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Can the African Continental Free Trade Area promote the implementation of SDG 8? Decent work and economic growth

by Jamie MacLeod*

Summary

- The African Continental Free Trade Area (AfCFTA) can be a valuable tool for achieving Sustainable Development Goal (SDG) 8 (“Decent work and economic growth”) in Africa by driving economic growth and industrialization.
- The creation of a mandate for a Protocol on Women and Youth in Trade demonstrates that the importance of gender equality and youth opportunities is recognized by African trade policymakers. This can now be translated into tangible results through an ambitious approach to the Protocol and accompanying measures.
- Labour issues could be strengthened in the AfCFTA and its accompanying projects, programmes and activities. This could be addressed by adding a “trade and sustainable development” protocol, revising the AfCFTA Agreement through the inbuilt five-year review mechanism, and implementing accompanying measures alongside the AfCFTA.

Background and introduction

The AfCFTA integrates 54 African countries into a combined market of 1.3 billion people. Trading under this regime officially commenced in January 2021, though some technical parts of the legal framework, including a second phase of protocols, are still being negotiated. It is a central economic plank of the African Union’s agenda for the future of the continent: “an instrument for Africa’s development”, in the words of AfCFTA Secretary-General Wamkele Mene.

The existing research on trade initiatives like the AfCFTA tends to conclude that outcomes on labour markets depend on the shape, intensity and pace of trade liberalization, the institutions that were already in place before liberalization, the complementary measures implemented alongside liberalization, the structure of the economy undergoing trade opening, and the type of trade being liberalized. Fortunately, policymakers can influence many of these factors.

The AfCFTA can be an important vehicle contributing to achieving many aspects of SDG 8, which focuses on “decent work and economic growth”. The legal and institutional content of the AfCFTA, along with many of its accompanying measures, ties in with and addresses, directly or indirectly, most of the targets under SDG 8. Nevertheless, the Agreement could be improved with respect to certain aspects of SDG 8, including several areas specifically related to labour rights.

Research questions and methodology

The research questions are:

- Can the AfCFTA serve as a powerful tool for achieving SDG 8, and what are the implications for women and young people?
- What can policymakers do to better harness the AfCFTA as a vehicle contributing to the realization of SDG 8?

These questions are answered through a mixed-methods approach involving a synthesis analysis of the literature on modelling the economic impact of the AfCFTA and a legal and institutional analysis of the Agreement and its accompanying ecosystem of projects, programmes and activities.

Findings and policy considerations

Impact on labour markets and economic growth

The type of trade liberalized under the AfCFTA differs from Africa’s trade with the rest of the world. It is much more concentrated in manufactures and foodstuffs, rather than the fuels, ores and metals that are mostly exported outside the continent. These characteristics lead most economic assessments of the AfCFTA to predict that it will boost Africa’s manufacturing sector most, helping to drive economic growth and contributing to Africa’s long-overdue industrialization.

The few studies that assess the disaggregated impact of the AfCFTA on different parts of labour markets find that it would improve wages for most workers, though to varying degrees in different countries. Some of these models may prove overly optimistic, however, relying on favourable assumptions about the extent to which the AfCFTA may eliminate some non-tariff barriers or dramatically boost investments. Other studies, using a human rights lens, flag the risks that the AfCFTA could pose for vulnerable groups, including women and young people, who may have fewer resources to address or take advantage of changing trade dynamics.

Impact on workers and labour issues

Labour concerns, such as ending modern slavery, human trafficking and child labour, and protecting labour rights and promoting safe and secure working environments, are absent from the objectives and scope of the AfCFTA Agreement. The current version of the Protocol on Investment to the AfCFTA of January 2023 does, however, include State commitments relating to labour standards and a prohibition to weaken such standards to attract investment. It also requires investors to comply with certain labour standards through a chapter on “investor obligations” and exempts regulatory action to protect labour rights from the scope of the provisions regarding indirect expropriation. There is, nevertheless, a persisting dearth of accompanying projects, programmes or activities on labour issues outside the Agreement.

Impact on women and young people

The AfCFTA explicitly promotes “gender equality” in its general objectives and follows this up with a Protocol on Women and Youth in Trade, which was added to the Agreement through a mandate by the African Union Heads of State and was under negotiation as of

June 2023. Policymakers and their partners could now translate these admirable aspirations into impactful outcomes. This could be done both by negotiating an ambitious Protocol on Women and Youth in Trade and by buttressing that with effective implementation and accompanying measures, in particular through national AfCFTA strategies. Building on recent norm-setting in this field, the options for the Protocol on Women and Youth in Trade include commitments to domestic policies and programmes on gender and youth issues, establishing mechanisms for cooperation and dialogue, launching collective work programmes, and carving out a “right to regulate” in favour of gender or youth equality.

Optimizing the AfCFTA for SDG 8

While the AfCFTA can be a powerful tool for achieving SDG 8 in Africa, there are areas where it could do better, including on labour and environmental issues. To address these aspects, negotiators have several options. One would be to add a dedicated protocol on trade and sustainable development or, alternatively, to expand the Protocol on Women and Youth to cover such issues. Negotiators could also seek to make revisions to the existing text of the AfCFTA Agreement. The inbuilt five-year review mechanism (Article 28), which should be triggered on 30 May 2024, could be used to address omissions and gaps in the Agreement. Finally, policymakers could seek to better support efforts on labour and other sustainable development issues through targeted accompanying measures implemented alongside the AfCFTA.

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