

## African Continent Free Trade Area Development Strategy Analysis

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### ABSTRACT

The establishment of the African Continental Free Trade Area (AfCFTA) will promote the agglomeration of industries in the African region, the extension of the industrial chain and the growing economies of scale, and promote the participation of African countries in the global supply chain. From the perspective of how Africa should deal with the difficulties in the development process of the free trade area, this paper discusses how the development strategy and strategy of the free trade area on the African continent can help its stable development from the aspects of the construction of the free trade area on the African continent should learn from China's experience, promote the development of African port economy, help the development of agriculture and industrialization in Africa, increase and improve the investment in infrastructure, and connect the development of urbanization in Africa.

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Free Trade Area is a country or region that has signed an agreement to liberalize each other's markets, reduce tariffs and other non-tariff restrictions, so as to promote the free flow of factors of production in member countries. The Free Trade Agreement on the African continent is currently under way. The agreement aims to promote tariff relief and trade facilitation within the African continent, so as to promote the development of intra-African trade. The establishment of the African Continental Free Trade Area (AfCFTA) will promote the agglomeration of industries, the extension of the industrial chain, and the growing economies of scale in the African region expand economic inclusiveness, curb bureaucratic style and simplify customs procedures, reduce non-tariff barriers, promote African countries to join the global supply chain, promote the process of urbanization and integration, and help boost the African economy [1].

Comprehensive trade begin in 2024, and 30 African countries begin to implement the African Free Trade Area Agreement. The agreement came into effect in 2019 [2]. The African Free Trade Area was announced to be established on July 7, 2019, which will become the free trade area with the largest number of member countries since the establishment of the World Trade Organization. 54 African countries signed the agreement, of which 30 countries signed the agreement on the free flow of goods, and 47 national parliaments have approved the agreement. At present, seven African countries (Ghana, Kenya, Tanzania, Egypt, Cameroon, Rwanda, and Mauritius) have carried out trade under the agreement, covering the trade of about 96 products, including ceramic tiles, tea, air conditioners, etc.

The total population of Africa does not exceed the total population of China, nor does it exceed that of India. However, because it is composed of 54 countries, there will be a contradiction that too much consideration will be given to local interests and the overall development of Africa will be ignored. The integrated development of Africa can reduce this defect, and the construction of free trade areas can promote integrated development. In addition, for global investors, the attraction of a single market with a population of 1.3 billion to all parties is undoubtedly huge. How African countries seize the opportunity deserves attention. Therefore, the analysis of the construction path of the free trade area in the African continent is of great significance [3,4].

This paper studies the development strategy of the free trade area in the African continent, analyzes how Africa can cope with the difficulties in the development process of the free trade area, and discusses how the development strategy and strategy formulation of the free trade area in the African continent can help its stable development. The research methods in this paper are documentary analysis, case study and comparative analysis

### China's Experience Should be Used for Reference in Building the African Continent's Free Trade Area Learn from the experience of the construction of China's pilot Free Trade Zone

Since the reform and opening up in 1978, China has explored the path of opening up by establishing special economic zones for regional pilot projects and has achieved several cities with leading economic aggregate and regional demonstration leading role, such as Shanghai and Shenzhen. Since the 21st century, China has been pursuing 'deeper reform and a higher level of opening up', inheriting and developing the concept of a 'Special Zone', and implementing the "pilot Free Trade Area" policy in

various cities. Since the establishment of the first pilot Free Trade Area in Shanghai in 2013, other coastal cities have followed suit. At present, China has set up 21 pilot Free Trade Areas and completed the '1+3+7+1+6+3' layout of the construction of the Free Trade Area. In the process of reform and opening up, coastal cities take advantage of geographical location to open the gate, use foreign capital and foreign advanced experience, improve the local economic level, drive the development of surrounding cities, and then realize the overall rise of the national economic level. Drawing on the experience of the "Special Zone", the pilot Free Trade Area has also developed from a 'Bonded Zone' to today's pilot Free Trade Area in the process of opening up in the new era. The pilot Free Trade Area also undertakes the important responsibility of promoting foreign trade and attracting foreign investment.

