History From Above in Africa

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Africa's massive new free trade deal promises to unify over a billion people and lift the continent out of poverty. But the case of Ethiopia shows that it will instead spark a continental race to the bottom and shut workers out from economic policy.

These days, a lot of history is being made in Ethiopia. Under the leadership of its new Prime Minister Abiy Ahmed, Ethiopia has embarked on economic liberalization reforms which were unthinkable less than eighteen months ago. As part of the new scramble for Ethiopia, the government has initiated the partial privatization of key state-owned enterprises, including the country's flagship Ethiopian Airlines. In addition, the new government is undertaking critical measures to open Ethiopia's "closed" economy. Recently, the prime minister set up a ten-member national committee to resume the process of WTO accession, which had been paused for the past six years.

Last month the author Francis Fukuyama — best known for his "end of history" thesis in which he argued that the Cold War's end, and the subsequent hegemony of liberal democracy, had ended the struggle between ideologies which drove human history — came to Ethiopia's capital Addis Ababa to give a public lecture on the ultimate triumph of liberal democracy. After a few more talking points on the universal recipe for growth and development — essentially a technocratic state that supports the market-based economy — Fukuyama headed off for a private audience with the Ethiopian prime minister.

The transition to liberal democracy in Ethiopia over the past fifteen months has indeed been unprecedented, with tens of thousands of political prisoners released and progressive reforms to the country's restrictive civil society and media laws. At the same time, the new government is carrying out a far-reaching reordering of the country's political economy from above. The gap between the introduction of liberal democratic rights and the next elections in 2020 has meant a delayed democratization process: Abiy operates in a one-party state on the precipice of a multiparty one. The government is using this vacuum of democratic legitimacy to hastily introduce neoliberal structural reforms which may be impossible to rush through once Ethiopia has moved to a multiparty system and when civil society, including independent labor groups, have gained strength.

However, one should not mistake this model of neoliberalism from above, isolated from the popular will, as inevitable, or as part of an African propensity for autocratic rule. Rather, we should understand it within the wider context of what sociologists Pierre Dardot and Christian Laval describe as post–financial crisis neoliberalism, which is a "stranglehold of a system of norms and treaties that benefit the oligarchy while immiserating the rest of us."

The European troika's authoritarian imposition of austerity onto the Greek populace against its will in 2015 is one among many recent examples of an outright antidemocratic neoliberalism that has lost its veneer of legitimacy. There is no contradiction between this radicalized and authoritarian neoliberalism and formal democracy as key neoliberal reforms are increasingly being taken out of the political process altogether. This is frequently the case with the international treaties, including free trade agreements, to which governments commit.

Now, Ethiopia's one-party parliament has joined this trend in its ratification of the African Continental Free Trade Area (AfCFTA) in April of this year. It is telling that AfCFTA's ratification was presided over by Rwanda's autocratic president and then–African Union chairperson Paul Kagame (since then succeeded by Egypt's equally autocratic president Abdel Fattah el-Sisi) at the Extraordinary Summit on AfCFTA in March 2018 in Rwanda's capital Kigali. There, forty-four of the fifty-five AU members signed the agreement establishing the AfCFTA.

AfCFTA is being hailed as a historic achievement of regional cooperation, and as the key to "unlocking Africa's long-stymied economic potential." It's been framed as a break from the colonial relationships that previously defined African economies' relationship with the world, with the Brookings Institute even invoking Nelson Mandela in their coverage of AfCFTA. But as its implementation in Ethiopia shows, the agreement is much more about cooperation between elites than the people of Africa. It's likely to spark a new race to the bottom in the continent, while further removing key questions of how to structure the economy from popular will.

Integration at Full Speed

With impressive speed, given the usually lengthy process for ratifying these intergovernmental agreements, since the Kigali Summit last March, the required ratification by twenty-two countries was already achieved at the end of April 2019. This allowed AfCFTA to enter into force on May 29, 2019. During the same period, an additional ten countries also signed the agreement, leaving Eritrea as the sole outsider of the continental free trade deal. Nigeria, Africa's largest economy, finally signed the agreement in July after overcoming opposition by local manufacturers and labor unions. Niger's capital Niamey launched the operational phase of the continental free trade zone and chose Ghana as the zone's new headquarters.

According to its proponents, the AfCFTA's creation of the "largest free trade area since the establishment of the WTO," and with it a market of 1.3 billion people and a combined GDP $3.4 trillion, is a game changer which could boost intra-African trade by 50 percent by eliminating import duties.

Currently, intra-African exports represent only around 18 percent of the region's total exports, much lower than trade among other trade blocs such as Europe (69 percent) and Asia (59 percent). For instance, Ethiopia's goods imported from African countries account only for 4 percent of the total import bill, while its exports to African countries stand at 20 percent.

This trade pattern is a reflection of the dynamics of global capitalism and the legacy of centuries of violent colonialism. Most African countries continue to primarily trade with countries from the Global North and, increasingly, China and other BRIC countries. This kind of asymmetrical global trade takes usually the form of African countries exporting raw materials and agricultural commodities and importing higher value-added products, with the value added remaining in the more advanced economies, thus perpetuating inequality between developing and advanced economies.

