

# **Trade union position paper on the AfCFTA and workers' interests within the Economic Commission for Central African States (ECCAS) and the Central African Economic and Monetary Community (CEMAC)**

To strengthen the capacity of trade unions in the Central African sub-region to effectively engage with and influence the implementation of the AfCFTA for the benefit of workers.

By Central African Trade Union Organisation (OSTAC)

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## 1. Background and justification

The debate on the effects of free trade on economic and social performance continues to generate controversy among policy-makers, researchers, development practitioners and trade unions alike. Historically, developing countries have experimented with two approaches to free trade: import substitution policies and open and export promotion policies. Import-substitution policies, which were implemented at the beginning of African independence in order to protect the nascent industrial fabric, failed mainly because of governance problems, negative effects on the balance of payments and the sustainability of sovereign debt. Faced with the failure of the first generation of trade policies, developing countries changed their paradigm by implementing policies geared towards opening up their economies, where exports of labour-intensive products are seen as a source of poverty reduction. This liberalisation has contributed to the creation of "sweatshops" and led to a "race to the bottom" in terms of wages, labour standards and harmful effects on the environment. The protests led by anti-globalisation movements at World Trade Organisation (WTO) meetings in the early 2000s are based on the idea that free trade is harmful to workers in both developing and industrialised nations.

In the wake of the policies of openness and export promotion and in the spirit of the 1991 Abuja Treaty, Regional Economic Communities (RECs) have been created or the old ones revitalised. This dynamic has been motivated by three main arguments: (i) the gradual extension of free trade; (ii) increasing regional capacity for multilateral negotiations to promote free trade; and (iii) preparing for the creation of a continental free trade area. In addition, these RECs are seen as an instrument for harmonising the economic, fiscal and industrial policies of member countries. The creation of the African Continental Free Trade Area (AfCFTA) is therefore the culmination of the process of integrating African economies, based on the 8 RECs.<sup>1</sup>

### 1.1. African Continental Free Trade Area (AfCFTA)

The AfCFTA came into force in January 2021, bringing to fruition a joint project led by the African Union dating back to 2012. The main objective of the AfCFTA is to create a single market for goods and services to facilitate the free movement of people and investment, and to lay the foundations for a continental customs union. It should be noted that the success of the AfCFTA is essential to the achievement of the African Union's Agenda 2063. Indeed, the speed with which the AfCFTA has been adopted suggests, on the one hand, that countries have shown great political support for the project and, on the other, that lowering barriers to intra-African trade could help to improve the continent's economic and social

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<sup>1</sup> These eight (08) RECs are Intergovernmental Authority on Development (IGAD); Southern African Development Community (SADC); Community of Sahel-Saharan States (CEN-SAD); Economic Community of West African States (ECOWAS); Economic Community of Central African States (ECCAS); Common Market for Eastern and Southern Africa (COMESA); Arab Maghreb Union (AMU); East African Community (EAC).

performance. The idea is that removing barriers to intra-African trade could boost the very low level of trade between African countries<sup>2</sup>.

In operational terms, the implementation of the AfCFTA should result in the adoption of six (06) protocols, namely: (i) the protocol on trade in goods; (ii) the protocol on trade in services; (iii) the protocol on competition; (iv) the protocol on investment; (v) the protocol on intellectual property; and (vi) the protocol on electronic commerce. For the time being, only the first 2 protocols are available, the last 3 being still under negotiation.

