US-China Geoeconomic Tensions: Implications for the African Continental Free Trade Area

Garth L. le Pere

Passage of the African Continental Free Trade Area (CFTA) occurs at a time of rising tensions between the United States and China. Africa's growth and development prospects depend on a functioning and stable multilateral trading system, but recourse to economic nationalism and protectionism is increasingly undermining the open global economy and, indeed, the liberal international order on which free and fair trade depends. This article examines the implications of US-China tensions for the CFTA while assessing the opportunity for closer engagement between African countries and an axis of emerging powers led by China in an enhanced Global South strategy.

Keywords: *FTA, geoeconomics, regional trade agreements, Belt and Road Initiative, South-South trade.*

Passage of the African Continental Free Trade Area (CFTA) in Kigali, Rwanda on March 21, 2018 occurs at a time of great uncertainty and volatility in the international trading system that is punctuated by the increasingly adversarial relationship between the United States and China. Both countries were expected to be critical external partners in realizing the promise and ambition of the CFTA. A recent article in the *New York Times* put it quite bluntly: "Step by step, blow by blow, the United States and China are dismantling decades of political, economic, and social engagement, setting the stage for a new era of confrontation shaped by the views of the most hawkish voices on both sides" (Wong and Myers 2020). Indeed, the very foundations of the liberal international order are coming under increasing threat and pressure amid a variety of centrifugal forces. Global norms are being eroded and multilateral institutions are being further weakened. We are witnessing a global viral storm unleashed by COVID-19, rising military tensions, disruptive

Asian Perspective 45 (2021), 147–156

trade and commercial relations, environmental degradation, the abuse of cyber sources of hard and soft power, corrosive nativist identities, atavistic bigotry and racism, and intractable proxy conflicts (Frankopan 2018).

Such a depressing mix of global problems, however, should not discount the importance of the CFTA in the overall political economy of Africa. Its signing represented a bold step in creating a conceptual and political edifice for accelerating the trade and economic integration of the continent. Thus far, fifty-four out of fifty-five countries have signed the framework to create a single market for goods and services, which includes the unhindered movement of people, investment, and other production factors. At last count, thirty countries have ratified its various instruments, thus making Africa the largest free trade area in the world in terms of the number of participating members. However, COVID-19 has kept the framework from becoming operational as planned on July 1, 2020.

The efficacy of the CFTA in large part depends on African countries' ability to participate in global value chains, and hence, should the geoeconomic war between the United States and China persist and intensify, that compact will be seriously compromised. The current era of deglobalization that followed the crisis in the rapid expansion of global capitalism has provoked a problematic turn to geoeconomic contestation between the United States and China. The reason can be found in profound shifts in US foreign policy toward China, from cooperation and competition during the Obama years to strategic rivalry and outright hostility under the Trump administration. As confidence in the United States as the sole superpower has waned, "the United States and its allies are less powerful than they were when they built the postwar order" (Ikenberry 2018, 17). Quite crucially, the United States can no longer be depended on as the bulwark of an open global economy, and China has become a much more assertive global power as its economic and political-military influence has risen. This is what Allison referred to as the "Thucydides's trap"—a rising China clashing with an "immovable America" (Allison 2017).

The Geoeconomics of the Changing Global Order

While the apolitical universalism of the multilateral trading system is under threat, the BRICS axis (Brazil, Russia, India, China, and South

Africa) and other emerging powers have sought greater integration into the global order while challenging its essential liberal shibboleths in subtle and compelling ways. China has been at the helm of an "anti-hegemonic" coalition of emerging powers (represented by the BRICS countries), with the ambition not only to become a "peer competitor" of the United States but also a "responsible great power." Questions will be asked about China's normative credentials in the latter case but, together with several emerging economies, it has embarked on a process of establishing alternatives to the Bretton Woods system.

