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Why COVID-19 threatens to reverse Africa's industrialisation

While the impact of COVID-19 on Africa is still manifesting, the consensus is that this disease will be most consequential in this continent than in other regions of the world. Two factors explain this position. First, is the inadequacies in testing due to, interalia, the lack of testing equipment, and the deficiencies in the health infrastructure. Testing limitations put to question the ability of governments in Africa to gauge the extent of corona virus positivity in their countries. Second, lockdowns and the closure of borders have had a deleterious on the economies of individual African countries which depend on the exportation of commodities to earn foreign currency.

COVID-19 and the attendant lockdowns come at the backdrop of efforts to promote trade between African nations. One of such efforts, the Agreement Establishing the African Continental Free Trade Area which was endorsed by all countries in the African continent, except Eritrea. Its purpose is to establish a continental free trade area. The Agreement aims to reduce barriers to trade between African states and incentivise more business between them.

This agreement was meant to come into effect on 1 July 2020. It is unlikely that this target will be attained given that most countries continue under various levels of their lockdowns and that their borders remain closed. The effects of this delay are important for two reasons. First, the relatively small size of individual African economies means that trade is an integral part of their industrial policy and, in turn, their ability to improve their level of development. Currently, it is expensive for African countries to trade within the continent. This is a result of problems such as the lack of functioning railway systems, which means that businesses must make use of underdeveloped road infrastructure and spend a lot of money on fuel. Trading with larger economies in the developed world is less beneficial to African countries than when they trade with one another. This is because industrialised countries are likely to implement protectionist

measures that are disguised as social and environmental objectives. In reality, these objectives are designed to protect domestic industries against cheaper imports that could threaten local businesses and livelihoods. The effect of this is that exports from most of Africa are prevented from entering some of the world's major markets.

Second, this will delay the continent from achieving the levels of competitiveness needed to participate meaningfully in global markets and, in turn, accelerate its industrialisation. Competitiveness refers to the ability of firms within a country to produce and export manufactured goods which can compete, in terms of quality, with those produced in other parts of the world. This is important in the African context for two reasons. First, a high level of competitiveness means that a country is not solely reliant on commodities which can be sensitive to fluctuations in prices. It means that a country produces products that are diverse enough that can withstand the changes in commodity prices.

Secondly, Africa is not only suffering from a lack of competitiveness; it is actually undergoing a process of deindustrialisation, which could be worsened by COVID-19. Not only is trade a tool to achieve this competitiveness, but that it is also a vital in preventing the reversal of over two decades of development.

In conclusion, African countries face a serious predicament. On the one hand, it is unsafe to open up their economies fully as this would not only result in an exponential increase in the number of COVID-19 cases, but also burden the already fledgling health systems . On the other hand, national shutdowns are especially harmful to the continent because trade forms a vital part of individual countries' economies. Ultimately, the way forward is a delicate balancing act, i.e, of opening up the economies without jeopardising the health and lives of the people. Striking such a balance is not an easy endeavor.

(The views and opinions expressed in this blog are those of the authors and do not necessarily reflect the organization, FES South Africa.)