At present, the construction layout of China's pilot free trade zone has been gradually improved, forming a reform and opening-up innovation pattern covering the whole country from east to west, north to south, which has effectively helped China's foreign investment and trade liberalization and facilitation. The experience we can learn from is as follows:

• **The Scientific Nature of the Location Selection of the Pilot Free Trade Zone:** The pilot free trade zone is first selected from provinces and cities with rapid development, prosperous import and export trade, and convenient maritime transportation, followed by provinces with specific geographical advantages, mainly distributed in coastal cities in the southeast region. When building in the province, choose cities or regions close to the airport terminals and economically developed. Such as the first batch of the Shanghai pilot free trade zone was established; Guangzhou and Shenzhen were selected as the second batch of the Guangdong pilot free trade zone; Xiamen was selected by the Fujian pilot Free Trade Zone.

• **Pay Great Attention to Foreign Trade:** Since the reform and opening up, China has taken the initiative to join globalization, and China's economy largely depends on foreign trade. In the reform measures of China's pilot Free Trade Zone, a series of policies have been issued to attract foreign investment, including the elimination of certain tariff and non-tariff barriers, the simplification of investment procedures, and the reduction of time costs. For example, in the approval process of foreign investment, the reform of the commercial registration system has been carried out, and the trial filing system for investment projects has been implemented to simplify the process and shorten the time. The reform of the "negative list" system has achieved remarkable results.

• **Developed International logistics:** Many international logistics need to rely on the sea. With the rapid development of China's economy, China has entered the era of marine economy and has become one of the countries with the highest degree of dependence on the sea in the world. Many ports in China have also rapidly ranked among the world's largest ports. In addition to the impact of the epidemic, in recent years, Chinese ports have occupied six or seven seats in the world's top ten container ports, which fully shows that China has become one of the countries with the highest dependence on the sea in the world.

#### **Docking with China's overseas Parks in Africa**

An increasing number of Chinese industrial parks, processing-industry zones, agricultural parks, economic and trade cooperation zones, special economic zones, and free trade areas are scattered all over Africa. Learning from the successful experience of China's

development zones, these cooperation zones in Africa introduce Chinese enterprises to invest in clusters, form an industrial chain, drive the development of local employment, deep processing of regional resources and manufacturing, and also help improve the problems existing in China's import and export trade with these countries[5]. African countries should deepen the connection between the development of these cooperation zones and new cooperation zones and the free trade area of the African continent. The docking work between these zones of the African continent should be considered further.

#### **Learn the Operation Mode of E-commerce and Cross-border E-commerce in China**

E-commerce refers to the use of computer technology, network technology, and remote communication technology to realize the electrification, digitization, and networking of the whole business process, which has become a new business form of world economic development; As the first application of Internet technology and digital technology in the field of international trade, cross-border e-commerce can provide manufacturers, traders and consumers in different countries with a full range of interactive business services, and can integrate underdeveloped countries into the global trading system and global value chain. Both are advantageous industries in China. The government has increased investment in digital infrastructure, improved e-government services strengthened supervision, and gradually popularized e-payment, and the digital industry has flourished, enriching and improving trade channels and modes [6].

Under the influence of the rapid development of global information and communication technology, China's Internet applications, smart cities, digital economy, and other emerging fields are booming.

#### **Learn the Construction Experience of RCEP and Connect the Development of RCEP**

On November 15, 2020, the 10 ASEAN countries and Australia, China, Japan, South Korea, and New Zealand jointly signed the regional comprehensive economic partnership agreement (RCEP) and promoted the agreement to enter into force on January 1, 2022. On June 2, 2023, RCEP officially came into force for the Philippines, marking a new stage of full implementation of the free trade area with the largest population, the largest economic and trade scale, and the most development potential in the world.

RCEP has entered a new stage of full implementation, which is conducive to accelerating the integration of regional industrial chains and supply chains, reducing the risk and uncertainty of international trade, and providing strong momentum for regional economic development. In this process, China's inspection and testing institutions will get more opportunities to communicate with overseas countries, strengthen cooperation with relevant countries in the fields of scientific and technological innovation, quality standards, and mutual recognition of information, and further realize 'one test, one result, and regional access'. The construction of African continent free trade area should learn from the experience of RCEP and link up the development of RCEP [7].