China and others are engaged in a conscious search to cooperate within an alternate "eco-system" following a long period of western dominance in global financial institutions. In 2014, for example, China launched the Asian Infrastructure Investment Bank (AIIB) and, with the BRICS, the New Development Bank (NDB). The driving force of alternate international regimes with a strong Global South orientation is as much geopolitical as it is geoeconomic. It is intended to build greater resilience against Western-initiated global risks and challenges that arise in the Euro-Atlantic world (Miller 2017).

The CFTA and Its Implications for the Global South

It is becoming increasingly evident that there are strong complementarities among developing countries that make up the Global South. There are now South-based supply chains linked to regional production hubs in manufactured products and processed commodities that could serve as export platforms to both developed and developing countries. The CFTA could become an important platform and catalyst for consolidating and expanding the geographic and substantive scope of South-South trade, investment, industrialization, and production (Qobo and le Pere 2018).

In 2016, South-South trade amounted to US$5.5 trillion, which was 25 percent of global goods trade. In addition, services trade has grown from 16.5 percent in 2000 to 40 percent in 2016. This performance owes much to East Asian economies: In 2017, more than 75 percent of Global South merchandise trade originated in the East Asia region, with China providing much of the gravitational pull by accounting for 25 percent of exports and 30 percent of imports in South-South trade. The flows of foreign direct investment have also been impressive, reaching a high of US$680 billion in 2015; this constituted 55 percent of global flows compared to 20 percent in 2000 (UNCTAD 2018).

The surge in South-South trade and related investment is a consequence of the fragmentation of production in the context of global value chains measured by trade in value-added or intermediate goods (UNCTAD 2015). In 1995, about 40 percent of Global South country exports were linked to global value chains; by 2017, this had risen to 60 percent, with trade in intermediate goods worth about US$8 trillion, representing 45 percent of goods traded (UNCTAD 2018). In manufacturing the largest sectors in South-South trade are communications equipment, chemicals, electronics, machinery, and clothing and textiles, while in commodities they are basic metals, oil, gas, coal, and petroleum products.

Successful integration into the global economy thus depends on sustained productivity growth. Building viable industrial, services, and manufacturing bases are critical components of a successful Global South trade strategy: these represent the currents of cumulative causation and an inclusive model of economic globalization and integration (Nayyar 2013). This trend stands in stark contrast to the current neomercantilist impulses of the Trump administration.

While Africa could be a pivot in an enhanced Global South trade strategy, its main trading partners—the United States, China, and the European Union (EU)—still exercise inordinate influence over the pace of its growth and development through their institutionalized trade and cooperation frameworks. These, in many ways, are antithetical to the letter and spirit of the CFTA's underlying philosophy of self-determination, self-reliance, and Pan-Africanism. And at a time of declining EU and US trade and development cooperation with Africa, China has gained significant trade and investment traction across the continent, albeit in ways and means that are unbalanced and asymmetric: Africa remains a commoditized periphery (Elsenhans and Balbones 2017).

The Changing Dynamics of Trade Arrangements

Regional trade agreements (RTAs) challenge the prevailing logic of globalization that has underpinned transnational cooperation, exchange, and communication since the end of the Cold War. RTAs are essentially an expression of the geoeconomics of political power. They reduce trade barriers between members, but trade concessions are not extended to countries that are not members. By June 2017, according to the World Trade Organization (WTO), there were 279 RTAs in existence, covering 60 percent of global trade.

The liberal economic view is that RTAs help to deepen economic integration and attract higher levels of investment because of their harmonized and simplified rules (Hoekman and Kostecki, 1995). A contrary view is that they produce a spaghetti bowl effect of multiple tariff lines and trade preferences that promote protectionist and neomercantilist tendencies by serving a variety of particularistic political and economic objectives (Bhagwati 2004).

