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CROSS-BORDER TRANSPORT CORRIDORS AND DEVELOPMENTAL REGIONALISM IN AFRICA: EXPERIENCES FROM WEST AFRICA AND THE HORN

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PhD in African Studies
The University of Edinburgh
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This thesis aims to improve our understanding of the factors that have shaped the outcomes of regional integration initiatives in Africa. The earlier theories of regional integration have often been criticized for their Eurocentrism as they heavily drew on the European integration experience to explain the dynamics of regional integration in various regions of the world. In this regard, several scholars argued that the objectives of regional integration in Europe and developing regions were different and that regional integration initiatives in developing regions were mainly aimed at creating the conditions for the development of productive capacities and the expansion of intra-regional trade. While acknowledging that the orientations and objectives of regional integration initiatives differ depending on the socio-economic context, I argue in this thesis that some of the arguments stipulated by the earlier theories of regional integration are valid in developing regions. In particular, those theories have identified the central role played by domestic pressure groups in advancing or hindering regional integration dynamics. However, I argue that there is a need to adopt analytical tools that can take into account the specificities of the African context when analysing the dynamics of regional integration in Africa. As a result, the thesis combines theories of regional integration with a political settlements framework in order to understand how the distribution of organizational power at the sectoral, national and international levels affect the achievement of two goals of the developmental regionalism agenda implicitly pursued by the African Union Commission (AUC) and African Regional Economic Communities (RECs). Those two goals are: (i) the reduction of trade costs through the construction or rehabilitation of cross-border transport corridors and the implementation of policy reforms aimed at reducing logistics costs and (ii) the creation of regional value chains (RVCs) in order to boost intra-African trade. The thesis uses cross-border transport corridors as entry points to answer the research questions and deploys two case studies on the Dakar-Bamako transport corridor (linking the port of Dakar in Senegal to landlocked Mali) and the Ethiopia-Djibouti transport corridor (linking the port of Djibouti to landlocked Ethiopia). Given that policy reforms associated with the regional integration agenda entail a change in the distribution of rents at the national and international levels, the thesis will show that their feasibility greatly depends on the balance of power between three aggregated categories of
actors whose interests are often divergent. Those three aggregated categories of actors are: (i) national state and non-state actors who are either affected or are in charge of the implementation of the reform agenda; (ii) regional and international organizations in charge of setting the agenda at the regional level; and (iii) multinationals whose own agendas may or may not support the objectives of regional integration initiatives.
LAY SUMMARY

Africa’s march towards regional integration has been a long and tortuous process which started in the wake of the independences wave in the 1960s. This process has been marked by several milestones from the creation of the Organization of African Unity (OUA) in 1963, the ratification of the Abuja Treaty establishing the African Economic Community in 1991 to the implementation of the African Continental Free Trade Area (AfCFTA) in 2021. The pursuit of regional economic integration in the African continent is above all a development strategy mainly aimed at boosting regional and international trade and strengthening the collective bargaining power of African states during trade negotiations with extra-regional actors. While African Regional Economic Communities (RECs) have long sought to emulate Europe’s integration experience, the results achieved by African regional integration initiatives since the 1960s have been disappointing to say the least. This poor performance is notably illustrated by the particularly low level of intra-regional trade in Africa which – according to UNCTAD – amounted to approximately 15% of all trade flows compared to an average of 67% in Europe and 61% in Asia during the period from 2015 to 2017.

The increasing importance attached to regional infrastructure development in African regional integration initiatives over the last two decades seems to signal a paradigm shift in the approach to regional integration adopted by the African Union Commission (AUC) and RECs. The focus on regional infrastructure development is obviously aimed at addressing one of the weaknesses identified in the regional integration initiatives initially pursued by the AUC and RECs. In particular, the African experience has shown that - in a situation where productive capacities are limited - the elimination of tariff barriers does not result in an expansion of regional and international trade. In this regard, the lack of adequate infrastructure and high trade costs were identified by several scholars and analysts as major impediments to economic integration in the African continent. The orientations of the current African regional integration initiatives indicate that the AUC is implicitly adopting a developmental regionalism approach. Contrary to the European “linear integration model" focused on the elimination of tariff barriers, developmental regionalism refers to a regional integration agenda aimed at reducing trade costs and building the productive capacities of countries so that they
can be in a position to boost intra-regional and international trade. Therefore, developmental regionalism focuses – among other things – on the development of regional infrastructure (to reduce trade costs) and the implementation of regional industrialization strategies through the creation of regional value chains. In Southeast Asia where developmental regionalism was successfully experimented, the construction or rehabilitation of cross-border transport corridors was one of the key instruments used to reduce logistics costs and support the creation of regional value chains.

While the literature on regional integration dynamics in Africa has explained the poor performances of past regional integration initiatives by numerous factors including the weakness of supranational institutions, the lack of adequate infrastructure or the adherence of African countries to multiple RECs, little research has been conducted on the way domestic and international organized socio-economic groups influence the orientation and outcomes of processes of regionalism in the African context. This thesis aims to improve our understanding of the way the interactions between state and non-state actors at the national and international levels affect the success with which the reform agenda associated with regional integration initiatives is implemented in Africa. To this end, the thesis will use the political settlements framework to evaluate how the balance of power between state and non-state actors at the national and international levels affects the achievement of the following two objectives of the developmental regionalism agenda that is being pursued by the AUC and RECs: (i) the reduction of trade costs through the development of cross-border transport infrastructure and the implementation of policy reforms aimed at reducing logistics costs and (ii) the creation of regional value chains. The thesis will use the Dakar-Bamako and Ethiopia-Djibouti transport corridors as entry points to answer the research questions.
DECLARATION

I declare that this thesis has been composed solely by myself and that it has not been submitted, in whole or in part, in any previous application for a degree. Except where states otherwise by reference or acknowledgement, the work presented is entirely my own.

Date: 31st October 2021

Signed: Sokhna Oumou Khairy NDOYE
For my parents
I wish to express my thanks and appreciation to my supervisors Paul Nugent and Andrew Bowman for their excellent guidance and constant availability throughout the PhD programme.

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List of Abbreviations

ACP: African, Caribbean and Pacific
ADB: Asian Development Bank
AfCFTA: African Continental Free Trade Area
AfDB: African Development Bank
AGEROUTE: Agence des Travaux et de Gestion des Routes
AGOA: African Growth and Opportunity Act
AIA: ASEAN Investment Area
ASEAN: Association of Southeast Asian Nations
AUC: African Union Commission
BIAT: Boosting Intra-African Trade
BRI: Belt and Road Initiative
CBTA: Cross-Border Transport Agreement
CCECC: China Civil Engineering Construction Company
CET: Common External Tariff
COMESA: Common Market for Eastern and Southern Africa
CRG: China Railway Group
CSCEC: China State Construction Engineering Construction Company
DMP: Doraleh Multipurpose Port
DP World: Dubai Port World
EAC: East African Community
ECOWAS: Economic Community of West African States
EFFORT: Endowment Fund for the Rehabilitation of Tigray
EMASE: Entrepôts Maliens au Sénégal
EPRDF: Ethiopian Peoples’ Revolutionary Democratic Front
ESLSE: Ethiopian Shipping and Logistics Service Enterprise
ETGAMA: Ethiopian Textile and Garment Manufacturers Association
ETLS: ECOWAS Trade Liberalisation Scheme
FDI: Foreign Direct Investment
FTA: Free Trade Area
GATS: General Agreement on Trade in Services
GMS: Greater Mekong sub-region
GPN: Global Production Network
GTP: Growth and Transformation Plan
GVC: Global Value Chain
ICT: Information and Communication Technologies
IFI: International Financial Institution
IGAD: Intergovernmental Authority on Development
ILO: International Labour Organization
IPDC: Industrial Park Development Corporation
ISRA: Institut Sénégalais de Recherches Agricoles
LAPSSET: Lamu Port - South Sudan - Ethiopia
LDC: Least Developed Country
LPI: Logistics Performance Index
MFA: Multifibre Arrangement
MINCONMAR: Ministerial Conference of West and Central African States on Maritime Transport
MPS: Meridian Port Services
MSRI: Maritime Silk Road Initiative
NTFC: National Trade Facilitation Committee
OAU: Organization of African Unity
OPA: Observatoire des Pratiques Anormales de l’UEMOA
OSBP: One Stop Border Post
PDSA: Port de Djibouti SA
PIDA: Programme for Infrastructure Development in Africa
PLC: Private Limited Company
PTA: Preferential Trade Agreement
REC: Regional Economic Community
REST: Relief Society of Tigray
RKC: Revised Kyoto Convention
RoO: Rule of Origin
RVC: Regional Value Chain
SADC: Southern African Development Community
SAP: Structural Adjustment Programmes
SOE: State-Owned Enterprise
TCT: Tema Container Terminal
INTRODUCTION

REGIONAL INTEGRATION, LOGISTICS COSTS AND THE DYNAMICS OF INTRA-AFRICAN TRADE

Since the independence era and the creation of the Organization of African Unity (OAU) in 1963, the deepening of economic integration in the African continent has been the main objective of the OAU, its successor the African Union Commission (AUC) and African Regional Economic Communities (RECs). Given the small sizes of many newly independent African states and their limited productive capacities, deeper economic integration in the continent – and the associated increase in the level of intra-regional trade - was viewed as the solution to promote economies of scale and expand the manufacturing bases of individual African countries (de Melo and Tsikata, 2015). Furthermore, the creation of regional groupings was perceived as a way of increasing the bargaining power of African countries during international trade negotiations with extra-regional actors (Sloan, 1971; Krapohl, 2017). It is important to note that what underlies the perception of regional integration as a development tool is the assumption that trade is a major driver of growth even though the link between trade and economic development has been the subject of many debates in the economic literature (World Bank, 2009; Sindzingre, 2014). Despite the fact that the AUC and RECs have tried to implement several regional integration programmes since the 1960s, the outcomes of those programmes have been disappointing, and several factors have been put forward in the regional integration literature to explain those unsatisfactory results. Those factors include the weakness of supranational institutions in Africa, the fact that most African countries belong to several RECs, the unequal distribution of benefits among members of regional schemes, the difficulty of eliminating non-tariff barriers, the lack of productive capacities and the lack of adequate infrastructure in the continent (Hazlewood, 1979; Ravenhill, 1979; Draper, 2012; Jordaan, 2014; de Melo and Tsikata, 2015). However, little research has been conducted on the way the political economy context – especially the power dynamics between state and non-state actors at the national and international levels - has
affected the performances of regional integration initiatives in the African continent. The earlier theories of regional integration identified domestic pressure groups as actors that played a key role in determining the outcomes of regional integration initiatives (Haas, 1967; Moravscik, 1993). Even though the relevance of those theories for developing regions has been called into question by several scholars due to their perceived “Eurocentrism” (Draper, 2012; Söderbaum, 2013; Krapohl, 2017), I argue in this thesis that the argument about the key role played by domestic pressure groups in the regional integration process is valid in other regions of the world, including in Africa. I also argue that in the African context, international actors (including donors and multinationals) also play an important role in determining the orientations and outcomes of regional integration initiatives. However, given the necessity to take into account the specificities of the African context, there is a need to combine theories of regional integration with analytical tools that can explain the success or failure of specific institutions and policies in Africa. In this regard, the thesis will show that the political settlements framework—which analyses the balance of power between states and various socio-economic groups and its effect on the feasibility of new policies at the level of individual countries—can explain the outcomes of specific reforms associated with the regional integration agenda in Senegal and Ethiopia. Hence, the main contribution of this thesis is the fact that it combines theories of regional integration with a political settlements framework in order to explain the dynamics of regional integration in Africa. This thesis aims more particularly to improve our understanding of the factors that have shaped the outcomes of regional integration initiatives in the African context by explaining how the political economy context affects the achievement of the following two specific objectives of the developmental regionalism agenda that is being implicitly pursued by the AUC and RECs: (i) the reduction of trade costs through the development of cross-border transport infrastructure and the implementation of policy reforms aimed at reducing logistics costs and (ii) the creation of Regional Value Chains (RVCs) in order to boost intra-African trade.

While the political settlements framework has mostly focused on the actions of national state and non-state actors, this thesis will show that the outcomes of policies aimed at reducing logistics costs and creating RVCs in the framework of African regional integration initiatives greatly depend on the balance of power between the following
three aggregated categories of actors: (i) national state and non-state actors; (ii) regional and international organizations and (iii) multinationals. These three categories of actors – with often diverging interests - play various roles at different levels and have a different impact on the feasibility of the aforementioned policies associated with the developmental regionalism agenda. While regional and international organisations (including the AUC, RECs and development partners) are the main actors that set the regional reform agenda, their enforcement capabilities are limited. When it comes to the “state”, the two case studies will demonstrate that the “state” is not a monolithic entity: some factions of the state are responsible for the implementation of regional rules and policies at the national level while other factions of the state are impacted by those regional rules and policies. The thesis will show in particular why the implementation of some trade facilitation reforms aimed at reducing logistics costs along the Dakar-Bamako transport corridor has been compromised by the resistance of state and non-state actors that seek to protect their rents. Furthermore, we will see in the case study on the Ethiopia-Djibouti corridor why the interventions of the Ethiopian state in the logistics sector and its involvement in economic sectors through state monopolies and businesses affiliated with political elites can hinder a substantial reduction of logistics costs along this transport corridor despite recent investments in hard infrastructure. Finally, the thesis will show that the activities of multinationals can have an ambiguous impact on the achievement of the goals of regional integration initiatives. The thesis will focus in particular on three types of multinationals whose activities have a direct impact on the quality and cost of logistics services and the creation of RVCs: private transnational shipping lines and port operators; state-owned port operators and foreign manufacturers based in Africa. The thesis will show that the liberalization of the maritime sector in the 1980s, the privatization of port operations and the strategy of vertical integration pursued by major shipping lines and port operators provided those companies with opportunities to capture more rents across West African logistics value chains. Moreover, the liberalization of the maritime sector and the privatization of port operations has also enabled the emergence of powerful state-owned transnational port operators – including Chinese and Emirati port operators – whose international strategies are in some cases aligned with the foreign policies of the states in which they originate (Summers, 2016; Cannon and Rossiter, 2017; Haralambides and Merk, 2020). Chinese port operators and the Emirati DP World have increased their presence in the African continent these recent years and
are increasingly competing or forming alliances with Western port operators in various African ports (Steck, 2015). While International Financial Institutions (IFIs) such as the World Bank have argued that a greater involvement of private companies in the operation of ports leads to more efficient and less costly logistics services (Humphreys et al., 2019), the case study on the Dakar-Bamako transport corridor will show that their argument is contested by part of the Senegalese private sector which considers that the greater involvement of transnational shipping lines and port operators in the local logistics value chain translated into higher logistics costs due to their quasi-monopolistic positions and due to the passivity of the Senegalese state. While the actions of Senegalese transporters (who periodically resort to the organization of strikes) have compromised the enforcement of some regional trade facilitation rules such as the regional axle load limitation rule, their contestation of the practices of transnational shipping lines and DP World – the port operator at the port of Dakar – has apparently not resulted in any meaningful change. The thesis will also use the example of recent foreign investments in the textile and apparel industries in Ethiopia to examine how the strategies of foreign apparel manufacturers support the goal of creating RVCs in the COMESA1 zone. The thesis will show that the heavy reliance of the Ethiopian state on foreign manufacturers to develop the country’s manufacturing base, the weak capabilities of domestic manufacturers, the configuration of preferential trade agreements and power dynamics within the apparel Global Production Network (GPN) do not encourage the creation of backward linkages with the local economy and the creation of RVCs. Moreover, the focus of the Ethiopian state on developing its linkages with extra-regional markets through – among other things – the rehabilitation of the Ethiopia-Djibouti transport corridor suggests that the Ethiopian government prioritizes the development of extra-regional trade linkages over the development of intra-African trade.

The two case studies that were selected differ in several points but share a few similarities. In particular, there are efforts along both transport corridors to reduce logistics costs through investments in hard and/ or soft infrastructure. Moreover, projects aimed at rehabilitating the two transport corridors are among the priority

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1 COMESA is the Common Market for Eastern and Southern Africa. It is a REC that gathers 21 member states.
projects selected in the African Union Commission’s Programme for Infrastructure Development in Africa (PIDA) designed to accelerate the construction of regional infrastructure in the African continent in order to reduce trade costs and therefore, contribute to boosting intra-African trade. By selecting these two case studies, the objective was to explore the factors that can explain the performances of specific policies associated with the regional integration agenda in two substantially different contexts. The conclusion that was derived from the two case studies is that the distribution of organizational power at the sectoral, national and international levels can be an important explanatory factor of the performances of specific regional programmes.

This chapter is organized as follows. The first section of the chapter will briefly present the analytical framework and will discuss the way the link between transport and economic development has been analysed in various bodies of literature. The second and third sections will respectively describe the typical structure of logistics costs along cross-border transport corridors and will explain the rationale behind the development of RVCs in the framework of a developmental regionalism agenda. The fourth and last section will present the research questions and the structure of the thesis.

1. The analytical framework

In order to take into account the specificities of the African context when analysing the role of various socio-economic groups in facilitating or constraining the implementation of regional integration initiatives in Africa, I will proceed in two steps. The first step is to define regional integration in the African context. By adopting the concept of “developmental regionalism” to describe the current regional integration agenda in Africa, I recognize the difference that exists between the objectives of regional integration initiatives in Europe and in developing regions. In the European context, the goal of regional integration was to maximise the benefits associated with high levels of economic interdependence (Haas, 1967). In other words, prior to the emergence of the regional integration project in Europe, the level of intra-regional trade was already high and the elimination of tariff barriers in this context was aimed at eliminating the negative externalities associated with unregulated trade exchanges (Krapohl, 2017). In the African context, the level of intra-regional trade is very low and
few economic complementarities exist between countries (Ravenhill, 1979; Draper, 2012; Jordaan, 2014; Krapohl, 2017). Therefore, the concept of developmental regionalism is based on the assumption that the main objective of regional integration initiatives in developing regions is to develop the productive capacities of members of a given regional grouping so as to enable a significant increase in the level of intra-regional trade and promote industrialization at the regional level (Mittelman, 1999; UNCTAD, 2013). The concept of “developmental regionalism” is not a new concept in the regional integration literature and has been discussed in academic articles that date back to the 1970s. In this regard, Sloan (1971: 143) explained the rationale behind the adoption of a developmental regionalism strategy as follows:

In the EEC (European Economic Community), the principal economic goal was to aid the development of already established industries in highly industrialized countries through trade expansion and increased competition. Economic integration among the developing countries may more properly be called developmental regionalism because it is designed not only to expand trade but also to encourage new industries, to help diversify national economies, and to increase the region’s bargaining power with the developed nations.

According to Vickers (2017), a developmental regionalism agenda has three main pillars: (i) the development of regional infrastructure; (ii) structural transformation and the creation of regional value chains and (iii) market integration. For his part, Ismail (2021: 26) defined the concept of developmental regionalism as follows:

The analytical framework on regional integration draws on the work of Davies (1996), UNCTAD (2013), Adejumobi and Kreiter (2016) and UNECA, AU and AfDB (2017) and extends the concept of “developmental regionalism” to include cooperation among African countries in a regional integration framework on four parallel and interconnected pillars: a) cooperation on building mutually beneficial trade integration (fair trade integration); b) cooperation on industrial development and upgrading in regional value chains (transformative industrialisation); c) cooperation on investment in cross-border infrastructure and trade facilitation; and d) cooperation on the building of democracy, good governance and peace and security.

The orientation of the programmes implemented by the AUC over the last two decades show that the AUC has implicitly adopted policies that can be assimilated to developmental regionalism (Ndayi, 2011). This marks a departure from the previous
types of policies that were conducted by the OAU and African RECs during the three to four decades that followed the wave of independences in the 1960s (UNCTAD, 2013; Vickers, 2017). The regional programmes that were initially developed by the OAU and RECs were inspired by the European “linear model of integration” focused on the elimination of tariff barriers and a gradual progression towards the different stages of regional integration (Draper, 2012; UNCTAD, 2013; de Melo and Tsikata, 2015; Afeikhena and Nabena, 2016; Ravenhill, 2016; Ismail, 2021). However, contrary to the European experience, the elimination of tariff barriers in the African context did not automatically lead to the intensification of intra-regional trade due to (among other things) the very limited productive capacities in most African countries (Draper, 2012; Ravenhill, 2016). Nevertheless, Ismail interestingly argues that the vision that led to the adoption of the Lagos Plan of Action by the OAU Heads of State in 1980 was “based on the concept of developmental regionalism” and that the implementation of the Lagos Plan of Action was compromised by numerous challenges (Ismail, 2021:7).