#### **Promote the Economic Development of African Ports**

Mankind has already entered the era of the sea. The advantage of the sea is the cost advantage. Sea transportation is the lowest-cost large-scale transportation mode in human history. The Port is one of the important links of regional economic development, and a large number of import and export goods need to be imported and exported from the port. Most of the world's economic aggregate is

concentrated within 300 kilometers of the coastal zone, such as the developed economies like the United States, Japan, and Europe. Nowadays, the most dynamic cities are facing the sea, such as New York, Shanghai, Tokyo, Singapore, Hong Kong, San Francisco, Los Angeles, Seoul, Shenzhen, etc. In the past 500 years, on the stage of human modernization, there have been nine world powers, from the earliest Portugal to today's United States. They all attach importance to the sea, ports, shipping, and overseas trade.

### **Take Advantage of the Diversity of Open Ports**

There are many coastal countries on the African continent, 38 of 54 are coastal or island countries. The coastline of Africa is more than 47000 kilometers long, including the territorial sea and the continental shelf of about 6.5 million square kilometers, and there are many ports with superior natural conditions. It should pay full attention to the development of the port economy and make full use of the characteristics of its open economy. After a large number of logistics, information flow, capital flow, and technology flow are effectively, regularly, and orderly processed and traded in the port, various elements can effectively play their value. The development of the port economy can effectively improve the development process of the free trade area in the African continent.

An entry port may include one or more ports. It is the gateway of the region to the outside world and a platform for regional foreign cooperation and exchange. There are many forms of opening up, such as bonded areas, bonded ports, comprehensive bonded areas, bonded industrial parks, export processing zones, etc. Through the flow of personnel, capital, materials, and information at entry ports, all kinds of ports, stations, airports, and other ports are gateways for foreign exchanges. They play a pivotal role in realizing the docking of domestic and international markets, as well as the management of cross-border affairs by port cities.

### **Characteristics of Free Trade Port Management**

Africa should learn from the development experience of the world's advanced free trade ports, learn from the international advanced shipping services, developed shipping finance, innovative shipping information technology, and other soft power, and use artificial intelligence, cloud computing technology, and other innovative shipping information technology to discuss from the aspects of shipping infrastructure, shipping service functions, shipping industry agglomeration, shipping informatization and so on.

Free trade port refers to a port area located in the territory of a country or region and outside the Customs control gates, which allows the free entry and exit of foreign goods and funds. All or most of the goods entering and leaving the port are exempted from customs duties, and the free storage, exhibition, disassembly, modification, repacking, sorting, processing, and manufacturing of goods are allowed in the free port. The main features are: freedom of trade, management, capital in and out, and currency exchange. In addition to meeting the market conditions, hardware facilities, and other basic hardware [3], the free port mode needs the support of software. The implementation of the free port system is mainly due to the policy of active support and the good legal environment. Therefore, the development of a free trade port not only depends on the hardware facilities but also mainly depends on the formation of laws, policies, and other soft environments.

Hong Kong is the largest free trade port with the most functions in the world. In addition, Singapore, Dubai in the Middle East, Hamburg in Germany, Rotterdam in the Netherlands, etc. have developed free trade ports with local characteristics. We should summarize the successful experience and development

characteristics of these free trade ports.

Hong Kong's free trade port model is that generally imported or exported goods are not subject to any tariff, value-added tax, general service charge, and general goods are not subject to import quotas or other import license provisions. Singapore is the largest transit port in the world, and the free trade mode is that the customs clearance procedures and procedures are relatively simple and convenient. An efficient government management system and a perfect legal system have been established, and its customs control power has been minimized to promote import trade. Dubai's free trade port model is to implement free economic policies, without foreign exchange control and basically without taxes. In the port, customs, transportation, public security, etc. are under unified management and work in a unified manner, and parallel multi-head institutions are canceled. The import and export procedures and visas can be completed within 24 hours, and the investment approval procedures can be approved within 7 days.

### **Characteristics of Free Trade Port Management**

Advanced electronic digital quarantine supervision. The free port area widely adopts the "one-stop" management of online "single window" declaration, offline one-stop acceptance, and comprehensive approval to carry out the whole process of electronic digital registration and paperless management. Build a more complete information-based customs clearance system, realize the interconnection of big data, and realize the sharing and exchange of customs clearance information.

