

Africa's Comparative Advantage in 2063: A Consideration

Elimma C Ezeani*

Abstract

The African Union (AU) Agenda 2063 presents a picture of the African continent that is prosperous, unified, and peaceful, by 2063. The aspirations underpinning this vision articulate amongst other things, a continent of inclusive growth and sustainable development driven by African progress across all strata of political and economic life. Agenda 2063 focuses on development largely driven by human, capital, and natural resource maximisation, through trade. This paper critically examines the core foundations of Agenda 2063 in its pursuit of development through trade, both intra-African and international. It argues that the African continent must urgently engage with creating indigenous, globally competitive goods and services and do so independently, if it is to achieve the ambitions the AU has set out in its Agenda 2063 document. It also cautions against blanket harmonisation suggesting that a focused and gradual approach is on the basis of evidence and foresight, of greater benefit to the countries of the Continent and its peoples. Finally it discusses the necessary role of the legal profession in fostering action towards achieving development through trade under Agenda 2063.

I. Introduction: Comparative Advantage and Dependency on Primary Products

If Africa has so much natural resources, why is it not able to trade more beneficially? Why is the continent not richer? Contrary to common references, Africa's so-called comparative advantage cited as its peoples, history, cultures, and natural resources in the Agenda 2013 document present no comparative advantage today and will be worth even less in 2063. People, culture, history and resources are attributes; they do not in themselves, create a comparative advantage. This is even more so, in the technological, knowledge and capital driven 21st century global market.

In the past when the economies of prosperous societies depended on labour, an abundance of humans may have presented an advantage. Without advanced weaponry and military power however, human capacity and agency was severely limited, hence the domination of the African continent by colonialists. Stronger powers meant that it was impossible for Africans to exercise the freedom of choice; in 2018, Africa still has limited agency, a fundamental requirement in political and economic negotiations. Without a competitive trading capacity in finished goods and services across its countries, Africa has also retained little agency in the global market place. Natural resources if they are to contribute to sustainable development, must be developed with innovative ideas that adapt them for modern use and offer them for sale as competitive goods in the market.

A comparative advantage is therefore neither fixed nor guaranteed. For African countries to grow a comparative advantage, States that possess natural resources tradable in the commodities markets, need to **own** the improvement processes

* PhD, LL.M, BL (Nig), LLB, FHEA. Paper presented at the Annual Conference of the African Bar Association Nairobi 2018, July 22 – 27, 2018.

that make these commodities ready for immediate use in the global economy. To improve a natural resource, adopting and funding high level research and development activities must form an integral part of the economic policies of African governments. For instance, this implies that Nigeria must be able to harness its oil and gas resources, refine them, develop them into other products, develop a service industry for the oil and gas sector, and maintain its expertise in this sector. This is what Norway has done.

A question can therefore be posed: If Africa's comparative advantage lists primary products and natural resources, does dependency on primary products negatively affect economic growth? Drawing inferences from its study of the economic contributions of diamonds to the Botswana and Sierra Leone economies, the United Nations Conference on Trade and Development (UNCTAD) states that:

...up until 2008, Botswana did not need to add any value to its rough diamonds and yet in about three decades it became an upper-middle-income country according to the World Bank. This means that economic growth is affected by more than the price of commodities.¹

The UNCTAD Report suggests that structural, economics and political issues are responsible for poor economic growth and that a focus on primary goods is insufficient to explain the challenges to economic growth. I do not think this position appropriately explains the real issues behind Africa's slow pace of development through trade. Granted, political and structural problems stultify economic progress but if the argument is kept within the realms of trade as an economic activity, then it is imperative that deficiencies in trade arrangements and economic policies must be examined independently without lumping them with socio-political considerations.

We mentioned earlier that States that possess natural resources tradable in the commodities markets, need to **own** the improvement processes that make these commodities ready for immediate use in the global economy. Added to this, they must also correctly interpret market trends to determine potential areas of diversification. To do this, Research and Development further requires highly skilled and creative workers who can transform raw materials into finished products, and others who can enable a diversification of the economy. Commodities such as coffee, gold, metals, sugar, etc., while they command prices in the international market command even more when they are transformed into finished products by skilled artistes. For example, converting raw materials such as coffee into well packaged blends; precious metals into fine jewellery; metals and minerals into special equipment for use in building, scientific, health, IT, communications, automotive sectors, sugar and palm oil into refined confectionaries; cocoa into world class chocolates and associated products, and cotton into clothing designs not only worn by Africans but also found in fashion capitals of the world. This requires much greater action than has been the practice in Africa, by way of developing creative innovative initiatives amongst African workers and entrepreneurs, government domestic support, education and the application of quality standards in the production and marketing processes. Domestic law and policy making have to be carefully crafted to divert Africa's dependence on primary

