

Front runners and lagers of the African Continental Free Trade Area

How can we explain the differences in the implementation of
AfCFTA in South Africa and Mozambique?

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List of Abbreviations

AEC = African Economic Community

AfCFTA = African Free Trade Agreements

AU = African Union

BRICS = Brazil, Russia, India, China, South Africa

CFTA = Continental Free Trade Area

CIP = Centre of Public Integrity

COMESA = Common Market for Eastern and Southern Africa

CPLP = Community of Portuguese Speaking Countries

ECA = Economic Commission for Africa

EU = European Union

FDI = Foreign Direct Investment

NAFTA = North African Free Trade Agreement

NGO = Non-Governmental Organization

OAU = Organization of African Unity

REC = Regional Economic Communities

SADC = South African Development Community

SDTs = special and different treatments

UN = United Nations

UNDP = United Nations Development Program

UNECA = United Nations Economic Commission for Africa

WTO = World Trade Organization

Abstract

The independent African states have been working economic integration since the end of the colonist period in Africa. After establishing the Regional Economic Communities (RECs), the states decided on a determination of an agreement that unites the RECs under a Free Trade Area. This agreement is the African Free Trade Agreement (AfCFTA), which was signed in 2018 by 54 of the 55 countries in Africa.

In the past years, the governments have been working on ratifying this agreement and started the process of implementation. However, there are some states that have not complied with the terms set by the deal. In this thesis, it will be investigated with the case studies of South Africa and Mozambique, to understand why some countries are front-runners and why some are lagers in the implementation of the AfCFTA.

South Africa as a front-runner, ratified the agreement with great enthusiasm and created a package of policies to help the implementation process. On the other hand, Mozambique has not done any policy changes to comply with the treaty and I aim to understand the reasons for its non-compliance.

The motives for compliance or non-compliance are complex, therefore this paper seeks to give an explanation of the rationales of both governments, furthermore, give a viewpoint on the current status and the future of the agreement.

1. Introduction

This thesis aims to investigate the African Free Trade Agreement (AfCFTA) and its objectives and challenges, therefore presenting the states that have already ratified the agreement and the states that have not managed to do so. To explain the differences between front runners and lagers, I bring the case study of South Africa and Mozambique.

The major part of Africa was under the control of colonists for a long time until the middle of the 20th century, and after they won their independence, the integration of the continent started slowly. The states became open to cooperation and started economic partnerships on their own terms. So far, the establishment of the African Free Trade Area has been the most significant achievement in the history of economic integration. However, since it is considered the most prominent economic cooperation since the World Trade Organization (WTO), it faces several challenges already at the ratification stage.

Even though the 55 members are all in one continent, unlike in WTO, they are still entirely different, resulting in diversity during the treaty's implementation. I have chosen two case studies to compare a country that already ratified the agreement and a country that has not. This agreement is an outstanding opportunity for all African states to boost their economy, intra-African partnerships, and global trade position. That is why it is interesting to uncover why some countries, like Mozambique, have not managed to ratify it.

1.1. Research question

As I mentioned above, I seek to analyze the determinants of the mixed implementation success in the continent in general and compare two countries: one which has already ratified the AfCFTA and one which has not. The two countries of my choice are located in the same region and have a similar governments, but they vary economically.

Both Mozambique and South Africa signed the agreement in 2018, but Mozambique has not ratified it yet; nevertheless, South Africa ratified and deposited it in 2019. The government of Mozambique has still not made many efforts to implement the AfCFTA in the country, while the South African government is way in front of the process. In my opinion, the most interesting aspect of my research will be to answer why Mozambique has not ratified the AfCFTA, even though, it has every reason to try and boost its lagging economy.

To clarify the intentions of this paper, I will aim to answer the question:

How can we explain the differences in the implementation of AfCFTA in South Africa and Mozambique?

1.2. Research objectives

Besides investigating the differences in the implementation of the AfCFTA in the two chosen countries, first, I want to know more about the agreement itself and understand what this would mean for the African economy. Furthermore, I aim to uncover the challenges that the deal faces, hoping that they help me better understand how the implementation of the agreement works in practice.

I also tend to study the theory of compliance as my primary tool for analysis, and by understanding the different approaches of the theory, find the one that fits best to my case study.

1.3. Significance of the research

The importance of this research topic originates from the lack of papers written on African integration, especially on the economic side of the integration processes. Africa is rich in several resources therefore it could play a significant role in world trade. Still, first, it is essential for the African states to fix their economy and build well-working cooperation within the continent.

On the other hand, investigating the compliance of a treaty also has significant importance since there are not many papers that write about this section of treaty implementation. However, this is the first step to implementing a treaty, and the implementation process cannot move forward without successful compliance. It is indispensable to understand how compliance works to see what the countries have to do to achieve successful ratification. The chosen case studies could be an excellent example for presenting this.

2. Literature Review

2.1. What is compliance?

Beth Simmons (1998) distinguishes compliance behavior from treaty implementation in her paper *Compliance with International Agreements* by saying that:

“compliance can be said to occur when the actual behavior of a given subject conforms to prescribed behavior, and non-compliance or violation occurs when actual behavior departs significantly from prescribed behavior” (Simmons 1998, 77).

On the other hand, she also believes that while compliance is necessary for effectiveness, there is no reason to consider it sufficient (Simmons 1998, 78). Simmons (1998) separates ‘first order’ and ‘second order’ compliance with the following definitions:

- She first describes compliance with substantive rules that are often bodied in agreements by first-order compliance. There is a disagreement among scholars about the effectiveness of most foreign policy actions regulated by law and rules and their effect on state behavior (Simmons 1998, 78).
- We talk about second-order compliance, when there is an authoritative decision of a third party, such as a panel of an international organization like the World Trade Organization, the United Nations Human Rights Committee, or the International Court of Justice. Although, rulings by these panels can only be aware of a part of the more significant compliance problem and could easily be biased. The cause of this issue comes from the fact that only those governments that are willing to compromise let a third party have an authoritative decision-making investigation about their actions (Simmons 1998, 78).

Actors' behavior in compliance is purposely uncertain and confusing in most cases, and it happens surrounded by unclear circumstances; therefore compliance is rarely transparent, rather a binary choice. We can all agree with Simmons (1998) that "the standards of compliance are socially constructed and must not be imposed by the analyst, making each assessment highly context-specific" (Simmons 1998, 79).

2.2. Scholars defining compliance

All scholars have a different approach when writing about compliance theory, but they all agree on certain elements and do not differ in many things. They all have a unique approach to cooperation, compliance, and non-compliance. I aim to compare the essential papers on the theory of compliance and narrow it down to a single viewpoint that gives a comprehensive tool for my analysis. I have chosen this theory because not only does it give you a unique method to analyze specific issues of international agreements, but it is also not very well-known in papers, especially ones about African political institutions.

In the paper '*Compliance with International Agreements*' by Beth Simmons (1998), the author gives a detailed report about the four broad approaches to why governments comply with agreements that are not centrally enforced, despite the high costs. The four approaches are the following:

- realist theory,
- rational functionalism,
- domestic regime-based explanations,
- and normative approaches (Simmons 1998, 79).

In this literature review, I aim to use these four approaches as a structure to categorize other scholars' viewpoints on compliance. I start the explanation of every category by presenting the perspective of Beth Simmons, who divided these approaches.

2.2.1. Realist Theory

According to Beth Simmons (1998), many realists are skeptical about the significant influence of international treaties and agreements on state actions. For realists, power is the main factor of interstate relations rather than law. Furthermore, following the supporters of realist theory, “governments are always anxious to shake off the restraining influence that international law might have upon their foreign policies” (Simmons 1998, 79). In addition, they instead use international law to promote their national interests. That is why international treaties lack restraining power since governments maintain the right to understand these agreements the way it is in their best interest and apply the policies included selectively.

To summarize in one sentence, “realists assume international law is merely an epiphenomenon of interests or is only made effective through the balance of power” (Simmons 1998, 79). Concerning the AfCFTA, several countries believe that this law they have already signed cannot be effective because of the lack of power. The African Union does not have a significant authority to sanction states that do not comply.

In connection with the realist approach, I also present an important approach by Christopher Marcoux and Johannes Urpelainen. In their article “*Non-compliance by design: Moribund hard law in international institutions*” (2012) they state that recent institutionalist theories give the argument that “treaty provisions are designed rationally to promote cooperation” (Marcoux and Urpelainen 2012, 164). Adding to that viewpoint, Marcoux and Urpelainen also find that governments, when it comes to treaty negotiations, use quite strict “hard law” provisions that are never even used and which is called moribund “hard law.” Moribund hard law shows enforcement failures, relevant to any systematic analysis of treaty formation and compliance (Marcoux and Urpelainen 2012, 164).