The operation supervision of ports has changed from pre-supervision to post-supervision. In the inspection and quarantine supervision of import and export goods, the duty of the internationally accepted rules is "inside and outside the customs", and the core is "convenience and freedom", which requires that the inspection and quarantine supervision mode should be changed from pre supervision to in-process and post supervision, and the supervision organization form should be adjusted according to the situation, breaking the existing status of separation of documents and inspection, batch inspection and inspection supervision, and forming an intensive release supervision and unified post supervision mode.

Quality and safety risk early warning and rapid response supervision of import and export commodities. Take risk management as the main line, build a risk information sharing and exchange mechanism, implement risk early warning classification, and quickly implement quality and safety risk disposal. Once a product is found to be defective, it can respond quickly, start the rapid early warning system, and take emergency control measures such as terminating or restricting the import, sale, and use of problematic products to ensure the quality and safety of imported and exported goods.

In terms of management systems, some middle and lower reaches port industries can be privatized and operated by private companies. In terms of cooperation between port areas, the Free Zone Authority provides one-stop services, with zero tariff for goods transit. The raw materials and equipment needed by the enterprise for production are imported duty-free, and the goods are re-exported with zero tariffs.

### **The Supporting Measures of Building African Continental Free Trade Area Free Trade Area Helps Africa's Agricultural Development**

Lagging agricultural development and food security are the



most intractable problems in Africa. Most African countries are agricultural countries. Generally, the structure of agricultural products is single and the industrial structure converges. The unit yield of agricultural products in Africa is less than 1/2 of the world average level. The development of infrastructure is lagging behind, especially the construction of irrigation and water conservancy facilities. The irrigation coverage is less than 5% of the cultivated land area. Africa accounted for 11 of the 19 countries identified by the World Food and Agriculture Organization as having serious food crises in 2019. While building the free trade area in the African continent, African countries should increase trade in agricultural products, improve agricultural mechanization, build agricultural industrial parks, promote agricultural technology, and cultivate agricultural technology talents to help agricultural development. At the same time, African countries should continue to deepen and expand the practice of taking the traditional advantages of Chinese agriculture to drive the development of local regions.

### **The Construction of Free Trade Areas on the African Continent Helps Africa's Industrialization Development**

Industrialization is a necessary stage for economic development. Africa's national economic foundation and development differ greatly. Many countries are in a critical period of structural transformation and industrial upgrading. They need to gradually improve the industrial system and establish a benign mutual promotion mechanism between industrialization and economic development. Therefore, the construction of the African continent's free trade area should help Africa's industrialization development [7,8]. In addition, African countries should vigorously develop the manufacturing industry, expand the steel industry, textile industry, petrochemical industry, electronic products industry, and other industries, and cooperate with countries with production advantages in these fields, such as China. The large population base and the younger population structure are the major advantages of the development of Africa. Different countries, according to their characteristics and countries with fast population growth, can focus on investing in labor-intensive industries such as the textile light industry, household appliances, and automobiles, absorb a large number of rich labor, and gradually become a featured world factory.

### **Increase and Improve Investment in Infrastructure**

With the development of the African economy, the demand for infrastructure construction is also increasing, especially the transportation infrastructure. Optimizing these infrastructures can more effectively promote national economic development, and it is also a necessary condition for the effective use of the free trade zone in the African continent. Therefore, the investment in infrastructure construction should be increased and improved. In order to achieve more efficient infrastructure construction, African countries need to avoid the phenomenon of fighting on their own, and should carry out targeted long-term planning, especially in energy supply, communications, and other supporting infrastructure, and need to form an organic linkage development model [9,10].

### **The Construction of Free Trade Areas on the African Continent Connects with The Development of Urbanization in Africa**

Urbanization is a necessary process for national economic development. The construction of the free trade area on the African continent is to accelerate the development of the African economy and enable African countries to gradually become rich. Therefore, the construction of the free trade area on the African continent should connect with the development of urbanization in Africa

and serve the process of urbanization in Africa.

Urbanization, also known as urbanization and urbanization, refers to the process of population aggregation to cities, urban scale expansion, and a series of economic and social changes caused by it. In fact, the essence is the changes in economic structure, social structure, and spatial structure.