According to neoclassical economic theory, this trade imbalance is primarily a result of misguided protectionism and state interference. Such interference takes the form of tariffs and non-tariff barriers (NTBs) which prevent African economies from achieving the productivity required for structural transformation. With the progressive removal of trade barriers and the introduction of the free market, this could be slowly corrected and complemented with wider liberalization measures including, ultimately, liberalization of the financial sector.

Through the AfCFTA, AU member states only agree to initially liberalize 90 percent of their tariff lines on goods effective July 1, 2020, with no commitments on the remaining 10 percent of tariffs, non-tariff barriers, and key questions such as rules of origins (the latter can become quite complex in global value chains). Overall, despite varying degrees of integration within Africa's eight Regional Economic Communities, as a continent, Africa is still far away from a customs or even monetary union. However, earlier this month, leaders of the Economic Community of West African States adopted a proposal to introduce a single currency for the entire region by 2020, highlighting the ongoing acceleration of integration processes on the continent.

Agreements like AfCFTA, like the eternal integration processes of the European Union and other free trade areas, present liberalization as a singular moment when in fact it is a process that has no defined ending but is driven by a much broader vision for freeing the movement of capital from political, and thus democratic, control. It is one of neoliberalism's key features to "constitutionalize" what was formerly political and subject to popular will.

More important and "historic" than the actual technicalities agreed upon is the ideological breakthrough of getting almost the entire continent behind an economic model that understands the free market and increased competition as a key development strategy. As the European Union continues to show, committing to the logic of the free market and competition at the supranational level is a powerful tool for governments to push through further liberalization reforms at the national level. Once they have been institutionalized at the supranational level, the space for alternative policy choices at the national level are closed off.

AfCFTA's introduction also provides increasing control over economic policy to the many unelected advisors, think tanks, and global development institutions such as the World Bank and IMF who will drive its implementation. Influence will also accrue to African countries' "donor partners," who are increasingly using aid funding for Africa to develop markets and labor "skills" for their countries' multinational corporations.

Factory Africa

While the idea of African regional integration is not new, its recent acceleration reflects shifts in global capital accumulation after the 2008 global financial crisis (GFC). Low interest rates in most advanced economies and the GFC's aftermath have combined to make Africa an increasingly popular destination for global capital.

According to the IMF, nonofficial net capital flows to sub-Saharan Africa, which totaled about $4 billion during the 1980s and 1990s, increased sixfold to $25 billion in 2007, before doubling to about $60 billion in 2017. Sub-Saharan Africa, which for a long time was outside the success narrative of globalization, is now home to half of the world's fastest-growing economies. Twenty of its economies are set to expand at an average rate of 5 percent or higher over the next five years. This includes Ethiopia, whose projected economic growth for 2019 is closer to 8 to 10 percent.

Importantly, since the GFC, there has also been a shift of investment flows within Africa. Investment has increasingly flowed to non–resource-intensive countries like Ethiopia, whereas earlier the bulk of investments went to resource-intensive countries (due to large direct investments in the natural resource sectors and external demand for natural resources, including by China).

While in the international division of labor Africa continues to be primarily a source for raw materials and agricultural commodities, parts of the continent are now slowly becoming a destination for low-end manufacturing given that labor costs are much lower than in Asia, the world's foremost low-wage paradise. The African continent's growing population — estimated to reach 2.5 billion people in 2050 — also provides a massive potential market for products (partially) manufactured in Africa, especially once barriers to intra-African trade have been removed.

As is the case with the European Union, “integration,” often veiled in a language of culture, peace, and shared prosperity, is a vehicle for opening consumer and labor markets to capital from above. While capital is less and less restricted, there is no intention in the AfCFTA to harmonize social standards and taxation, which could be effective mechanisms against a race to the bottom. On the contrary, the chief aim of free trade is to create an environment of unfettered competition which, according to economic orthodoxy, drives efficiency and economic growth.

The theory is that national industries that are no longer protected by government interference, in the form of tariffs and otherwise, will have to increase their competitiveness or else they will be outcompeted by cheaper imports from more productive industries elsewhere. The social consequences associated with this — deindustrialization and unemployment in some parts — are part of the “necessary adjustment” in the “survival of the fittest” language of the free market advocates.

In the absence of common social standards, this will result in a race to the bottom where capital will move to wherever it is most profitable to invest, with wage levels and “labor discipline” playing a key role in determining the “competitiveness” of a country. In a continent where 70 percent of its population are below thirty and where 70 percent of its youth live on less than $2 per day, the race to the bottom is taking on new dimensions.

Ethiopia’s Race to the Bottom

If there were any doubts about the new Ethiopian government’s commitment to top-down neoliberal, supply-side economics, they should disappear with the country’s new labor proclamation.