From a structuralist perspective—which views US-driven global capitalism, related free market modes of production, and its quest of hegemony to be the cause of conflict, inequality, and exclusion (Foster 2006)—what is concerning about those RTAs that involve the United States, the EU, and Japan is that they expressly exclude the most important emerging economies, especially the BRICS countries. The subtext of this exclusion suggests that developed countries wish to subvert WTO rules and standards of trade liberalization but hope that the main features of their RTAs will shape future WTO agreements. The WTO's Doha Development Round of negotiations are at an impasse and have stalled because of the obstructionism of western powers, mainly the United States, and their failure to embrace its widely shared purpose (Muzaka and Bishop 2015). This has created an opportunity for western powers to make RTAs the new coin of the global trading realm, in effect redefining the original multilateral *raison d'etre* of the WTO. The leitmotif of current geoeconomics is, therefore, the regionalization of trade (Ismail 2017).

Meanwhile, China has offered a far-reaching prospect in its Belt and Road Initiative (BRI). The BRI was unveiled in 2013 with the ambition of expanding land and sea linkages between Asia, Africa, Europe, and beyond. The initiative rests on massive and unprecedented loans in infrastructure, manufacturing, and services as the essential means of giving these links real substance and boosting trade among participating countries. Already, China has committed US$150 billion annually to the 125 countries that participate in the BRI and which now account for almost 30 percent of China's total trade (Zhou and Estaban 2018).

Developing infrastructure is a major feature of China's external engagements. Between 2005 and 2017, China's global construction projects were valued at US$480 billion for BRI countries, with Africa receiving US$170 billion of this total. This takes on added significance as part of global patterns to shift low technology abroad. China is following a similar logic of moving its capacities in iron, steel, cement, clothing and textile, machinery and equipment, and automobile assembly to BRI developing countries. However, it must be borne in mind that these BRI investment projects must be debt funded across some very problematic business environments, and financial and debt obligations will be hard to avoid. Many African countries already labor under the burdens of Chinese debt-funded infrastructure: China recently completed the Ethiopia-Djibouti railway at a cost of US$475 million; while the longer Mombasa-Nairobi railway in Kenya came in at US$3 billion. These and similar projects have been concluded at a time when a growing number of African countries face extreme fiscal stress due to declining global commodity demand and resulting falling public revenues (Qobo and le Pere 2018).

The CFTA and Its Implications for Africa

The CFTA will unfold within the geoeconomic context evaluated and described above and the backdrop of Africa's difficult growth and development challenges. These challenges have multiplied and become more complex in terms of addressing the legacies of poverty, unemployment, and inequality, which are compounded by the collateral effects of political instability, environmental degradation, food insecurity, rising urbanization, and a demographic youth bulge (Moyo 2018).

The continent continues to be marginalized as far as its location in the global power hierarchy is concerned such that global governance, despite its emancipatory promise, has rather become a metaphor for fractured multilateralism and systemic exclusion. Moreover, the COVID-19 pandemic and its effects have highlighted how vulnerable Africa remains. Low growth figures for 2020 caused by the pandemic weaken the continent's prospects and undermine the extent to which the CFTA could serve as a catalyst of growth and development. From a sub-Saharan average of 2.4 percent in 2019, growth is expected to decline to between -2.1 and -5.1 percent in 2020 (Zeng 2020). We also cannot discount the pandemic's impact on the continent's debt burden. Between 2008 and 2018, Sub-Saharan Africa's total external debt has risen 150 percent from US$236 billion to US$583 billion (of which US$140 billion or 24 percent is owed to China) (Adegoke 2020).

Equally concerning are the content and structure of such debt. Countries have increasingly been leaning toward nonconcessional and domestic debt with onerous interest rates, leading to the current and excessive debt accumulation. To help make the point, in 2012, the ratio of general government gross debt to GDP stood at an average of 37 percent. By 2019, this had increased to 55 percent in the case of twenty-four countries and 60 percent in the case of nineteen others. Rising indebtedness is indicative of the deterioration of fiscal balances and the extent to which the pandemic will further add to economic distress (OECD 2020).

