming barriers to physical connectivity within the subregion, thereby promoting trade and investment and stimulating economic growth. Since its inception, the programme has thus adopted a developmental regionalism approach to integration by focusing on infrastructural development and sectoral policy coordination in several areas of cooperation (including agriculture, energy, the environment, human resource development, telecommunications, transport and tourism), as well as promoting cooperation in the cross-cutting areas of trade and investment (ADB, 2012).

Over the past two decades, the programme has made a notable contribution to the increased integration and prosperity of the Mekong subregion, which has seen a significant improvement in socioeconomic development and reduction in poverty since the early 1990s. As of June 2012, projects had been implemented with a total investment of approximately \$15 billion. Overcoming geographical barriers, integrating regional markets and promoting new economic opportunities have been key dimensions through which regional projects have complemented national development agendas.

How African Countries can use Agency to urge China to adopt an approach to Africa that is similar to that of the BRI in the ASEAN and Greater Mekong Subregion and thus advance ‘developmental regionalism’ in Africa? China’s increasing role in African development is consistent with the goals of the Belt and Road Initiative (BRI). The 2015 Ministerial Meeting of the Forum on China–Africa Cooperation (FOCAC) ended with a declaration that China–Africa relations have been upgraded to “comprehensive strategic and cooperative partnership status.” (Kodzi, 2018). Since the formation of the Forum on China–Africa Cooperation (FOCAC), in 2000, this relationship has expanded rapidly. By 2009 China overtook the USA to become Africa’s largest trading partner (Schneidman, 2015). In 2010 China became Africa’s largest export destination.

FOCAC has met every three years at ministerial and presidential levels and made a large number of commitments to enhance its support to Africa in a number of areas, including: opening its market up to 95 per cent for LDCs; the provision of concessional loans and grants; support for infrastructure; and generous debt relief (UNCTAD, 2010). At the 6th FOCAC, held in Johannesburg, on 4-5 December 2015, China’s President Xi Jinping announced a big package that covers the areas of industrialization, agricultural modernization, infrastructure, financial services, green development, trade and investment facilitation, poverty reduction and public welfare, public health, people-to-people exchanges, and peace and security. The package included US\$60 billion of funding support (Xinhua News, 2015). The Beijing Summit of the Forum on China Africa Cooperation (FOCAC) in 2018 saw 53 of the 55 African countries represented.

This reflects the influence and convening power that China has mustered in Africa (Oyewole, 2019).

In just more than a decade, China has become Africa's most important economic partner (McKinsey, 2017). There is no other country with such depth and breadth of engagement in Africa across the dimensions of trade, investment, infrastructure financing, and aid. Chinese "dragons"— firms of every size and sector—are bringing capital investment, management know-how, and entrepreneurial energy to every corner of the continent—and in so doing they are helping to accelerate the progress of Africa's "lions," as its economies are often referred to (McKinsey, 2017). African countries need to use their agency and collective negotiating power through the African Union, the African Development Bank and the Economic Commission for Africa (ECA) and Regional Economic Communities (RECs) to negotiate mutually beneficial trade and investment deals with China that advance the AfCFTA and 'developmental regionalism' in Africa. African countries should leverage the resources and financing facilities, such as the Asian Infrastructure Infrastructure Investment Bank (AIIB), created by the Belt and Road Initiative, to support their infrastructure investment needs. China's cooperation programmes on Industrial Parks and Free Trade Zones offer African countries opportunities to mobilize investment to industrialize and build their regional value chains. The lessons from China and South East Asia (ASEAN), such as the experience of the Greater Mekong Subregion can offer African countries valuable insights to build their own regional integration in the AfCFTA in a manner that is inclusive, mutually beneficial, builds cross-border infrastructure and industrialization across the African Continent.

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