Following the example of some Southeast Asian countries as those located in the Greater Mekong sub-region (GMS), the more recent programmes formulated by the AUC have rather put the emphasis on creating the conditions for the development of productive capacities and the intensification of intra-African trade (UNECA and AUC, 2012). In this regard, one of the key regional initiatives of the AUC and RECs over the last two decades has been to support the implementation of large-scale regional infrastructure projects in the energy and transport sectors in order to reduce the very high trade costs in Africa (Ndayi, 2011). In this context, the reduction of the costs of trade is expected to contribute to increasing productive capacities, creating RVCs and boosting intra-African trade. The current focus of the AUC on addressing the challenges posed by poor infrastructure in the continent is illustrated by the adoption of PIDA in 2011 (Ismail, 2021).

2 The five stages of regional integration were identified by Balassa in 1961 (see Balassa, 2011). In a recent paper, Ismail (2021) indicates that the stages of the regional integration process are (in this order): (i) the creation of a free trade area (in other words, the elimination of tariff barriers between members of a regional grouping); (ii) the creation of a customs union (which entails the determination of a common external tariff for imports from outside the regional grouping); (iii) the creation of a common market (which entails the free movement of labour and capital within the regional grouping and the adoption of a common trade policy); (iv) the creation of an economic union (in other words, members of the regional grouping share a common set of sectoral policies) and (v) the creation of a political union (which means that members of the regional group form a state).
This thesis will deploy two case studies on the Dakar-Bamako and the Ethiopia-Djibouti transport corridors in order to analyse how the political economy context affects the goal of reducing trade costs through the construction or rehabilitation of cross-border transport corridors and through the implementation of three types of policy reforms aimed at reducing logistics costs. The thesis will also analyse how the political economy context affects the creation of RVCs, in accordance with the regional integration agenda.

This leads us to the second step in our analysis. I argue in this thesis that there is a need to adopt analytical tools that can explain the political economy context in African countries and that can enable us to understand more particularly how the interactions between domestic and international actors affect the degree of effectiveness with which specific regional integration programmes are implemented. In this regard, I consider that the political settlements framework offers appropriate tools to examine the balance of power between states and various socio-economic groups at the sectoral, national and international levels and to analyse the way this balance of power affects the achievement of the objectives of specific policies (or reforms) supported by African regional organizations.

Prior to defining logistics costs and presenting the three policy reforms aimed at reducing logistics costs on which this thesis will focus, I will briefly discuss the way various bodies of literature have analysed the relation between transport and economic development and I will explain the thesis’ position regarding the debate on the effect of transport on economic development.

**The relation between transport and economic development and the approach adopted in the thesis**

The relation between transport and economic development has been analyzed in various bodies of literature. According to Pedersen (2001), the impact of transport on economic development was an issue of interest in the literature on transport geography until the 1960s before this issue almost disappeared from the research agenda in the 1970s and 1980s. With the transformation of global production methods over the last decades and the subsequent evolution of international trade, logistics services (which include transport services) have come to play an increasingly
important role in the facilitation of intra-regional and inter-continental trade (Pedersen, 2003; Mbekeani, 2010; Coe, 2014; Adewole and Struthers, 2019). Coe (2014: 225) defines logistics as “the process of planning, implementing and managing the movement and storage of raw materials, components, finished goods and associated knowledge from the point of origin to the point of consumption”. The transformation of global production methods greatly contributed to bringing back the link between transport and economic development at the forefront of the research agenda in the field of transport geography from the 1990s (Pedersen, 2001). It also stimulated new research in the field of economic geography and on a range of issues including Global Value Chains (GVCs) and GPNs (Fujimura, 2004; Coe, 2014; Adewole and Struthers, 2019). Indeed, the global division of labour and the multiplication of RVCs, GVCs and GPNs were facilitated by several factors, including the substantial reduction of the cost of international transport (Fujimura, 2004; Fujita, 2007; World Bank, 2009; UNECA; 2013; Kaplinsky and Morris, 2015). Contrary to Asian countries, African countries were not able to take advantage of the aforementioned global trends and Africa’s share of global trade is still very marginal while the level of intra-African trade is very low (Deichmann and Gill, 2008; Cheru and Oqubay, 2019). Logistics costs in African countries are among the highest in the world and this has been considered as one of the main challenges that hinder the expansion of trade within Africa and between Africa and the rest of the world (Lima and Venables, 2001; Jordaan, 2014; Afeikhena and Nabena, 2016; Adewole, 2019). In this regard, Adewole (2019: 18) notes that “suitable logistics infrastructure is a critical element of the fundamentals that make trading with Africa a priority for multi-nationals”. In the economics literature, a seminal paper by Limao and Venables (2001) aimed to highlight the effect of infrastructure and geography on transport costs and trade volumes, especially in the African context. On the basis of an econometric model, Limao and Venables argued that - for a given country – having infrastructure of a poor quality and being landlocked significantly increase transport costs and decrease trade volumes. Consequently, they concluded that – for a typical landlocked country - if investments were made to improve infrastructure within the country and in the transit countries with which it shares a border, this would reduce transport costs and increase trade volumes. Regarding the specific role of regional integration initiatives in the African context, Foster and Briceno-Garmendia (2010) argued that initiatives aimed at developing infrastructure (including transport and energy infrastructure) at a regional level should enable small
and fragmented African countries to pool their resources in order to finance expensive regional public goods that are required for the implementation of successful export-led development strategies. In this regard, they noted that one of the key lessons that could be derived from the new economic geography literature is that the development of regional infrastructure can help link African countries to world markets by facilitating the establishment of “manufacturing centres” and logistics hubs in a few African locations and the development of regional production networks following the East Asian model of regional industrialization.

As we can see, several studies that have looked at the impact of logistics services on economic development argue that – for a given country - an improvement in the efficiency of logistics services and a reduction of their costs will result in higher volumes of trade, which will ultimately stimulate economic growth (Fujimura, 2004; Adewole, 2019). The thesis does not seek to challenge the argument that trade induces economic development. In other words, the debate on the effect of trade on economic development is not the focus of the thesis. The thesis supports two main arguments. The first argument is that the political economy context affects the efficiency of investments in hard and soft infrastructure. A key objective of the thesis is to understand the objectives of reforms introduced in logistics sectors to support the regional integration agenda and understand how the political economy context in individual countries affects the feasibility of those reforms. The approach adopted in this thesis is similar to the approach adopted by Raballand et al. (2012) in their study on the determinants of dwell times in African ports. In particular, Raballand et al. (2012) demonstrated that trade facilitation reforms and investments aimed at increasing the storage capacities in African ports may not result in a reduction of dwell times in situations where long dwell times benefit a range of actors including shippers, port operators (who often own warehousing facilities) and port authorities. The second argument supported by the thesis is that the development of regional transport infrastructure is a necessary but not a sufficient pre-condition for the development of intra-regional trade. In this regard, the thesis will show that the nature of national industrial policies and the strategies of multinationals are important parameters that

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3 Raballand et al. (2012: 2) define port dwell times as the “the time that cargo (containers) spends within the port (or its extension)”. 
have a decisive influence on the creation of RVCs and these two parameters crucially depend on the political economy context at the level of individual countries and on the evolution of specific GPNs.

2. Logistics costs along cross-border transport corridors in Africa

The economics, regional integration and GVCs literatures have traditionally considered the lack of adequate transport infrastructure, inefficient customs procedures or high transport prices as key factors explaining high logistics costs in the African continent (Limao and Venables, 2001; Adewole, 2019). Consequently, the improvement of logistics services and the reduction of their costs are some of the key policy measures promoted by international and African regional organisations to facilitate the participation of African countries in GPNs and promote the creation of RVCs (UNCTAD, 2013). In the transport sector, the construction or rehabilitation of cross-border transport corridors – complemented with policy reforms – is expected to contribute to reducing trade costs and expediting border-crossing procedures (World Bank, 2019). Moreover, the transformation of newly rehabilitated or constructed cross-border transport corridors into “development corridors” is currently a central preoccupation of African regional institutions (Ismail, 2021). In this regard, a “development corridor” is expected to contribute to the development of economic activities in the areas served by the corridor mainly as the result of the availability of quality hard infrastructure and the provision of soft infrastructure such as more efficient customs procedures (De Beer, 2001; Ismail, 2021). The transformation of cross-border transport corridors into development corridors is one of the priority axes of the developmental regionalism agenda which aims to boost intra-regional trade in higher value-added products while improving Africa’s share in international trade.

The thesis will focus on three types of policies that complement the construction of cross-border transport corridors and whose objective is to reduce logistics costs through – among other things – the provision of soft infrastructure. Those policies are trade facilitation reforms, port reforms and the liberalization of logistics sectors. In order to understand why these policies were selected, the sub-sections below will describe the different types of logistics costs and will present the factors explaining the evolution of logistics costs in the African context. It is however important to note that
the thesis will not focus on analysing the evolution of logistics costs along the two transport corridors under study. The thesis will rather try to identify the factors that hinder or support the implementation of policy reforms aimed at reducing logistics costs along both corridors.

2.1. Composition of logistics costs

The World Bank notes that “logistics encompasses an array of activities beyond transportation, including warehousing, brokerage, express delivery, and critical infrastructure services such as terminals” (World Bank, 2018: 7). As indicated earlier, the improvement of logistics services and the reduction of their costs have increasingly become important prerequisites for the integration of economies into regional and global trade networks (Adewole and Struthers, 2019). According to a report prepared by Nathan Associates on the performances of cross-border transport corridors in West and Central Africa (report that was commissioned by the World Bank), logistics costs supported by shippers along transport corridors can be broken down into two parts: “financial costs of logistics services” and “economic costs” (Nathan Associates/ World Bank, 2013: 1). The report by Nathan Associates uses the methodology developed by Arvis et al. (2007) who define financial costs as the sum of gateway costs, inland transportation costs and inland processing costs, while economic costs describe the hidden costs caused by delays and uncertainties along the logistics chain. The table below reproduces the breakdown of logistics costs that was presented in the Nathan Associates report and it illustrates how logistics costs are computed according to the aforementioned methodology defined by Arvis et al.
Table 1: Composition of logistics costs along cross-border transport corridors according to the methodology developed by Arvis et al.

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial costs of logistics services</td>
<td><strong>Gateway costs</strong>&lt;br&gt;This sub-category includes costs associated with clearing and forwarding; payments to shipping agents; costs associated with cargo handling; payments to port authorities and other government agencies and the costs of truck loading.</td>
</tr>
<tr>
<td></td>
<td><strong>Inland transportation costs</strong>&lt;br&gt;This sub-category includes costs associated with trucking (or rail) services and fees paid to intermediaries.</td>
</tr>
<tr>
<td></td>
<td><strong>Inland processing costs</strong>&lt;br&gt;This sub-category includes costs associated with border clearance procedures.</td>
</tr>
<tr>
<td>Economic or “hidden” costs</td>
<td><strong>Inventory costs</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Costs of hedging against uncertainties</strong>&lt;br&gt;These costs are induced by port transit delays, corridor land transit delays and customs clearance at final destination.</td>
</tr>
</tbody>
</table>


As indicated in table 1, gateway costs can be summarized as the costs incurred by shippers at ports and are therefore a function of port efficiency. Inland transportation costs are for their part a function of the performances of the trucking industries and of the railway system (for transport corridors that combine road and rail transport). The third component of financial costs (namely, inland processing costs) are mainly a function of the efficiency of border agencies. According to the report by Nathan Associates, hidden costs are a function of total land transit times which are defined as the sum of dwell times and transit times (Nathan Associates/ World Bank, 2013). Transit times designate the average time that trucks (or trains) spend on the journey from the point of origin to the point of destination (and vice versa) plus the average time that trucks spend at the borders for border procedures (Nathan Associates/ World Bank, 2013). The report by Nathan Associates finds for example that on the Cotonou-Niamey transport corridor – which links landlocked Niger to the port of Cotonou in Benin - the average total transit time for a trip by truck amounts to 28 days, including an average dwell time of 18 days and an average transit time of 10 days, which shows inefficiency problems at the port of Cotonou. As a result, the report estimates that for certain types of products transported on this corridor (especially high value products),
hidden costs could represent up to 50% of the total logistics costs supported by shippers.

2.2. Factors influencing the evolution of logistics costs in the African context

There are a number of common factors explaining the high cost of logistics services along most cross-border transport corridors in Africa. Those factors reflect specificities of the African context. When it comes to factors explaining gateway costs and delays, an important characteristic of African countries is that dwell times at African ports are generally long compared to dwell times in other ports of the world (Raballand et al., 2012). The long dwell times increase overall logistics costs given that the more time cargos spend at ports, the higher are gateway and hidden costs (see table 1). Chapter 6 on African ports and the geopolitical dimension of transport corridors will be the occasion to discuss port reforms in more details.

Regarding factors influencing inland transportation costs, those factors are subject to debates and controversies. Teravaninthorn and Raballand (2009) argue for example that high trucking costs in West and Central Africa are primarily explained by the actions of powerful transport “cartels” that are resistant to change and that fix transport prices above transport costs. These recent years, policies supported by the World Bank in West and Central Africa primarily aim to eliminate these “cartels” by promoting a liberalization of trucking industries (Bove et al., 2018). They also aim to substantially decrease the proportion of informal transporters who constitute the vast majority of transporters in the region. The view of the World Bank is obviously not shared by local truckers who do not consider that they gain high levels of rents and who consider that other types of reforms are needed to guarantee the profitability of their businesses. Nevertheless, it is important to keep in mind that a number of uncontested or universally admitted factors also contribute to raising inland transportation costs in the African context. One of those factors is the fact that the volume of imported goods transported along African transport corridors is significantly higher than the volume of exported goods (Debrie, 2012; Iheduru, 1994; Nathan Associates/ World Bank, 2013). This higher volume of imports reflects the structure of African economies which tend to import high volumes of finished goods from outside the continent and export mostly unprocessed raw materials. The direct consequence of these trade imbalances is the fact that they drive transport prices up given that trucks travelling on transport corridors
tend to be empty on their return trips (Nathan Associates/World Bank, 2013). The factors influencing inland transportation costs and the functioning of domestic logistics sectors are two issues that will be discussed in more details in chapter 3 on trade facilitation along the Dakar-Bamako transport corridor, chapter 4 focused on the Ethiopian logistics sector and chapter 6 on African ports and the geopolitical dimension of transport corridors.

As indicated in table 1, inland processing costs refer to costs associated with border clearance procedures and the reduction of those costs is the main focus of trade facilitation reforms. Ismail (2021: 19) defines trade facilitation as “the process and procedures at the border (mainly customs rules and regulations) that make trade across borders faster, cheaper, more predictable, safer and more secure”. These recent years, the creation of One Stop Border Posts (OSBPs) across the African continent has been a major initiative aimed at reducing the time spent on border procedures. In this regard, one of the specific objectives of OSBPs is to group the law enforcement agencies of transit and landlocked countries (that share a corridor) in one facility located at the border. By definition, trade facilitation reforms also aim to eliminate non-tariff barriers that increase the “hidden costs” identified in table 1. While non-tariff barriers include legal measures such as the imposition of stringent phytosanitary requirements, a non-negligible part of non-tariff barriers in the African context are caused by the illegal practices of some individual law enforcement officers who may – for example - collect bribes at various checkpoints located along transport corridors. Therefore, the hidden costs identified in table 1 include costs induced by time wasted due to numerous checkpoints and due to burdensome border procedures as well as the cost of illegal payments made to law enforcement officers. Chapter 4 will be the occasion to discuss trade facilitation reforms and the way their implementation is facilitated or hindered by the political economy context.

3. The creation of regional value chains in the developmental regionalism agenda

As indicated above, the creation of RVCs is one of the major objectives of a typical developmental regionalism agenda (UNCTAD, 2013; Vickers, 2017; Ismail, 2021). In the context of the Greater Mekong sub-region in Southeast Asia for example, the
development of cross-border infrastructure in the framework of the growth triangles initiatives facilitated the creation of RVCs in a sub-region where countries had economic complementarities and it also facilitated the participation of those countries in GPNs (Dosch and Hensengerth, 2005; Mittelman, 1999; Verbiest, 2013; Deichmann and Gill, 2008; Kudo, 2009). Hence, the provision of regional infrastructure is aimed at supplying one of the “missing public goods” necessary to implement a regional industrialization strategy and facilitate the participation of developing countries into RVCs and GPNs (Foster and Briceno-Garmendia, 2010; UNECA, 2013; Byiers et al., 2018). As argued by Neilson (2014), the participation of developing countries in GPNs and their upgrading within those GPNs are considered by the community of development partners and national governments as the best option to promote economic development and there is almost no contestation of this point of view among policymakers. While African regional institutions fully embrace the narrative commonly accepted within policy circles and IFIs that the participation in GPNs is the main route to economic development for developing countries, there is a debate on the sequencing between regionalism and globalization (Ndayi, 2011; Ismail, 2021). On one hand, the proponents of “open regionalism” such as the World Bank consider that African countries should seek to participate in GPNs at the same time as they seek to create RVCs (Ismail, 2017). In other words, the proponents of open regionalism support the total liberalization of trade with regional partners and with extra-regional partners at the same time. On the other hand, proponents of developmental regionalism in the African context consider that the creation of RVCs is a means of building the capacities of African enterprises so that they can be in a better position to undertake higher value-added activities within GPNs (Ismail, 2021). In other words, the pursuit of a developmental regionalism strategy in Africa is expected to reverse the pattern according to which African countries tend to participate in the lower stages of GPNs by mainly supplying raw materials and not being able to “upgrade” within those GPNs. The following excerpt from Nesadurai’s article on developmental regionalism in the context of ASEAN⁴ illustrates well how some scholars view the role of developmental regionalism in developing regions and the sequencing between regionalism and globalisation:

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⁴ ASEAN is the Association of Southeast Asian Nations.
Developmental regionalism is not about resisting globalisation completely, but neither is it about complete acquiescence to global market forces. Instead, it encompasses a period of temporary and limited resistance to aspects of globalisation through which attempts are made to build capabilities that will enable domestic businesses eventually to participate in global market activities. (Nesadurai, 2003: 238)

Hence and as indicated above, the central objective of developmental regionalism is to create the necessary conditions to promote industrialization at a regional level. However, the formulation and implementation of regional industrialization strategies have traditionally been problematic in the African context (Ravenhill, 1979). A particularly difficult undertaking is the alignment of national industrialization strategies with regional industrialization strategies. The domestic political economy context greatly contributes to explaining the difficulty of aligning national industrial policies with regional policies (Sloan, 1971). Chapter 5 will be the occasion to discuss how Ethiopia’s political settlement can contribute to explaining Ethiopia’s potential contribution to the creation of regional textile and apparel value chains in the COMESA zone.

4. Research questions and structure of the thesis

The research questions that will be addressed by this thesis are the following:

- **Main research question**: How do the political settlements of Senegal and Ethiopia influence the achievement of the objectives of developmental regionalism strategies pursued by the AUC and RECs in the logistics and apparel sectors?
  - **Sub-question 1**: How does the balance of power between development partners, RECs and state and non-state actors affect the achievement of the objectives of trade facilitation reforms and port reforms along the Dakar-Bamako transport corridor?
  - **Sub-question 2**: How does the political settlement of Ethiopia affect the evolution of inland transportation costs along the Ethiopia-Djibouti transport corridor?
- **Sub-question 3**: How does the political settlement of Ethiopia affect Ethiopia’s potential contribution to the creation of regional textile and apparel value chains in the COMESA zone?