However, analysis of the AfCFTA adoption process and the lessons learned from existing RECs have cast doubt on the AfCFTA's role in the integration and transformation of African economies. As far as the process is concerned, it should be pointed out that only states are involved in the AfCFTA negotiation process, excluding a large number of stakeholders (private sector, researchers and civil society) who could jeopardise the AfCFTA's success. Indeed, like any reform, the implementation of the AfCFTA creates winners and losers in all countries and all sectors. Consequently, one condition for success will be to mitigate the losses suffered by the losing countries and sectors in order to ensure the continued implementation of the agreement. On the substance, the AfCFTA promotes azimuth liberalisation without drawing lessons from past disappointing experiences. In particular, the episodes of total liberalisation associated with the Washington consensus have produced disastrous social effects, notably the destruction of jobs and poverty among workers. Moreover, in analysing the conditions for success in implementing the AfCFTA, researchers at the African Union Development Agency have shown that "implementing *the AfCFTA is like pushing on an already open door*". Indeed, weak infrastructure development, the lack of productive complementarity between African economies, the high weight of non-tariff barriers, etc. could limit the impact of the AfCFTA on the volume of trade. Consequently, the virtuous dynamic expected from a transformation of the industrial fabric of the AfCFTA economies and an optimal allocation of resources is not very evident.

## **1.2. Objectives of the union position paper**

The aim of this trade union position paper is to strengthen the capacity of trade unions in the Central African sub-region to effectively engage with and influence the shape of the AfCFTA and its implementation in the interests of workers. In particular, it analyses the potential effects of the AfCFTA in ECCAS/CEMAC. The analysis is based on 3 outcome variables: (i) economic activities; (ii) regional economic and social policies; and (iii) the labour market.

## **1.3. Economic Commission for Central African States (ECCAS)**

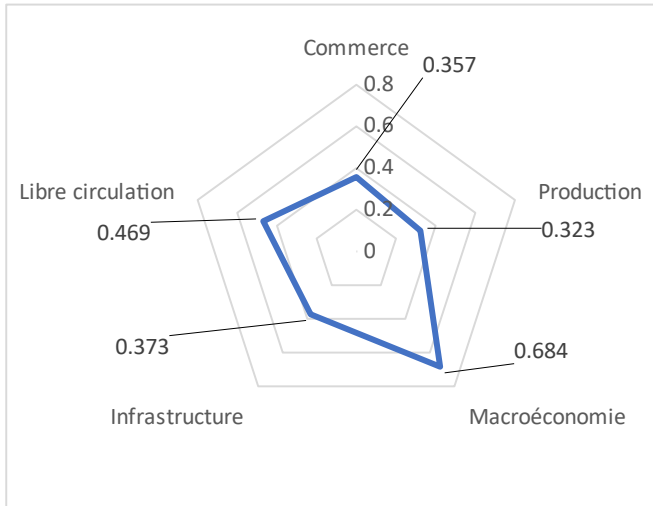
ECCAS was created in 1983 as a grouping of 11 countries with the aim of building an African common market. It went through a period of disarray between 1992 and 1997, characterised by armed conflicts involving seven (07) of its members. With the aim of revitalising this regional organisation, ECCAS acquired the status of Commission in December 2019 in order to implement its activities more effectively in the face of the region's challenges and thus respond to the hopes of a very young population that sees its future success in regional integration. Based on a contextual analysis of the

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<sup>2</sup> In 2017, **intra-African exports accounted for 16.6%** of total exports, compared with 68.1% for intra-European exports, 59.4% for intra-Asian exports and 55.0% for intra-American exports.

region, 5 strategic priorities have been identified: (i) peace and security; (ii) common market; (iii) environment and natural resources; (iv) spatial planning and infrastructure; and (v) gender and human development.

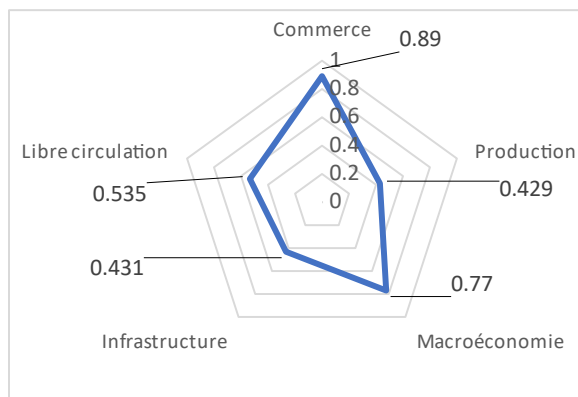
Analysis of the Index of Regional Integration in Africa (IIRA) within ECCAS highlights weak integration.