Marcoux and Urpelainen give an excellent overview of the differences between soft and hard laws. Some international agreements can be described as hard law “because they impose precise, binding, and enforceable legal obligations on signatories” (Marcoux and Urpelainen 2012, 166). Soft law treaties are defined after the fact “that they provide recommendations and guidelines that either cannot be interpreted as legally binding or cannot be enforced” (Marcoux and Urpelainen 2012, 166).

2.2.2. Rational Functionalism

Like the realist approach, rational functionalism looks at international agreements as a tool to help their interest. They believe that these agreements are created because states tend to solve common issues together since there is no other way. For functionalists, the need to develop these agreements comes from a primarily technical approach driven by their interests. Functionalists, just like realists, share the viewpoint that the crucial element in compacting international agreements are their incentives. Additionally, as stated by Simmons (1998), “rational functionalist analysis focuses on the perceived benefits of a system of rule-based behavior and on the individual incentives for states to contribute to or detract from such a system” (Simmons 1998, 80). Functionalists propose multiple mechanisms that could influence compliance behavior.

The most common mechanism for securing compliance is connected to reputation. It is highly relevant for developing countries, aiming to earn a good reputation as “the rule of law” countries (Simmons 1998, 81). Domestic administrative or technical incapacities can also be why governments cannot comply. Simmons (1998) explains that “a country’s administrative capacity includes the knowledge and training of personnel responsible for environmental policy, adequate financial resources, the appropriate domestic legal mandate/authority to accomplish program implementation, and access to relevant information” (Simmons 1998, 83). When you lack such technical or administrative capacities, compliance or non-compliance may not be a choice made by the state but a consequence of the government's law organizational capacity.

On the other hand, some agencies work on helping countries develop these capacities and meet specific standards of behavior, increasing the numbers and quality of international agreements (Simmons 1998, 83). In conclusion, according to the functionalist approach, states manipulate their legal environment to be seen as sincere efforts. Still, at the same time, these efforts can result in a subjective outcome (Simmons 1998, 81).

To look at a different viewpoint and to bring an essential intergovernmental organization as an example, where compliance is vital, I tend to investigate the European Union (EU). Tanja A. Börzel and Aron Buzogány (2019), in their paper ‘*Compliance with EU Environmental Law*’, research the reasons for compliance and non-compliance among EU member states.

As reported by Börzel and Buzogány (2019), the approach of enforcement defines compliance as a result of a rational choice. They also explain the risks of compliance by saying that “the greater the distance between their policy preferences and the policies they have to comply with, the greater their compliance costs and the greater their incentive to defect” (Börzel and Buzogány 2019, 324). Furthermore, international institutions should offer assistance instead of monitoring and sanctioning to help states reduce compliance costs and strengthen their legal and administrative capacity of states (Börzel and Buzogány 2019, 324). Management theories also emphasize the importance of international institutions managing the states to comply rather than enforcing compliance (Börzel and Buzogány 2019, 330). Additionally, the reduction of the need for enforcement through amending legislation makes compliance more accessible and more feasible and results in lower compliance costs for all member states.

On the contrary, capacity manages compliance on a weak level in most member states that have joined the EU in the past 40 years (Börzel and Buzogány 2019, 331). By Börzel and Buzogány (2019), “compliance is particularly demanding on the legal and administrative capacities of member states when they have to introduce new laws” (Börzel and Buzogány 2019, 331). However, it is also true that the legal acts by the EU, which require adaptation of existing domestic legislation, incur lower compliance costs because they produce lower misfits (Börzel and Buzogány 2019, 331).

2.2.3. Domestic Regime-based explanation

Functionalist theories that were formulated domestically highlight domestic conditions that can result in compliance or non-compliance; moreover, this democratic legalism investigates characteristics of democratic regimes that “tends to bind them into a “zone of law” in the conduct of their foreign relations” (B. A. Simmons 1998, 85). These liberal regimes are closed to prevalent international legal processes and institutions. It is believed that they are more willing to depend on the rule of law for their foreign affairs. States that have their independent judiciaries tend to have more trust in international judicial processes; in addition, governments that do have a strong constitution, in which intergovernmental relations are specified, are more likely to obey rule-based limitations on their foreign sphere.

Simmons (1998) highlights that democracy is key for law compliance in liberal countries however she also agrees that “the leader of a liberal democracy may be constrained

by the influence of international legal obligations on domestic groups, who are likely to cite such rules or rulings to influence their own government's policy" (B. A. Simmons 1998, 85). It is also more likely in democratic countries that more freedom is provided for nongovernmental organizations (NGOs) therefore they can operate more efficiently, and they are also able to pressure their governments to comply with certain international treaties. Summing up compliance and the nature of domestic regimes, it can be stated that democracies intend to use legal institutions to regulate international behavior, settle disputes, and comply more readily with these agreements once they are made (B. A. Simmons 1998, 85).

This approach could not be used to investigate the situation in Africa since most of the countries do not have strong legal institutions or influential NGOs that could influence the countries' decisions in such cases. Many countries face corruption and the democratic values are not respected the way they should be; therefore the people of the country do not have any control over the government's decisions.

2.2.4. Normative approaches

Lastly, Simmons (1998) mentions the normative approaches to compliance, which might influence the government's stance toward international law compliance. Normative influence can be understood through a subjective framework since every country has its own norms that they follow. International, transnational, and nongovernmental organizations play a significant role in normative processes, and they enhance "their effectiveness through a heightened sense of obligation rather than through their mere instrumental value as a convenient point of convergence" (Simmons 1998, 86). This approach supports traditional institutions that examine policies issued by the states after signing an international agreement because these institutions intend to find the holes in the governments' actions. To summarize, normative approaches focus on the standards of appropriate behavior as the critical influence on compliance with international law (Simmons 1998, 86).

As I mentioned above, every country has its own norms and can be very diverse when it comes to signing an agreement. AfCFTA was signed by 54 African states, and even though they are located on the same continent, they all have different values and priorities. However, they all agree on one thing, that boosting their economy is important and is key to leaving poverty behind. That is why it is interesting to see why some countries do not comply.

2.3. Non-Compliance

I have investigated the approaches that explain why and how compliance can be successful, but the scholars also have a viewpoint on the reason why compliance does not succeed, and in the case of Mozambique, this non-compliance is more relevant.

Marcoux and Urpelainen (2012) designed a model for non-compliance, where they examine situations with states that use hard law and states that prefer soft law (Marcoux and Urpelainen 2012, 167). They suggest that “the likelihood of regime breakdown and failure increases in the level of commitment to enforcement; states opposed to hard law will only accept hard law proposals when they believe that enforcement will be unlikely” (Marcoux and Urpelainen 2012, 187). Such as in Africa, where many states do not even pay their membership fee in the African Union without any consequences; therefore, they assume that if they do not obey the implementation regulations of AfCFTA, there will not be any sanctions against them.

According to Marcoux and Urpelainen (2012), when a state does not comply with an agreement, it can come from imperfect enforcement or systematic failure. Still, eventually, it comes to the fact that states have chosen to neglect non-compliance. The scholars ask: “Why would states design hard law if not to use it?” (Marcoux and Urpelainen 2012, 164) They reflect on the situation where states design enforcement provisions to promote cooperation, but they do not use them to deter non-compliance. This puzzle originates from the narrow viewpoint of neoliberal institutionalism about solving cooperation issues. As reported by Marcoux and Urpelainen (2012), “while states do international design law to solve cooperation problems, states’ interests are rarely confined to this” (Marcoux and Urpelainen 2012, 164). Furthermore, domestic and international political pressures make negotiating international law more difficult for governments (Marcoux and Urpelainen 2012, 164).

In the article titled ‘*Compliance with EU Environmental Law*’ by Tanja A. Börzel and Aron Buzogány, scholars position the main reasons for non-compliance in the EU at the member state level. Unlike the scholars mentioned above, Börzel and Buzogány analyze non-compliance by explaining the side of compliance costs and how they could be reduced. Non-compliance is different in legal culture, administrative traditions, and state power and state capacity in each member state. The EU’s infringement proceedings can cover all types of legal acts and possible violations over a long period. However, scholars argue that the proceedings only represent the visible cases of non-compliance, as they call the ‘tip of the iceberg’ (Börzel and Buzogány 2019, 324).