The thesis is organized as follows. After this introduction, chapter 1 will present the theoretical framework and will explain the rationale behind the adoption of the concept of “developmental regionalism” to describe the current regional integration agenda pursued by the AUC and RECs. The chapter will also demonstrate why there is a need to adopt analytical tools that can improve our understanding of the dynamics of regional integration in Africa and will also explain why I adopted the political settlements framework to explain the degree of success with which regional initiatives aimed at reducing logistics costs and creating RVCs have been implemented in Senegal and Ethiopia. Chapter 2 will discuss the methodology that was used to answer the research questions and will present the research methods. Chapter 2 will explain in particular why the two case studies on the Dakar-Bamako and Ethiopia-Djibouti transport corridors were selected and will outline the political economy contexts in Senegal and Ethiopia. Chapter 3 will focus on the political economy of trade facilitation reforms along the Dakar-Bamako transport corridor. Chapter 3 will discuss in particular how the balance of power between local economic actors, factions of the state and regional and international organizations affects the feasibility of regional trade facilitation reforms along the Dakar-Bamako transport corridor. Chapter 4 will discuss how the structure of the Ethiopian logistics sector affects the evolution of logistics costs along the Ethiopia-Djibouti transport corridor, independently of the availability or not of quality transport infrastructure. Chapter 4 will particularly analyse how the Ethiopian state’s intervention in the transport market and the presence of a monopoly in the logistics sector affect the level of inland transportation costs along the Ethiopia-Djibouti transport corridor. Chapter 5 will discuss Ethiopia’s potential contribution to the creation of textile and apparel RVCs in the COMESA zone, in view of the recent (simultaneous) investments in the development of transport infrastructure along the Ethiopia-Djibouti transport corridor and the development of industrial parks in Ethiopia. Given that a great part of those investments in transport infrastructure development and the construction of industrial parks were financed by Chinese loans and/or the construction projects were undertaken by Chinese enterprises, chapter 6 will be the occasion to discuss the impact that the increasing engagement of Chinese economic
actors in Ethiopia and Djibouti could have on the implementation of a developmental regionalism agenda in the COMESA zone. In particular, we will see in chapter 5 how the relations between the Ethiopian state and domestic entrepreneurs and the heavy reliance of the Ethiopian state on foreign apparel manufacturers could affect the feasibility of the COMESA regional “cotton-to-clothing strategy”. Chapter 6 will focus on African ports and the geostrategic dimension of cross-border transport corridors. In the first part of chapter 6, I will discuss the effects of the liberalization of maritime transport and the privatization of port operations in West Africa and I will analyse how the political economy context in Senegal affects the degree of efficiency of reforms targeting the port of Dakar. The first part of chapter 6 will take the example of the Dakar-Bamako transport corridor to discuss the strategies of transnational shipping lines and port operators in West Africa, the implications of those strategies for the distribution of rents along local logistics value chains and the responses of local logistics actors to the changes in the structure of local logistics value chains. The second part of chapter 6 will focus on the strategies of state-owned port operators from China and the United Arab Emirates in the Horn of Africa. The context of the Horn of Africa differs significantly from the context in West Africa given that West African logistics sectors are much more liberalized and more open to foreign investments than logistics sectors in the Horn of Africa and Ethiopia in particular. The second part of chapter 6 will therefore be the occasion to discuss the implications of the strategies of the Ethiopian state, the Djiboutian state and the aforementioned state-owned port operators on the development of cross-border transport corridors in the Horn. The last chapter will discuss the key findings from the thesis and will attempt to identify important issues that could be addressed by future research on regional integration dynamics in Africa.
CHAPTER 1

THE THEORETICAL FRAMEWORK: THE NEXUS BETWEEN THEORIES OF REGIONAL INTEGRATION AND THE POLITICAL SETTLEMENTS FRAMEWORK

Introduction

The first theories of regional integration have often been criticized for their “Eurocentrism” as they heavily drew on the European integration experience to explain regional integration dynamics in other parts of the world (De Lombaerde et al., 2010; Söderbaum, 2013; Ravenhill, 2016; Krapohl, 2017). As noted by De Lombaerde et al. (2010), the field of regionalism has generally been divided between scholars who have tried to explain regional integration dynamics through the lens of the European integration experience and regional specialists who consider that theories of European integration generally fail to accurately explain the dynamics of regional integration in developing regions.

In this thesis, I concur with the view defended by De Lombaerde et al. (2010) and Söderbaum (2013) who argue that scholars in the field of regionalism should try to identify and explain the common traits of regional integration dynamics in Europe and developing regions. In this regard, I assume that in Europe and Africa the interactions between states, domestic socio-economic groups and international actors ultimately determine the degree of success with which regional integration initiatives are implemented. However, I recognize that the European and African contexts are fundamentally different and that the objectives and orientations of regional integration initiatives in Europe and Africa differ substantially. In view of the mixed results achieved by linear integration models focused on the elimination of tariff barriers, regional integration initiatives in developing regions – particularly in Asia and Africa – have increasingly been aimed at creating the conditions for the development of productive capacities in countries that form regional groupings and for their insertion in the global economy (Mittelman, 1999; Hettne, 1999; UNCTAD, 2013; Vickers,
In this regard, the concept of “developmental regionalism” has been used to capture these specific objectives of regional integration initiatives in the context of developing regions (Sloan, 1971; Mittelman, 1999; Hettne, 1999).

The present thesis aims to improve our understanding of the determinants of regional integration dynamics in the African context using a political economy approach. In doing so, the thesis uses the political settlements framework to explain the outcomes of regional initiatives aimed at promoting developmental regionalism in Africa. The use of the political settlements framework is justified by the necessity to take into account the specificities of the socio-economic and political contexts in African countries when analysing the outcomes of regional integration initiatives. In this thesis, I concur with the view defended by scholars who developed the political settlements framework who consider that in developing countries, the distribution of organizational power strongly influences the type of policies that states choose to implement as well as their outcomes (Di John and Putzel, 2009: Khan, 2010; 2018a).

In order to achieve my research objectives, I will use two cross-border transport corridors as entry points. Cross-border transport corridors are a key pillar of the developmental regionalism agenda that the AUC and RECs seek to implement in Africa and, as such, they “embody the spirit” of developmental regionalism (Ndayi, 2011; Ismail, 2021). An observation of the way cross-border transport corridors function enables us to have an overview of the main stakeholders that are involved in the implementation of initiatives aimed at promoting developmental regionalism and it enables us to see how the interactions between those stakeholders affect the implementation of the developmental regionalism agenda. In Southeast Asia, the development of cross-border transport corridors played a key role in the development of border industries and RVCs in the framework of a developmental regionalism agenda (Mittelman, 1999; Verbiest, 2013; UNCTAD, 2013). In the same vein, the development or rehabilitation of cross-border transport corridors in Africa – and their transformation into “development corridors” - is supposed to improve connectivity, reduce trade costs and therefore, contribute to spurring the creation of RVCs that would accelerate the industrialization process in the African continent (De Beer, 2001; UNCTAD, 2013).
In the African context, the substantial reduction of trade costs (including logistics costs) is supposed to be achieved through the implementation of reforms that complement the development of regional transport infrastructure. Those reforms include trade facilitation reforms, port reforms and the liberalization of logistics sectors (World Bank, 2019; UNECA, 2021). When it comes to the creation of regional value chains, the development of regional transport infrastructure can be viewed as one of the policies designed to supply one of the “missing public goods” that are required to create RVCs as part of regional industrialization strategies (Foster and Briceno-Garmendia, 2010; Draper, 2012; Byiers, 2018). Therefore, it is possible to identify here a set of four policies whose implementation depends substantially on the political economy context in countries that are part of the cross-border transport corridors that we wish to study. Those four policies designed to support the implementation of a developmental regionalism agenda are trade facilitation reforms, port reforms, the liberalization of the services sectors and the creation of RVCs. The successful implementation of each of these policies requires an alignment between the interests of states, international and regional organizations, domestic socio-economic groups and international economic actors. As a result, the willingness or capacity of states to implement reforms required by the aforementioned policies ultimately depends on the state of domestic politics, the power relations between states and national and international organized socio-economic groups and the orientations of ruling elites.

This chapter is organized as follows. The first section will review the main earlier theories of regional integration which were based on the European integration experience. The section will also explain why the concept of developmental regionalism emerged in the regional integration literature and it will discuss East Asia’s experience with the implementation of a developmental regionalism agenda. Section two will discuss the political settlements framework and its relevance for analysing the outcomes of reforms associated with the regional integration agenda in Africa. The last section will conclude.
Section 1: Theories of European integration and the concept of developmental regionalism

The relevance of the earlier theories of regional integration in the context of developing regions has been questioned by several scholars (Mittelman, 1999; Krapohl, 2017). The concept of “developmental regionalism” emerged as part of the search for alternative theoretical frameworks that would better take into account the differences between the objectives and orientations of regional integration initiatives in developed and developing regions (Sloan, 1971; Mittelman, 1999). This section will first discuss the arguments defended by some of the most important theories of European integration. In a second step, the section will present the rationale behind the emergence of the concept of developmental regionalism and will briefly discuss East Asia’s experience with the implementation of a developmental regionalism agenda. In a third and last step, the section will explain why there is a need to explore analytical tools that can better explain the outcomes of policies associated with the developmental regionalism agenda currently pursued by the AUC and RECs in Africa.

1.1. The main theories of European integration

The neo-functionalist theory offered one of the first attempts to theorize the process of regional integration based on the European integration experience (Haas, 1967). The central argument of neo-functionalism is that regional integration processes must support the economic objectives of domestic interest groups and be conducted in an incremental manner in order to succeed. Haas – one of the first and leading theorists of neo-functionalism – argues in particular that a certain number of conditions must be met in order for regional integration initiatives to maximize their chances of success. The three most important conditions identified by Haas are the existence of similar socio-economic groups in countries that form regional groupings, the adoption of a step-by-step approach and the devolution of a certain number of powers to supranational institutions (Haas, 1967). According to the neo-functionalist theory, the process of regional integration is essentially promoted by domestic interest groups that are engaged in cross-border trade and which consider that the formulation of regional regulations in key sectors are essential to reduce the trade costs induced by negative cross-border externalities. The concept of “spillover” occupies a central place in the
neo-functionalist theory and implies that the integration of one economic sector will inevitably create negative externalities in another sector, which will require the formulation of new regional regulations that would address the new negative externalities that emerged. According to Haas, the adoption of a step-by-step approach is justified by the necessity to avoid alienating too many socio-economic groups whose disgruntlement would be caused by the economic losses they could face due to the implementation of regional integration projects that can potentially induce “dramatic” changes.

The neo-functionalist theory has been criticized by some scholars for its failure to offer a solid theoretical framework with a high explanatory power (Moravcsik, 1993). This criticism notably came from scholars who developed the liberal intergovernmental theory of regional integration. In this regard, Moravcsik (one of the leading proponents of the liberal intergovernmental theory) assessed the neo-functionalist conceptual framework in the following terms:

Underlying neo-functionalism’s failure to develop predictions about variations in the evolution of the European Community was its lack of grounding in underlying general theories of domestic and international political economy. (...) In this regard, neo-functionalism is both oddly apolitical and lacking in any aspiration to generality, in that it advances long-term predictions about the future of the European Community without underlying, more specific theories that identify the decisive determinants of politicians’ choices among competing alternatives. (Moravcsik, 1993: 477).

According to Moravcsik (1993: 476), the process of regional integration in Europe advanced in “fits and starts” and was not a gradual process as predicted by the neo-functionalist theory. For Moravcsik, regional integration takes place in a two-stage process, the first stage being national preference formation and the second stage being inter-state bargaining. Moravcsik argues that the process of national preference formation takes place at the national level and describes the process whereby various socio-economic groups and interest groups compete to defend their interests and influence the positions of governments. Subsequently, the process of inter-state bargaining takes place at the regional level and refers to the phase during which governments negotiate with other governments based on their respective national preferences. Hence, Moravcsik identifies a demand for regional integration which is
determined at the national level following the process of national preference formation and a supply of regional integration which is determined at the regional level during the process of inter-state bargaining. In the same vein as the neo-functionalist theory, the liberal intergovernmental theory recognizes the role played by domestic interest groups in advancing or constraining the regional integration process and recognizes the crucial importance of economic motives in explaining the process of regional integration (Moravcsik, 1993; Haas, 1967). Moravcsik also stipulates that economic interdependence makes it imperative for states to cooperate with neighboring states if the high levels of economic exchanges between countries produce negative externalities within countries and if the coordination of policies among neighboring countries is the only way to address those negative externalities efficiently. However, Moravcsik considers that the factors that determine the demand and the supply of regional integration should be analysed in conjunction and that an analysis of solely the factors determining the supply of regional integration or an analysis of solely the factors determining the demand for regional integration would be misleading.

We can note here that both the neo-functionalist theory and the liberal intergovernmental theory presuppose the existence of dynamic cross-border trade exchanges between neighboring countries prior to the emergence of a regional integration project. Scholars who have questioned the applicability of European integration theories to Africa have argued that this precondition does not exist in the African context (Ravenhill, 1979; Mittelman, 1999; Krapohl, 2017). In particular, they have argued that the main characteristic of the African context is the low level of economic complementarity between neighboring countries as African countries tend to produce and export the same products which are often unprocessed raw materials (Ravenhill, 1979; Draper, 2012; Jordaan, 2014; Krapohl, 2017). Moreover, those scholars argued that contrary to the situation in Europe - the level of intra-regional trade in Africa is particularly low and significantly lower than the level of extra-regional trade exchanges (Mittelman, 1999; Draper, 2012). This particularity of African countries - which collectively trade more with countries that are outside of the continent than intra-regionally - has been presented by some authors as a heritage of colonialism (Bonfatti and Poelhekke, 2013; Jordaan, 2014). For some scholars, it is the pattern of producing and exporting raw materials to extra-regional markets inherited from the colonial era that has persisted until now. In this regard, Bonfatti and
Poelhekke (2013) showed how mine to coast infrastructure constructed during the colonial era in Africa contributed to shaping the way African countries currently trade with each other. This can contribute to explaining the inadequacy of the current transport network for boosting intra-African trade and the need to invest in the development of cross-border transport infrastructure that could more efficiently support intra-African trade.

Other theories of regional integration based on the European integration experience have also presupposed the existence of dynamic cross-border trade exchanges before the emergence of a regional integration project. In this regard, Krapohl (2017) notes that historical institutionalism and sociological institutionalism adopt a reasoning that is similar to that of the neo-functionalist theory. In short, those theories consider that dynamic cross-border trade exchanges create the need to develop regional regulations which in turn further boost cross-border exchanges that necessitate the establishment of new regional regulations. Hence, this process (or “virtuous cycle” as Krapohl put it) is expected to guarantee the viability of regional integration projects.

It is important to note that there have been attempts to develop theories of comparative regional integration. For instance, Mattli developed a theoretical framework which assumes - in a similar fashion to the liberal intergovernmental theory – that a certain number of supply-side conditions and demand-side conditions should be met in order for regional integration schemes to succeed (Mattli, 2012). According to Mattli, the demand for regional integration comes essentially from domestic socio-economic groups engaged in cross-border exchanges. When it comes to the supply-side conditions, Mattli identifies multiple factors that determine the supply of regional integration. The first supply-side condition is the existence of a political will to engage in regional integration projects on the part of governments. This political will depends on how governments perceive the potential gains from integration. The second supply-side condition is the existence of credible commitment mechanisms that guarantee that states will commit to the norms established at the regional level. Moreover, Mattli identifies coordination problems that may arise due to the difficulty of developing common policies among member states that may have diverging interests in a certain number of sectors. For Mattli, these coordination problems could induce an unequitable distribution of the gains associated with regional integration among
countries participating in a regional integration scheme. Hence, the third supply-side condition identified by Mattli is the presence of a regional hegemon which has the potential to create momentum around the regional integration project. Since the regional integration process is likely to create losers and winners among countries that form regional groupings, Mattli also views regional hegemons as potential “paymasters” which can compensate the potential losers. It is interesting to note here that in the context of African RECs, some of the conditions identified by Mattli have been particularly difficult to meet. For example, the problem associated with the redistribution of benefits among member states of the first East African Community (EAC) was one of the reasons that led to its disintegration (Hazlewood, 1979; Ravenhill, 1979). Furthermore, the existence of credible commitment mechanisms is also problematic in the African context.

Overall, several scholars who studied regional integration dynamics in developing country settings have criticized the “Eurocentrism” of the theories of regional integration that are based on the European integration experience. We will see in the next subsection the foundations of their criticisms and the way the literature on regional integration has tried to frame and take account of the specificities of regional integration processes in developing regions. Nevertheless, it is worth noting that some theories of regional integration based on the European integration experience have been used by some scholars to analyse regional integration dynamics in other parts of the world. For example, Nesadurai (2003) analyzed the impact of state-business relations on the type of regionalism adopted by ASEAN countries through the lens of the liberal intergovernmental theory. For their part, Cespedes and Agostinis (2014) used a conceptual framework similar to the one proposed by the liberal intergovernmental theory to explain how UNASUR was developed in South America and why the Brazilian leadership was instrumental in its development. However, it is important to note that these scholars adapted the conceptual frameworks they used to the socio-economic and political contexts in Asia and Latin America.

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5 UNASUR was the Union of South American Nations.
1.2. The concept of developmental regionalism and the East Asian experience with developmental regionalism

The emergence of a new form of regionalism in the post cold war era has been noted by several scholars in the regional integration literature (Hettne, 1999; Mittelman, 1999; Ravenhill, 2016). As part of a research project developed by UNU/WIDER in the early 2000s, several scholars attempted to discuss the new regionalism and its relation to globalization. In the framework of this research project, there was also an attempt to identify the specificities of regional integration dynamics in developing regions. According to Hettne – who led this UNU/WIDER research project – regionalism can be viewed as a strategy employed by peripheral regions in order to halt their marginalization in the global economy (Hettne, 1999). For Hettne, the new regionalism aims to respond to three imperatives: a security imperative, a development imperative and an environmental imperative. In this context, for countries that are individually small or lack the resources to address issues related to peace, development or environmental sustainability at a national level, regionalism can offer the opportunity to address those issues collectively at a regional level. The recognition of the emergence of a new form of regionalism in the regional integration literature cannot be dissociated from the recognition that there are differences between the objectives of regional integration in developed regions and in developing regions. In this regard, the principal characteristic of the new regionalism – as opposed to the old regionalism - is the fact that it is outward oriented (Nesadurai, 2003; Sindzingre, 2014). This corroborates the argument made by Hettne who consider that regionalism can be perceived as a collective response of peripheral regions to the process of globalization. Krapohl (2017) – for example - identifies two different logics of regional integration: an intra-regional logic and an extra-regional logic. According to Krapohl, the intra-regional logic is the one that dominates in the European Union where member states are strongly interdependent from an economic viewpoint and seek to maximize the benefits of intra-regional economic exchanges through regional integration. On the other hand, he argues that the extra-regional logic is the one that prevails in developing regions where regional integration initiatives are primarily aimed at attracting extra-regional investment flows and increasing the bargaining power of regional groups in the framework of international trade negotiations. For Krapohl, the existence of these two logics of regional integration explains why regional integration projects have
emerged in developing regions where the levels of intra-regional trade were particularly low even though theories of European integration implicitly make the hypothesis that strong intra-regional trade exchanges should exist prior to the emergence of a viable regional integration project. Another feature of the various forms of regionalism that emerged in Asia and Africa is that they differ from the European integration model relatively to the importance and power of supranational institutions (Mittelman, 1999; Ravenhill, 2016). Unlike their European counterparts, African states have been relatively reluctant to transfer important parts of their sovereignties to supranational institutions, making it difficult to establish regional mechanisms that would monitor the enforcement of regional rules in member states (Ravenhill, 1979, 2016; Mittelman, 1999; Jordaan, 2014; Krapohl, 2017).

Nevertheless, in many developing regions, the stated objectives of regional integration schemes are not limited to the two objectives identified by Krapohl (namely, the attraction of foreign investments and the strengthening of member states' bargaining power during international trade negotiations). In this regard, the rationale behind the concept of “development integration” – which is a synonym of “developmental regionalism” – was discussed in the framework of the aforementioned UNU/WIDER research project as well as in academic articles that date back to the 1970s (Sloan, 1971). At the heart of the developmental regionalism paradigm is the assumption that the process of regional integration in developing regions is primarily aimed at promoting socio-economic development through – among other things - the development of regional infrastructure and regional productive capacities (Sloan, 1971; Mittelman, 1999; UNCTAD, 2013; Kasahara, 2013; Vickers, 2017; Ismail, 2021). In this regard, Vickers (2017) argues that the concept of “developmental regionalism” refers to a regional integration agenda based on three pillars: (i) cross-border infrastructure development (in order to improve connectivity); (ii) market integration and (iii) structural transformation through the creation of RVCs. On the contrary, regional integration initiatives in developed regions are viewed as being primarily aimed at maximising the benefits of existing economic complementarities between neighboring countries as stipulated by the neo-functionalist and liberal intergovernmentalist theories discussed above (Sloan, 1971; Krapohl, 2017). It is important to note that for proponents of the developmental regionalism approach, the adoption of a developmental regionalism agenda does not necessarily contradict the
extra-regional logic of regional integration identified by Krapohl and several other scholars. As indicated earlier, contrary to the situation in Europe, the African context is characterized by a low level of complementarity between neighboring countries and a low level of intra-African trade exchanges. Hence, proponents of the developmental regionalism approach in Africa consider that the first challenge in the African continent is to develop the productive capacities that will enable higher levels of intra-regional trade in higher value-added goods (Sloan; 1971; UNCTAD, 2013; Vickers, 2017; Ismail, 2021). Proponents of the developmental regionalism approach in Africa view the creation of RVCs within a developmental regionalism agenda as a way of creating the productive capacities that will enable African countries to increase their share of global trade (UNCTAD, 2013).