¹ UNCTAD: DIAMOND EXPORTS FROM BOTSWANA AND SIERRA LEONE: THE ROLE OF INSTITUTIONS IN MITIGATING THE IMPACT OF COMMODITY DEPENDENCE ON HUMAN DEVELOPMENT *BACKGROUND DOCUMENT TO THE COMMODITIES AND DEVELOPMENT REPORT 2017* [2017] UNCTAD/SUC/2017/9, at page 10.

products to sale of quality globally desirable products. African cannot grow by exporting raw materials or commodity goods alone- it must move on to developing a viable manufacturing capacity in the next thirty twenty years, before 2063.

Scholars in economics may recognise my implied reference to what is commonly known as the *Prebisch-Singer hypothesis on declining terms of commodity trade vis a vis manufactures*. This hypothesis proposed in 1950 by economists Raul Prebisch and Hans Singer noted that there was a downward trend of commodity prices as manufactured goods came to dominate the market. Both suggested that it was in the better interests of those countries mainly developing countries, whose export earning depended on primary products, to invest more money in other areas of economic need while at the same time diversifying their export portfolio to expand into services and manufactured goods. While this thesis was not popular among the more developed economies of the day, they were very popular in the 60's and 70's and accounted for the import-substitution and diversification attempts of a number of African countries at the time.² Despite the continued controversy with the argument against, suggesting that the Prebisch-Singer thesis is incorrect, global trade statistics, and observation of the declining share of global trade *by African States* who do not have a comparably developed trade in manufactured goods, demonstrate that the Prebisch-Singer thesis is indeed a correct observation of market trends. According to Harvey et al, who undertook a study of four hundred years of commodity trade between 1650 – 2005 covering commodities including foods, metals and oil, amongst the developed nations, "in the very long run there is simply no statistical evidence that relative commodity prices have ever trended upwards."³

Therefore to achieve the ambitions of Agenda 2063, the African continent must move from offering the world raw materials, to developing processes that convert raw materials to other uses, and in addition, to exploring and investing in new areas of manufacture and services trade. It must also do this by concerted collective action.

II. Concerted Collective Action

If Africa is to move from aid dependency to self-sufficiency enough to allow African countries participate beneficially in global trade in 2063, the governments of this great Continent must work more closely and more directly with each other.⁴ Africa's comparative advantage in 2063 depends significantly on Africa's political and economic co-operation which can significantly boost its negotiating power in trade relationships. A fragmented African approach with the multiplicity of trading blocs and interests, or continued reliance on the largesse of former colonial administrators as is the case today, cannot sustain the ambitions of Agenda 2063. A fragmented Africa cannot solve the problems of ethnic and religious conflicts, youth unemployment and migration, poverty, terrorism, illiteracy, insecurity and under-development.

In readiness for 2063, concerted collective action by African governments is more appropriately directed to two key initial areas: **food security** and **political stability**. Despite Brexit there are many lessons that Africa can take from the successes of the European Union (EU). In seeking to create a closer trading area,

² See generally, UNCTAD (no 1 above).

³ David I. Harvey, Neil M. Kellard, Jakob B Madsen, Mark E Wohar, *The Prebisch-Singer Hypothesis: Four Centuries of Evidence*, THE REVIEW OF ECONOMICS AND STATISTICS, Vol 92 Iss 2 (2010), 367-377 at 376.

⁴ See UNCTAD: *African Continental Free Trade Area: Advancing Pan-African Integration Some Considerations* UNCTAD/WEB/DITC/2016/5 (2016).

it is important that African leaders and policy makers do not attempt to replicate a European Union while ignoring the individual components of what made that Union a success. The EU's enduring legacies since the first efforts at closer European integration in 1950, are in food security and political stability with the absence of war. Closer integration brought the transformation of its farmers and its position in the food and agricultural sector after the Second World War to its present place as a global leader in the food and agriculture sector. This is largely due to its 1962 Common Agricultural Policy (CAP), with a focus on food security and improvement of standards for farming, farmers, and, farm products. Africa also needs a similar focused approach on food security.⁵ Indeed, the urgent need for food security in Africa cannot be over-emphasised: A hungry man is not only angry; a hungry person cannot perform at optimum capacity. Independence and indigenous growth in its food and agricultural sector will bring food prosperity, food security and also guarantee healthy and happy men and women prepared to work for economic growth.