Africa's integration dynamics and challenges must also be situated in the role and shifting interests of external trade and development partners. They should be considered in realizing the goals and objectives of the CFTA, particularly the historically-defined engagements with the United States, which have only reinforced and underscored Africa's marginality and dependence as forms of "collective clientelism" (Ravenhill 1985). The US African Growth and Opportunity Act (AGOA) is based on market access conditionalities and a general preference regime that can be revoked based on (real or perceived) poor political and economic performance by African countries.

While AGOA was extended to 2025 by President Obama, for President Trump its nonreciprocal nature is seen as a "give-away" program that is detrimental to American manufacturers. Except for security concerns related to terrorism, Trump has been indifferent toward the continent and developments such as the CFTA. In addition, unlike sustained previous support by the United States in dealing with Africa's disease burden, including HIV/Aids and the Ebola virus, its disengagement and lack of concern in assisting African countries to manage the mounting raft of health-care challenges caused by the COVID-19 pandemic is alarming and a sad portent of the deterioration in US-Africa relations.

China overtook the United States as Africa's largest trading partner in 2009 but the continent is caught in a structural trap of dependence. Africa's business cycle has in the past twenty years been too tightly aligned with that of China. This has been a major impediment to African countries' industrial development because commodities and raw materials accentuated their static comparative advantage (Vickers 2013).

All told, there is a shift in the African Union's discourse about Africa's development in terms of its fifty-year vision, Agenda 2063. Emphasis is now directed at the need for its countries to undertake measures in policy and practice that would yield structural transformation in the letter and spirit of the CFTA (African Union Commission 2013). However, under current geoeconomic circumstances, compounded by a depressed and recessionary global economy, but crucially without the cooperative engagement of the United States and China, the imperative for the structural transformation of Africa under the auspices of the CFTA must *a fortiori* be found in a Global South strategy.

In letter and spirit, the CFTA is both a supraregional and supranational trading configuration that covers the entire continent, with the legitimate social purpose of promoting deep integration that will benefit and improve the welfare of the population of Africa's more than 1.2 billion people. It will be a difficult and complex task since much will depend on how the process is managed, bearing in mind the geoeconomic constraints I have identified.

Conclusion

It is incontrovertible that China is not only a rising power but is increasingly challenging America's global prominence. However, the contours of its normative and ideational appeal in world affairs are not yet definitive, making it very unlikely that China can offer a new paradigm of world order. I agree with Ikenberry's assertion that "there is simply no grand ideological alternative to a liberal international order. China does not have a model that the rest of the world finds appealing" (Ikenberry 2018, 23). Nevertheless, there are signs of China's intent: It has created innovative alternate platforms such as the AIIB, the NDB, and the BRI that project its power and influence, along with its rising prosperity and confidence.

The adversarial and confrontational standoff between China and the United States has serious implications for the stability of the global system and, indeed, for the future of African countries as they will undoubtedly struggle to find their feet in a post-COVID world. A growing cold war between China and the United States is now being waged on the canvas of geoeconomics, with trade, technology, and intellectual property being the major battle fronts. It is to be hoped, therefore, that a change in the US administration in November 2020 will herald a fundamental shift in US foreign policy toward China. Rather than the attempt to neuter China's global leadership role, a prudent reorientation must find a right strategic balance based on the political accommodation of each other's interests.

The United States and China have a long history of engagement in Africa, albeit with different interests. The CFTA presents an opportunity for both to find strategic synergies in cooperation and mutual benefit. A return to enhanced forms of engagement that typified the Obama years could open a dialogue with China about their interface with the CFTA. This could inaugurate an important change from doing things *for* Africa to doing things *with* Africa, and thereby galvanize African agency.

Notes

Garth L. le Pere is Visiting Professor at the University of Pretoria, South Africa. His areas of interest, teaching, and publications record includes international political economy, multilateral trade and emerging markets, South African foreign policy, and the politics of Africa and the Middle East. Over the last few years, his research and writing have focused on China's increasing role in Africa. He has written a chapter "The Political Economy of South Africa-China Trade and Economic Relations" forthcoming in Chris Alden (ed.), *The Evolution of South Africa-China Relations* (Palgrave Macmillan). He can be reached at garthlp@gmail.com.