Overall, there is a distinction made in the regional integration literature between developmental regionalism and “open regionalism”, the latter concept describing a more neoliberal form of regionalism aimed at further liberalizing extra-regional trade through the formation of regional groups. The proponents of an open regionalism approach in the African context (such as the World Bank) advocate for the liberalization of both intra-regional and extra-regional trade at the same time (Ismail, 2021). As such, the concept of open regionalism is more consistent with the extra-regional logic of regional integration identified by Krapohl. Nesadurai (2003) for example argues that the difference between developmental regionalism and open regionalism is that developmental regionalism attaches a great importance to building the capacities of enterprises within a given regional grouping so that they can compete internationally. In the same vein, Kasahara (2013: 24) states that developmental regionalism “upholds a hybrid policy of limited liberalism at the national level and protectionism at the regional level”. However, this does not mean that developmental regionalism is not consistent with globalization.

The implementation of a developmental regionalism agenda in Africa has been implicitly and explicitly supported by regional and international organizations such as the AUC and UN Agencies (Ndayi, 2011; UNCTAD; 2013). For example, in its 2013 Economic Development in Africa Report devoted to intra-African trade, the United Nations Conference on Trade and Development (UNCTAD) highlighted the example of Southeast Asian countries – and of the Mekong sub-region in particular - as a potential source of inspiration for African regional institutions that aspire to implement
a developmental regionalism agenda in the African continent. In the Asian context, the Asian Development Bank (ADB) has been an important proponent of the developmental regionalism approach centred on the development of connective regional infrastructure and the development of RVCs (Dosch and Hensengerth, 2005; Dent, 2008; Ismail, 2021). The ADB has had notable successes in its endeavours to implement a developmental regionalism agenda in parts of the Asian continent. In this regard, one of the most prominent initiatives spearheaded by the ADB as part of its development regionalism agenda has been the creation of growth triangles in several sub-regions. Even though the growth triangles initiatives had varying degrees of success, the growth triangles that were created in the Mekong sub-region have been particularly effective in contributing to the creation of RVCs and industries in border regions through the construction of cross-border infrastructure and the exploitation of economic complementarities between countries (Mittelman, 1999; Fujimura, 2004; Dosch and Hensengerth, 2005; Kudo, 2009; Verbiest, 2013). According to Dent (2008), the justification for the adoption of a developmental regionalism agenda by the ADB was the necessity to promote economic convergence among countries with varying levels of socio-economic development within regional groupings. This denotes an additional goal of developmental regionalism which is reducing inequalities between countries participating in regional integration projects (Kasahara, 2013). For Verbiest (2013), the developmental regionalism agenda presupposes the adoption of a bottom-up approach in contrast to the top-down approach consisting of focussing on the elimination of tariff barriers. In other words, the primary focus of the developmental regionalism agenda in Asia has been to promote the development of regional cooperation projects at the outset of regional integration initiatives (Mittelman, 1999; Dent, 2008; Vickers, 2017). In this regard, Verbiest (2013) notes that prior to the development of growth triangles in the Mekong sub-region, the quality of energy and transport infrastructure in the sub-region was far from being optimal. Hence, the adoption of regional cooperation projects in the infrastructure sector has been a central focus of the growth triangles initiatives in the Mekong sub-region. Furthermore, Verbiest notes that the sub-region was characterized by a high degree of mistrust between neighboring countries, making it easier to start regional integration initiatives with the development of regional cooperation projects.
More importantly, a factor that has been decisive in the creation of RVCs in East Asia (including Southeast Asia) was the important investments made by Japanese multinationals in this region (Mittelman, 1999; Wadley and Parasati, 2000; Kasahara, 2013; Verbiest, 2013). Those multinationals were instrumental in the industrialization of East Asian countries by relocating part of their manufacturing activities in this region and by transferring technologies to domestic enterprises (Kasahara, 2013; Verbiest, 2013). Through its aid flows, the Japanese state supported the aforementioned industrialization process by contributing to the financing of cross-border infrastructure notably in the Mekong sub-region (Kasahara, 2013; Verbiest, 2013). At this stage, the following two questions arise regarding the possibility of replicating the East Asian regional integration experience in Africa. First, to what extent are the East Asian and the African socio-economic contexts similar? Second, what is the relation between the processes of globalization and regionalism: did the creation of RVCs precede the participation of East Asian economic actors in GPNs? Deichmann and Gill (2008) argued that the development of regional production networks and the promotion of economic convergence within regional groupings were made possible in the East Asian context because of essentially two factors: the worldwide reduction in transportation costs and the fact that – contrary to several African countries - the domestic markets of East Asian countries were large enough to attract Foreign Direct Investment (FDI) flows. Overall, it is important to note that several scholars consider that the process of regional integration in East Asia was principally led by market mechanisms and not regional institutions (Fujita, 2007; Lim and Kimura, 2010). The following excerpts from an article written by Lim and Kimura (2010) suggest that globalization was in fact an important factor that contributed to the emergence of regional production networks in East Asia:

The international production and distribution networks in East Asia have reached a high level of sophistication in that fragmentation and agglomeration occur at the same time, developing the complicated combination of intra-firm and inter-firm transactions. (Lim and Kimura, 2010: 5)

New economic geography suggests a promulgation of policies that affect agglomeration forces and dispersion forces. The fragmentation theory suggests policies affecting production cost saving, service link cost, and network-set-up cost. Combined with careful consideration of policy needs that differ by development stages, it is possible to develop
desirable policy packages in order to utilize globalizing forces. (Lim and Kimura, 2010: 7)

The aforementioned excerpts suggest that the emergence of regional production networks in East Asia was accelerated by two concomitant processes: agglomeration and fragmentation. While the new economic geography literature sought to explain the agglomeration of economic activities in a certain number of locations (in other words, it sought to explain “the spatial configuration of economic activities”), the fragmentation theory aimed to explain the rationale behind the fragmentation of production processes and the rapid development of trade in intermediate goods at the regional and global levels (Fujita, 2007; Lim and Kimura, 2010; Kasahara, 2013; Verbiest, 2013). As indicated earlier, the fact that an increasing number of multinationals (firstly Japanese multinationals) relocated part of their manufacturing activities in East Asian countries based on the comparative advantages of host countries was an important driver of economic integration in East Asia through the creation of regional production networks. Describing the trade pattern in East Asia, Lim and Kimura (2010: 1) note that “intermediate goods in the same industry have been actively traded among the Asian countries, expanding intra-industry and intra-regional trade”. The new economic geography and the fragmentation theory both consider transport costs as one of the key parameters that influence agglomeration and fragmentation processes (Fujita, 2007; Deichmann and Gill, 2008; Lim and Kimura, 2010). In this regard, the new economic geography considers that decreasing transport costs promote agglomeration forces until a certain point after which a further decrease in transport costs promotes dispersion forces (Fujita, 2007; Lim and Kimura, 2010). In other words, when transport costs become extremely low, the new economic geography theory argues that labour-intensive industries (and/ or industries for which land is an important factor of production) located in regional growth centers will be tempted to move to peripheral regions or countries that enjoy lower production costs given that agglomeration causes production costs (especially wages and the cost of land) to rise (Fujita, 2007; Lim and Kimura, 2010). For Fujita (2007: 15), this explains the “flying geese pattern of international economic development”. In short, the flying geese pattern of development refers to the fact that - from the 1960s to the 1990s - Japan (which was increasingly specializing in the manufacturing of high-technology products) outsourced its labour-intensive and less technologically advanced industries to less
developed East Asian countries (namely South Korea and Taiwan), thereby contributing to their industrialization mainly through the transfer of knowledge and skills (Fujita, 2007; Kasahara, 2013). Once they started specializing in the manufacturing of higher value-added products, those East Asian countries also began outsourcing some of their lower value-added industries to other peripheral neighbouring countries (namely ASEAN countries) which – according to Fujita – enabled East Asia to progressively develop “a highly integrated multi-cored economy” (Fujita, 2007: 18; Kasahara, 2013). When it comes to the fragmentation theory – and as explained by Lim and Kimura (2010) - it considers that service link costs (including transport and communication costs) are an important parameter that influences the decisions of multinationals that seek to relocate part of their manufacturing activities overseas as they try to reduce their production costs. In other words, service link costs should not exceed a certain level for the relocation of industries to be profitable (Kudo, 2009; Lim and Kimura, 2010; Kasahara, 2013). As indicated above, proponents of a developmental regionalism agenda in Africa have argued that the creation of RVCs should be considered as a way of building the capacities of African economic actors before their participation in GPNs (UNCTAD; 2013; Ismail, 2021) Hence, this seems to contradict the East Asian integration experience as it was described by some scholars who suggest that the processes of regionalism and globalization were two concomitant and mutually reinforcing processes in East Asia. Chapter 5 will be the occasion to reflect more on the link between regionalism and globalization in the African context.

1.3. Explaining the process of regional integration in Africa

One of the main criticisms addressed to the process of regional integration in Africa during the three to four decades that followed the independence waves of the 1960s was the fact that African RECs adopted a “linear model of integration” based on the European integration model (Ravenhill, 1979, 2016). The linear model of integration implied that – for a long time - the main objective of RECs was to remove tariff barriers between member states and gradually progress through the formal stages of regional integration (Vickers, 2017; Ismail, 2021). In other words - in line with the classification formulated by Balassa in 1961 - regional groupings were supposed to progress through the five stages of regional integration, the first stage being the formation of a
free trade area (with the removal of tariff barriers) and the last stage being the formation of a political union (Sindzingre, 2014; Ismail, 2021). However, several scholars have argued that the removal of tariff barriers in the African context did not lead to increased levels of intra-regional trade because of the lack of productive capacities in the continent and the prohibitively high trade costs caused by poor infrastructure (Jordaan, 2014). Given the disappointing results obtained by RECs with the initial regional integration programmes, the focus of subsequent regional integration initiatives gradually shifted towards creating the socio-economic conditions that would boost intra-African trade and promote regional industrialization (UNCTAD, 2013; Vickers, 2017). In this context, the development of regional infrastructure is viewed as critical to reduce trade costs and provide the “missing public goods” (such as energy and transport infrastructure) without which the emergence of regional industries and RVCs would be difficult (Fujimura, 2004; Foster and Briceno—Garmendia, 2010; Byiers et al., 2018; Ismail, 2021). Hence, these recent years, the implicit adoption of a developmental regionalism agenda by the AUC and RECs has been materialized by – among other things - the adoption in 2011 of an ambitious regional infrastructure development programme known as PIDA⁶ and the launch in 2021 of the African Continental Free Trade Area (AfCFTA) whose main objective is to create RVCs in the continent (Ndayi, 2011; Ismail, 2021).

While the regional integration literature has explained the poor performances of past African regional integration initiatives by multiple factors including the weakness of supranational institutions, poor infrastructure, the existence of non-tariff barriers or the fact that most African countries belong to several RECs, little research has been conducted on the way the balance of power between state and non-state actors has affected the implementation of regional integration programmes led by the AUC and RECs. The new regionalism literature that emerged in the 1990s (which was discussed in the previous section) identified the co-existence in the African context of informal processes of regionalisation led by non-state actors with official (and largely unsuccessful) processes of regionalism led by states (Grant and Söderbaum, 2003). The new regionalism literature sought more particularly to explain how an important

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⁶ PIDA is the Programme for Infrastructure Development in Africa developed by the African Union Commission.
part of the vibrant informal cross-border transactions in the African context were due to the persistence of tariff barriers and the existence of divergent economic policies among neighboring states (Ravenhill, 2016; Bach, 2016). Even though the regional integration literature highlighted the role played by African transnational enterprises – notably in the banking sector – in furthering economic integration in the continent (Iheduru, 2015; Bach, 2016), there is a need to conduct more research on the way domestic and international organized socio-economic groups influence processes of regionalism in Africa in conjunction with state organizations. Despite the fact that the earlier theories of regional integration were accused of being Eurocentric and somewhat irrelevant to analyse regional integration dynamics in the developing world, they provided interesting explanations about the way various socio-economic groups and state organizations influence the orientations and performances of regional integration projects.

The following section will discuss why the political settlements framework offers relevant analytical tools to understand how the balance of power between state and non-state actors at the national and international levels can influence the orientation and outcomes of sectoral reforms associated with the developmental regionalism agenda currently pursued by the AUC and RECs.

Section 2: The national and international political economy contexts and the success of regional integration initiatives in Africa

2.1. The reform programme associated with the developmental regionalism agenda in Africa

Despite the differences in the objectives and orientations of regional integration initiatives in Europe and developing regions, the earlier theories of European integration identified a number of structural factors that could be considered as being “universal”. In other words, it is possible to consider that those structural factors can explain the relative success or failure of regional integration initiatives, whether those initiatives take place in the context of developed regions or in the context of developing regions. The reasoning that is adopted in this thesis can be assimilated to the reasoning adopted by Gareth Austin in an article in which he discussed the concept of
“reciprocal comparison” (Austin, 2007). In his article, Austin explained that the “Eurocentric” bias could be avoided when analysing African economic history if the European and African cases were treated as the different illustrations of a particular phenomenon studied by a given researcher. This thesis aligns with the observations made by De Lombaerde et al. (2010) and Söderbaum (2013) who consider that the field of comparative regionalism should aim to identify and explain the common traits of regional integration projects (irrespective of their geographical location) and that the study of regional integration dynamics in developing regions should improve our understanding of the evolution of the European integration project. In this thesis, I argue that the orientations and performances of regional integration projects (whether they take place in developed or developing regions) are strongly influenced by domestic politics and the actions of domestic or international organized socio-economic groups. As we have seen earlier, the neo-functionalist theory and the subsequent theories of European integration that tried to offer more elaborate theoretical frameworks have all given a significant role to domestic politics and the actions of domestic interest groups in explaining the regional integration process in Europe (Haas, 1967; Moravcsik, 1993; Krapohl, 2017). In the same vein as De Lombaerde et al. (2010) and Grant and Söderbaum (2003), I consider that the process of regionalism is driven by the interactions between state and non-state actors. This presupposes the adoption of a constructivist epistemology which assumes that regions are socially constructed entities (De Lombaerde et al, 2010; Söderbaum, 2013).

In the African context, the success of a developmental regionalism agenda centred on regional infrastructure development and the creation of RVCs depends on the combined actions of a multitude of state and non-state actors. However, the differences in the socio-economic and political contexts in Africa and Europe justify the adoption of analytical tools that can better capture the specificities of the African socio-economic and political contexts and that can better explain the outcomes of regional integration initiatives in Africa. The political settlements framework offers relevant analytical tools aimed at analysing how the distribution of organizational power in developing countries affects the outcomes of a range of new policies and institutions. For example, Whitfield et al. (2015) analyzed the outcomes of industrial policies in a couple of African countries through the lens of the political settlements framework. For his part, Goodfellow (2014) tried to explain why the urbanisation policy
adopted by the Rwandan government after 1994 reflected the country’s political settlement and how the institutional structure that regulates taxation in urban settings was framed in a way that took into account the interests of the most powerful groups. In their paper on the intellectual foundation of the political settlements framework, Di John and Putzel (2009) explained how the political settlements of countries explain the taxation policies adopted by states. As the empirical chapters of this thesis will show, the distribution of organizational power within African countries is a factor that can explain the outcomes of regional integration initiatives in the same way as it can explain the outcomes of industrial or taxation policies. As we will see later, this distribution of organizational power is a function of a certain number of parameters including state-business relations. The thesis uses two cross-border transport corridors as entry points to analyze how the achievement of two objectives of the developmental regionalism agenda is affected by the political economy context in the countries through which the corridors under study pass.

As explained in the previous section, the development of connective transport infrastructure is expected to contribute to the reduction of particularly high trade costs in Africa, which is considered as one of the main challenges hindering a significant increase in intra-regional trade (Foster and Briceno—Garmendia, 2010; UNECA, 2021). The development of connective transport infrastructure is also expected to contribute to the development of industrial activities at the regional level. In this regard, the transformation of cross-border transport corridors into “development corridors” is currently a central preoccupation of African regional institutions (UNCTAD, 2013; Ismail, 2021). In addition to the provision of quality hard infrastructure linking hinterlands to ports, a major goal of development corridors is to spur economic activity by unlocking the economic potential of the areas served by newly rehabilitated or constructed cross-border transport corridors (Ismail, 2021). The first model of a “development corridor” in Africa has been the Maputo Development Corridor linking the most industrialized South African provinces to the port of Maputo in Mozambique (De Beer, 2001; Ismail, 2021). With the “development corridor” model, the expected reduction in trade costs induced by the construction or rehabilitation of transport infrastructure (especially roads, railways and ports) combined with the provision of soft infrastructure (such as trade facilitation reforms) is expected to significantly contribute to stimulating economic activity and boosting intra-regional trade. However, despite
the existence of regional initiatives such as PIDA and despite the continuous advocacy carried out by the AUC and RECs for the provision of hard and soft infrastructure along cross-border transport corridors, the levels of transport costs and transport prices are primarily dependent on the national and international political economy contexts. In other words, the political orientations of national governments, the strategies of international logistics firms and the availability of quality transport infrastructure are all factors that have an equal impact on the levels of transport costs and prices.

The important role of the domestic political economy context in determining the level of transport costs and prices has been highlighted by Teravaninthorn and Raballand (2009) in their book on international transport corridors in West and Central Africa which offers an interesting overview of the complexities of transport markets in African countries, the complex relations between states and domestic logistics actors and the resulting impact this situation has on the level of transport costs and prices. Moreover, the book put the emphasis on the fact that the development of cross-border transport infrastructure is often accompanied by the liberalization of services sectors in individual countries in order to bring about the desired reduction in transport costs and prices. This liberalization agenda is explicitly supported by International Financial Institutions (IFIs) such as the World Bank and by regional organizations such as the AUC and RECs. As a result, it is imperative to understand the domestic socio-political context in individual countries in order to evaluate the chances of success of the reform agenda that accompanies the development of regional transport infrastructure in the framework of a developmental regionalism programme. In other words, in order to evaluate the chances of success of the developmental regionalism programme in logistics sectors, it is imperative to identify the range of actors who are involved in the formulation and implementation of the reform agenda (or who are affected by this agenda), understand their positioning relatively to this agenda in view of their respective interests and understand the balance of power between them.

When it comes to the nature of the reforms that usually complement the development of regional transport infrastructure, trade facilitation measures, port reforms and the liberalization of logistics sectors are high on the reform agenda. These policy reforms are all aimed at reducing the costs of trade and reducing logistics costs more specifically. As argued by Coe (2014), regional integration initiatives have often been
the entry points for the implementation of initiatives aimed at liberalizing services sectors in several parts of the world. Coe also considers that a tension exists between states that are reluctant to liberalize some economic sectors and international and regional organizations that constantly push for further liberalization in order to further eliminate the barriers to trade. For his part, Bach argues that the rehabilitation of cross-border transport corridors in the African continent is one of the illustrations of the “defragmentation” agenda supported by the World Bank which aims to eliminate the obstacles to the smooth circulation of goods and services between Africa and the rest of the world and within Africa by focusing on the elimination of non-tariff barriers and regulatory hindrances (Bach, 2016). The implication of this defragmentation agenda in the logistics sector – which is a key sector for the integration of economies into regional and global trade networks – could be considered as the emergence of what some scholars call the “logistics revolution” (Pedersen, 2003; Coe, 2014). In the African context and in relation with the functioning of cross-border transport corridors, the progressive liberalization of trade in services is scheduled as part of the establishment of the AfCFTA, the new flagship programme of the AUC (UNECA, 2021). This shows the importance of evaluating the willingness and capacity of states to conduct the liberalization agenda that is required by the implementation of a developmental regionalism programme and it shows the importance of understanding the conditions under which this liberalization agenda takes place. The responses of domestic and international actors to this liberalization agenda are also an important parameter to consider.

Finally, apart from trade facilitation reforms, port reforms and the liberalization of logistics sectors, the thesis will discuss a fourth policy promoted under the developmental regionalism agenda. This fourth policy is the creation of RVCs. As indicated above, the development of regional transport infrastructure is expected to contribute to the emergence of RVCs which are promoted in the framework of regional industrialization strategies. The achievement of this objective presupposes an alignment between the interests of states and regional organizations and more particularly, an alignment between the objectives of national industrial policies and regional industrialization strategies (Sloan, 1971). National industrial policies are strongly dependent on the state of domestic politics and the alignment of the industrialization strategies adopted by states with regional industrialization strategies
has historically been a particularly important problem in the African context (Ravenhill, 1979).