Overall, on the 5 dimensions of the IIRA, ECCAS shows 3 shortcomings, namely: (i) productive integration; (ii) trade integration; and (iii) infrastructural integration. On these 3 dimensions, ECCAS scores below the African average. It should be noted that these weaknesses can be explained by the low level of productive complementarity within ECCAS. In particular, analysis of the production structure of these countries shows a high dependence on raw materials. As a result, these countries export their products outside the region. On the other hand, ECCAS fares better on the macroeconomic dimension and the

dimension relating to the free movement of people. Macroeconomic integration is mainly due to the economic convergence brought about by the Central African Economic and Monetary Community (CEMAC), whose 06 member states are all part of ECCAS.

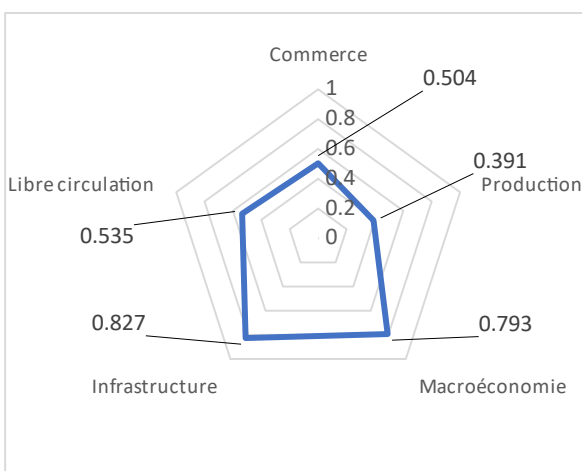
#### IIRA in the Republic of Congo



The Republic of Congo is the ECCAS country with the highest regional integration score (0.619). Disaggregating this index into its 5 dimensions highlights the country's performance in the field of trade and economic convergence. The existence of the Port of Pointe-Noire and the country's membership of the CEMAC explain this performance. However, the country has a low level of productive integration and infrastructure. The Congo's main challenges lie in building regional

infrastructure and creating a value chain in the production process.

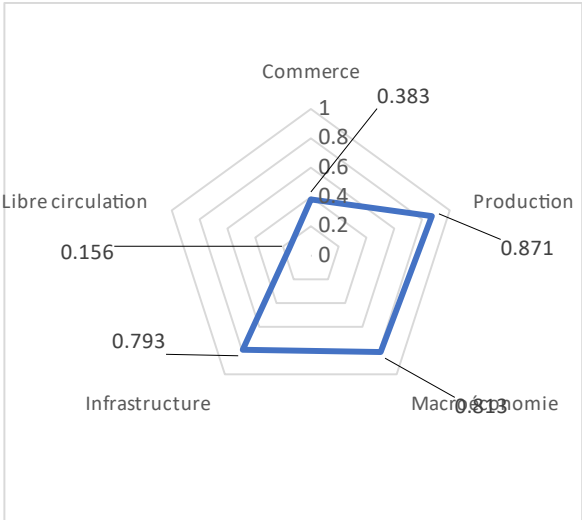
Gabon stands out in the region for its strong infrastructural integration. This infrastructural



integration is not matched by strong trade integration, mainly because of the Gabonese economy's dependence on oil resources. The low score in productive integration is the result of the low level of diversification of the Gabonese economy. The performance recorded in macroeconomic integration can be explained by the country's membership of the CEMAC. Finally, the measures taken in recent years to give effect