The present arrangements that rely on food aid, fair trade, and special treatment under the WTO rules are obviously insufficient to tackle food shortages, poor produce, poor standards and high prices of food across Africa. Action towards common food and agricultural standards across Africa is a better and more practicable starting place to harness whatever attributes African countries have with regard to primary products and trade in food commodities. In the first instance it is important for Africans across the Continent to have common expectations with respect to food availability, storage, agricultural financing; improved farming methods, transport, market access, produce standards including technical standards; all Africans enjoying good food and all African farmers, earning a fair living.⁶ Furthermore, without a clear strategy for food security, that is, a fair strategy for self-sufficiency and poverty eradication across most of Africa, Africa's independence and its agency *vis a vis* the rest of the world, will remain considerably weak.

Some caution must however be exercised in the course of harmonisation. The Brexit phenomenon is an important lesson because as was the issue behind Brexit, harmonisation can lead to an unwanted unification or loss of State sovereignty in matters of domestic importance like immigration, social welfare and public policy protection. Harmonisation, does not have a precise definition and in some instances can represent what it is not.⁷ From a trade and economic perspective however, we can say that harmonisation is about ensuring that a policy obtainable in one economic market is equally obtainable in another market within the same internal union. This will include for example similarity in food and agricultural standards, product safety etc. It is also the same for political harmonisation with features such as a common passport, similar social welfare provisions, etc. Harmonisation is a solution to improving existing standards and for providing some commonality across divergent interests. In most cases however, it involves the creation of new rules which can destabilise those economies that are not stable and ready for legal convergence hence the need for gradual and focused progress towards political and economic harmonisation.

⁵ See European Commission: THE COMMON AGRICULTURAL POLICY: A STORY TO BE CONTINUED, EU (2012).

⁶ This was the rationale behind the EU CAP, no 5 above, at p1.

⁷ See Eva J, Lohse, *The Meaning of Harmonisation in the Context of European Union Law – a Process in Need of Definition*, in Mads Andenas and Camilla Baasch Andersen (eds) THEORY AND PRACTICE OF HARMONISATION Edward Elgar (2016), Chapter 16.

III. Focus areas for building African trade capacity

Four key areas are essential to realising the development through trade objective. These are: (1) compulsory education and skills development as a fully funded and well-regulated government policy; (2) innovation and diversification supported by research, development and financial investment; (3) globally competitive tradable goods and services as a consequence of efficient productive capacity and; (4) political stability, technology and structured policies of welfare capitalism. These areas hold the key to Africa's comparative advantage in 2063. Working with other stakeholders, the legal profession can assist law makers in the domestic environment with a critical review and update of policies affecting these four key areas highlighted below.

Compulsory education and skills development

It is no use producing graduates who are unemployable or unable to create employment. National policies that address the loopholes in education curriculum and design or unfair and discriminatory employment policies require redress. For example, lawyers can help develop improved education and employment policies. Support for innovation and diversification also requires the services of legal firms with expertise in intellectual property protection, business acquisition and financing. Law firms that can provide advisory services that protect the rights of individuals and communities in trade, and advice that can assist governments and people to take advantage of the various provisions under the WTO TRIPS Agreement for example, are also required to meet 2063 targets. This means that law firms also need to develop a cross-border approach to legal practice through knowledge and training in the laws and rules across jurisdictions in Africa if Agenda 2063 is to be facilitated with indigenous expertise across the Continent. All these cannot be achieved if law graduates cannot write letters, do research, draft contracts or provide skilled legal advice.

Innovation and diversification in goods and services

The law and legal practice is also a good standard of reference in considering not only the challenges of innovation and diversification, but also the necessity of these factors in developing Africa. It is important to bear in mind that what AFTA proposes is also an area of innovation and potentially, of judicial activism, for the law. It will come in conflict with Africa's cultural and legal conservatism yet where judicial activism is not repugnant to justice, it must be welcomed. African courts and its judges must be ready to encounter hitherto unforeseen legal questions and to try and balance the interests of producers, consumers and the government with trade and economic rules that arise pursuant to the AFTA. Law and practice in Africa must keep pace with the fast moving world of cross-border trade. The breath of issues raised in Agenda 2063 and the vast ambitions it has for the future generation of Africans will be a wakeup call for African jurisprudence in matters of law and economics. The African lawyer must not wait to be called upon by government, to be consulted by institutions, or to be briefed by clients before we can engage and provide solutions to the challenges and opportunities in this area of African emergence. It is not time for ultra-conservative pleadings or judicial rulings that refuse to seek alternative paths to justice on the grounds that 'this has never been done before.' To this sort of view, I offer the words of the English Lord Denning in *Parker v Parker*⁸:

What is the argument on the other side? Only this [;] that no case has been found in which it has been done before. That argument does not appeal to me in the least. If we never do anything which has not been done before,

⁸ *Parker v Parker* [1954] All ER 22.

we shall never get anywhere. The law will stand still while the rest of the world goes on, and that will be bad for both.

