

**Nicolas Roux (bilaterals.org):** Welcome to a new bilaterals.org podcast in partnership with Public Services International (PSI). This edition explores the controversial connection between special economic zones and the [African Continental Free Trade Area](#) or AfCFTA.

**Daniel Oberko (PSI):** [Special economic zones](#), also known as export processing zones or EPZs, are growing rapidly in Africa. They have become popular with governments and corporations as a way to attract foreign investment by offering laxer environmental and labour regulations, to address industrialisation and employment crises, and to boost exports.

EPZs have been at the heart of economic liberalisation in Africa, and are an example of the focus on export-led growth rather than domestic investment and industrialisation.

The first wave of their implementation was in the textile and garment sector, but today they are spread across the economy, with mostly foreign companies operating in various sectors such as agricultural processing, biofuels, coffee, cocoa, services, natural resources and so on.

However, EPZs have also been highly controversial as they have led to loss of revenue, decline in domestic sectors, agriculture, quality of employment and greater financial liberalisation.

The African Continental Free Trade Area is a continent-wide free trade agreement signed by all but one member of the African Union. It promotes the use of EPZs to further liberalise the economy, which could have drastic consequences for the African people.

To discuss these issues, we turn to our guest, Gyekye Tandoh who is a freelance research activist.

**Gyekye Tanoh:** Okay, first of all, thank you for the discussion. I think it's very timely and important. Special economic zones have become an important feature like you're saying of the African economic policy to attract foreign investment and also to make up for the crisis of industrialisation, of employment, and to try and boost exports as well. In fact the last factor, export-led growth is the decisive reason why many countries have shifted to this model of economic activity.

**N.R.:** What are the most common activities in special economic zones?

**G.T.:** Well originally, they were meant to stimulate manufacturing exports. This is the model that many countries have taken. So in China, for example, that was the model. But it hasn't happened. In fact the share of manufacturing in African exports, if you take out raw material processing and if you take out agro export processing, the share of manufacturing in African economies has dropped very sharply and has dropped at an accelerated rate since EPZs were adopted. So it has not solved the problem of manufacturing. And what you have increasingly is that the processing takes the form of assembly. And the assembly is in low sector, low productivity, low value addition sectors, and increasingly are not for exports, but exports are being replaced by assembly for the domestic market.

So one example, you'll find in countries like Ghana that you have a lot of export processing companies, sorry yes EPZ processing companies, that are processing imported inputs into let's say tomato paste. So there's tomato concentrate there's all kinds of chemicals, they brought here, they're mixed together, packaged, sold to the local market, sold to the regional market because some of it spills over into the regional market for countries like Burkina Faso and so on. They are called export processing but it's really not about export processing. The direct consequences for the tomato, both the agricultural and industrial potential sectors of based on tomato manufacturing in

Ghana are suffering badly as a result, as well as public health because these are additives all kinds of things they are not regulated, the standards are very low, to attract foreign exchange and so on and so forth. So there are all kinds of consequences. So the original aim of boosting increasingly high value manufacturers, starting with low-end things such as textiles and garments, it hasn't happened. It hasn't happened because everybody is going for the same process so it has intensified competition, it has intensified the race to the bottom.

**N.R.:** Interesting. And earlier you mentioned lack of regulation. It's actually something that comes out very often. People are very unclear about how these zones are actually governed. Are they are they ruled by the government, the local governments? Or are they ruled by companies?

**G.T.:** The confusion comes from the fact that first and foremost they are a competitive tool to attract foreign investment on the best possible terms. So if you have an export processing zone where you are sitting, and I want to start one, I have to offer better terms to the multinationals than exist for you, so less environmental regulation, weaker union rights, and so on and so forth, lower pay, no conditions for technology transfer, no considerations about environmental health, and so on and so forth. That is what I mean. And you can see that in the way in which, yes governments have tried to regulate so most countries have export processing zone authorities, either they attached to the ministry of trade or investment or they are standalone parastatal bodies which have regulatory oversight.

But at the same time, we have to recognise that it is not national level policy and regulatory frameworks that have defined the emergence and evolution of EPZs. It's more to do with the global economic condition. So when you have a situation where a country is lowering its trade and investment barriers as much as possible, but not attracting, still not attracting what it thinks is a required foreign investment, then it will rely more on bilateral partnerships or trade agreements. So you find that most EPZs companies have come in not through just the general EPZ regulations but it's because of bilateral and multilateral free trade agreements that they come in. You mentioned AfCFTA, we can come to that. But you find that when countries have you know let's say special trading arrangements with the United States under let's say Africa Growth and Opportunities Act, that is when under that umbrella, you find that the countries that are best positioned or closest or friendliest to the United States, they can attract some.