2.4. Compliance Theory by Beth Simmons

After comparing the most relevant papers on the theory of compliance, I intend to present the viewpoints of Beth Simmons, and I believe I can use some parts of her explanation for the analysis because I think she explains compliance in a transparent and general way and gives a backbone for the study of developing countries. She investigates such general issues, and she provides a comprehensive overview of the most crucial element of non-compliance, which will be important when I analyze the situation in Mozambique.

As stated by Simmons (2010), compliance is strengthened when actors become socialized to comply, and she distinguishes three different approaches to compliance:

- The first approach is *conditioning*, which is a general process through which the state actors embrace their beliefs and behavior from the surrounding culture. Conditioning functions as a system of rewards and punishment, where the actors can be socialized (Simmons 2010, 278).
- Another way of socialization is compliance through *conformity*, meaning that “social groups tend to generate varying degrees of cognitive and social pressures, real or imagined, to bring behavior into alignment with that of peers” (Simmons 2010, 278).
- According to the scholar, the third type of socializing is *normative persuasion*, dependent on the powerful influence of argumentation and deliberation. If it succeeds, the values and even the actor’s identity can be changed (Simmons 2010, 279).

She agrees with Marcoux and Urpelainen on the point that some scholars also believe that the acceptance of these treaties also depends on how well it engages with the domestic norms and institutions of the country. The supporters of constructivism believe that civil society can push the government to comply with these international standards because of their persuasive or information-providing function. As stated by Simmons (2010), “ideational theories have also been advanced linking democratic forms of domestic governance to better international law compliance,” meaning that more democratic governments present a better treaty performance, while Marcoux and Urpelainen (2012) believe that “powerful countries

can appease their domestic audiences through the inclusion of hard law” (Marcoux and Urpelainen 2012, 165). Both rationalists and constructivists acknowledge that governments are concerned about their reputation due to the intense socialization among the elite class of the states in a specific region (Simmons 2010, 280). An important argument is that there is a more positive effect in complying when dependencies or newly independent countries join a treaty, but this is also true for developing countries (Simmons 2010, 280). This could be possible because newly independent and developing countries seek the opportunities more, since they want to build cooperation with other states which developed countries already have.

On the topic of trade liberalization, Simmons (2010) argues that one of the reasons that states are willing to liberalize their trade policies is probably the reciprocal compliance with other conditions. Unfortunately, scholars know surprisingly little about compliance with international trade law since trade policies are applied to numerous products. Still, because of the absence of authoritative rulings, it is hard to know which policies are consistent with treaty obligations and which are not. Simmons suggests that “the easiest way to think about compliance with international trade law is to accept McNamara’s (2004) assertion that effectiveness is a good approximation of compliance” (Simmons 2010, 281).

Simmons’s (2010) position on treaty violation is that “the ability to alter the terms of trade in one’s favor has a significant impact on the willingness simply to violate the agreement—and let the trade partners complain” (Simmons 2010, 282). Governments often appeal to legal protection under the safeguards clause if they cannot influence the terms of trade in their favor through the defense. One of the main factors behind violations is the bilateral imbalance of power. Still, on the other hand, a more significant issue can be the defiance of authoritative decisions by third parties in case of a violation. Third-party decisions can represent the international community's opinion, and they determine the nature of the breach and the steps needed to correct the issue. To evoke a deeper level of cooperation in trade compliance between different countries, some clear conditions have to be clarified, under which some commitments can be relaxed.

In the article by Beth Simmons titled ‘*Compliance with International Agreements*,’ she describes that “the standards of compliance are socially constructed and must not be imposed by the analyst, making each assessment highly context-specific” (Simmons 1998, 79). Furthermore, she states that the research about compliance with international treaties represents a substantial advance in studying international law and institutions as important influences on international politics (Simmons 1998, 89).

To investigate further the topic of non-compliance, Beth Simmons (2010) has some common aspects with Marcoux and Urpelainen. Still, she gives you a more detailed explanation of how governments get to the point where they comply with the agreement. Firstly, in her paper '*Treaty Compliance and Violation*', she argues that a third party cannot enforce international relations agreements; they must, in some sense, be self-enforcing. Arrangements need to be executed by themselves because they are the primary beneficiaries of the impacts of the treaties, and they are the ones who can shut down the implementation if it does not have the required effects (Simmons 2010, 275).

What makes treaties different from other kinds of agreements is that, in general, treaties have to be formally ratified to have successful ratification; many governments require a parliamentary majority to start the process (Simmons 2010, 276). The government's interest in compliance can easily be changed when the costs rise higher than expected (Simmons 2010, 277). Signaling forms of treaty compliance give a good prediction of the process, but they do not explain it fully. Therefore, hidden costs could occur, and the parties committed to the ratification are most likely to pay these costs (Simmons 2010, 276).

Beth Simmons gives a complex analysis of compliance with international agreements in both of her papers and presents good examples of non-compliance as well. I believe that her viewpoint fits my theoretical puzzle perfectly and helps me understand the background of my problem formulation.

3. Theory

3.1. Selection of Theory

I have chosen compliance theory to analyze this case study since it is the most crucial element of treaty implementation, and a treaty needs to be successful. I find it interesting how broad this agreement is and how many countries have signed it, but the question is if the implementation will be successful in every state. The first time I looked at the map showing the implementation stages' current status, I saw diversity, and the first question that came to my mind was: why do states comply or do not comply?

The theory of compliance gives a tool for scholars who investigate treaty implementation that is easy to understand and has a broad perspective of the implementation stages. Papers written by this theory agree that compliance is essential for treaty implementation. Therefore, it is a crucial element of international agreements; otherwise, what is the point of creating arrangements if they do not fulfill the required effects.

3.2. Important arguments

In this section, I reflect on my chosen theory by explaining how it fits my research question and how it helps me analyze the implementation of the AfCFTA in South Africa and Mozambique.

The main question is: why did some countries sign up for the free trade deal in the first place, given that they are now showing no apparent intention to follow through with it? In this case, I aim to narrow down finding the answer for these reasons in Mozambique but at the same time compare it to South Africa, which is a front-runner in the implementation of the AfCFTA.

First, I want to reflect on Beth Simmons stating that there is a more positive effect in complying when dependencies or newly independent countries join a treaty, but this is also true for developing countries. This observation is also accurate about the African states, where almost every country is considered a developing country, and more and more countries intend to join international agreements. For example, South Africa is a member of the BRICS and, as a member of the United Nations (UN), it is part of multiple other agreements. Besides being a member of the UN, Mozambique is a member of the Community of Portuguese Speaking

Countries (CPLP) and takes part in regional agreements with South Africa, such as the Southern African Development Community (SADC).

According to Simmons (2010) another reason to violate a treaty can be the imbalance of power in the government when they are having domestic issues that influence the process or outcome of compliance. South Africa has been having some tough years recently with all the riots and demonstrations; however, they still successfully ratify the AfCFTA. Mozambique also has some current issues connected to conflicts in the northern part of the country.

Lastly, Simmons (1998) agrees that compliance must be self-enforcing and cannot be enforced by a third party. The African Union does not yet have the power to sanction any violation of the ratification of the AfCFTA, but theoretically, it still puts a lot of effort into monitoring and motivating the countries to comply.

3.3. Main arguments

For my theoretical approach, I have chosen the argument of Beth Simmons (2010) about trade liberalization, which fits my case study the most, since the AfCFTA is also a format of trade liberalization.

It is argued by Simmons (2010) that there is not a significant amount of research on compliance with international trade treaties, and scholars mainly focus on the success of the implementation of these treaties. However, the effectiveness of these agreements is closely connected to compliance since even though “governments are in complete compliance with the agreement, if the agreements require them to do very little, the effect on trade volumes and directions could be expected to be modest” (Simmons 2010, 283).

This could also be the case with the ratification of the AfCFTA because many things depend on what the treaty requires from countries and how strict is about these requirements. Most countries, like South Africa, have successfully ratified the AfCFTA in the past years, but no trade has been made under the new free trade area.

According to Simmons (2010), there is a high level of compliance with international commercial law since these treaties are the most beneficial for the countries, and they all seek to use every possible cooperation to boost their economy and increase their GDP. Nevertheless, we still do not know much about actual compliance.