Hettne (1999) rightly pointed out that regional politics is determined by the sum of national interests (which may be convergent or divergent) and that the interests of nation-states can be perceived differently by different social groups within a country. In this thesis, I consider that the capacity or willingness of states to implement the reform agenda associated with regional integration programmes is a crucial issue to study. As we have seen earlier, the European integration theories sought to study this issue to a certain extent. However, as it was rightly pointed out by some scholars, the European and African contexts differ substantially and the objectives of regional integration in Europe and Africa also differ. In the previous section, I discussed the specific objectives of regional integration initiatives in Africa and the reasons why the initiatives of the AUC and RECs can be considered as being part of a “developmental regionalism” agenda. However, in order to take account of the differences in the European and African socio-economic and political contexts, there is a need to draw on analytical tools that reflect those differences. In order to understand how the national and international political economy contexts affect the degree of commitment of African states to the regional integration agenda or the feasibility of the regional integration agenda, I have elected to use the political settlements framework in this thesis. The capacity of states to reform can be assimilated to what is commonly referred to in the development discourse as the “policy space” of states. The political settlements framework defends the view that this policy space depends on the degree of cohesion within ruling coalitions, the relative power of groups that are external to the ruling coalitions and the nature of state-business relations (Whitfield et al., 2015; Behuria et al., 2017). I will discuss in the next sub-sections how the political settlements framework could be used to analyze the way domestic politics, state-business relations, the political orientations of ruling elites and the actions of international actors influence the implementation of reforms associated with the developmental regionalism agenda in Africa.
2.2. The relevance of the political settlements framework to evaluate the success of regional integration initiatives in the African context

The main objective of this thesis is to evaluate the acceptability and the feasibility of reforms associated with the developmental regionalism agenda in the countries under study, in view of the prevailing national and international political economy contexts. In this regard, I will discuss in this sub-section why the political settlements framework can provide the right analytical tools to answer the research questions. In this thesis, one of the main issues on which I will focus is the way the reform agenda associated with regional integration initiatives could potentially modify the allocation of rents in the countries under study and how the responses of powerful actors may affect the outcome of the reform agenda.

An important attempt to theorize the process of regionalism in the African continent was made by Söderbaum and Taylor (2008) who focused their analysis on the way micro-regions (which, according to them, include development corridors) are constructed in Africa and the purposes they serve. After explaining why European integration theories were ill-adapted to explain the processes of regionalisation and regionalism in Africa, Söderbaum and Taylor proposed a new theoretical framework that combines elements of the New Regionalism Approach (NRA) with neopatrimonialism. In this regard, they stated the following:

In order for us to understand the politics of the state in the continent (and thus the politics of micro-regions in Africa), the concept of neopatrimonialism has largely become the standard tool of analysis. If this concept is not recognised, analyses may be marked by a distinct naivety in evaluating the potentiality or otherwise of how regionalism in Africa may bring about change on the continent. Our critique of past analyses of regionalisation processes in Africa is in part based on neglect of this fundamental modality of rule on the continent. Because access to resources depends largely upon being inside the state apparatus, patrons reward supporters with sinecures in government and nationalised industries – or in formal regional arrangements. (Soderbaum and Taylor, 2008: 23).

For Söderbaum and Taylor, micro-regions offer opportunities for local political and business elites (and a range of external actors) to enrich themselves through the implementation of neoliberal reforms demanded by development partners (a situation
that the neopatrimonialism literature describes as ‘partial reform’). Those neoliberal reforms essentially aim to promote privatization and the liberalization of economic sectors and ultimately aim to facilitate the participation of African economies in regional and global economic networks by making it easier to trade across borders. In the specific case of the Maputo Development Corridor, Söderbaum and Taylor argue that its rehabilitation primarily benefited South African and Mozambican political and business elites who were able to undertake infrastructure construction projects and business activities along the corridor. They noted however that local communities and economic actors from the informal sector were largely excluded from the economic opportunities arising from the rehabilitation of the corridor despite the official discourse stating that the rehabilitation project would promote a ‘people-centred development’. Even though Söderbaum and Taylor offer an interesting analysis of the drivers of regionalism in Africa, the relevance of the neopatrimonialism approach to explain developmental outcomes in African countries has been criticized by some scholars, including scholars in the political settlements literature (Gray and Whitfield, 2014). For instance, Mkandawire (2015) demonstrated that the arguments defended by the neopatrimonialism approach were often not backed by empirical evidence and overlooked the diversity of development trajectories in the continent. He showed in particular how the neopatrimonialism approach relied on cultural elements to explain the failure of various socio-economic policies while being unable to explain growth episodes in African countries. In other words, the existence of a pathological form of neopatrimonialism (namely, the “greed” of African elites) was put forward to explain disappointing development results in the continent. Generally speaking, a key argument of scholars who refute the views defended by the neopatrimonialism approach is that corruption, rent-seeking activities and the types of patron-client exchanges that have been pervasive in post-colonial Africa have also existed in some Asian countries that were able to conduct successful industrial policies and enjoy high growth rates (Whitfield et al., 2015; Gray, 2018). I will return to this specific argument later in this sub-section.
The political settlements framework was essentially developed as a critique of the New Institutional Economics (NIE)\(^7\) and neopatrimonialism and the framework proposes an alternative approach to explaining the developmental outcomes of new institutions and policies in developing countries (Di John and Putzel, 2009; Khan, 2010, 2018a; Gray and Whitfield, 2014; Whitfield et al., 2015; Behuria et al., 2017; Gray, 2018; Usman, 2019). Khan — one of the leading theorists of the political settlements framework — defines a political settlement as “the distribution of organizational power” in society and considers that a political settlement is stable and reproducible if the distribution of organizational power in a given society is consistent with the distribution of benefits generated by its institutions (Khan, 2010). While the NIE focused on the efficiency effects of formal capitalist institutions (and more specifically on their ability to reduce transaction costs), the political settlements framework pays attention to the distributional effects of new institutions and policies in the context of developing countries (Di John and Putzel, 2009; Khan, 2010). According to Khan, the class of domestic capitalists that should normally benefit from the enforcement of formal capitalist institutions (such as those designed to protect property rights) is usually very small in developing countries that are transitioning towards capitalism. In particular, a great part of the most powerful groups in those societies are either capitalists whose productivity is very low or groups which do not belong to the class of domestic capitalists (Khan, 2010). Therefore, a combination of formal capitalist institutions and informal institutions (which usually take the form of patron-client networks) is often necessary in developing countries in order for the most powerful groups to receive a sufficient level of rents that will guarantee the stability of the political settlement (Khan, 2010; Goodfellow, 2014). Given that new institutions and policies induce changes in the allocation of rents, scholars in the political settlements literature argue that powerful organizations may resist the implementation of institutions and policies that reduce their rents by tapping into their formal and informal networks or resorting to corruption and violence (Di John and Putzel, 2009; Khan, 2018a). This refers to the concept of “holding power”, which describes the capacity of powerful groups to protect their rents and resist the implementation of new policies or institutions that are detrimental to their interests (Khan, 2010, 2018a; Behuria et al., 2017: Gray, 2019;

\(^7\) Gray (2018) distinguishes between an “old” NIE based on the work of Douglass North before 2009 and a “new” NIE. I refer here to the old NIE.
Usman, 2019). As Khan (2010: 6) put it, the “concept of holding power” is “defined as the capability of an individual or group to engage and survive in conflicts”. While the NIE considers that the enforcement of new capitalist institutions should reduce transaction costs, the political settlements framework argues that if costs associated with the enforcement of those new institutions are too high because of the resistance of some powerful groups, those enforcement costs will ultimately increase the transactions costs that the new institutions were designed to reduce in the first place (Khan, 2010). As a result, Khan considers that an analysis of the distribution of organizational power within a society enables to evaluate the types of institutions and policies that are “likely to emerge” in that society and it also enables to evaluate the extent to which a certain number of institutions and policies can be successfully implemented given the reaction of powerful organizations (Khan, 2010, 2018a, 2018b). More particularly, the introduction of institutional changes aimed at increasing growth can threaten political stability if there is strong contestation from powerful groups (Khan, 2010). This is what Khan (2010) calls the “growth-stability trade-off”.

The political settlements framework considers that three parameters can explain why a certain number of institutional reforms are successfully implemented in some developing countries but not in others. Those parameters are: (i) the vertical distribution of power; (ii) the horizontal distribution of power and (iii) the technological capabilities of the domestic class of capitalists as well as the power of the ruling coalition relatively to the domestic class of capitalists (Khan, 2010; Whitfield et al., 2015; Behuria et al., 2017; Gray, 2018). The vertical distribution of power refers to the degree of contestation within ruling coalitions. For instance, a high degree of contestation within a ruling coalition means that lower factions of the coalition have a great bargaining power relatively to the higher factions (Khan, 2010). When it comes to the horizontal distribution of power, it refers to the degree of vulnerability of ruling coalitions vis-à-vis external groups. In other words, the horizontal distribution of power refers to the capacity of dissident groups to derail the plans of ruling coalitions and threaten the survival of the regime (Khan, 2010). As a result, the degree of internal contestation within ruling coalitions and the degree of vulnerability of ruling coalitions vis-à-vis external groups should determine (respectively) the capacity of ruling coalitions to enforce policies and the time horizon of development plans (Khan, 2010; Behuria et al., 2017). On the basis of the horizontal and vertical distributions of power,
Khan (2010) distinguishes the following four types of structure of the ruling coalition in clientelist political settlements: (i) the potential developmental coalition characterized by weak excluded factions and weak lower factions within the ruling coalition; (ii) the (vulnerable) authoritarian coalition characterized by strong excluded factions and weak lower factions; (iii) the (weak) dominant party characterized by weak excluded factions and strong lower factions and (iv) competitive clientelism characterized by strong excluded factions and strong lower factions within the ruling coalition. Khan (2010) argues that the developmental coalition is the type of ruling coalition that has the greatest potential to carry out pro-growth socio-economic policies. It is interesting to note here that the ability of leaders to conduct socio-economic policies or reforms over a long-term horizon while supporting the short-term costs is one of the requirements identified by Sloan (1971) in order to successfully implement a developmental regionalism strategy. In this regard, Sloan argued that countries with an unstable political situation may not be in a position to conduct reforms required by a developmental regionalism strategy because their governments would fear that the short-term costs of conducting those reforms may threaten the survival of the political regime.

The third and last parameter that explain different levels of institutional performance from one clientelist political settlement to another refers more particularly to state-business relations (Khan, 2010; Behuria et al.; 2017). In this regard, the power of the ruling coalition relatively to the domestic class of capitalists and the technological capabilities of the domestic class of capitalists are two elements that should determine the capacity of the ruling coalition to promote the creation of “growth-enhancing” rents and hence, conduct pro-growth policies (Khan, 2010; Whitfield et al., 2015). This shows the importance of the concept of “rent” in the political settlements framework. Khan and Jomo (2000: 5) define a “rent” as “an income which is higher than the minimum which an individual or firm would have accepted given alternative opportunities”. Neoclassical economics has traditionally considered rents – and particularly “monopoly rents” – as causing welfare losses and being one of the manifestations of market inefficiencies (Khan and Jomo, 2000; Khan, 2000; Gray, 8 Khan (2010) identifies four types of political settlements: pre-capitalist political settlements (which characterize developing countries before colonialism); capitalist political settlements (in developed countries); clientelist political settlements (which is the most prevalent form of political settlement in developing countries) and political settlements in crisis.
2018). However, Khan and Jomo argue that the East Asian growth experience demonstrated that a distinction must be drawn between “growth-enhancing” rents and “growth-retarding” rents. More importantly, they argue that the existence of rent-seeking activities, corruption and patron-client exchanges have not prevented (and have even helped in some cases) the implementation of successful industrial policies in some East Asian countries that enjoyed high growth rates from the 1980s to the Asian financial crisis of the late 1990s. According to Khan (2000), a variety of rents exist including monopoly rents, transfer-based rents, rents for innovation and learning rents. He considers that in the context of developing countries, transfer-based rents and learning rents have the potential to promote the transition towards capitalism under certain conditions (Khan, 2000). Transfer-based rents for instance are created by political mechanisms and Khan (2000) argues that they serve two main purposes in developing countries: (i) to spur the process of primitive accumulation and promote the emergence of a productive class of domestic capitalists and (ii) to ease potential socio-political tensions by compensating powerful socio-economic actors that are left out of the development process and which are susceptible to disrupt political stability. Nevertheless, Khan notes that in many cases, transfer-based rents can fail to spur the aforementioned process of primitive accumulation and fuel large-scale corruption instead, depending on the socio-political and institutional contexts.

In view of the historical factors that led to the high dispersion of power in society and that prevented the emergence of a class of domestic capitalists in several African countries, scholars in the political settlements literature have criticized the way the concept of neopatrimonialism has been applied to African countries (Gray and Whitfield, 2014). They have criticized in particular the tendency to single out an “African specificity” when it comes to pervasive patron-client exchanges and clientelism that allegedly stifle economic development and industrialization (Gray and Whitfield, 2014; Whitfield et al., 2015; Behuria et al., 2017). Furthermore, given the existence of growth-enhancing and growth-retarding rents, scholars in the political settlements literature consider that it is particularly important to distinguish between the different types of rents and the types of state-business relations that are conducive to industrialization and economic development (Whitfield et al., 2015). In other words, the key parameters that need to be taken into account when evaluating the efficiency of rents and their effect on economic growth are the type of rents created by states
and the way they orient their use. For instance, if a state is capable of enforcing learning rents, this means that it is capable of ensuring that infant industries that receive subsidies from the state to learn new technologies commit to delivering the level of performance set by the state, which theoretically means that the rents created by the state are used to promote growth-enhancing activities (Khan, 2000; Whitfield et al., 2015; Gray, 2018).

Therefore, the political settlements framework, the NIE and the neopatrimonialism approach differ fundamentally in the way they explain economic performances in societies that are transitioning towards capitalism. While the NIE stipulates that the adoption of formal capitalist institutions is one of the pre-conditions to promote economic growth through a reduction of transaction costs, the political settlements framework argues that formal institutions that exist in capitalist societies are the result of growth and not a pre-requisite for growth (Khan, 2010; Gray and Whitfield, 2014; Gray, 2018). While the neopatrimonialism approach explains poor economic performances in African countries by the personalization of power and the pervasiveness of corruption and patron-client exchanges, the political settlements framework argues that the high dispersion of power in society and the existence of a small class of domestic capitalists with low technological capabilities and low political influence led to the emergence of forms of clientelism that penalized economic performance in many African countries (Gray and Whitfield, 2014). The political settlements framework argues that in some developing countries (notably in Asia), the relatively low dispersion of power in society, the high degree of cohesion within ruling coalitions and the ability of ruling elites to create rents that promoted the development of a class of productive domestic capitalists enabled the implementation of pro-growth policies (Khan, 2000; Gray and Whitfield, 2014). In those countries, the existence of informal institutions (in the form of patron-client exchanges) has been necessary to complement formal institutions and enable the process of primitive accumulation to take place (Khan, 2010; Gray and Whitfield, 2014). As a result, Khan considers that – depending on the socio-political and institutional contexts - one type of clientelist political settlement may promote the adoption and implementation of pro-growth development policies while another type of clientelist political settlement may not.

At this stage, it is worth noting that defining what constitutes a political settlement has been at the centre of debates in the burgeoning political settlements literature.
Therefore, it appears necessary to briefly outline those debates before explaining how
the thesis intends to use the political settlements framework to explain the outcomes
of reforms associated with the developmental regionalism agenda in Africa.

According to Khan, power does not only stem from financial capabilities and sources
of power can be diverse (Khan, 2010). He considers in particular that the capacity of
organizations to mobilize is an important source of power (Khan, 2010, 2018a). Khan
makes an important distinction between the distribution of power within a society and
power sharing agreements between elites given that he considers that a power-
sharing agreement between elites may not always reflect the actual distribution of
organizational power in a given society (Khan, 2018a). In such case, he considers that
a political agreement that does not reflect the actual distribution of power may not lead
to a sustainable socio-political order susceptible to reproduce itself (Khan, 2018b).

As a result, Khan’s definition of a political settlement is different from the definition
proposed by Kelsall who argues that a political settlement is essentially an agreement
between powerful elite groups that guarantees peace and a relatively stable socio-
political environment (Kelsall, 2018a). For Kelsall, any change to the political
settlement may therefore lead to conflict (Kelsall, 2018a). Other scholars have also
espoused the definition of a political settlement as an agreement between elites. For
instance, in an article in which she uses the political settlements framework to analyse
the performance of the oil sector in Nigeria, Usman argues that the concept of “elite
bargains” is central to the horizontal distribution of power in Nigeria and can be
understood as an implicit agreement between elites aimed at preventing the eruption
of conflicts and not necessarily aimed at ending a conflict. According to Usman, the
imperative to distribute oil rents among elites in order to preserve the institutional order
is one of the key factors explaining why the Nigerian state failed to reform the oil sector
while it has been able to reform other economic sectors like the telecommunications
sector following external pressure, notably from the donor community (Usman, 2019).

Kelsall’s analysis is based on two main parameters: the “breadth and depth of the
social foundation of the political settlement” and the “degree of concentration of power”
(Kelsall, 2018b). The concept of “disruptive power” is central in Kelsall’s analysis and
it describes the capacity of powerful groups to disrupt the social order (Kelsall, 2018b).
According to Kelsall (2018b), the broader is the social foundation, the higher is the
percentage of groups with high disruptive power. When it comes to the degree of
concentration of power, Kelsall argues that the more power is concentrated at the top
leadership, the more easily the top leadership may impose its policy choices on groups that form the social foundation. Taking into account the breadth and depth of the social foundation and the degree of concentration of power, Kelsall argues that states will choose between co-opting or repressing powerful groups with a high disruptive power, knowing that repressing a large number of groups may be costly. Moreover, states will also choose between privileging (short-term) social policies aimed at satisfying a large number of groups with a high disruptive potential or (long-term) policies that are more susceptible to generate growth. Khan refutes the notion of disruptive power since he considers that no group can disrupt a social order on its own and that the capacity of organizations to disrupt the social order depends on their capacity to build coalitions and their capacity to network with other organizations even though those other organizations are not very powerful on their own (Khan, 2018b). For Khan, a political settlement is an “interactive order” and the strict enforcement of a conflict-ending agreement between powerful groups is highly unlikely (Khan, 2018b: 691).

More generally, Gray (2019) distinguishes between two different approaches to understanding a political settlement: understanding a political settlement “as action” and understanding a political settlement “as process”. According to Gray (2019), scholars who understand a political settlement “as action” view a political settlement as an agreement between powerful groups aimed at ending violence. This is the definition of a political settlement defended by some authors such as Kelsall and Usman. On the other hand, Gray explains that for scholars who understand a political settlement “as process”, “a political settlement is conceptualized as a stable political order that has not necessarily been planned or consciously willed by different social groups” (Gray, 2019: 1). This is the definition of a political settlement defended by Khan. In this thesis, I will adopt the definition proposed by Khan who defines a political settlement as the “distribution of organizational power” in a given society (Khan, 2018a). As Khan (2018b) put it: “a general definition of a political settlement should certainly be able to cover successful post-conflict agreements as a special case but should also be able to do much more” (Khan, 2018b: 675). In the specific case of Ethiopia (which is the focus of my second case study), the political settlement that was found after 1991 was indeed a conflict ending agreement between the groups that ousted the Derg military regime. This political settlement has been called into question recently when the current Ethiopian Prime Minister created a new ruling coalition at
the end of 2019, which excluded the once most powerful political group within the ruling coalition that was created in 1991. In the case of Senegal (which is the focus of my first case study), there is no conflict-ending agreement similar to the one identified in Ethiopia and the waves of liberalization and privatization that occurred in the 1980s can be considered as key events that greatly contributed to determining the current distribution of organizational power in Senegal (Thioub et al., 1998).