Every country goes as far as it can go to liberalise and it does not achieve the results. So already you have a disaster without results and then on top of those results, you have to go even beyond, further beyond those arrangements to have special concessions given to countries and given to companies, like the AGOA framework that I mentioned, to attract and even then only some countries, only some sectors will temporarily get some temporary advantage, and everybody has lowered their standards, and there's no benefit. So you don't have a stable regulatory model. It shifts and changes according to this competitive drive and this the drive to keep opening up, and give extra, constantly add beneficial conditions for foreign multinationals.

**N.R.:** Sure, and you mentioned the African Continental Free Trade Area. Its text clearly encourages the use of special economic zones. What do you think are the main risks regarding the use of special economic zones in relation to the AfCFTA? And also, to be maybe a bit more precise, do you think foreign companies could use special economic zones to gain further access to the African market through the AfCFTA and also compete with local companies that are on a different level of of development?

**G.T.:** Well I that's a very important question because I think everything I've said implies two things. Just to summarise that the first is that overall, there have been massive losses to African economies both in terms of the collapse of sectors, the loss of revenue, whether it's exports and you know the development of domestic sectors, and so on. That's one set of thing. But the other thing I've also tried to imply is that this process is uneven. There have been some limited gains in limited sectors for limited periods, for limited numbers of countries. So there are those who still believe that, and in everything you can find some evidence for it, those who still believe that this is the way to go. And as I have said most of the countries or the sectors or the individual companies that have gained from incoming EPZ investment has not been so much to do with the EPZ overall regulatory framework, as to do with trade agreements. So the AGOA is one side of it and so on. If you take the fisheries agreement, for example, between EU and parts of Africa, it is the reason why you might find fishery sectors in Seychelles or fisheries sectors in Senegal, gaining you know some kind of investment sometimes, or Mauritania and so on, gaining some kind of investment sometimes.

For that reason, for a lot of African policy makers, the idea that you can use an even bigger free trade agreement such as the Africa Continental Free Trade Agreement to scale up whatever so-called benefits have happened in the past, it seems to be a logical extension. And they have also bought into the idea that there is nothing wrong with EPZs as such, but the problem is that in Africa infrastructure is not good, the markets, the individual national markets are small and so on.

So if you have a regional project where there's dedicated investment in regional transnational infrastructure for example, one foreign multinational can control a number of ports and therefore can guarantee a certain standard of port facilities and what they call trade facilitation. All that one company from France or PPP [public-private] partnership can bring about railways crossing the Sahel, and so on, maybe there can be some gain. So there's those calculations.

But the most important point is that this idea of scale is what is being offered as an attractive destination for Africans. So they are using the AfCFTA to do this without consideration of the fact that it will intensify the importance of EPZ as a competitive tool within Africa itself so different African countries, instead of acting together, the AfCFTA relying on an EPZ model will intensify the competition between different African countries themselves. And at the same time, the AfCFTA will treat all these foreign multinationals which are already present as domestic national and domestic regional companies, so their room to grow and their room to catalyse and monopolise is even more open and more freer than than has been the case before.

**N.R.** it seems that Africa as a whole has a lot to lose from the AfCFTA so my next question is in two parts. What could be the concrete impacts of the AfCFTA / EPZ model? And who in Africa stands to gain? Because a lot of African businesses, governments, and even some civil society organisations are pushing for it.

**G.T.:** EPZ is not limited to manufacturing it has become an economy-wide model for foreign partnerships. So this is the same period when there's going to be an intensification, a scramble for natural resources in Africa, under worse terms than have existed before. Whether it's to do with climate change, renewable energy, this is where we're talking about the land grabs, the concessions, exclusion of communities, driving down of workers conditions and their wages, precarious labour and so on. All of this is a cocktail, and an explosive cocktail, which is coming together. And I think the approach that the AfCFTA has taken is likely to intensify rather than mitigate some of these threats and these dynamics which are already under way as well.

So the threats for Africa are important, but as long as there are some people who gain, and there will be gains, both in terms of an even gains between countries, between sectors, but also at the level of class, because the employer classes in Africa who have gone along with the EPZ model, and all that it brings, all the special investment, special purpose investment vehicles, all the shadow banking operations, there's a lot of important gains that the ruling classes in Africa have made. They also gain from the cheap labour, they also gain from weaker union rights, they also gain from the disposition of communities, and the installation of private property rights in land. So there is a real partnership going on but it means that the conflicts and threats to African working people and the African environment is what we should look at.