Ethiopia is a major benefactor of the recent shifts in global capital accumulation. The country’s foreign direct investment (FDI) increased significantly since the GFC, increasing almost fivefold between 2000 and 2011 and reaching more than $4 billion in 2018. FDI is lured to Ethiopia via tax incentives, specialized (mostly Chinese-built and -financed) industrial parks and “favorable” land concessions for the country’s growing export-oriented horticulture sector. But even more critical for attracting investment is Ethiopia’s low-wage regime, which was already put in place by the previous government. Despite Abiy’s commitment to expanding political freedom, when it comes to labor rights, there is political continuity with the country’s previous autocratic regime.

As part of its industrialization strategy, Ethiopia continues to position itself as the “new Bangladesh,” making international headlines in 2019 for having the lowest-paid garment workers in the world. With no private sector minimum wage, low wages are seen as Ethiopia’s “comparative advantage” in the global race to the bottom. The Ethiopian Investment Commission reports that “the average wage of workers in the leather factories is US $45 per month, while the minimum wage in Guangdong is about US $300.” The recent Worker Rights Consortium’s investigation also reveals that Ethiopian factories are paying wages far lower than any other apparel-exporting countries, with an average of 18 cents per hour.

Earlier in July, Ethiopia’s one-party House of People’s Representatives approved a draft bill to revise the existing decade-old Labor Proclamation. The new draft bill reflects the government’s commitment to strengthening Ethiopia’s investor-friendly climate and cementing Ethiopia’s regime of cheap and disciplined labor. The Ministry of Labour and Social Affairs, which was tasked with drafting the bill, benchmarked labor codes from Vietnam and Bangladesh in the draft to align Ethiopia’s law with the expectations from global investors.

While not stipulating a minimum wage, paid maternity leave, or health insurance, the law increased the probation period from forty-five days to sixty days, thus expanding employers' ability to dismiss workers without compensation. The new proclamation has also revised the previous proclamation, which gave employers the right to dismiss an employee without any notice if he or she is absent for five consecutive days. Now, if an employee arrives late for eight days within a six-month period or is absent for five days even if it is not consecutively, the employer has the right to automatically dismiss the employee without prior notice.

History From Below

If the continental integration agenda was more concerned with the well-being of labor than of capital, the AfCFTA would utilize regional cooperation to jointly regulate capital flows for the benefit of its people. This could include measures to prevent tax evasion, labor exploitation, and environmental degradation. Instead, AfCFTA reflects Africa's efforts to attract global capital by offering unregulated access to its markets to extract profits off the backs of its impoverished population.

What the structural adjustment programs (SAPs) of the 1980s were not able to achieve through coercion is now being rolled out voluntarily through the hegemonic logic of global capitalism. There is a new generation of African technocrats, trained in neoclassical economic theory and professionalized in the grand halls of international neoliberal development institutions, who are anxious to align their countries' economies with the demands of global investors. For instance, Ethiopia's prime minister has assigned a former World Bank senior project manager as both his senior policy adviser and the country's chief trade negotiator, including for the AfCFTA process.

Still, the World Bank's new loan packages to Ethiopia are contingent upon Ethiopia's compliance with liberalization reform efforts. The Bretton Woods straitjacket of "debt relief or loans for reforms" continues to be applied — as the Greek crisis has shown, this is no longer restricted to developing economies — with Africa becoming the next frontier of globalized neoliberal capitalism. There is little ideological resistance to this program, even from Ethiopia, which not too long ago rejected neoliberalism in favor of its (autocratic) version of the developmental state.

The continent's move towards liberalizing its economies is neither "historic" nor an end of history, but quite the opposite. It is a continuation of centuries of exploitation of the continent's people and resources, with most of the surplus value created by Africans not contributing to the development of the continent.

At the same time, post-GFC developments in the West, especially the United States and Europe, show that the current model of liberal democracy is being challenged from both the political right and left. While from the Right the primary aim is to replace a centrist "progressive neoliberalism" with a more authoritarian and nationalist variant á la Trump, on the Left there are real alternatives, including in the form of democratic socialism, championed by Bernie Sanders in the United States.

Although there is currently no political force to advance democratic socialism in Ethiopia, the concept of democratic socialism, which advocates substantive rather than formal freedom, equality, and solidarity, provides a powerful alternative to both Ethiopia's authoritarian developmental state past and neoliberal future.

Progressive forces in Ethiopia must exploit the opened political space to organize around an alternative political project beyond liberal democracy and a development model that measures progress in terms of GDP growth. The ultimate measure of human progress must remain freedom, including freedom from destitution and exploitation. While formally free to enter labor contracts, Ethiopia's large number of extremely poor people — currently 24 million Ethiopians are living on 60 cents per day — are forced to work under any conditions as a matter of survival.

Progressives must reject a vision of Ethiopia that is based on economic theories and paradigms propagated by technical advisers on six-figure incomes that always project abstract trickle-down wealth for the many in the future while the elites, both local and foreign, can become richer in the present. Instead, Ethiopia's ongoing political transition provides an opportunity to make history from below by bringing together ordinary Ethiopians around an alternative vision for the country based on dignity and freedom for all.

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