

**Madoda Ludidi**

**Covid 19 is a Hindrance to Economic Structural Transformation and Socially Guided Regional Trade.**

It is difficult to know the full impact of the COVID-19 pandemic while it is still unfolding. The virus is a mystery and is still spreading despite concerted efforts to contain it. What is clear though is that things may never be the same, and we should come to terms with that. In this article, we take a look at two major areas of structural transformation that are at serious risk while also looking at potential opportunities in these areas, namely the African Continental Free Trade Agreement (ACFTA) and Informal Cross Border Trading (ICBT).

Dealing with this episode with eyes set on opportunities is essential for Africa. If we view the pandemic as a reset button that will allow Africans to rebuild in a way that tackles more issues than the old paradigm allowed, we may see the philosophical and empirical opportunities on offer. As more countries lock down their economies and apply movement controls, almost all forms of supply chains are disrupted. This creates opportunities to build regional supply chains and partner retailers with smaller and informal traders helping the latter into the continental market as mainstream contributors.

We should also note the importance of social policy in the face of such dramatic change. Social policy must respond to the changing landscapes of production, distribution, protection of citizens and address questions of legitimacy while accumulation is occurring in the backdrop of these activities. Without relevant and just social policy, we will fail to protect our accumulation model from new challenges.

Free trade in Africa was expected to boost intra-African trade from 18% to about 50% between now and the year 2030. The ACFTA is an obvious direct casualty of COVID-19, largely as a result of the closure of national borders, sea ports and airports, as well as the shutdown of factories as businesses and governments take precautions. ACFTA

was set to be a paramount landmark, and its stagnation is a prime example of how the pandemic hinders structural transformation.

According to United Nations Economic Commission for Africa (UNECA), the coronavirus will negatively affect Africa's growth since China has been affected and revenues of oil-exporting nations could be reduced by US\$ 65 billion as crude oil prices have tumbled. Also, Europe which consumes 53% of African exports has been heavily compromised by the virus. The implementation of the ACFTA would help African countries limit their dependence on external partners and increase interconnectedness.

According to the Brookings Institute, intra-African trade prior to the COVID-19 pandemic was 18% compared to 59% in Asia and 69% in Europe. Also, UNECA found that manufacturing output had been falling in the last decade, through a process of de-industrialisation. Processing in Africa thus can be seen as a matter of critical importance and with ACFTA's potential to jolt manufacturing, it should become a focal point of post lockdown strategy.

ICBT forms a significant part of intra African trade. It contributes income to an estimated 43% of Africa's population, is heavily linked to food security. Women from some of the most fragile and impoverished communities on the continent are the major participants and beneficiaries of ICBT. For these reasons, any threat to ICBT in Africa is a threat to the most vulnerable and needs to be taken as a major challenge to the structural transformation Africa needs. The closing of national borders and restrictions on the movement of persons constitutes an almost complete stand still for this potentially revolutionary phenomenon.

It's devastating impact on health notwithstanding, the COVID-19 pandemic could be an opportunity to advance the free trade area in a more developmental, inclusive and mutually beneficial way for African countries.

Cross-border infrastructure investment could be boosted to support and facilitate ICBT. This includes physical ports, roads and railways as well as customs procedures, port efficiency and security. Examples include the Mombasa-Nairobi Corridor; the Addis to Djibouti road, rail and port connection; and the Abidjan-Lagos Corridor, which handles more than two-thirds of West African trade. Over and above that, a digital platform for the creation of market access for informal traders is also a necessary infrastructure.

If Africa can achieve these two milestones, which could dramatically restructure African economies, the path to the type of socio economics we desire may fall ever closer to grasp with each transaction. This, coupled with a set of social democratic social policies that are human centred, could culminate in a socially just Africa.

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