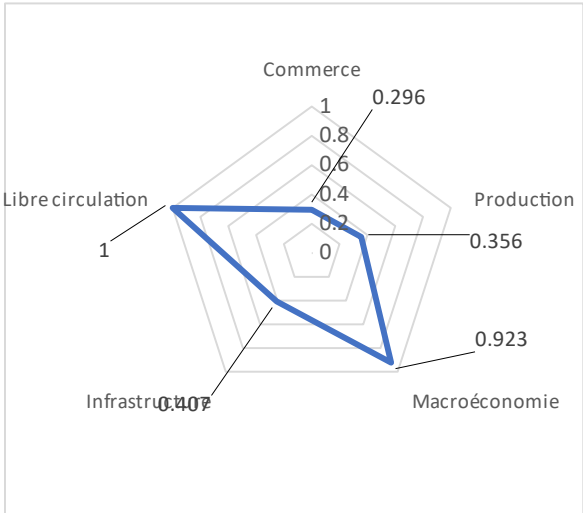
to the free movement of people within CEMAC have helped to improve the country's score on this dimension.

**IIRA in Cameroon**



Considered one of the leading countries in the ECCAS, Cameroon has performed well in the areas of production, macroeconomics and infrastructure. The score for productive integration corroborates the fact that Cameroon has the most diversified economy in the region. On the other hand, the high level of tariffs would explain the low score recorded in the trade dimension of the IIRA. Furthermore, Cameroon is the country in the region that weakens the free movement of people. This result contrasts with the free movement of persons agreement signed by CEMAC.

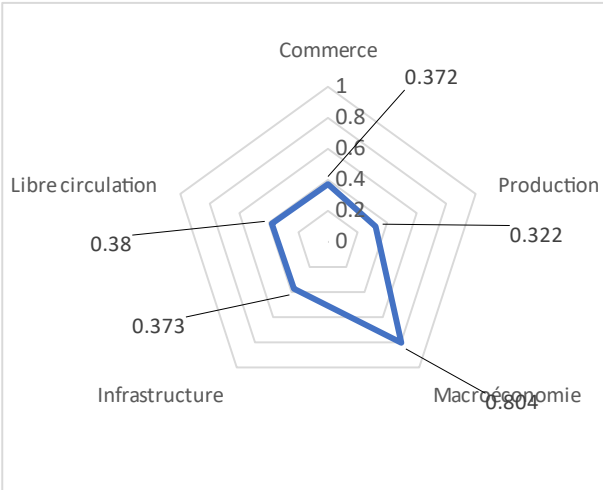
**IIRA in Rwanda**



Rwanda is the only country in the region where the Protocol on the Free Movement of Persons (Kigali) is effectively implemented, with a score of 1 out of 1 in this dimension. The country also stands out for its macroeconomic integration, with a score close to 1, reflecting the full convertibility of its currency (Rwandan Franc), the high number of bilateral agreements and the control of inflation. However, the country's low level of trade integration is explained by its membership of COMESA, where Rwanda does most of its trade (score of 0.631).

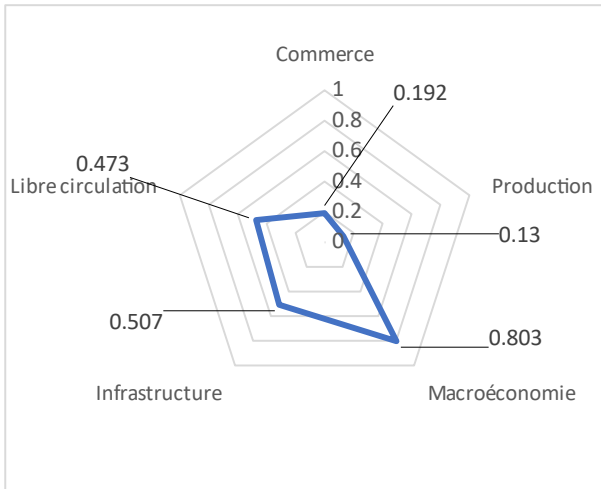
Equatorial Guinea is performing poorly in all areas of economic integration within ECCAS, with the