There are some things implicit in this statement when we look at it from the perspective of developing Africa through trade. First is that there will be lacuna in the law on certain policy issues. Intellectual property and food safety come immediately to mind. Second is that such lacuna in the law or policy of African States is no excuse for stagnation in African jurisprudence. Judgements must seek to do justice even if they have to do so inventively. Third is that for purposes of economic growth, even the law must adapt to changing circumstances. Fourth is that in reaching for decision that do justice and foster economic growth, it will be foolish to insist on the rule of precedents where none exist or to insist on applying obsolete law as it is until the legislature makes a change. The AFTA is an innovation and the law must support it in the same vein, with innovative thinking.

Globally competitive tradable goods and services

Producing and trading successfully in globally competitive goods and services hinge on a thorough understanding of the minutiae of details in international trade agreements both within and outside the African continent. Trade and finance agreements in particular present great difficulty for the lay reader not to mention for the busy government official or the farmer. Without experts who can draft, read and interpret these agreements, an AFTA may not facilitate trade as was envisioned by the minds behind Agenda 2063. Again using the legal profession as a reference, local Bar Associations and legal scholars will benefit from driving the conversations that will address trade and economic issues such as: acceptable subsidy regimes; dispute settlement; public policy issues such as carbon capacity and climate change; IP protection; procurement; rules of origin; competition; Geographical Indications (GI) and; supply side constraints of trade to reduce difficulties in doing business in Africa.

Political stability, technology and, structured policies of welfare capitalism

Without political stability, it is difficult for the entrepreneur and the worker to make plans and to produce. The current African interest in technology is mainly from the consumer perspective. In light of the impact of technology and its importance - from communication to education, from security and defence to AI (artificial Intelligence) Africa's interaction with technology must move on from purchasing ready-made technological goods, to supporting innovations and developing technologies that can also compete on the global market. In addition, without structured policies on health, education, social housing, transportation, storage facilities, security infrastructure, retirement and pension plans, the worker is not inspired and indeed cannot produce at optimum capacity. The strong economic powers of today built their empires on these three foundations: political stability, technology and structured welfare capitalism⁹. African countries individually and collectively will also benefit from concerted effort towards these objectives.

⁹ See for example, The Economist: "How technology and capitalism shaped America after the civil war" available online at: <https://www.economist.com/news/books-and-arts/21727049-1865-1896-saw-tumultuous-changes-new-oxford-history-united-states> .

IV. Development through Trade: Action before 2063

How then can Africa develop through trade to meet the objectives outlined in Agenda 2063? It is worth keeping in mind that Africa is not the only region pursuing strategic growth. For too long, the continent has operated outside the time line of development with the result that Africa has either been the conquered, the exploited, the helped or the pitied. Or indeed all of the above. To achieve development through trade, there are key targets that African countries need to meet before 2063. These are:

- Eliminate aid dependency from government strategy.
- Develop and sustain production, storage and transportation facilities across country regions.
- Implement and monitor technical standards in manufacturing, production and, packaging.
- Devise quality assurance standards and train personnel to monitor and implement health and safety standards across all public sector.
- Ensure public sector employees and workers are suitably qualified, trained and, provided with adequate remuneration and retirement compensation.

V. Conclusion: The Future is African (?)

Africa's comparative advantage must be moved on from its long appeal as an exotic tourist destination for those curious about its peoples, history and cultures and eager to exploit its raw resources. Africa must construct the absent basic building blocks of a strong trading economy namely food security and political stability even as it catches up with the pace of scientific and technical advances today and by 2063. It will need to be a continent of educated and highly skilled workers and an Africa that develops globally competitive tradable goods and services. African governments have to adopt concerted collective action on domestic policies that drive and provide financial support for innovation, diversification, research and development. African peoples can only develop a comparative advantage that is relevant in 2063 if today in 2018, African governments look inwards to build an enabling environment that guarantees political stability and allows the African farmer, manufacturer, innovator, trader or entrepreneur, room for economic growth.

Just like the Hollywood movie *Black Panther* and its fictional African country, *Wakanda*, Agenda 2063 presents the idea of a productive and technologically advanced Africa, with trade capacity and significant advantage in the global market. It may be fiction but it is not an impossible Africa. What is remarkable about the movie, *Black Panther*, is that it presents an Africa that is self-sufficient and self-sustaining. An Africa that does not rely on aid. An Africa that is not dependent on foreign support for its financial and sovereign security. An Africa whose African experts are sufficiently equipped in domestic and international affairs to direct legal matters on the continent. This should be the ultimate aim of Africa in 2063 – a self-sustaining and secure continent.