It is also the case in Africa; this agreement is a great opportunity for countries to gain some advantage in trade and create a well-functioning free trade area similar to the example of the European Union, where we could see that the first step of good integration has to be economic integration. It could be a theoretical explanation of why South Africa put in so much work to ratify this agreement and makes it more confusing why Mozambique has not complied with the deal yet.

Simmons (2010) stated, “the bilateral imbalance of power is one of the main factors behind bald violations”, which is also true of the African Union, seeing that many member states do not even pay the membership fee without any consequences (African Union 2018). Given this background, it is even harder to monitor a free trade area with 54 countries; therefore it allows Mozambique to find a loophole from complying.

As confirmed by Simmons (2010), 90% of the decisions adopted by the WTO involve finding a treaty violation. As mentioned, the AfCFTA has the most member after the World Trade Organization; when we talk about trade agreements, it also has a bigger chance for violation, just like in the WTO.

Moreover, Simmons (2010) mentions a crucial issue that could influence the compliance of a country: there are some cases when governments have to change their trade policies to comply with policies included in the agreement. This could be one of the reasons why states decide to withdraw from compliance since they are not able or do not want to make these changes in their country’s policies.

I assume this could be most likely the theoretical explanation for one part of my research question, investigating the reasons why Mozambique has not complied with the AfCFTA. From a theoretical point of view, these adjustment costs could be too hard to follow for a country that does not have a stable and centralized economy; therefore it requires some improvement of the country’s economic standards in the first place. In all likelihood, Mozambique simply does not prioritize the ratification of the AfCFTA and has other issues to be concerned about. It is also possible that unexpected adjustment costs occur during the implementation process, which can result in the county’s withdrawal of the agreement.

It is further discovered how convincing these arguments are and if there is more to uncover, but I want to present some alternative theoretical explanations also. In connection with the unexpected costs, the Covid-19 pandemic could be a reason why these costs have increased

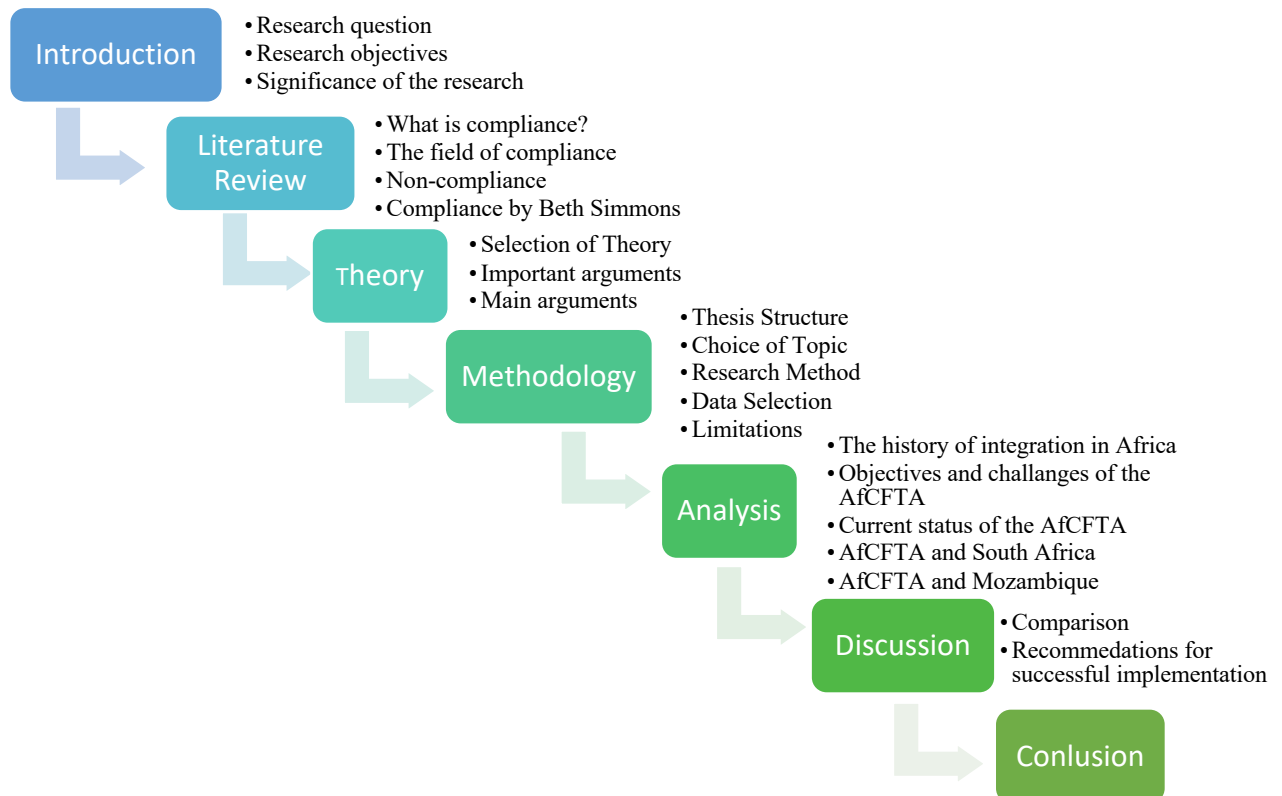
since the global crisis had several negative consequences that influenced the government's will to comply or not.

Another explanation could be, what I already mentioned above, that South Africa has more experience with international economic cooperation (BRICS), therefore it was able to adjust to the terms given by the AfCFTA more easily. The BRICS is a cooperation of developing nations: Brazil, Russia, India, China, and South Africa. It was created with the objective to become the fastest-growing economies and the wealthiest nations by 2050 (Majaski 2022). In spite of the fact that South Africa only joined later, it has the opportunity to make business with such global powers as Russia and China.

Therefore, reflecting on Simmons (2010) argument that countries might not comply when they have to make major changes in their trade policies, we could explain that South Africa is a front-runner of implementation because they have already had to adjust to a significant package of new policies when they joined to BRICS.

4. Methodology

4.1. Thesis Structure



4.2. Choice of Topic

My main objective for choosing a topic in Africa was that this continent still has many conceptual fields worth exploring and writing about. It is not the “most popular” continent that scholars love to do their research, even though there is much to discover.

I also aim to present some insights into the African integration processes since we know so much about the integration of the European Union, but stages in Africa, similar to the EU, have already kicked off. That is one reason why I have chosen the AfCFTA as my research topic since it supports economic cooperation between countries. Furthermore, my main reason for selecting an African topic was the motivation to investigate the current relationship between African countries. These states were “born” only a few decades ago, and they are still trying to find their place in the world order, accordingly building economic partnerships. From a scientific point of view, it is essential to see how this cooperation is built step by step and witness the early African integration stages, so we can follow processes until the African Union grows into a similar organization as the European Union is today.

On the other hand, my goal is to give a better understanding of compliance and the factors that determine it because while we learn so much about treaties, we know very little about how states comply with these agreements. Compliance has many aspects we can discover, and in my paper, I present the one that helps analyze trade cooperation the most.

In this thesis, I have the intention to investigate the implementation of the AfCFTA, concentrating on two countries: South Africa and Mozambique. I intended to choose two states with different attitudes towards the AfCFTA that are located in the same region. Choosing South Africa was evident to me since it is one of the most advanced states in Africa, by being part of the BRICS and it is a good example of economic improvement. I gave much thought to the second country, and I wanted to choose a country that has a relatively good economy, and since Mozambique is also part of an international cooperation, the Community of African Speaking Countries (*Comunidade dos Países de Língua Portuguesa – CPLP*), where it has a beneficial partnership with countries with a strong economy, like Portugal and Brazil.

4.3. Research Method – Case Study

I have chosen a case study as the research method for this thesis, where the main actors of this analysis are South Africa and Mozambique, and since it is more useful for a case study analysis to focus on current events, this paper is mainly focused on a timeframe from 2018 when the African Free Trade Agreement was signed, and until today. Therefore, this situation is still ongoing and thus it is significant to answer the current questioned stages of the AfCFTA ratification.

Robert K. Yin (2014) defined five points of the case study design, which are the following:

- The case study's questions
- The case study' propositions
- The case study's units of analysis
- The logic linking the data to the proportions
- The criteria for interpreting the findings

I aim to use these elements of case studies from Robert K. Yin (2014), to analyze the findings of my research question since I believe he has a good point of view about how case studies should be built up.

The question of this case study is: "How can we explain the differences in the implementation of AfCFTA in South Africa and Mozambique?" instead of asking what these differences are, this case study intends to give a more theoretical point of view and tries to explain why these differences exist and why the two countries have different attitudes towards the ratification of the AfCFTA.