References

Adegoke, Yinka. 2020. "Africa's Rising 'Unsustainable' Debt Is Driving a Wedge between the World Bank and Other Lenders." Quartz Weekly Africa Brief, February 16. https://qz.com/africa/1803280/world-bank-imf-worry-on-africa-rising-debt-to-china-afdb/.

African Union Commission (AUC). 2013. *Agenda 2063: The Africa We Want.* Addis Ababa: AUC.

Allison, Graham. 2017. *Destined for War: Can America and China Escape Thucydides's Trap.* Boston and New York: Houghton Mifflin Harcourt.

Bhagwati, Jagdish. 2004. *In Defence of Globalization.* Oxford: Oxford University Press.

Elsenhans, Hartmut, and Salvatore Babones. 2017. *BRICS or Bust? Escaping the Middle-Income Trap.* Stanford, CA: Stanford University Press.

Foster, John Bellamy. 2006. *Naked Imperialism: The US Pursuit of Global Dominance.* New York: Monthly Review Press.

Frankopan, Peter. 2018. *The New Silk Roads: The Present and Future of the World.* London: Bloomsbury Publishing.

Hoekman, Bernard, and Michael Kostecki. 1995. *The Political Economy of the World Trade System: From GATT to WTO.* Oxford: Oxford University Press.

Ikenberry, G. John. 2018. "The End of Liberal International Order?" *International Affairs,* vol. 94, no. 1, pp. 7–23.

Ismail, Faizel. 2017. "The Changing Global Trade Architecture: Implications for Africa's Regional Integration and Development." *Journal of World Trade,* vol. 51, no. 1, pp. 1–22.

Miller, Tom. 2017. *China's Asian Dream: Empire Building along the New Silk Road.* London: Zed Books.

Moyo, Dambisa. 2018. *Edge of Chaos: Why Democracy Is Failing to Deliver Economic Growth—and How to Fix It.* London: Little, Brown Books.

Muzaka, Valbona, and Matthew Bishop. 2015. "Doha Stalemate: The End of Multilateralism?" *Review of International Studies,* vol. 41, no. 2, pp. 383–406.

Nayyar, Deepak. 2013. *Catch-Up: Developing Countries in the World Economy.* Oxford: Oxford University Press.

OECD (Organization for Economic Cooperation and Development). 2020. *COVID-19 in Africa: Regional Socio-economic Implications and Policy Priorities.* Paris: OECD, May 7.

Qobo, Mzukisi, and Garth le Pere. 2018. "The Role of China in Africa's Industrialisation: The Challenge of Building Global Value Chains." *Journal of Contemporary China,* vol. 27, no. 110 (March), pp. 208–223.

Ravenhill, John. 1985. *Collective Clientelism: The Lomé Conventions and North-South Relations.* New York: Columbia University Press.

UNCTAD (United Nations Conference on Trade and Development). 2015. "The Continental Free Trade Area: Making It Work for Africa." New York and Geneva: UNCTAD Policy Brief 44.

———. 2018. "Key Statistics and Trends in International Trade: 2016/2017." New York and Geneva: UNCTAD.

Vickers, Brendan. 2013. "Africa and the Rising Powers: Bargaining for the 'Marginalized Many'." *International Affairs,* vol. 89, no. 3, pp. 673–693.

Wong, Edward, and Steven Lee Myers. 2020. "Officials Push US-China Relations Toward Point of No Return." *New York Times,* July 25.

Zeng, Douglas Zhihua. 2020. "How Will COVID-19 Impact Africa's Trade and Market Opportunities." World Bank Blogs (Washington, DC), June 2. https://blogs.worldbank.org/africacan/how-will-covid-19-impact-africas-trade-and-market-opportunities.

Zhou, Weifeng, and Mario Estaban. 2018. "Beyond Balancing: China's Approach towards the Belt and Road Initiative." *Journal of Contemporary China,* vol. 27, no. 112 (July), pp. 487–501.