Unfortunately I don't think the labour movements, the social movements are enough attuned to the fragmentations and divisions that are already growing very deep within Africa, because of this race to the bottom, and will be expanded across the continent with this type of free trade agreement as well. And I think that's one of the things that you know PSI and its affiliates taking up this question, this is one of the areas of most urgent research and intervention as well.

Music break: Aziza Brahim "Marhaba" (Reaktion)

**N.R.:** If I were to sum up what you just said. It seems like the AfCFTA will encourage competition between African countries and therefore it will encourage this race to the bottom that that you mentioned, it would encourage laxer regulation, growing inequalities and so on. What can be done to tackle that? Because, if we take for example in Honduras, [they had special economic zones that people really struggle against](#) because because of all the reasons you mentioned. But people grew more and more angry towards those zones. Are there similar cases in Africa? Are people protesting against these zones or what's being done in terms of social movements and so on?

**G.T.:** I think there's always going to be protest. Human beings are human beings. If you're cheating them, you're exploiting them, you're pushing them to the wall, some will always fight. So I think there are numerous cases, in fact, innumerable, countless cases but these are small, localised, sector specific, or company specific struggles that have not generalised, integrated, unified as a broad social movement. In fact I think to some degree, you can say the same about Honduras as well, even though it's different conditions. Yes Honduras is a poor developing country, like most of Africa. We know that a lot of Latin America is the same way, we know that women in particular in all the maquilas in Latin America, as well as in South Asia, women, the feminisation of women, were brought in cheap labour, ununionised, people from the rural areas, and so on and so forth to lower the standard. That's true, everywhere.

But let's also remember that Honduras is part of a region where the process of industrialisation is a bit more advanced than Africa. And there's a bit more local ownership than Africa. And struggles around labour and capital are far more longstanding. These are countries that got their independence in the 19th century. In the 1930s, 1940s, countries like Brazil and Argentina and Mexico, huge popular movements accompanying industrialisation, accompanying national development coalitions, and so on and so forth. Yes neoliberalism has shattered all of those things but those traditions never died.

So in Honduras it's been important that especially the kind of initiative that women began, the leadership came from women and it spread. But at the same time, you have to say that the traditional trade unions in Honduras have not taken up the question adequately or consistently. They have not managed to integrate the women's movement and their demands as fully. So what has

happened in Honduras is very positive, I'm simply saying it needs to go further. It needs to go further and it needs to begin to encompass the issues about tax, it needs to bring the issue of domestic investment, control of capital flights, of land rights, of water rights, all those things together in a new democratic platform, a new constitution, popular constitution agenda that can bring more and more people together and can force the ruling classes in Honduras, elsewhere in Latin America, that the political cost of not looking for a more inclusive, more equal equal type of a new national development that is sustainable, that is equitable and so on and so forth. So it's important what has happened in Honduras, it could go further.

**N.R.:** So do you think the experience in Honduras can be helpful for African struggles against EPZs?

**G.T.:** From the same point of view you have to say that in the African case we need go even much further. Whenever you've had successes in Africa around EPZ conditions, like I said, it has always been very, very local. But you find that the communities themselves are not homogeneous. A community also includes a chief, it may include an MP, it may include some big priest from town, it may include somebody who is a millionaire, and so on. When you say community you haven't solved the problem yet. Secondly, what the rural struggles and the urban struggles are not linked, even though in terms of actual demographics the rural and urban are more linked than ever before. If you talk about precarity and informalisation and the fluid movement between different occupations, there's no family in the rural area who does not have a relative working in town, or trying to migrate abroad, or working in the informal sector, and vice versa. So actually the potential for unity is greater now than ever before.

However the political enablers of that unity are weaker now than ever been before. So to go forward, yes we must learn from struggles, such as those that have taken place in Honduras, and so on. But we must come from from an understanding of two things in particular: that the first requirement for that struggle to advance is that we we need a unifying agenda because we are confronted with a real crisis of lack of leadership, of lack of politics, and by politics I mean linking the different issues together into a social agenda and a social movement; and that we have real divisions and where each section is trying to gain for its own self, whether it's at the expense of another section, or not.

We're not talking about the employer class, we're not talking about transnationals, we're not talking about the capitalists. But if I'm an urban worker and I'm working in the Dias EPZ in Senegal, I've been employed to come and work there. Usually they will employ people from outside the immediate neighborhood, outside the immediate locality, meanwhile the land of the local people has been taken. Then there's an automatic conflict between the worker and the community. Well I don't mean the community as a whole, I mean the farmers, the lower end of the community who have been dispossessed and so on so forth.