2.3. Evaluating the performance of reforms associated with the developmental regionalism agenda in Africa through the lens of the political settlements framework: the approach adopted in the thesis

As indicated earlier, the process of regionalism in the ASEAN zone is regularly cited as an example of a rather successful economic integration experience and as a potential source of inspiration for African regional institutions. While ASEAN regionalism has been analysed under various angles in the literature, I will briefly discuss here the interesting findings of an article written by Nesaduraj (2003) on the way domestic politics and state-business relations influenced the type of regionalism adopted by ASEAN countries. Even though Nesaduraj does not adopt a political settlements approach in her article, her work is interesting in the sense that it adapted the liberal intergovernmentalist theoretical framework (discussed in section one) to the socio-political context of ASEAN countries. In this regard, Nesaduraj argued that the adoption of a developmental regionalism strategy by ASEAN countries was justified by the necessity to promote a greater participation of ASEAN countries in globalization while building the capacities of domestic businesses to compete internationally. Nesaduraj took the example of the creation of the ASEAN Investment Area (AIA) to analyse how the governments of ASEAN countries tried to protect the interests of their domestic businesses in the AIA by giving preference to domestic investors (namely, investors from ASEAN member states) over foreign investors in non-manufacturing sectors. For Nesaduraj, the orientation of ASEAN governments (in other words, their support for domestic businesses) was justified by the fact that domestic businesses played an important role in financing ruling parties in countries like Malaysia and hence, played an important role in guaranteeing the survival of political regimes in those countries. However, Nesaduraj argued that when the cost of protecting the interests of domestic businesses started exceeding the benefits of this policy (with a
reduction of foreign investments), this prompted ASEAN governments to reverse course in order to stop the reduction in foreign investments flows that were crucial for economic growth. In other words, the prospect of losing foreign investments prompted ASEAN countries to revert to open regionalism by guaranteeing the same treatment to foreign and ASEAN investors in non-manufacturing sectors. There are two important deductions that could be made from Nesadurai’s article. First, the article confirms that globalizing forces played an important role in the process of regional economic integration in the ASEAN zone. In other words, regionalism and globalization were two mutually reinforcing processes that unfolded simultaneously in the South-East Asian context. Second, the article shows that the existence of patron-client exchanges did not undermine the process of regional economic integration in South-East Asia. Therefore, it seems irrelevant to explain the failure of past regional integration projects in Africa by the fact that local elites did not perceive any personal gains from those regional projects or by the fact that regional projects were primarily aimed at providing local elites with opportunities to enrich themselves and hence, did not advance regional integration. This corroborates one of the key arguments of the political settlements framework which considers that in some contexts the existence of informal institutions (and of patron-client exchanges in particular) has been necessary to make formal institutions work and lay the foundations for the implementation of pro-growth policies. In this regard, Khan argues that an analysis of the distribution of power across organizations in a given society should enable us to explain why certain types of new institutions or policies may succeed in some settings and not in others (Khan, 2018a).

In this thesis, I intend to use the political settlements framework in order to achieve essentially two objectives: (i) assess the holding power of the organized socio-economic groups that contest or that approve regional programmes supported by the AUC, RECs and donors and (ii) understand how the interactions between these various socio-economic groups, states, RECs and donors affect the achievement of the objectives of regional programmes. This has two implications. First, I will not analyse the effects that new institutions and policies have on growth, but I will rather analyse their effects on the feasibility of regional integration strategies. In other words, an analysis of the political settlements of Senegal and Ethiopia should enable us to explain the outcomes of reforms introduced at the sectoral level to support the regional
integration agenda. Second, the analysis will not be limited to domestic actors because a range of domestic and international actors are concerned by the implementation of regional integration initiatives. In this regard, it is interesting to note that foreign actors have been included in the political settlements framework in recent articles. For example, Wolff (2020) included donors and foreign multinationals in her analysis of the responses of ruling coalitions in Kenya, Uganda and Rwanda to the American threat of revoking AGOA when those countries announced their intention to ban imports of used clothing from the United States. The inclusion of foreign actors in our analysis will be crucial to understand how the interactions between RECs, donors, transnational shipping lines and port operators, foreign manufacturers, local logistics actors, cross-border traders and government officials affect the evolution of logistics costs and the creation of RVCs along cross-border transport corridors.

We will see that in both case studies, state-business relations, intra-state tensions and the relations between states and powerful international actors are particularly relevant parameters to study when analysing the acceptability and the feasibility of the reform programme associated with the regional integration agenda. When it comes to state-business relations more specifically, we have seen earlier that they are an important determinant of the outcomes of institutional reforms in the political settlements framework (Behuria et al., 2017) and the analysis of state-business relations has occupied an important place within the regional integration literature (Nesadurai, 2003; Söderbaum and Taylor, 2008). The construction or rehabilitation of cross-border transport corridors is theoretically accompanied by trade facilitation reforms, port reforms and a progressive liberalization of logistics sectors in order to induce a significant reduction of cross-border trade costs. The implementation of these three policies will inevitably induce a change in the distribution of rents in individual countries. Moreover, a successful implementation of those policies requires the alignment between the interests of various actors. For the sake of simplification, those actors can be classified in two categories: (i) those who set the policy agenda (including donors and RECs) and (ii) those who are positively or negatively affected by those policies (including local logistics actors, cross-border traders and multinationals). The “state” has not been included in the two categories above because

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9 AGOA is the African Growth and Opportunity Act.
of essentially two reasons. First, some factions of the “state” are in charge of the implementation of the aforementioned policies while other factions of the state can be classified in the category of actors who are affected by those policies. Second, the “state” is not a monolithic bloc and there are diverging interests between various factions of the “state”. In this thesis, we will see that trade facilitation reforms in the Senegalese context (and in the West African context more broadly) encompass a wide range of measures including measures aimed at tackling what are perceived as inefficiencies attributed to the structure of transport markets, measures aimed at combating illicit non-tariff barriers and measures aimed at preserving the quality of the road infrastructure. The enforcement of a regional trade facilitation reform such as the regional axle load limitation rule would inevitably induce a reduction in the incomes of truckers and large formal cross-border traders from landlocked countries. In a context characterized by port competition, the resistance strategies conducted by these two categories of actors has hindered the enforcement of this regional rule since 2005 given that West African coastal states have been reluctant to enforce a rule that could reduce the attractiveness and profitability of their ports. Other trade facilitation reforms such as those aimed to reduce the number of checkpoints and eliminate the collection of bribes along cross-border transport corridors have also been very difficult to enforce in West Africa. Endemic corruption within law enforcement agencies – such as customs administrations – seem to benefit a large network of actors that includes not only corrupt law enforcement officers but also cross-border traders and intermediaries that benefit from the opacity of trade transactions at the border. Regarding customs administrations in particular, some scholars have argued that the fact that an important part of government revenues in Africa is generated by customs administrations means that they enjoy a relatively important bargaining power vis-à-vis states (Arifari, 2006; Cantens, 2012). The case study on the Dakar-Bamako transport corridor will also show that the liberalization of maritime transport and the privatization of port operations in West Africa created opportunities for major transnational shipping lines and port operators to capture more rents along local logistics value chains which created tensions with local logistics actors and part of the local private sector (Chalfin, 2010). In Senegal, local economic actors even accuse the port operator DP World and transnational shipping lines of raising the level of logistics costs. Thus, we will see that this situation poses two main questions. First, who really benefits from the greater internationalization of logistics services? Second, in this context, can regional
initiatives aimed at reducing logistics costs effectively achieve their goals in view of the existing dynamics in the logistics industry? With the case study on Ethiopia, we will see that state interventions in the logistics sector and the presence of a state monopoly in the sector create distortions in the transport market that maintain inland transportation costs at a high level (despite recent investments in hard infrastructure), especially during periods where the demand for transport services is high. The case study on Ethiopia will also show that – while regional transport infrastructure development is expected to support the creation of RVCs - Ethiopia’s national development strategy, the limited technological capabilities of domestic entrepreneurs and the power dynamics within the apparel GPN could limit Ethiopia’s potential contribution to the creation of regional textile and apparel value chains in the COMESA zone. The case study on Ethiopia will more particularly show that in order for Ethiopia to contribute to the creation of regional textile and apparel value chains, there should be an alignment between the interests of the Ethiopian state, COMESA and foreign apparel manufacturers installed in Ethiopia, which is currently not the case.

**Conclusion**

A major concern of the literature on regional integration dynamics in Africa has been to analyse the factors which explain the difficulties of implementing a linear integration model aligned with the European integration experience during the three to four decades that followed the creation of the OAU in 1963 (Draper, 2012; Jordaan, 2014; Ravenhill, 2016). Furthermore, the new regionalism literature opposed informal processes of regionalisation led by non-state actors engaged in cross-border transactions to formal processes of regionalism led by African RECs and states which largely failed to achieve their objectives of fostering formal intra-African trade (Grant and Söderbaum, 2003; Bach, 2016). Even though there have been attempts to evaluate the impact of some African transnational enterprises on processes of regionalism in Africa (Iheduru, 2015), more research should be conducted to improve our understanding of the way the actions of national and international organized socio-economic groups affect the degree of success with which regional integration programmes led by RECs are implemented, independently of the orientations or
objectives of those regional integration programmes. In other words, as the earlier theories of European integration have attempted to do, it is important to improve our understanding of the way various state and non-state actors – who each pursue specific interests – influence the orientations of regional integration initiatives in Africa, respond to the reform agenda associated with those initiatives and affect their outcomes.

This chapter argued that the political settlements framework offered relevant analytical tools that can help us better understand how domestic and international organized socio-economic groups can hinder or promote the achievement of the objectives of regional integration initiatives in Africa. More specifically, the focus of the political settlements framework on analysing the way the balance of power between state and non-state actors in developing countries affects the feasibility of new institutions and policies indicates that the framework can be particularly useful to explain the outcomes of specific reforms introduced at the sectoral level to support the regional integration agenda in Africa. Given that the definition of a political settlement has been the subject of various debates in the burgeoning political settlements literature (Yanguas, 2017; Gray, 2019; Khan, 2018b), this chapter was the occasion to situate the thesis in this debate and shed light on the way the framework will be used in this thesis. The thesis aligns with the definition proposed by Khan who considers a political settlement as “the distribution of organizational power” in a given society and who considers that a political settlement is stable and reproducible if the distribution of organizational power is consistent with the distribution of benefits generated by its institutions (Khan, 2010). On the other hand, Kelsall (2018a) and scholars who share his view define a political settlement as a conflict-ending agreement between elite groups who agree on the way rents should be distributed in a given society. An important implication of adopting Khan’s conception of a political settlement is that the thesis will not exclude the analysis of cases where the political settlement is a conflict-ending agreement but – as argued by Khan - those cases will be considered as “special cases” if the conflict-ending agreements align with the distribution of organizational power (Khan, 2018b). This possibility (or special case) corresponds with the second case study on Ethiopia. While the political settlements framework was mostly applied to analyses focused on the national level, the analysis conducted in this thesis will be conducted at both the
national and international levels in view of the range of domestic and international actors concerned with regional integration initiatives in Africa.

In view of the disappointing results of the regional integration programmes that were initially pursued in Africa, international institutions such as UNCTAD have pleaded for the implementation of a developmental regionalism agenda aimed at creating the conditions for boosting formal intra-regional trade in intermediate goods as it was successfully done in parts of the Asian continent (UNCTAD, 2013). The current focus of regional integration initiatives on the development of cross-border infrastructure and the creation of RVCs indicate that the AUC and RECs are implicitly implementing a developmental regionalism agenda in the continent. As it was indicated in this chapter, trade facilitation reforms, port reforms and the liberalisation of logistics sectors are viewed by international and regional organizations as the necessary complements to the development of regional transport infrastructure, which are expected to bring about a significant reduction in logistics costs (World Bank, 2019). The development of regional infrastructure is also expected to support the implementation of regional industrialization strategies by facilitating the creation of RVCs. The implementation of the aforementioned policies will obviously entail a change in the distribution of rents at the national and international levels. In this context, the thesis will try to understand how the balance of power between state and non-state actors affects the objectives of trade facilitation reforms and port reforms along the Dakar-Bamako transport corridor. The thesis will also try to understand how the political settlement of Ethiopia can affect: (i) the evolution of inland transportation costs along the Ethiopia-Djibouti transport corridor; (ii) the possibility of liberalizing the Ethiopian logistics sector (in line with the regional integration agenda) and (iii) the potential contribution of Ethiopia to the creation of RVCs in the textile and clothing industries in the COMESA zone. Overall, by combining theories of regional integration with the political settlements framework, this thesis should improve our understanding of the determinants of the performances of processes of regionalism in Africa.
CHAPTER 2

RESEARCH DESIGN AND METHODOLOGY

This chapter presents the methodology that was used to answer the research questions presented in the introduction to the thesis. The chapter is organized as follows. Section 1 will present the case studies and the criteria that were used to select them. Section 2 will present the research methods and will discuss the challenges encountered during the data collection phase.

Section 1: Presentation of the case studies

The thesis uses two case studies to answer the research questions. The first case study focuses on the Dakar-Bamako transport corridor while the second case study focuses on the Ethiopia-Djibouti transport corridor. This section has four main objectives. First, the section will give an overview of the structures of the two transport corridors under study. Second, the rationale behind the adoption of a multiple case design will be discussed. Third, the section will present the criteria that were used to select the case studies. Finally, the section will give an overview of the political economy contexts in Senegal and Ethiopia.

1.1. Structures of the Dakar-Bamako and Ethiopia-Djibouti transport corridors

The construction of the existing transport infrastructure in Africa was undertaken during two distinct periods: the colonial phase and the post-colonial era (Njoh, 2008; Debrée, 2010). Indeed, a substantial part of the existing transport networks across Africa is part of the colonial heritage and was originally aimed at serving the logic of extroversion pursued by colonial powers (Njoh, 2008; Debrée, 2010; Bonfatti and Poelhekke, 2013; Bach, 2016). This is the case of some of the transport infrastructure constructed along the two transport corridors under study. The following excerpt from an article written by Debrée on the historical geography of the transport infrastructure
network in the French West Africa illustrates well the main strategy pursued by colonial powers during the colonial phase when it comes to transport infrastructure development:

In spite of the diversity of the approaches of the different colonial blocs, the initial developments were similar everywhere, and founded on the exploitation of colonies to meet the needs of the home country. This stage, which produced what we can term “economic structuring”, produced a familiar structure which essentially consisted of the railway and port combinations, branches, and networks (of paths). The exploitation of mineral and agricultural resources, and the political control of inland space required the construction of roads that penetrated into the interior and export points on the coast. Initially, this system was organized around a combination of railways and ports, and colonial investment in West Africa prior to 1914 was mostly concentrated on railways and ports (Coquery-Vidrovitch and Moniot, 1993). It is of course true that this initial transport structure was based on an economic compromise guided by a strategy of a minimum investment. At a West African scale, the result was not a network but a few unconnected lines. (Debrie, 2010: 294)

During the post-colonial era, sovereign African states attempted to pursue a strategy of transport infrastructure development that was mainly aimed at developing intra-national roads to improve access to underserved areas and developing international road networks to improve the access of landlocked countries to coastal countries (Debrie, 2010). However, these attempts to build national and international road networks during the period from independence until the beginning of the 1980s were clearly not sufficient (Pedersen, 2003; Njoh, 2008). The existing road network in most Sub-Saharan African countries is still far from being adequate, several railways constructed during the colonial era are in poor condition and the state of intra-African transport infrastructure today is far from being satisfactory (Njoh, 2008; Mbekeani, 2010; Adewole, 2019).

The recent momentum around the construction of cross-border transport infrastructure in Africa is partly aimed at modifying the orientation of trade in the continent by linking African countries with each other and hence, promoting the expansion of intra-African trade. Hence, this regional strategy is aimed at “correcting” one of the legacies of colonialism which promoted the construction of transport infrastructure that facilitated the export of unprocessed raw materials from African countries to the colonial metropolises instead of facilitating intra-African trade and promoting the import of
higher value-added goods from neighbouring countries (Bonfatti and Poelhekke, 2013). In this regard, Debrie (2010) asks the following interesting question in his article: after the “colonial phase” and the “national phase”, will the development of transport infrastructure in Africa enter a “regional phase”? The entry into a “regional phase” would mean that the main driver of transport infrastructure development in the continent would be the regional integration agenda and hence, investments would be made in the construction or rehabilitation of transport infrastructure that will serve the goals of this agenda. Despite their colonial origins, the two transport corridors under study in this thesis are part of the AUC’s PIDA aimed at accelerating the rehabilitation or construction of key transport networks that are expected to support the development of intra-African trade. Bach (2016) rightly points out that an important challenge for the regional integration agenda will be to connect the rehabilitated railways (which were for the most part constructed during the colonial era) across neighbouring countries given the different specifications of railways from one country to another.

Until the years 2000s, the Dakar-Bamako transport corridor – which links landlocked Mali to the port of Dakar in Senegal – was a multimodal transport corridor combining two modes of transport, namely rail and road. The railway between Dakar and Bamako – whose construction was completed in 1924 - was constructed by French colonial authorities (Debrie, 2010) but its state sharply deteriorated over the years following independence until the train completely stopped freight transport at the beginning of the years 2000. According to Debrie (2010), one of the main concerns of colonial authorities in the French West Africa was to construct transport infrastructure that would link the cotton producing regions in Mali (former French Sudan) and Burkina Faso (former Upper Volta) to the ports of Abidjan in Cote d’Ivoire and Dakar in Senegal. Following the deterioration of the state of the Dakar-Bamako railway, successive attempts to rehabilitate this railway have failed over the recent years despite the fact that the rehabilitation of this railway figures prominently among the key regional infrastructure projects championed by the AUC.10 As a result, road transport has now become the mode of transport quasi-exclusively used to transport freight along the Dakar-Bamako transport corridor. According to a Senegalese government

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official\textsuperscript{11}, recent investments were made in the rehabilitation of some road sections along the transport corridor, but these rehabilitation works were not the outcome of a joint effort between the Senegalese and Malian governments. In this regard, the government official stated that the rehabilitation works that were undertaken on the Senegalese territory were aimed at increasing the attractiveness of the port of Dakar. When it comes to the strategic importance of the port of Dakar, it became the main port for Mali’s international exchanges following the political crises that erupted in Cote d’Ivoire in the years 2000s (Debrie, 2012; Nathan Associates/ World Bank, 2013). Nevertheless, Malian economic actors have returned to the port of Abidjan after the end of the political crises in Cote d’Ivoire and the competition that exists between the ports of Abidjan and Dakar to attract Malian economic actors was frequently cited by interviewees during the fieldwork period. According to data published in a report by Nathan Associates and the World Bank (2013), the Dakar-Bamako corridor – which covers a distance of 1,053 kms – is the shortest among the four corridors linking Bamako to West African ports. The other three corridors are Abidjan-Bamako (1,236 kms), Tema-Bamako (1,967 kms) and Lomé-Bamako (1,973 kms).

Contrary to the situation in West Africa where the three landlocked countries (Niger, Burkina Faso and Mali) have access to multiple ports in the region, Ethiopia is heavily dependent on the port of Djibouti for its international trade exchanges. The Ethiopia-Djibouti transport corridor – which links landlocked Ethiopia to the port of Djibouti – is a vital transport corridor for Ethiopia since it is estimated that nearly 95% of Ethiopia’s international trade exchanges pass through the port of Djibouti (Cannon and Rossiter, 2017; Cheru and Zinabu, 2019). Ethiopia lost its access to the sea and became a landlocked country in 1993 after the secession of Eritrea from Ethiopia (Clapham, 2008; Cannon and Rossiter, 2017). Ethiopia continued to use the port of Assab in Eritrea until 1997 but the quasi totality of Ethiopia’s freight traffic shifted towards the port of Djibouti from 1998 after the eruption of the war between Ethiopia and Eritrea (Clapham, 2008; Cannon and Rossiter, 2017; Cheru and Zinabu, 2019). This prompted Djibouti to significantly invest in the upgrading of its port facilities in order to be able to handle the constantly increasing volume of Ethiopia’s international trade exchanges.

\textsuperscript{11} Interview, senior government official, Senegalese Ministry of Transport Infrastructure, 12\textsuperscript{th} September 2018, Dakar (Senegal).
As a result, the port of Djibouti has become the most developed port in the Horn of Africa even though there have been recent initiatives – supported by Ethiopia - to construct or upgrade port facilities in the sub-region including in Somaliland (Cannon and Rossiter, 2017). The port of Djibouti is even considered as one of the few Eastern and Southern African ports that have the potential to become regional transshipment hubs (Humphreys et al., 2019). Regarding its structure, the Ethiopia-Djibouti transport corridor is a multimodal transport corridor which combines rail transport and road transport. The railway between Addis and Djibouti was first constructed in the 1890s by French colonial authorities but its state sharply deteriorated over the years until it was recently rehabilitated with the support of Chinese loans (Clapham, 2008; Chen, 2021). The rehabilitation of the Addis-Djibouti railway – which was completed in 2016 - has figured prominently among the regional infrastructure projects championed by the AUC. However, despite the recent rehabilitation of this railway, road transport is still the main mode of transport along the Ethiopia-Djibouti transport corridor (UNCTAD, 2018).

1.2. Rationale behind the adoption of a multiple case studies design

Prior to presenting the criteria for the selection of the case studies, it may be useful to discuss the rationale behind the adoption of a case study methodology and explain the way the two case studies will be used. The definition of a “case study” and its purposes have been the subject of debates in the literature on social science research methods. Gerring for example defines the case study as “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units” (Gerring, 2004: 342). For his part, Yin argues that the choice of the case study as a research strategy is most appropriate when a research project attempts to answer how and why research questions (Yin, 2003).