For my case study, I intended to choose two countries that are in the same region and have similar challenges in their government, but they vary economically, so it gives me a good overview in order to have more accurate research and to review the fundamental differences and issues. Both Mozambique and South Africa signed the agreement in 2018, but Mozambique has not ratified it yet; nevertheless, South Africa ratified and deposited it in 2019. The government of Mozambique has still not made efforts to implement the AfCFTA in the country, while the South African government is way in front in the process.

When signing a treaty, in every case, some actors pushed the creation of that specific agreement. Therefore, they also aim to show an example to the countries that just accepted the terms involved and decide how they should comply with these conditions. Accordingly, I have chosen to investigate why Mozambique is lagging and why South Africa is a front runner in the case of the African Continental Free Trade Area. Actors' behavior is often intentionally ambiguous, dilatory, or confusing and frequently occurs under conditions in which verification of compliance is difficult. Furthermore, there is a lively debate in the trade compliance

literature about the role of institutional design in eliciting deeper levels of cooperation. It is a very complex problem; therefore it requires a compound investigation.

4.4. Data Selection

To create this thesis, I used primarily qualitative research methods to answer my research question and to support my arguments. For the theory section, I used several academic articles to present a complex overview of compliance theory. The data of the analysis consists of the approaches of some relevant articles and some important policy papers written by international organizations or the governments of South Africa or Mozambique. I found the sources given by the African Union and the governments reliable and they provided much information to understand the current situation. In connection to the AfCFTA, I have read the treaty itself and collected information from some additional papers written by the African Union, like the Question and Answers policy paper.

Furthermore, I also used some quantitative resources, which I gathered from the database of the World Bank, to comprehend some economic aspects of my analysis. The primary report I used was the report made by the World Bank in 2021 on the economy of Mozambique. This paper was essential to understand why compliance costs were increased and why Mozambique has not complied with the AfCFTA. The graphs from the report helped me understand the impact of the pandemic on the country's businesses.

4.5. Limitations

There were several limitations that this thesis has faced, but probably because this is still an ongoing case and the agreement is also only four years old, therefore not many scholars have written about it. The other reason for the lack of information on the AfCFTA is that the agreement has not been enforced in practice, therefore we do not have exact information about the specific terms that would work in practice.

Given the fact that this case study takes place in Africa, the data collection was difficult because the governments of African countries or even the African Union do not update their websites as frequently, and it is complicated to find the needed information. The government of South Africa has a bit more information on the implementation of the AfCFTA, but it is difficult to fill the gaps with the information provided by the official sources of Mozambique.

On the other hand, the UNDP and the World Bank were quite active in the region and have very informative reports.

On the other hand, when I studied the different approaches to compliance, I came across the lack of scientific papers about compliance with trade liberalization, which is my chosen argument for the analysis of this thesis. Even the scholar of my chosen approach stated that there are very few papers on compliance with trade liberalization, which makes the importance of this thesis even greater.

5. Analysis

5.1. The history of integration in Africa

In order to understand the current status of African integration, it is essential to take a look at what happened in the past and how this cooperation was initiated. Regional cooperation started after the colonial period of Africa when the countries won their independence from the European colonists and took control of their own faith.

At the beginning of the past century, the African market was not even close to competing efficiently in global trade, and it could only be described as shattered and disunited. The main characteristics of the African market were:

- high tariffs;
- poor transport infrastructure;
- divergent government regulations;
- and excessive border bureaucracy (UN ECA 2016).

Every government made policies to protect its market from any regional competitors, which made it almost impossible to trade with each other (Milo and Mtshali 2021).

According to the United Nations Economic Commission for Africa (2016), “from the time of independence, there have been failed attempts to industrialize efficiently using import-substitution, which gave rise to the notion of regional integration as a means to facilitate structural transformation in Africa” (UN ECA 2016). For that reason, the states of Africa realized that, in order to improve their small and divided economy, they have to create some development strategies to embrace regional development and make major changes in their isolated economy. To help these processes, many pan-African organizations offered support to enable countries to deepen not only economic but also social and political cooperation in the continent. These organizations also promoted sustainable economic growth and development, through different methods (UN ECA, 2016).

One very important organization was founded by the United Nations in 1958, called the Economic Commission for Africa (ECA). It was established as one of the five regional commissions of the UN, with the purpose of promoting sustainable development in Africa. The main objective of the ECA is to give assistance and support to the member states and to institutions

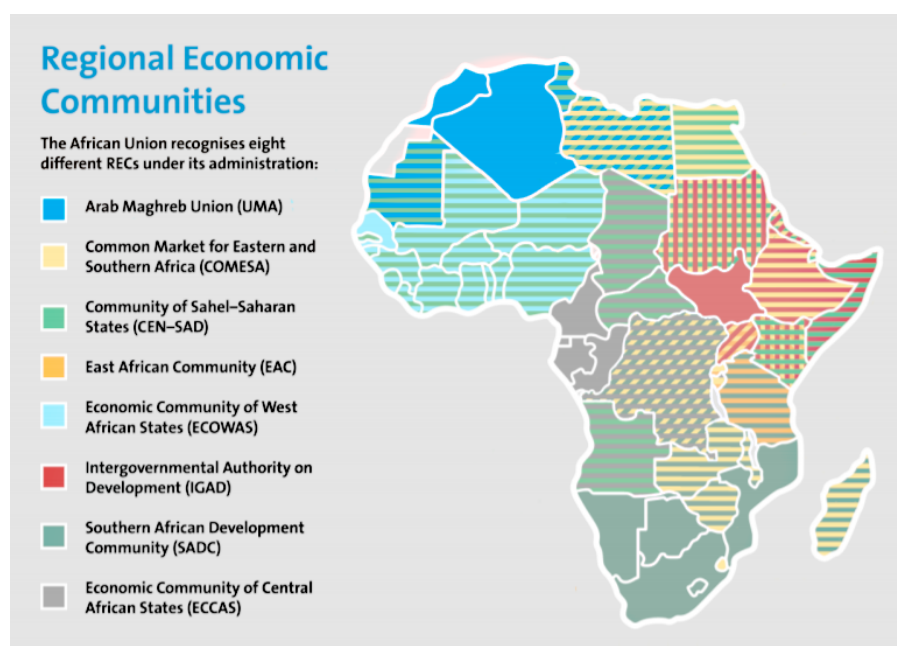
that work on regional integration, by offering them their research and policy analysis. ECA also prioritizes defining the development challenges of Africa and to guarantee good governance and sustainable growth in the continent, moreover, ECA recommended to member states in the 1960s to create regional organizations (UN ECA, 2016).

Around this time, governments of 30 independent states came together to establish an organization that was unique in every way and it was a first in the history of Africa. In 1963 at the Conference of Independent African States, the Organization of African Unity was founded (OAU) (UN ECA, 2016). The OAU is known as the ancestor of the African Union, and it also promoted unity and cooperation in the continent. Furthermore, one of its main objectives was to liberalize the remaining colonist states and abolish apartheid. According to the ECA (2016), “parallel to the creation of OAU was the establishment of the African Development Bank Group (AfDB)...signed by 23 founding member states” (UN ECA 2016).

All of these pan-African organizations were binding under international law since they were founded on treaties and other formal agreements. Therefore, even at the start of the African integration process, compliance with these conventions and protocols was essential. Each of the member states had just won back its independence from the colonists. While they were trying to build a structure in their governance and organize everything in their “new” state, they saw the opportunity in these pan-African organizations and encouraged cooperation with other states. They quickly realized that they could all benefit more from helping each other than just taking care of their internal issues on their own. To achieve these goals, they were ordered to comply with certain treaties, and they had made the decision to form their home affairs the way they were suitable for compliance.