But that is the opposite of what should be happening. Because if you bring a new factory into that into that country type of area, actually there can be a unity of interests. There's a better objective basis there to be a unity of interest between the farmers and the farming community, the workers in the area, those who they are connected to on the docks, on the rail, on the port transport, workers, health, post education. I'm trying to say you have the basis of something that actually can grow.

But unless you think politically, if you think in traditional industrial relations, I defend my wage, I defend... we are not going to go very far. We need a real transformation, political transformation,

and again that can only come from the working people as well. And the more we share the examples and the ideas from across the world and the more, we learn from each other, I think, and the more we integrate little local struggles and give a narrative which prove to people that it is relevant to me, I can develop this model myself, and I can interconnect with others, I think the better chance that we have to begin to turn the tide.

**N.R.:** Sure and last question. Something that's very has been very controversial over the past few years is that many free trade and investment agreements, they provide investment protections for foreign investors, meaning that, we've seen over and over again in the past, that many investors have used trade deals to take countries to arbitration when governments for example try to introduce new stricter laws with regards to, for example, environmental regulations, labour regulations and so on. And we were talking about Honduras before, when the government of Honduras abolished the special economic zone there [it was taken to arbitration](#) by a US company under a free trade agreement between Honduras and the US.

Now it's not clear whether or not the African Continental Free Trade Area will [include such protection](#), but it seems like it will. Like the text hasn't been finalised yet, the process is very opaque, we don't really know what's going on, but it is mentioned in the text. So this means that potentially governments could be locked, could be prevented from from regulating, if these regulations you know negatively impact corporations, especially foreign corporations. So this means that potentially and maybe, sorry it's a doomsday scenario, but potentially these export processing zones or special economic zones couldn't be regulated in the future. Do you think people are aware of that and how problematic do you think this threat?

**G.T.:** I think there two things that we have to say. First and foremost I don't think it's a speculation that the investor State dispute and investor rights will be in the AfCFTA. It's not a speculation, it's a fact. The main purpose of the AfCFTA was not to repair the damage of the WTO or the free trade agreements, it was to build on them. It was to build a bigger, more investor friendly regime so I think automatically we will find it. So that's one thing. The second thing is that you know, you're right that if these things are locked into something like the AfCFTA, it makes things technically more difficult.

I use the word technically because technicality is not politics. First of all, the reality is that the economic processing zones as a model has failed in Africa. That's the first thing. Export-led industrialisation in Africa has failed abysmally. So there's a limit. You can say all you want rhetorically and put it in agreements and so on but the reality is that it is a failed model. So it's legitimacy, even if you put it in law you put it in the treaty, its legitimacy is weaker and weaker and weaker as we go.

The fact that trade unions are not making more of this, it's a problem. The fact that workers are not making more because by now, it ought to be on people's consciousness that this is a colossal failure. You don't expect the governments to do that. You don't expect the AfCFTA secretariat to do that. You don't expect the transnational companies to do that. Only the working people and working people's communities can do that and they not doing it. So I'm saying everything that promises as big a scale of as transformation as the AfCFTA is also a site for contestation, for alternative narratives, for ideological battle, for real organising, and so on and so forth. So no matter what happens at the level of technicalities, there's the level of politics as well. And I'm saying it's not in the favour of the promoters of the AfCFTA that their record on EPZs is so disastrous. It is a

disaster. So that's the first thing to say.

The importance of internationalism now is also crucial because we know by 2050 every half the new additions to the world working classes will be people who are from Africa. That's a demographic fact. By the end of the 21st century, all net additions to the world working class will be from Africa. Whether it is a question of migration, or growing racism, or the rise of the far right, all the undercutting of global wages by the poorest most uneducated, most unskilled working classes in the world who are growing in these numbers, it is in the interest of everybody, every working person to understand that the questions of fragmentation and division that I'm talking about in Africa are also everywhere. We see it in France, we see it in all the ethnic races, all kinds of sexual whatever, all those so-called identity politics is very very strong.

And the question of Africa now I think is a global question. It's not simply a moral, ethical, global question it's an existential question from the point of view of climate change, from the point of view of workers unity, from the point of view of sustaining greater share to labour rather than to capital, and so on and so forth. And these are questions that even though we who are on the front line have to make it our number one priority, it shouldn't be far behind as a priority for you as well.

If we think that way and we begin to act in that way I think given the crisis of the system and the confusion at the top, we may find that we can make greater successes in restraining the model and beginning to turn it back, and create space for alternatives better than our hopes and our confidence allow us to think at this point.

Music break: Fela Kuti "Zombie" (Barclay)