**IIRA in Equatorial Guinea**



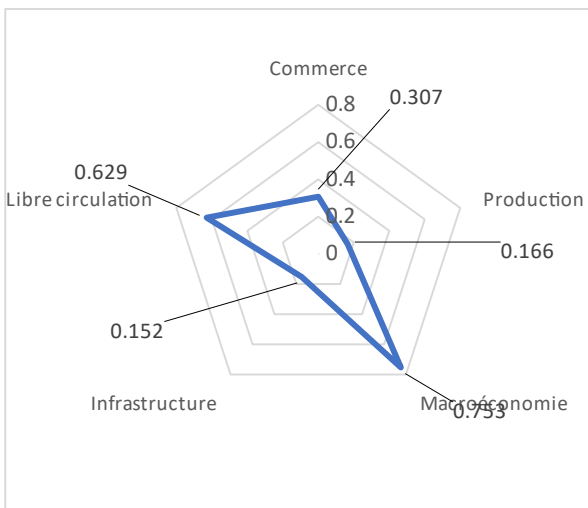
exception of macroeconomic integration. The country must rise to the challenge of economic integration by diversifying its economy and encouraging investment in physical infrastructure. Weak economic diversification is also a symptom of weak human capital, hence the need to invest in this area too.

### IIRA in Sao Tome & Principe



Sao Tome & Principe performs poorly in the commercial and productive dimensions of integration. This is indicative of a less diversified economy. These results can be explained by the country's membership of two RECs (ECCAS and CEN-SAD), its geographical location (island) and its small size. On the other hand, its geographical location explains the country's higher score on the IIRA's infrastructure dimension. Finally, Sao Tome and Principe scores highly in the macroeconomic dimension of the index.

### IIRA in the Central African Republic

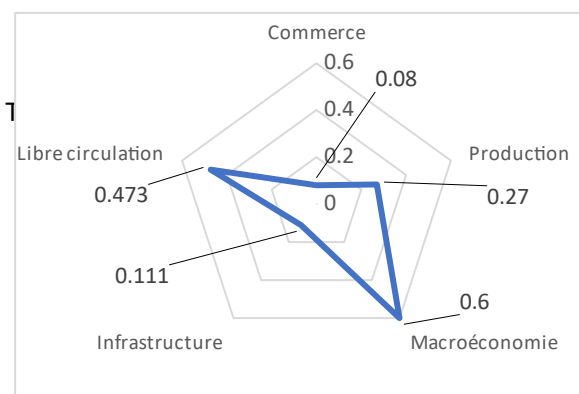
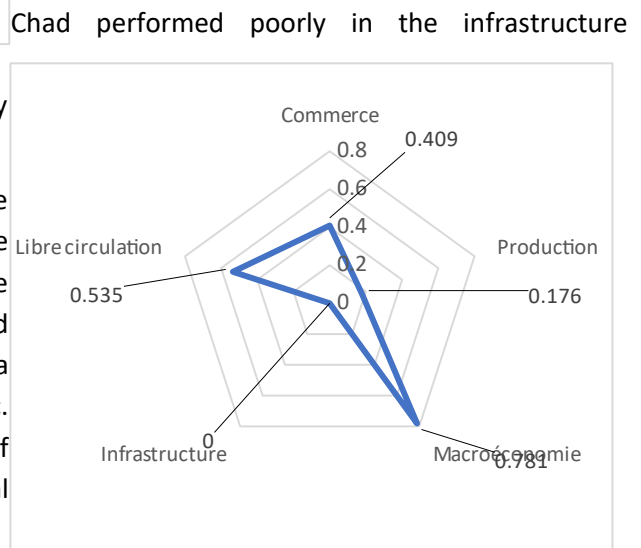


The Central African Republic is second only to Rwanda in terms of the free movement of people. The country also does well on the macroeconomic dimension of the IIRA. However, the Central African economy is not very diversified, given the scores recorded in the production and trade dimensions. The lack of infrastructure integration is a handicap if the country is to benefit from the implementation of the AfCFTA. The CAR could also improve its human capital to diversify its economy and benefit from the implementation of the AfCFTA.