Later, after the African Union was established in 2002, the regional integration initiatives were lagging for a few years, but in 2009 the fourth Conference of African Ministers of Integration adopted the Minimum Integration Program, which set the goal to “accelerate coordination, convergence, and collaboration among the regional economic communities so as to achieve the ultimate objective of the African Economic Community” (UN ECA, 2016). The treaty of the African Economic Community (AEC) was signed back in 1991, with the objective “to create a framework for development, mobilization and utilization of African human and material resources in an effort to achieve continental self-sufficiency” (Danso 1995, 31). According to Danso (1995), the AEC set several pillars of cooperation which are called as Regional Economic Communities today. These are the following:

- Community of Sahel-Saharan States (CEN-SAD)
- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS/CEEAC)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority on Development (IGAD)
- Southern African Development Community (SADC)
- Arab Maghreb Union (UMA)



Regional Economic Communities (RECs)
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The map above illustrates the RECs in Africa with different colors, moreover, it presents perfectly that many states are part of not just one, but some other Regional Economic Communities. For example, Kenya was a founding state of the Common Market for Eastern and Southern Africa, the East African Community (EAC), and also of the Intergovernmental Authority on Development (IGAD). These RECs are functioning cooperation in the regions until today, that the African Free Trade Agreement seeks to centralize. This paper investigates the Southern African Development Community in a bit more details since South Africa and Mozambique are also part of it.

In 2012, the African Union held an assembly which was titled “Boosting Intra-African Trade”, where the main goal of the member states was to create an action plan for the idea of the Continental Free Trade Area (CFTA), therefore the negotiation of establishing the African Free Trade Agreement started in 2012 until the day of signing the treaty on the 21st of March 2018 (UN ECA 2016).

To understand why the regional integration is not efficient enough to boost the economy of Africa, I am to present the major issues of regional economic integration. The problems connected to the implementation on an economic, political, and institutional level, also occurred at the RECs. It was a problem, especially for the countries that are members of several regional economic communities, therefore they had to adjust to many regulations. As Alemayehu Geda and Haile Kibert said in their article on ‘*Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA*’ (2002), “the performance of regional blocs is mainly constrained by problems of variation in the initial condition, compensation issues, real political commitment, overlapping membership, policy harmonization, and poor private sector participation” (Geda and Kibret 2002, 31). It is also true that the AfCFTA also faces these issues currently, but on the other hand, it gives the countries a clear perspective and a goal, by strengthening the states’ economies, which do not have to play for survival anymore, rather take their place in global trade.

5.2. Objectives and challenges of the African Free Trade Agreement

In 2012 the African Union decided to develop the African Free Trade Area until 2017, but signing this agreement happened a bit later in 2018 at the Extraordinary Summit on AfCFTA in Kigali, Rwanda. 54 out of 55 African countries signed the agreement, which is the biggest free trade agreement in the world (Omphemetse 2021). The AfCFTA brings together eight lightly regulated regional economic communities (RECs) in Africa and it also inspires development in the continent, while addressing the diversity between the RECs.

The main objectives of the AfCFTA include:

- “the promotion and attainment of sustainable and inclusive socio-economic development;

- the enhancement of the competitiveness and transformation of the economies of state parties in the continent and the global market contexts;
- the promotion of industrial development through a variety of measures, including diversification and regional value chain development, agricultural development, and food security;
- the resolution of the long-standing challenges of multiple and overlapping REC memberships” (Omphemetse 2021, 218).

Furthermore, one of the most important drivers of the AfCFTA is investments, since several African countries have their growth and development depended on foreign direct investment (FDI). According to Omphemetse (2021) “FDI forms the largest source of external capital governance and risk mitigation must be prioritized to ensure that the investment attraction ideas of AfCFTA are realized” (Omphemetse 2021, 220).

However, these objectives cannot be fulfilled easily, and the set goals face several challenges, mainly because of the large membership with all kinds of development levels. The development levels of the African states can be a blessing but also a curse regarding the development goals of AfCFTA. However, the biggest current issue is possibly the reality of trade imbalances and gaps. The growth and income contrast in the regions and sub-regions are also something to be concerned about, which requires the implementation of special and different treatments (SDTs) first by some AfCFTA countries. These treatments are necessary to improve the imbalances and bring development levels closer.

A similar treaty was made on the American continent called the North American Free Trade Agreement (NAFTA), where member states could not agree on the balance of interests of the participating countries (Omphemetse 2021, 219). It is the same situation with the AfCFTA if we look at the effectiveness of the eight different RECs. Out of these regional economic communities, only a few have been successful in meeting some objectives of the AfCFTA, which are the following: Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC). SADC is the REC that is key for this analysis, and even though it is considered a front-runner as a region, there is still a diversity of compliance within it (Omphemetse 2021).

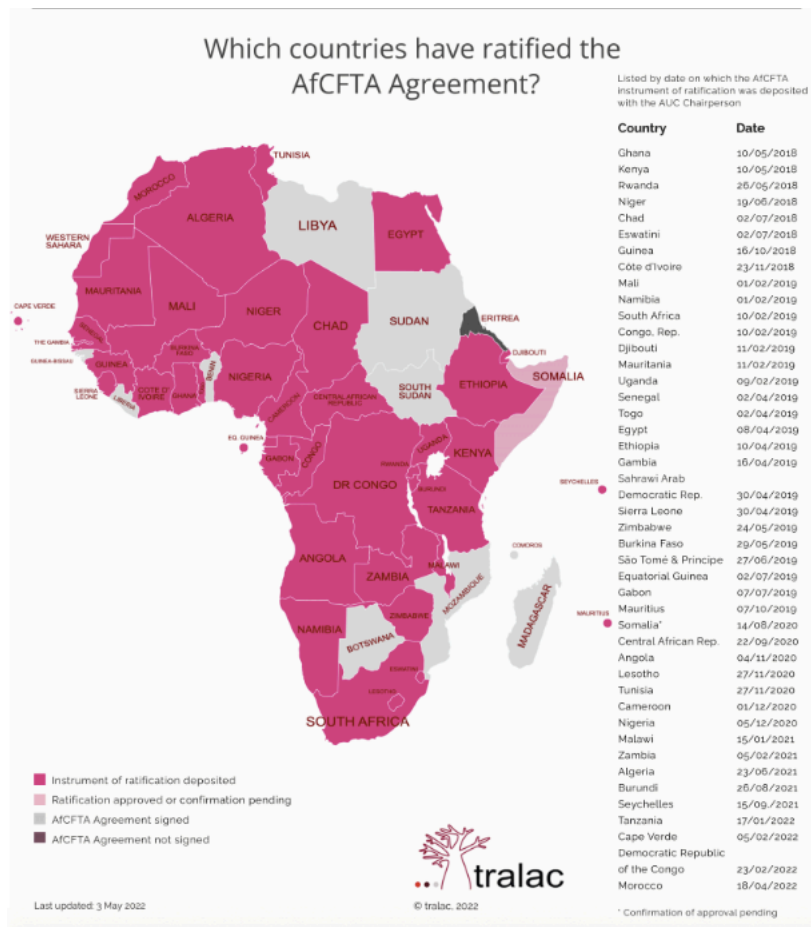
According to the World Bank (2021b), „the implementation of AfCFTA could increase Africa’s exports by \$560-billion, boost income by \$450-billion (a gain of 7%), improve wages for unskilled workers by 10.3% and skilled workers by 9.8%, and radically transform women’s wages and access to trade opportunities, by 2035” (Milo and Mtshali, 2021). Women are key to the success of the AfCFTA since they represent up to 80% of informal traders within Africa (Milo and Mtshali, 2021), therefore, it is essential for these women to benefit from the agreement.

The African Free Trade Agreement is the first step to addressing the development challenges in Africa. It also helps the African governments capitalize on all prospects of welfare and development and coordinate an effective continental trade regulatory regime. In order to achieve all objectives described, all countries must revise and create conditions that make them acquire the most optimal benefits.

In conclusion, the main objectives of the African Free Trade Agreement are: to increase trade among African countries, which scopes only around 15-18% (African Union 2022), and to strengthen the economy and commercial diplomacy of Africa. Furthermore, it encourages manufacturing, agro-processing, and several other activities in Africa to supply the market through the development of regional value change while also strengthening African companies to create cooperation on world markets.

5.3. Current status of the AfCFTA

The agreement entered into force on the 30th of May in 2019 with the 24 countries that had ratified the agreement until that date. Until today, 80% of the states that signed the agreement have achieved successful ratification. These 43 countries are presented on the map below, which have the following order if we look at the date of the ratification: Ghana, Kenya, Rwanda, Niger, Chad, Eswatini, Guinea, Côte d’Ivoire, Mali, Namibia, South Africa, Congo, Rep., Djibouti, Mauritania, Uganda, Senegal, Togo, Egypt, Ethiopia, Gambia, Sahrawi Arab Democratic Rep., Sierra Leone, Zimbabwe, Burkina Faso, São Tomé & Príncipe, Equatorial Guinea, Gabon, Mauritius, Central African Rep., Angola, Lesotho, Tunisia, Cameroon, Nigeria, Malawi, Zambia, Algeria, Burundi, Seychelles, Tanzania, and Cabo Verde (Tralac, 2022). According to the research of Tralac (2022), “Morocco and the Democratic Republic of the Congo are the latest countries to deposit their instruments of ratification. Confirmation of Parliamentary/Cabinet approval for Somalia is pending”.