As indicated in the preceding chapters, the objective in this thesis is to explain how the national and international political economy contexts affect the degree of effectiveness with which African regional institutions are able to achieve two specific goals of the developmental regionalism agenda, which are the reduction of logistics costs and the creation of RVCs in the textile and apparel sectors. In this thesis, cross-

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12 Djibouti was a former French colony.
border transport corridors are used as entry points to answer the research questions. By choosing a multiple case design, my intention was not to pursue a strategy of “controlled comparison”. As explained by scholars in the literature on research methods, the logic underpinning a strategy of controlled comparison is to uncover a causal mechanism that explains the outcomes observed in mostly identical (or mostly opposite) case studies (King et al., 1994; George and Bennett, 2005; Hancké, 2009). For instance, Hancké (2009) defined John Stuart Mill’s method of agreement as a research design in which two mostly opposite case studies with similar outcomes are selected. With this research design, the goal of the researcher is to identify the common feature of the case studies that can explain the observed similar outcomes (Hancké, 2009). In the specific case of the method of agreement, Hancké (2009) explains that the common feature is considered as the “independent variable” while the outcome is the “dependent variable”. According to George and Bennett (2005), satisfying the requirements to conduct a strategy of controlled comparison is particularly challenging. As a result, they argue that the within-case methods of congruence and process-tracing could constitute more feasible alternative options. In their explanation of the objectives of the congruence and process-tracing methods, George and Bennett (2005: 153) state the following:

These tools do not seek to replicate the logic of scientific experimentation. Instead, they seek to increase our confidence in a theory: the congruence method seeks to show that a theory is congruent (or not congruent) with the outcome in a case. Process-tracing seeks to uncover a causal chain coupling independent variables with dependent variables and evidence of the causal mechanisms posited by a theory.

They further add:

The congruence and process-tracing methods for making causal inferences provide alternatives to controlled comparison, and therefore constitute the basis for a different type of comparative method. The results of individual case studies, each of which employs within-case analysis, can be compared by drawing them together within a common theoretical framework without having to find two or more cases that are similar in every respect but one. (George and Bennett, 2005: 179)

These excerpts from the book written by George and Bennett highlight the fact that several types of comparative methods exist. In this thesis, I sought to explore the
factors that could explain the outcomes of specific regional integration programmes in two substantially different contexts. The methodology that I adopted in this thesis can be considered as a process-tracing method which seeks to identify the causal process that links the independent variable (namely, the distribution of organizational power) to the dependent variable (namely, the outcome of regional integration programmes and projects). In other words, I employed a within-case method in both case studies and the results of the two case studies validate the argument stipulated by the political settlements framework. More specifically, the two case studies demonstrated that the distribution of organizational power at the sectoral, national and international levels was a powerful explanatory factor of the performances of regional programmes aimed at reducing logistics costs and creating RVCs in Senegal and Ethiopia.

1.3. Criteria for the selection of the case studies

When it comes to the criteria that were used to select the case studies, it is important to note that the two case studies differ in many respects but share a few similarities. The conceptual framework informed the choice of the selection criteria. The first selection criterion is the concept of “micro-region”. As it was argued by Söderbaum and Taylor (2008), I assume that cross-border transport corridors or “development corridors” can be considered as “micro-regions” where the dynamics of regionalism can be observed. This first selection criterion reflects the epistemological assumption adopted in this thesis. Even though I will use a different theoretical framework to explain African regionalism, I will adopt the same constructivist assumption as Söderbaum and Taylor (2008) who argue that regions are socially constructed entities. More precisely, I assume that the combined actions of state and non-state actors and their responses to the regional integration agenda ultimately determine the degree of effectiveness with which this agenda is implemented. Non-state actors that are considered in this thesis include local logistics actors, multinationals and the local private sector.

The second selection criterion is the concept of “developmental regionalism”. In this thesis, I assume that the two transport corridors under study are part of initiatives aimed at implementing a developmental regionalism agenda in Africa. More specifically, both transport corridors are key transport corridors within the AUC’s PIDA whose objective is to accelerate the implementation of key regional infrastructure
development projects to reduce trade costs. Along both transport corridors, there is an attempt to reduce the costs of logistics services and improve their effectiveness through transport infrastructure development and/ or the implementation of various types of policy reforms including trade facilitation reforms, the liberalization of logistics sectors and port reforms. An important particularity of these reforms is that they are strongly supported – sometimes piloted - by regional institutions and development partners. In this regard, a World Bank report argued that the profitability of investments in the construction of transport corridors depends on the implementation of accompanying policies such as trade facilitation reforms or the liberalization of services sectors (World Bank, 2019). More broadly, Senegal and Ethiopia – the two countries on which this thesis focuses - are part of regional initiatives designed by the AUC and RECs aimed at promoting – implicitly or explicitly - developmental regionalism through the reduction of trade costs and the development of RVCs. Senegal is a member of the two West African RECs - namely WAEMU and ECOWAS - while Ethiopia is a member of IGAD and COMESA.13

Regarding the differences between the two case studies, the two case studies differ in four main points: the degree of liberalization of economic sectors; the set of actors that are active along the two transport corridors; the positions of Senegal and Ethiopia within their respective regions and the levels of recent investments in hard infrastructure along the two transport corridors.

When it comes to the first point of difference – namely, the degree of liberalization of economic sectors in Senegal and Ethiopia - the level of control of the state over economic activities is more important in Ethiopia while the degree of openness of economic sectors (and the logistics sector in particular) to foreign firms is greater in Senegal (Cheru and Zinabu, 2019). This difference reflects the different models of economic management pursued by the Senegalese and Ethiopian states over the last 50 years (Thioub et al., 1998; Fourie, 2015; Kassé, 2015; Pellerin, 2019).

13 WAEMU is the West African Economic and Monetary Union. ECOWAS is the Economic Community of West African States. IGAD is the Intergovernmental Authority on Development and covers eight states in the Horn of Africa and in East Africa. COMESA is the Common Market for Eastern and Southern Africa.
The second point of difference is the set of actors in the two case studies. In particular, the presence of Chinese economic actors is more important along the Ethiopia-Djibouti transport corridor compared to the Dakar-Bamako transport corridor. The different degree of involvement of Chinese actors along the two transport corridors is interesting in the sense that it can enable us to understand which type of impact the Chinese involvement in the construction of regional transport infrastructure can have on regional integration dynamics given the political economy context in individual countries. Furthermore, the involvement of major (mostly Western) transnational shipping lines and port operators in various segments of the logistics value chain is greater along the Dakar-Bamako transport corridor. Here also, there is an opportunity to observe how this greater involvement of major transnational shipping lines and port operators along the logistics value chain supports one of the goals of the developmental regionalism agenda which is to reduce the cost of trading across borders. A major objective in both case studies is to observe how the power relations between African states on one hand and major international economic actors on the other hand (namely, Chinese and Western economic actors who are active along the logistics value chain) affect the goal of reducing the costs of logistics services and improving their effectiveness. The potential impact that the engagement of Chinese economic actors in Ethiopia and Djibouti could have on regional integration dynamics is particularly interesting to analyse because those Chinese economic actors are also involved in the construction of industrial parks in Ethiopia or have a strong presence in Ethiopian industrial parks. In the framework of China’s Belt and Road Initiative (BRI), investments in the construction of transport corridors have often been accompanied by investments in the construction of industrial parks in the countries that are part of the BRI (World Bank, 2019). Hence, the activities of Chinese economic actors in Ethiopia and Djibouti could potentially have an impact on the second dimension of developmental regionalism studied in this thesis, which is the creation of RVCs.

When it comes to the positions of Senegal, Ethiopia and the two transport corridors within their respective regions, we can also note two different types of configuration. On one hand, Ethiopia can be considered as an aspiring regional hegemon in the Horn of Africa (Clapham, 2008; Cannon and Rossiter, 2017). From a geopolitical viewpoint, the political situation in the Horn of Africa is rather tense and conflicts frequently erupt within and between countries (Clapham, 2008, 2019; Cheru and Zinabu, 2019). This
tense political situation has repercussions on the choices made by Ethiopia in the area of cross-border transport infrastructure development and on the pace of regional economic integration in the Horn of Africa (Clapham, 2008; Cheru and Zinabu, 2019). Moreover, the high dependence of Ethiopia on the port of Djibouti is a source of inconvenience for many economic actors based in Ethiopia and has prompted Ethiopia to back the development of alternative transport corridors in the Horn of Africa (Cheru and Zinabu, 2019). On the other hand, the regional hegemon in West Africa is without contest Nigeria and the West African region is characterized by a competition between ports (as it is the case in Eastern and Southern Africa for example). As a result, one can assume that economic actors from Mali and the two other landlocked West African states (Burkina Faso and Niger) are “courted” by various ports in the sub-region. However, the fact that West Africa is subject to frequent political crises means that the main transport corridor used by economic actors from landlocked countries can suddenly change according to the political situation in coastal countries, as it was the case when the political crisis erupted in Cote d’Ivoire at the beginning of the years 2000s (Debrie, 2012).

Finally, recent investments that were made in hard infrastructure were higher in the case of the Ethiopia-Djibouti transport corridor, compared to the Dakar-Bamako transport corridor. Policy interventions aimed at reducing the cost of logistics along the Dakar-Bamako transport corridor have more focused on the improvement of “soft infrastructure”, which means that those policy interventions have essentially focused on trade facilitation and port reforms.

The aforementioned differences between the two case studies should give us greater confidence in the fact that the conclusions drawn from the case studies are generalizable to various socio-economic and political contexts in Africa. According to Yin (2003: 10), “case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes”. If we adopt this argument made by Yin, we would assume that the conclusions drawn from our case studies will increase our knowledge of the way the national and international political economy contexts affect the achievement of the two objectives of the regional integration agenda under study which are: (i) the reduction of the costs of trade through transnational infrastructure development and policy reforms and (ii) the creation of RVCs.
Prior to discussing the research methods that were used during the data collection phase in the following section, I will briefly present below the political economy contexts in Senegal and Ethiopia in order to shed light on the historical, socio-economic and political factors that explain the differences between the two case studies.

1.4. Overview of the political economy context in Senegal

If we adopt the classification proposed by Khan (2010) which was discussed in chapter one, it is possible to argue that the structure of the ruling coalition in Senegal evolved from a “dominant party” in 1960 when the country gained independence to “competitive clientelism” in 2000 when for the first time an opposition party won the presidential elections. The Socialist Party of President Leopold Sédar Senghor (who was president from 1960 until his resignation in 1981) was the only authorised political party from the 1960s to the mid-1970s and dominated the political scene until the 1990s (Dieng, 1996; Diop et al., 2000). The Senegalese state from 1960 to the beginning of the 1980s consolidated its power by relying on various socio-economic groups including foreign capitalists based in Senegal, urban elites and – more importantly - the leaders of the powerful Islamic brotherhoods who exerted a strong influence on rural populations and who are until now the main social actors that maintain political stability in the country (Dieng, 1996; Lombard and Seck, 2008). In this context, Dieng (1996) considered that the only opposition forces during the single party rule were students, teachers and trade unions who frequently organized strikes to contest policies carried out by the regime.

On the economic front, even though the contribution of the industrial sector to the Gross Domestic Product (GDP) remains limited in Senegal\textsuperscript{14}, Kassé (2015) argues that the process of industrialization started in the 1920s and the objective of colonial authorities at the time was to transform Senegal (whose capital Dakar was the capital

\textsuperscript{14} According to the National Statistical Office (ANSD, 2019), the services sector represented 51.2% of the Senegalese GDP in 2019 while the agricultural and industrial sectors represented respectively 15% and 23.1% of the GDP. Senegal’s exports are dominated by unprocessed primary commodities (the main exports include fish products, phosphoric acid, peanuts and recently, gold) while imported products are essentially manufactured goods and rice. The main destinations of Senegalese exports in 2019 were Europe (34.1%), Africa (32.1%) and Asia (24.2%). African countries are therefore a major destination of Senegalese exports.
of the French West Africa) into an industrial hub that would supply the former colonies of the French West Africa with manufactured goods. An important feature of the economic policies conducted during the colonial era was the fact that colonial authorities deliberately prevented indigenous economic actors from participating in productive sectors (Marfaing, 1997; Thioub et al., 1998; Kassé, 2015). As a result, the class of domestic capitalists was quasi-inexistant in 1960 and indigenous economic actors were mainly active in trade and transport activities (Marfaing, 1997; Thioub et al., 1998; Lombard and Seck, 2008; Kassé, 2015). The Senegalese state during the two decades that followed independence tried to adopt an import substitution industrialization strategy (which largely failed to achieve its objectives) and took highly protectionist measures to essentially protect the interests of foreign (especially, French) capitalists who were able to earn important amounts of rents (Marfaing, 1997; Thioub et al., 1998; Kassé, 2015). From the 1970s, the state - which benefitted from the revenues derived from the export of primary commodities – also got involved in manufacturing activities through the establishment of several parastatals in various sectors in order to promote the export of manufactured goods and the substitution of imports (Marfaing, 1997; Kassé, 2015). Hence, a key feature of state-business relations in Senegal is the fact that the state did not put in place efficient policies that could support the development of a class of productive domestic capitalists in order to spur the process of primitive accumulation (Marfaing, 1997; Thioub et al., 1998; Kassé, 2015). For instance, the formal banking sector – dominated by foreign actors - particularly failed to support the activities of the local private sector partly due to its risk aversion (Marfaing, 1997; Kassé, 2015).

The beginning of the 1980s marked a rupture point in the socio-economic and political trajectory of Senegal. In particular, the beginning of the 1980s officially marked the transition to a multi-party system and - most importantly - signalled the beginning of a profound socio-economic crisis provoked by the debt crisis, the prolonged drought of the 1970s, the breakdown of the agricultural system based on groundnut production inherited from the colonial period 15 and the implementation of the Structural Adjustment Programs (SAPs) supported by the IFIs (Dieng, 1996; Marfaing, 1997; Thioub et al., 1998; Kassé, 2015). The SAPs - which were mainly about minimizing

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15 During the colonial and post-colonial periods, peanuts were one of the main agricultural products produced and exported by Senegal. The objective of colonial authorities was to supply French edible oil industries with peanuts from Senegal at an affordable price (Dieng, 1996; Thioub et al., 1998).
the role of the state in the economy - provoked a deep social crisis with the closure of several parastatals and the dismantling of the country's industrial base (Thioub et al., 1998; Kassé, 2015). From the late 1970s and the beginning of the 1980s, import trade was liberalized and the informal sector rapidly developed (Marfaing, 1997; Thioub et al., 1998; Lombard and Seck, 2008). The emergence of the “big informal sector” dominated by Senegalese traders partly accelerated the disappearance of the protected industries in Senegal (Thioub et al., 1998). The weight of the informal sector in the contemporary Senegalese economy is sizeable as it is estimated that the sector “represents 60% of the country’s GDP, employs 90% of the labour force and generates one fifth of investments” (Kassé, 2015: 198). Some scholars noted that a great part of local economic actors (including the big traders who fought for the liberalization of import trade) were primarily interested in accumulating wealth and should not be considered as entrepreneurs interested in primitive accumulation (Dieng, 1996; Marfaing, 1997). According to Thioub et al. (1998), a key consequence of the economic crisis that started in the 1980s is that the Senegalese state was no longer in a position to maintain the patron-client relations that characterized the relations between the state and part of the local private sector during the two decades that followed independence and the state was less able to control the economic sphere. For instance, the deregulation of the transport sector in the 1980s provoked a substantial increase in the number of transporters (including informal transporters) and the proliferation of a multitude of transport unions on which the state exerts little control while the transport unions that were active between 1960 and 1980 were part of well-established patron-client networks (Thioub et al., 1998; Lombard, 2001; Lombard and Seck, 2008). Nevertheless, the activities of some large informal transport enterprises after 1980 were facilitated by the state because their owners belonged to the powerful Mouride Islamic brotherhood which enjoys privileged relationships with political authorities (Lombard and Seck, 2008).

On the political front, it can be argued that the second peaceful handover of political power – which took place in 2000 when the opposition party “Parti démocratique Sénégalais (PDS)” won the Presidential elections - signalled a transition towards a situation of competitive clientelism. For Diop et al. (2000), two important lessons can be learnt from the 2000 elections. First, one of the major reasons behind the loss of the Socialist Party was the fact that it lost part of its electoral base due to internal fights between factions of the party. Second, the traditional alliance between leaders of the
Islamic brotherhoods and the ruling party was not a significant asset for the Socialist party during the 2000 elections given that leaders of the brotherhoods have less and less influence on the political orientations of a rapidly urbanizing population (as a result of the massive rural exodus) and the leaders of some brotherhoods refrained from issuing voting recommendations to support the ruling party during the 2000 elections. In other words, the 2000 elections ushered in an era where ruling parties could no longer base part of their political strategies on courting the various Islamic brotherhoods to gain votes during elections and the increasingly fierce competition between political parties made the mobilization of a loyal electoral base (through various means) a high-stake issue (Diop et al., 2000). Hence, this situation can be assimilated to a situation of competitive clientelism in which external opposition forces are relatively strong vis-à-vis the ruling coalition and the lower factions of the ruling coalition enjoy an important bargaining power relatively to the higher factions (Khan, 2010; Gray and Whitfield, 2014). Hence, in a situation of competitive clientelism, it is likely that ruling coalitions will be reluctant to adopt policies whose short-term costs may be so high that their implementation could threaten the survival of the regime, even though those policies may have long-term benefits. Policies associated with the regional integration agenda for example could be classified in this category (Sloan, 1971; Iheduru, 1993).

1.5. Overview of the political economy context in Ethiopia

It can be argued that the structure of the ruling coalition in Ethiopia alternated between an “authoritarian coalition” and a “potential developmental coalition” after 1991 which is the year during which the Ethiopian People’s Revolutionary Democratic Front (EPRDF) came to power (Clapham, 2018, 2019). On the political front, the successive Ethiopian regimes since the imperial period have had to manage repeated internal political crises as well as tensions (or conflicts) with neighbouring countries (Clapham, 2008, 2018, 2019; Cheru and Zinabu, 2019). For Clapham (2019), a major source of internal tensions has been the fact that the sources of economic and political power have been different in Ethiopia since the unification of the country in the late nineteenth century. In particular, Clapham explains that following the conquest of the Southern regions in the nineteenth century, political power has emanated from the Northern highlands while the Western and Southern regions have been the main source of
economic power. This prompted the establishment of a strong authoritarian and centralized state during the imperial regime (from 1941 to 1974) and during the Derg military Marxist regime that overthrew Emperor Haile Selassie in 1974 (Clapham, 2019). After the fall of the Derg military regime in 1991, the ruling coalition that came to power was the EPRDF, a coalition of four political parties led by the Tigray People’s Liberation Front (TPLF). Even though the model of a strong authoritarian state was maintained during the EPRDF era, the adoption of an ethnic federalist structure by the EPRDF regime was viewed by some scholars as an attempt by the TPLF leadership to diffuse tensions created by the centralized mode of political governance experienced during the imperial and the Derg regimes (Clapham, 2019; Cheru and Zinabu, 2019). The EPRDF regime that ruled Ethiopia from 1991 to 2019 presided over a period of impressive growth and sought to establish a developmental state inspired by the East Asian developmental model based on an export-led industrialization strategy (Clapham, 2018, 2019). In this regard, some scholars viewed the search for good development results as a way for the EPRDF regime to seek a sort of “performance legitimacy” aimed at maintaining political stability and guaranteeing the survival of the regime (Clapham, 2018, 2019; Cheru and Zinabu, 2019; Pellerin, 2019). The dissolution of the EPRDF in 2019 by the current Prime Minister (Abiy Ahmed) and the war that broke out in 2020 between the TPLF and the Ethiopian government are reminders that internal tensions remain very high in Ethiopia and that reaching political stability remains a distant goal. In particular, the war is a reminder that hostility has long existed between the partisans of ethnic federalism (such as the TPLF) and partisans of a centralized state (such as Prime Minister Abiy Ahmed and his supporters).