Chad performed poorly in the infrastructure

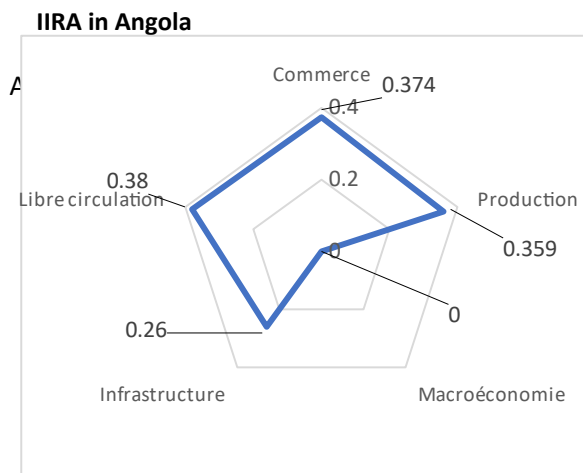
### IIRA in Chad

Chad has such a score on this dimension. The main challenge for the country in reaping the benefits of the AfCFTA is to build inclusive regional infrastructure. The country also scored low on the production dimension, suggesting a lack of diversification in its economic fabric. Chad's challenges are expressed in terms of human capital accumulation and regional infrastructure development.

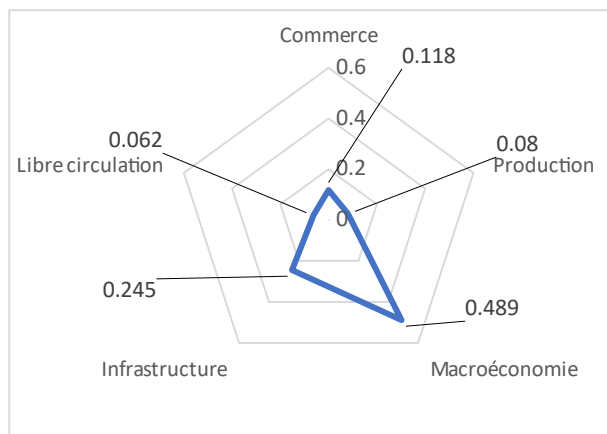


Infrastructure dimensions of the IIRA. DRC's lacklustre performance in the trade dimension is explained by the country's membership of 03 RECs, suggesting a

diversion of trade. The country's size partly explains its low level of infrastructural integration. The country's score on the productive dimension highlights the low level of diversification of the economic fabric.



re of 0 in the macroeconomic dimension of the IIRA, suggesting low convertibility of the Kwanza, poor control of inflation and a limited number of bilateral agreements. The Angolan economy is not very diversified, given the scores recorded in the trade and production dimensions. The country also performs less well in the infrastructure dimension of the IIRA. Finally, the free movement of people is relatively weak in Angola.



With the exception of the macroeconomic dimension, Burundi does not fare well in all aspects of economic integration. Burundi's low level of productive integration is symptomatic of a less diversified economy. Burundi's membership of 03 RECs explains its low score on the trade dimension of the index. It should also be noted that the country has the lowest score for the free

movement of people.

## 2. Analysis of the potential effects of the AfCFTA

The IIRA made it possible to identify the degree of economic integration in each ECCAS country, and the challenges and opportunities specific to those countries that are likely to have an impact on the implementation of the AfCFTA.

### 2.1. Economic activities

The implementation of the AfCFTA is likely to generate two opposing effects: a trade creation effect (positive) and a trade diversion effect (negative). Analysis based on the IIRA shows that the ECCAS economies suffer from their similarity and the low complementarity between them, given the low score recorded in the productive dimension of the index. The data also highlights serious infrastructure deficits in ECCAS. In its current state, the implementation of the AfCFTA could lead to a diversion of trade and therefore little wealth creation. This thesis is also supported by researchers at the African Union Development

Agency, who believe that "implementing *the AfCFTA is like pushing on an already open door*".