Countries that ratified the AfCFTA 2022

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These countries can be called the front-runners of the AfCFTA agreement. The remaining 11 countries can be considered lagers since, except Somalia, they are nowhere near to ratifying this agreement. They must overcome the obstacles originating from the poor infrastructure, the bureaucracy, and the ingrained protectionism of their economy. Several politicians argue that they would be surprised if the ratification of the AfCFTA succeeded in the next year. It is believed that the process will take some years to finish, and if we look at the example of the European Union, it confirms this argument fully.

“Historic challenges including Africa’s poor road and rail links, political unrest, excessive border bureaucracy, and petty corruption will not disappear overnight” (Reuters 2018). The implementation of the agreement might face opposition from the domestic groups

of interest in some states, that fear that they lose deals because of a more competitive provider from another country.

As the AfCFTA secretary, Silver Ojakol (2021) said: “Economic integration is not an event. It’s a process... we must start somewhere” (Aljazeera 2021). According to Milo and Mtshali (2021) intra-African trade in 2021 accounted for 17% of African exports, compared with 59% for Asia and 68% for Europe. Therefore, the improvement of the intra-African trade has been the key to the long-term economic growth of Africa.

5.4. AfCFTA and South Africa

South African Parliament ratified the AfCFTA in December 2018, when the South African president, Cyril Ramaphosa, said that “We do so willingly having been mandated to do, becoming one of those African states who have now signed to become full participants of the Africa Free Trade. We, therefore, deposit this instrument with great pride and joy” (Government of South Africa 2019). He also mentioned that the deal creates opportunities for all Africans since it opens possibilities for economic development and infrastructure progress. Moreover, he also assured South Africa participates with outstanding commitment and enthusiasm (Government of South Africa 2019).

South Africa is considered the most industrialized country in Africa; therefore, it is mostly possible that it could only benefit from the implementation of the agreement (Milo and Mtshali, 2021). Although South Africa exports the majority of its products to Asia (31%) and Europe (28%), 20% of the country’s total exports are distributed within Africa (Milo and Mtshali, 2021). The imports made from the other African countries are only 9.7% of South Africa’s imports, while 78% comes from Asia and Europe (Milo and Mtshali, 2021). Consequently, with the help of the AfCFTA, these numbers could use some improvement, by concentrating on the markets within the continent.

According to Milo and Mtshali (2021), there are some opportunities for South African companies to benefit from the AfCFTA. Firstly, when the reduced tariff barriers are reduced, the exporters can experience increased demands for their cross-border sales from other markets in Africa. “This would be positive for South African exporters of finished goods with key opportunities being the export of machinery and equipment, chemicals, products of iron and

steel, and vehicles” (Milo and Mtshali, 2021). Moreover, the importers of the sources of these goods can access other regional markets outside of SADC, so they can buy the materials from the regions where the product will be sold to. This way both sides can benefit, by selling and buying. Lastly, the agreement might also has a positive effect on shorter transit times, with a well-organized transit system.

The South African Standard Bank is ready to support both importers and exporters to allow them to seize this opportunity offered by the AfCFTA, by mitigating payment risks and assisting with cash flows (Milo and Mtshali, 2021). The fact that the government even entrusts a specific bank to offer help to the South African companies and make it easier for them to build a new area in the country’s economy, shows how much trust the government has in the process and believes that it can benefit all South African.

To reflect on the theoretical arguments by Beth Simmons, South Africa is considered as a front-runner in the AfCFTA process, mostly because it managed to adjust to the policies required by the agreement and did not have to make major changes in its own trade policies. An explanation for this could be that South Africa exports many products within SADC and the other parts of the world because of BRICS. Therefore, being part of this significant economic cooperation with world powers like China and Russia helped them gain more experience in international markets, where the government learned how beneficial foreign trade cooperation could be for their economy. This is possibly one of the biggest reasons South Africa is so motivated to comply, and they did everything in their power to modify trade policies.

To motivate the private sector, the government built a system with the South African Standard Bank to help the South African companies understand how they could benefit from the AfCFTA. By offering this kind of support, the adaption of trade policies has been simpler for the whole country, and by promoting this opportunity for the public sector, the government brought attention to the benefits.

To conclude, South Africa can be considered a front-runner in the AfCFTA implementation, because it ratified the AfCFTA with great motivation and trust in the influence of this agreement. The government’s motivation might originate from the fact that South Africa is part of the BRICS, therefore it has been able to build out a system for international trade. However, in the AfCFTA not only those South African companies that export to the other parts of the world, can participate but also the smaller, middle-class economies are able to do trade

with foreign countries. As a result, not only the biggest industries but also some smaller businesses can also increase their income, moreover, also boost the South African GDP.

5.5. AfCFTA and Mozambique

Mozambique is one of the 11 countries that have not ratified the African Free Trade Agreement yet and since this deal could be a major support for Mozambique's economy, it is essential to investigate why the government has been delaying compliance with the treaty.

It cannot be said that Mozambique completely ignores the AfCFTA and has not done anything in order to ratify this agreement. The government did start a deep investigation to understand what AfCFTA means for Mozambique: how the country can benefit and what has to be done to achieve these benefits.

In 2021, the government of Mozambique asked the United Nations Development Program (UNDP) to report what Mozambique could gain from the AfCFTA implementation and what measures need to be pursued to comply. It includes, among others, assessments of the potential impact of AfCFTA implementation on trade flows in goods and in services, as well as the preparation of a National AfCFTA Implementation Strategy. This work is being led by the Ministry of Industry and Trade (MIC), in close coordination with the Ministry of Economy and Finance (MEF). It benefits from the technical and financial support from UNDP and the United Nations Economic Commission for Africa (UNECA) (UNDP 2021).

According to the United Nations Development Program (2021), Mozambique is not in a position, in the short-to-medium term, to ratify the African Continental Free Trade Agreement (AfCFTA,) and Celeste Banze, an economist at the Centre for Public Integrity (CIP) also agrees with this conclusion.

Banze (2021) believes that the country's tax policy reforms, even in connection with the free trade area of the Southern African Development Community (SADC), still do not have the effects that should have had. Celeste Banze is also skeptical about "the ratification of the free trade zone accession agreement in the medium term because of the non-tariff barriers burdening public expenditure in the current context" (Banze, 2021). The economist of the CIP is concerned about the current status of the economic conditions, which could use some major changes before starting the ratification of the AfCFTA. Therefore, Mozambique cannot fulfill

the requirements of the AfCFTA at the moment, first, it is essential for the government to prepare the right terms. Furthermore, Banze argues:

“in the case of Mozambique, in the short and medium-term, it is necessary to take steps to prevent the country from being absorbed, granting advantages and taking losses due to non-tariff barriers and losses in tax revenue, given that the agreement requires the gradual reduction tariffs by up to 90%” (Banze, 2021).

Banze (2021) points out that, in the context of the implementation of the SADC free trade area, the Tax Authority of Mozambique (AT) prepared a list in 2015 to present five possible actions to mitigate the negative impact of the regional cooperation, but they have not yet had the desired effect. However, she states that “the actions raised have actually made some progress, and the AT’s efforts to implement them are recognized, but they have not yet had the expected impact” (Banze, 2021).

Many economists argue that the main obstacle to foreign trade is probably corruption (Banze, 2021). According to Mathias Bak (2020), who is a researcher at the U4 Anti-Corruption Resource Centre, “Corruption is a key driver of this growing fragility across economic, political, environmental, and security dimensions in Mozambique” (Bak, 2020, p.1.) Mozambique is rich in minerals, like gems, coal, and gas and this sector of extractive industries is the most vulnerable to corruption in the country. The private sector is also extremely exposed to corruption, and it is also highly important for economic cooperation especially when it comes to compliance with an international agreement (Bak, 2020). South Africa successfully managed to motivate its private sector to accept the terms of the agreement, but in Mozambique, it is hard to do the same if corruption overrules the message of this opportunity. Therefore, it is even harder to comply with the terms that the government agreed on when they signed the treaty in 2018 and now, they face several challenges in order to ratify it successfully.