The world's urban population has maintained sustained growth for many years. Africa's population is large, growing rapidly, and has great growth potential. Africa's rich labor population resources and growing consumption level have accelerated the process of urbanization, making it the fastest-growing region in the world. However, the level of urbanization in most African countries is still low.

In 2023, the urbanization rate of the United States, Britain, France, Germany, and Japan will reach 82.9%, 85.5%, 83.9%, 77.1% and 93.5% respectively, while that of China will reach 65%, and the international urbanization rate will also reach 57.4%. The urbanization rate in Africa is only 44.7%. There is a significant gap between the urbanization rate of Africa and the world average level, and the gap between Africa and developed countries is even greater, so there is much room for improvement.

As urbanization in Africa is affected by many factors, such as location, politics, economy, history, and so on, the progress of urbanization in different regions and countries is different, and the differences are obvious. Therefore, the formulation of development strategies and strategies for the free trade area in the African continent should help to solve the difficulties in the process of urbanization in Africa [11,12]:

- **The speed of urbanization and the level of economic development are seriously unbalanced:** The abnormal economic development of the African economy, such as single agricultural and mineral products, export-oriented resources, import-dependent consumption, and food self-sufficiency, has not been effectively improved, and the regional economic development differences are large;
- **Absence of overall planning and infrastructure construction in the process of Urbanization:** The spread and expansion of slums and other problems are still serious. In some countries, the total population of the capital is exploding, traffic congestion and the output value is too dependent on real estate;
- **Urbanization without the support of industrial development cannot absorb a large number of workers entering the city:** Africa's urbanization has not achieved the mode of increasing urban population by using technological innovation and economic growth. Unemployment and poverty caused by the uncoordinated development of urbanization and socio-economic development have plagued Africa's economic development;
- **Mixed problems of urbanization in Africa:** The development of urbanization in developed countries can be carried out in three stages: the first is the stage of agricultural modernization; The second is the simultaneous development of transportation facilities and industrialization; The third is the information stage. The three stages of urbanization in Africa are more or less simultaneous, which increases the difficulty of urbanization in Africa.

## Conclusion

The African Continental Free Trade Area (AfCFTA) is expected to become a large market integrating 1.3 billion people in Africa and the largest free trade area with the largest number of member countries since the establishment of the WTO. This paper studies the development strategy of the free trade area in the African continent, analyzes how Africa can cope with the difficulties in the development process of the free trade area, and discusses how the development strategy and strategy formulation of the free trade area in the African continent can help its stable development. The specific contents include: (1) how to learn from China's experience in the construction of China's pilot Free Trade Zone, docking China's overseas parks in Africa, learning China's e-commerce and cross-border e-commerce operation mode, learning the construction experience of RCEP and docking the development of RCEP in the construction of the free trade zone in the African continent; (2) How to promote the development of African port economy is discussed by using the diversity of port opening patterns and the Enlightenment of the development experience of world free trade ports to Africa; (3) This paper discusses the auxiliary measures conducive to the construction of the free trade area in the African continent from four aspects: the development of the free trade area in the African continent helps the development of agriculture in Africa, the development of industrialization in Africa, increasing and improving investment in infrastructure, and connecting the development of urbanization in Africa. Among them, docking the development of urbanization in Africa should help to solve the difficulties in the process of urbanization in Africa: the serious imbalance between the speed of urbanization and the level of economic development, the absence of overall planning and infrastructure construction in the process of urbanization, the inability of urbanization without industrial development support to absorb a large number of migrant workers, and the mixed problems of urbanization in Africa.

The follow-up research, based on the specific characteristics of Africa and from the perspective of learning the development experience of the free trade zones of the United States, China, Britain, and other countries, will carry out in-depth research in the following aspects: (1) how to effectively promote the economic integration of Africa through the construction of the free trade zones in the African continent; (2) To study the connection between the construction of free trade zones on the African continent and the economic development of various countries [13]. (3) The construction of the organizational and institutional framework of the free trade area on the African continent; The establishment and implementation of the dispute settlement mechanism in the free trade area of the African continent; Formulation and implementation of relevant agreements on trade in goods and services in the free trade area of the African continent [14].

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