In order to make the AfCFTA an instrument for promoting development, accelerating growth and combating poverty, ECCAS must endeavour to make good the shortcomings highlighted by the IIRA. In particular, infrastructure and production integration must be ECCAS's priorities. In terms of production, ECCAS could focus on exporting labour-intensive products, such as agricultural products and basic manufactured goods, and creating a regional value chain. Mauritius could serve as a case study<sup>3</sup>.

## 2.2. Economic development policies

In order to benefit from the implementation of the AfCFTA, it is in the interest of ECCAS countries to have a common economic policy. While such a medium-term strategic plan exists for CEMAC (Regional Economic Programme), this is not the case for ECCAS. The coordination of economic policy will make it possible to identify sectors whose development could create a regional value chain, thereby improving productive integration in the region. This strategic planning must not lose sight of the region's infrastructure deficit.

## 2.3. The job market

It is recognised that trade liberalisation is likely to create "sweatshops" and lead to a "race to the bottom" in terms of wages, labour standards and environmental impacts. The existing empirical literature tends to point to such a result. Unfortunately, not only did the AfCFTA negotiation process exclude trade unions, but the AfCFTA does not include any social clauses. It should be pointed out that social standards are not an obstacle to free trade; on the contrary, they are a source of greater labour productivity.

To this end, it would be useful for the implementation of the AfCFTA to be accompanied by a Protocol on social clauses in which regional trade union organisations would be involved in both the drafting and implementation processes.

From this analysis of the challenges associated with the implementation of the AfCFTA and the structural situation of the ECCAS and CEMAC countries as highlighted by the Index of Regional Integration in Africa,

**We, the Central African Trade Union Organisation (OSTAC) express our wishes expressed in seven (07) recommendations below formulated to enable our sub-region to take full advantage of the AfCFTA while protecting the interests of workers.**

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<sup>3</sup> In 1970, Mauritius exported mainly sugar cane, with manufactured goods accounting for just 2% of exported goods. By 2003, however, the country was deriving 3/4 of the value of all its exports from manufactured goods, the island having become a major producer of textiles and clothing.



### 3. Recommendations to ECCAS / CEMAC

- 1- *Involve OSTAC in the **AfCFTA implementation** bodies and structures at all levels of ECCAS and CEMAC: trade unions must build the capacity of their members and the players involved in the **AfCFTA**, and conduct awareness campaigns to promote greater support for and acceptance of the **AfCFTA**;*
- 2- *Strengthen the mechanisms for collecting taxes from multinationals and companies in ECCAS and CEMAC countries to better mobilise financial resources to finance development in the sub-region;*
- 3- *Ensure the effective monitoring and regulation of mining operations in ECCAS and CEMAC countries to promote good economic governance and decent jobs;*
- 4- *Encourage the countries of ECCAS and CEMAC to ratify and apply, among other things, the protocol on the free movement of goods and persons for the purposes of the **AfCFTA**;*
- 5- *Promote productive integration within ECCAS to diversify the economy, coordinate data on the development of value chains in order to support the effective achievement of MDG 8 on decent work and full and productive employment.*
- 6- *Encouraging retraining and sectoral adaptation of the workforce ;*
- 7- *Lobby for the adoption of a protocol on International Labour Standards (ILS) to ensure that social protection and security, pay, freedom of association and collective bargaining are taken into account in the strategic axes of the **AfCFTA** process in the countries of the sub-region.*

#### **TO OSTAC MEMBER UNIONS**

- 1- Identify **AfCFTA** trade union focal points to better federate the unity of actions in favour of the **AfCFTA** within OSTAC;
- 2- Transmit letters and position papers from trade union organisations to **ECCAS** and **CEMAC** representatives and bodies so that trade union demands can be taken into account.
- 3- Identify partners at national, sub-regional and international level to provide multi-faceted support to trade union organisations to strengthen their capacities (research, campaigning, communication, training, etc.).

**The Secretary General of OSTAC**

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**Sabin KPOKOLO**