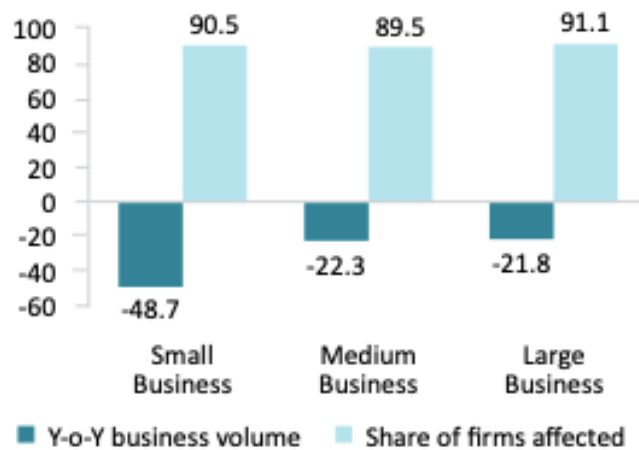
Furthermore, it cannot be forgotten that Covid-19 hit the world in 2020, and while South Africa managed to ratify the agreement before the pandemic at the beginning of 2019, Mozambique was not that fast, and the economic effects of the virus made it even harder to concentrate of the AfCFTA. The government prioritized handling the consequences of the pandemic, just like any other government in the world at that time. They decided to use all their resources on helping the economy and did not have the energy to adjust to the terms of AfCFTA

at the same time. According to the report created by the World Bank (2021), “the global pandemic hit the country as it was attempting to recover from the economic slowdown triggered by the hidden debt crisis and the tropical cyclones in 2019” (World Bank 2021a, 1). That resulted in an enormous economic crisis.

The World Bank reported that “fiscal challenges are significant, and the crisis will further delay fiscal consolidation efforts” (World Bank 2021a, 8). Furthermore, the foreign direct investment and capital inflows slowed down, while the export performance was also poor, resulting in an increase in the account deficit (World Bank 2021a, 8).

The impact on sales volume has been particularly severe for small businesses

Formal firms: Percentage change in sales volume in the first half of 2020 (year-on-year)



Source: INE (2020b).

Note: Y-o-Y: year on year, comparing the first half of 2020 with the same time period in 2019.

Source: Based on INE (2020b)

The impact on businesses 2020
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 Mozambique economic update February 2021, World Bank

The graph above presents the impact of sales volumes, because of Covid-19, on small, medium, and large businesses in Mozambique in 2020. The data shown in the graph is compared to the same period in 2019, before the pandemic. Around 90% of the shares of firms were affected in the country, while the business volume decreased by more than 20% in small and medium businesses, and by almost 50% in small businesses. With such a loss in the private sector, the government was not able to adjust to the terms since the economic crisis resulted in

increased compliance costs of the AfCFTA. Mozambique did not have the resources to comply with these costs and the leaders of the country prioritized the recovery from the pandemic.

Therefore, agreeing with Simmons's (2010) argument, the government could not comply with the agreement yet because they did not have the capacity to change their own trade policies the way the AfCFTA requires. It is believed that this is the main reason why Mozambique has not been ready for compliance, nevertheless the fact that corruption is a major issue in the country, can also play a significant role in non-compliance.

To conclude, although the AfCFTA is exemplary at the continental level and will certainly bring numerous advantages, however, to encounter these advantages Mozambique still needs to strengthen its economic position also at a regional level, but first find a way to restore its economy after the recent years. With the decreased numbers of Covid-19, the government can soon focus its resources on the ratification of the agreement.

6. Discussion

In this section, I aim to illuminate the main arguments that explain the differences between South Africa as a front-runner and Mozambique as a lagger in the implementation process of the African Free Trade Agreement. I give a comparison of the two countries and also give my viewpoint on how this agreement can succeed in the future.

6.1. Comparison

Both South Africa and Mozambique are located in the same region and are members of the same Regional Economic Community, the South African Development Community, therefore they have had economic cooperation with each other for decades. However, as it was mentioned before, Mozambique has not been able to fully adjust to the terms of the SADC either.

South Africa is also part of another international cooperation, the BRICS, which opened several opportunities worldwide. While Mozambique is also part of a similar organization, CPLP, however, this cooperation is more like a cultural partnership between the Portuguese Speaking Countries in the world and there haven't been many economic benefits from it. Resulting in that Mozambique has not had as much experience in the field of global trade as South Africa.

When it comes to complying with the AfCFTA, South Africa was one of the first countries to ratify the agreement, luckily before the pandemic. Mozambique was not that fast and when the country was also hit by Covid-19 the priority of the Mozambique-n government was to fix the economic consequences. This could be considered as one of the primary explanations why South Africa was able to become a front-runner of the treaty. At the same time, countries that wanted to ratify the AfCFTA a few years after signing it had to postpone the ratification process and they were not able to comply.

Furthermore, corruption is an issue in both countries, but despite that, South Africa was still able to create a system for its private sector to motivate the smaller and bigger companies to sell their products in other countries. They also offer better taxes and help from the South African Standard Bank. On the other hand, the Tax Agency of Mozambique has not been able to achieve the required impacts on taxes. Additionally, the government also has to deal with corruption.

To sum up, there are several different conditions that the two countries had to face and that influenced their “roles” as a front-runner or a lagger. Mozambique still has the chance to ratify the agreement anytime and help the future of the AfCFTA move forward. To be able to do so, the government has to put more energy into compliance, maybe on the example of their neighbor, South Africa.

6.2. Recommendations for successful implementation

Since this is an African agreement, African commitment is needed to have a successful implementation in all countries. Therefore, all countries should concentrate their attention and resources on this process, so they can benefit from the created Free Trade Area in the future.

The intentions of external actors should not be the priority, in order to succeed, since some of Africa’s largest partners may seek to pursue bilateral trade instead of a multilateral one. As an example, the United Kingdom and also the United States pursued bilateral trade with individual African countries, moreover, China has been negotiating bilateral agreements with some African countries (Moore 2021). Even if these deals are beneficial for the countries individually, the well-being of Africa has never been a true objective of the policies of the external partners and it has not changed.

However, to close the gaps within the economy it is important to increase foreign direct investment. To attract FDI to the countries, the governments of several states have to be committed to better governance and repair their home affairs. It is impossible to concentrate on the implementation of the AfCFTA if there are riots and security and revolutions in some countries like Nigeria or Ethiopia (Moore 2021). Unless countries are committed to better governance, the African Free Trade Agreement will be sunken by the dysfunction of the continent.

7. Conclusion

Based on the framing theory, this thesis investigates the reasons why South Africa complied with the African Free Trade Agreement and why Mozambique has not. There are several explanations and complex narratives that influenced the behavior of the countries.

First, as the saying goes: “timing is everything”. South Africa managed to ratify the agreement in 2019 before the Covid-19 pandemic started when Mozambique was dealing with some crisis. Then the coronavirus had numerous negative impacts on Mozambique’s economy, therefore, the priority of the government was not compliance with the AfCFTA. Because of the pandemic, the costs of compliance were unexpected, which resulted in non-compliance.

Secondly, South Africa has some advantages in compliance with international treaties since it is part of the BRICS; therefore, it has some experience adjusting its policies to the required terms. It is also the most industrialized country in Africa, which makes the government so enthusiastic about the new economic cooperation. The South African industry is capable of exporting remarkable minerals to the whole world. Thus, having better conditions in the African market is an excellent opportunity for South African companies. In the meantime, Mozambique could not even fully comply with the terms set by the South African Development Community, hence it cannot be expected that they can comply with the AfCFTA as fast as South Africa did.

There are different conditions for the implementation in every country that signed the agreement, as we have seen by exploring the case studies of South Africa and Mozambique. The complete implementation of the AfCFTA can take many years and if even just one country is not able to comply, that objectives set by the agreement cannot be fully successful. There could be several obstacles along the process since every country has their internal issues that can prevent them from moving forward the implementation process.

If we take a look at the integration process of the European Union, we can see that it did not happen from one day to another. It took decades to achieve the current status of the EU with several levels of implementation. However, doing so with the AfCFTA, is even harder because of the major number of participants who signed the agreement at the same time and not in smaller packages like back at the start of European integration. Even so, the African Union has a great example to follow, but at the same time the AU should also motivate the lagers of the agreement and guide them to the ratification of the AfCFTA.

In conclusion, the AfCFTA is a significant step for the future of African integration, and it will have a major impact on African countries. The continent can finally be united under a common goal, which is the improvement of their own economy and most importantly their economic cooperation with each other.

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