Regarding the characteristics of the local private sector and state-business relations during the EPRDF era, three main points are worth noting. First, the Ethiopian state during the EPRDF era largely relied on state monopolies and businesses affiliated with (or close to) political elites to carry out its economic policies (Vaughan and Gebremichael, 2011; Abegaz, 2013; Clapham, 2018; Pellerin, 2019). In this regard, the following question was often asked by scholars in the literature on the Ethiopian political economy: were the rents earned by state monopolies and businesses affiliated with political elites growth-enhancing? Answers to this question have been diverse (Vaughan and Gebremichael, 2011; Abegaz, 2013; Gebregziabher and Hout, 2018). Moreover, some scholars noted a certain degree of distrust between the state and part
of the local private sector and they also noted a relatively low level of political influence of domestic entrepreneurs (Clapham, 2018, 2019; Pellerin, 2019). Second, a major characteristic of the Ethiopian private sector is its low level of technological capabilities which is undoubtedly a major weakness of the industrialization strategy pursued by the Ethiopian state. According to Gebreyesus (2019), unprocessed primary commodities still represented over 70% of Ethiopian exports' value in 2015/16\footnote{Despite the fact that the World Bank estimates that Ethiopia’s average growth rate over the period 2004-2019 was 9.5%, there was limited structural transformation of the economy. In 2014/15, the share of the agricultural, industrial and services sectors in Ethiopia’s GDP were respectively 38.5%, 15.1% and 46.3%. The share of the manufacturing sector (within the industrial sector) was less than 5% of the country’s GDP. Moreover, the value of imports grew more rapidly than the value of exports between 2009/10 and 2014/15 which means that the balance of trade kept deteriorating over the period. Source: Federal Democratic Republic of Ethiopia, 2016.} and the state has generally been unable to create the right incentives for the domestic private sector to invest in productive sectors and increase its exports of manufactured goods. For Gebreyesus (2019), this situation can be explained by several factors including the lack of productivity of the domestic private sector, the fact that non-productive sectors (such as real estate) are less risky investment destinations that offer quick and substantial rents for domestic investors, the inability of the state bureaucracy to ensure that subsidies received by local economic actors are properly used or the fact that some sectors (like the textile and apparel industries) are so protected by the state that investing in the domestic market offers more guaranteed returns on investment for local economic actors than engaging in riskier export activities. Third, an important measure taken by the EPRDF regime from the years 2000s was to conduct policies aimed at attracting foreign direct investments (FDI) flows to promote the development of labour-intensive manufacturing activities in the country (Cheru and Zinabu, 2019; Gebreyesus, 2019). Those policies proved to be quite successful in view of the substantial FDI flows received by the country from the years 2010s compared to other East African countries (Cheru and Zinabu, 2019). Along with revenues that are derived from state monopolies, FDI flows were consequently an important source of financing for the state and top foreign investors in Ethiopia came from China, Turkey and India (Clapham, 2018; Cheru and Zinabu, 2019). However, while the EPRDF regime actively sought to attract FDI flows mainly in the infrastructure and manufacturing sectors, it was very reluctant to open the country’s services sectors to foreign investors despite pressure from the donor community including IFIs (Cheru and Zinabu, 2019; Gebreyesus, 2019). In this regard,
Clapham (2018, 2019) argues that the capacity of the EPRDF regime to resist demands from the donor community (especially demands to liberalize the economy in line with the SAPs) can be partly attributed to the fact that donors have tried to present Ethiopia as a success story in view of the country’s impressive growth rates and donors have also long considered the country as a pole of stability – and hence an important ally - in a strategic and turbulent Horn of Africa region.

When it comes to Ethiopia’s relations with its neighbours and its role in regional integration initiatives, the EPRDF regime actively pushed for the construction of cross-border infrastructure (notably in the transport and energy sub-sectors) because of three main reasons. First, the regime viewed peace and security in the Horn of Africa (and in East Africa more broadly) as one of the pre-conditions for a prosperous Ethiopia (Clapham, 2019; Cheru and Zinabu, 2019). Second, a constant preoccupation of the Ethiopian government has been to reduce Ethiopia’s dependency on the port of Djibouti for national security reasons (Cannon and Rossiter, 2017; Clapham, 2019; Cheru and Zinabu, 2019). Third, cross-border energy projects offer opportunities for Ethiopia to export electricity to its neighbours (Cheru and Zinabu, 2019). Despite those attempts to improve connectivity with neighbouring countries, Ethiopia’s trade with member states of IGAD and COMESA remains very low and most of the trade partners of the country are non-African countries (Cheru and Zinabu, 2019). In this regard, it is worth noting that despite being a member state of COMESA, Ethiopia has still not joined the COMESA Free Trade Area.

Section 2: Research methods

The thesis will predominantly use qualitative research methods to answer the research questions. The predominant use of qualitative research methods is justified by the fact that the thesis does not seek to quantify the impact of the rehabilitation of cross-border transport corridors and the implementation of specific policy reforms on the level of logistics costs and the level of intra-regional trade. Hence, the evolution of logistics costs along both corridors and the evolution of the volume of intra-regional trade are not the primary issues of interest. Rather, the thesis seeks to understand how the political economy environment affects the feasibility of policy reforms aimed at reducing logistics costs and boosting intra-African trade through the creation of RVCs.
The case study on the Dakar-Bamako transport corridor will be used to understand how the balance of power between state and non-state actors at the national and international levels affects the efficiency of trade facilitation reforms and port reforms along the Dakar-Bamako transport corridor. The term “efficiency” here refers to the capacity of those reforms to achieve their goals. The case study on the Ethiopia-Djibouti transport corridor aims to achieve two objectives. The first objective is to understand the extent to which the domestic political economy context can explain the level of logistics costs in Ethiopia and could affect the feasibility of the planned liberalization of the Ethiopian logistics sector in accordance with the regional integration agenda. The second objective is to understand how the concomitant rehabilitation of the Ethiopia-Djibouti transport corridor and the creation of industrial parks in Ethiopia could potentially contribute to the creation of regional textile and apparel value chains in the framework of a developmental regionalism agenda. In this regard, an important motivation to study Ethiopia’s potential contribution to the creation of RVCs is that the recent investments in the rehabilitation of sections of the Ethiopia-Djibouti transport corridor were financed with Chinese loans and several Chinese enterprises are active in the recently built Ethiopian industrial parks (Chen, 2021). As a result, one of the goals here is to try to understand the potential implications of the strong involvement of Chinese enterprises in Ethiopia for the achievement of some of the major objectives of the regional integration agenda.

In both case studies, the strategies of transnational shipping lines and port operators within the logistics value chains in Senegal and Ethiopia will be studied as well as their implications for the evolution of the quality and cost of logistics services.

The following four research methods were used during the data collection phase: semi-structured interviews, observation, documentary analysis and statistical analysis. Semi-structured interviews occupied a central place in my research design and constituted the main data collection method. A total of 24 semi-structured interviews were conducted for the first case study on the Dakar-Bamako transport corridor (see Annex 1 for more details) and a total of 25 semi-structured interviews were conducted for the second case study on the Ethiopia-Djibouti transport corridor (see Annex 2 for more details). The observation phase was conducted at the port of Djibouti. This
section presents how these research methods were employed and it presents the challenges encountered during the data collection phase.

2.1. Semi-structured interviews for case study A on the Dakar-Bamako transport corridor

The 24 semi-structured interviews for the first case study on the Dakar-Bamako transport corridor were conducted between September 2018 and February 2019 with 6 categories of actors: officials working at regional and international organizations; government officials; representatives of the private sector; local logistics actors; researchers and representatives of regional bodies whose mission is to evaluate the effectiveness of cross-border transport corridors. For both case studies, access to the interviewees was obtained through three main channels: personal connections, snowball sampling and my participation in official meetings on the topic of my thesis. Interviews conducted for the case study on the Dakar-Bamako transport corridor offered in particular the opportunity to achieve three main objectives: (i) evaluate the extent to which regional trade facilitation reforms and port reforms were being implemented in Senegal; (ii) understand what bottlenecks hindered their implementation and (iii) understand how state and non-state actors were responding to the regional reform agenda and what consequences those responses had on the success of this agenda.

The main objective of interviews with representatives of regional and international organisations and representatives of development partners was to understand the perspectives and objectives of organizations which play a major role in determining the reform agenda aimed at improving logistics services and reducing their cost along cross-border transport corridors and which also play a major role in financing the implementation of regional reforms. The representatives of three regional and international organizations and development partners were interviewed for the case study on the Dakar-Bamako transport corridor: namely, the WAEMU, the World Bank and USAID. The choice of the World Bank was motivated by the fact that the World Bank is the main development partner which plays an important role in formulating the

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17 USAID is the United States Agency for International Development.
reforms that target the transport sector and the trucking industry in particular. In the same vein as USAID and other development partners, the World Bank also supports West African governments – and the Senegalese government in particular - in the implementation of regional trade facilitation reforms. When it comes to the WAEMU, it played an important role in setting the reform agenda pertaining to trade facilitation in the WAEMU zone (to which Senegal and Mali belong). As explained earlier, the WAEMU is one of the two West African RECs, even though the two West African RECs do not gather the same member states. While ECOWAS gathers the 15 West African states, the WAEMU gathers only 8 West African states of which 7 are Francophone and one is Lusophone. From the interviews conducted, it appeared that the implementation of the WAEMU trade facilitation agenda was at a more advanced stage than the implementation of the ECOWAS trade facilitation agenda in the WAEMU member states and interviewees usually referred to the WAEMU agenda when discussing trade facilitation reforms.

Interviews conducted with Senegalese government officials aimed to understand how the aforementioned regional directives or recommendations were being translated at the national level and they also aimed to understand the substance of the national reform agenda. Those interviews were conducted with government officials from the Ministry of Transport Infrastructure, the Ministry of Trade, the Customs Directorate (which resides within the Ministry of Economy and Finance) and the Ministry of Agriculture. The Ministry of Trade and the Customs Directorate in particular play a leading role in the implementation of regional trade facilitation reforms. In this regard, the National Trade Facilitation Committee in Senegal is chaired by the Customs Directorate and the Secretariat of the committee is held by the Ministry of Trade. The Customs Directorate also plays a key role in the implementation of port reforms. When it comes to the Ministry of Transport Infrastructure, it pilots the development of hard infrastructure on the Senegalese territory, including transport infrastructure along the Dakar-Bamako transport corridor. The decision to interview officials from the Ministry of Agriculture was motivated by the fact that in the initial research design, I intended to study the regional rice value chain and the way it was affected by regional reforms focused on transport and logistics, knowing that the commercialisation of fertilizers would be a crucial issue within a typical regional rice value chain. However, one of the conclusions of the fieldwork was that a regional rice value chain was practically non-
existent in West Africa for multiple reasons that will not be listed here. Nevertheless, the fieldwork confirmed that a certain number of enterprises that are active in the fertilizers business had important sub-regional activities and were affected by the regional reforms focused on transport and logistics.

The interviewees from the private sector were in great part representatives of enterprises specialized in the production and/or the trading of fertilizers. The choice of those enterprises was motivated by the fact that the profitability of the fertilizers business is heavily dependent on efficient logistics services - including efficient port procedures - given that a substantial part of chemical fertilizers are imported from outside Africa. Thus, interviewing those enterprises provided the opportunity to understand how trade facilitation reforms and port reforms affected the activities of a particular segment of the private sector, knowing that those reforms aim to facilitate the regional activities of actors from the private sector. Interviews with the selected private sector actors were also the occasion to learn about their responses to the regional reform agenda and the implications of those responses for the feasibility of the regional agenda. A total of 5 enterprises specialized in the production and/or the trading of fertilizers were interviewed. Two of those enterprises commercialised organic fertilizers, one enterprise commercialized chemical fertilizers and the last two enterprises were producers and sellers of chemical fertilizers. The last two enterprises were the biggest ones among the sample of interviewed enterprises and were the ones which had important sub-regional activities. One of those two enterprises was the “Industries Chimiques du Sénégal” (ICS) and the other enterprise was one of its Malian clients. ICS is a major Senegalese producer and exporter of phosphoric acid and phosphoric fertilizers. It was purchased by an Indonesian company (Indorama) in 2014. It is currently the largest producer of phosphoric fertilizers in Sub-Saharan Africa and is therefore a major industrial actor in the Senegalese economy. The Malian client of ICS produces its own blended fertilizer from the phosphoric fertilizers bought in Senegal and from fertilizers imported from outside the continent and subsequently sells its blended fertilizer in the sub-region. These last two enterprises were the ones

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18 There is a distinction between chemical fertilizers and organic fertilizers. Organic fertilizers are derived from animal waste.
19 Baché, David. « Les Industries Chimiques du Sénégal, épine dorsale de l’économie du pays », rfi.fr, 26th August 2020 (https://www.rfi.fr/fr/podcasts/20200826-les-industries-chimiques-du-s%C3%A9n%C3%A9gal-%C3%A9pine-dorsale-de-l-%C3%A9conomie)
which were the most affected by trade facilitation reforms and port reforms focused on the Dakar-Bamako transport corridor. Furthermore, the relatively large size of these two enterprises meant that their responses to the regional reform agenda could have a more meaningful impact on the feasibility of this agenda. Apart from the enterprises involved in the fertilizers business, I interviewed another representative of the private sector who led a rice producers organization given that the initial research design had a focus on the rice value chain.

In the same vein as interviews conducted with representatives of the private sector, the objective of interviews conducted with local logistics actors was to understand their perspectives on trade facilitation reforms. These actors belonged to two categories: heads of Senegalese transport unions and Malian logistics actors based at the Entrepôts Maliens au Sénégal (EMASE). The trucking sector is one of the primary targets of the reforms of transport markets supported by the World Bank in West and Central Africa (Teravaninlhorn and Raballand, 2009). The trucking sector is also one of the sectors that feel the most the effects of trade facilitation and port reforms championed by regional and international organizations. Finally, freight along the Dakar-Bamako transport corridor is quasi-exclusively transported by road, and by trucks more particularly. As indicated earlier, the interviews with three heads of transport unions were an opportunity to discuss with one segment of Senegalese logistics actors (namely, truckers) about the consequences on their traditional activities of regional trade facilitation reforms and the planned reforms of the transport market. When it comes to interviews conducted with the Malian logistics actors based at EMASE, the objective was also the same: namely, to understand the challenges they encounter in their daily use of the Dakar-Bamako transport corridor, understand how they are affected by the attempts to implement trade facilitation reforms and port reforms along the corridor and understand how the evolution of power relations within the logistics value chain affected their activities. In this regard, interviews were conducted with a representative of the Secretariat of EMASE and a member of the Council of Malian Transporters which is a body represented at EMASE. The interviews with Senegalese and Malian logistics actors were also the occasion to observe the

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20 The Entrepôts Maliens au Sénégal (in English: the Malian Warehouses in Senegal) is a body affiliated with the Malian Transport Directorate. Its main mission is to defend the interests of Malian logistics actors who use the Dakar-Bamako transport corridor.
responses of some local logistics actors to the regional reform agenda and the way those responses affected the capacity to implement those reforms.

The interviews with the representatives of regional bodies whose mission is to evaluate the effectiveness of cross-border transport corridors provided the opportunity to identify the main problems encountered by various stakeholders in their daily use of the Dakar-Bamako transport corridor. The representatives of two regional bodies were interviewed, namely: Borderless Alliance and the Observatory of abnormal practices along the WAEMU cross-border transport corridors. Finally, a researcher working at a research institute specialized in agricultural issues was also interviewed in order to discuss the challenges affecting the development of a rice value chain in West Africa and how transport and logistics affected the development of agricultural value chains in general.

2.2. Semi-structured interviews for case study B on the Ethiopia-Djibouti transport corridor

The 25 semi-structured interviews conducted for the case study on the Ethiopia-Djibouti transport corridor were conducted between March 2019 and July 2019 with five categories of actors: government officials; representatives of regional and international organizations; representatives of trucking enterprises; representatives of local and international logistics companies and private sector actors.

The private sector actors who were interviewed were representatives of textile and apparel companies based in Ethiopia. The textile and apparel industries are among the key industries targeted by the Ethiopian government to boost the manufacturing sector (Federal Democratic Republic of Ethiopia, 2016; UNDP, 2017). In this regard, the construction of industrial parks was one of the key measures taken by the Ethiopian government to attract foreign investors, including foreign textile and apparel manufacturers. A substantial part of those foreign textile and apparel manufacturers are from Asia and China in particular (Altenburg et al., 2020; Oya and Schaefer, 2021). A total of four textile and apparel companies were interviewed during the fieldwork period. The first company was a major American apparel company (and a “buyer” in the value chain terminology) and it sourced its products from all over the world,
including from manufacturers based in Ethiopian industrial parks. The second company – which manufactured textiles - was a joint venture between Chinese and Ethiopian investors and was not located in an industrial park. Most of its production was for the local market. The third company was initially founded by Turkish investors and manufactured both textiles and apparel that were all exported. However, this third company was seized by Ethiopian authorities in 2019 after it went into bankruptcy. Finally, the fourth company was an Indian apparel manufacturer which was based in an industrial park and which produced for the American and European markets. The diversity in the profiles of the interviewed textile and apparel companies offered the opportunity to get slightly different perspectives on a common set of issues which I discussed with them. The three main issues that were discussed with the representatives of those enterprises were: (i) the logistical challenges they encountered along the Ethiopia-Djibouti transport corridor; (ii) the potential effect that the rehabilitation of the Addis-Djibouti railway could have on their activities and on the level of logistics costs and (iii) how Ethiopia’s enrolment in the apparel GPN - via foreign investments in the textile and apparel industries - could contribute to the creation of RVCs in the COMESA zone. Moreover, these three issues were also discussed with a representative of the Ethiopian Textile and Garment Manufacturers Association.

When it comes to logistics actors who were interviewed, these were representatives of local trucking companies and representatives of local and international logistics companies. The local trucking companies were more precisely two large “transport associations” and two “transport private limited companies (PLCs)”. It is important to note that trucking associations are specific to Ethiopia. An Ethiopian transport association gathers a group of truckers (who each own one or several tucks) and its main role is to gain markets for its members. The adhesion to a transport association is an obligation for any individual trucker who wants to engage in cross-border activities in Ethiopia and this represents a way for the Ethiopian government to control cross-border transport activities. According to an interviewed Ethiopian government official\(^\text{21}\), it is estimated that almost 80% of the trucks engaged in cross-border transport activities are members of transport associations.

\(^{21}\) Interview, senior government official, Ethiopian Federal Ministry of Transport, 31\(^{\text{st}}\) May 2019, Addis Ababa (Ethiopia).
activities are found in transport associations. On the other hand, transport PLCs operate as private transport companies which manage truck fleets. Apart from the aforementioned four trucking companies, I interviewed the representative of a major international logistics company which has an office in Ethiopia and the representatives of two local logistics companies. The interviews with logistics actors were aimed at discussing the state of the Ethiopian logistics sector and the logistical challenges along the Ethiopia-Djibouti transport corridor.

In the same vein as the case study on the Dakar-Bamako transport corridor, the interviews with representatives of regional and international organizations were aimed at understanding the perspectives and objectives of actors who set the policy agenda at the regional and continental levels. The officials from regional and international organizations who were interviewed in Addis Ababa and Djibouti worked at the AUC, the United Nations Conference on Trade and Development (UNCTAD), the Intergovernmental Authority on Development (IGAD), the World Bank and the United Nations Economic Commission for Africa (UNECA). The interviews with officials from the AUC, UNCTAD and UNECA were not focussed on the Ethiopia-Djibouti transport corridor but were rather the occasion to discuss continental initiatives and programmes. Those interviews were the occasion to discuss in particular the strategic orientations of the regional integration programme that is being currently rolled out across the African continent and the outline of the continental strategy in the areas of transport infrastructure development and trade facilitation. The interviews with the representatives of the World Bank and IGAD were the occasion to delve more deeply into transport and logistics issues in the Horn of Africa and in East Africa more broadly. The objective was also to learn more about regional strategic orientations in the transport sector.

The interviews conducted with Ethiopian government officials were aimed at analysing the extent to which national policies conducted in Ethiopia aligned with the regional integration agenda. Those interviews with government officials were also aimed at understanding the substance of the national reform agenda, given that the current Ethiopian prime minister – Abiy Ahmed – stated his intention to open up various economic sectors after he came to power in 2018. I conducted interviews with representatives of the following Ethiopian government entities: the Ethiopian
Investment Commission; the National Planning Commission; the Industrial Parks Development Corporation; the Ethiopian Maritime Affairs Authority and the Federal Transport Authority. In addition to the interviews conducted with Ethiopian government officials, I also conducted an interview with a Djiboutian port official who worked at the enterprise that manages the Doraleh container terminal. In order to understand the situation at the port of Djibouti and how this situation affected the cost and quality of logistics services along the Ethiopia-Djibouti corridor, this interview was complemented with an observation phase at the port of Djibouti (see below the description of this observation phase).

2.3. Challenges encountered with interviews

First, I acknowledge that the number of interviews for both case studies is limited and that – as a result - one could question the representativeness of the sample. I have tried to address this issue by selecting interviewees who can objectively represent certain categories of actors. For the case study on Ethiopia for example, the interviewed foreign apparel manufacturer located in an industrial park was also the official representative of all the foreign textile and apparel manufacturers located in this park. For the case study on Senegal, I interviewed leaders of several transport unions (instead of interviewing several individual truckers) even though I acknowledge that the positions of transport unions may not always reflect the diversity of opinions in the trucking industry. Furthermore, I was able to interview enterprises that were big players in their sectors and/ or their country’s economy. For example, ICS (a Senegalese enterprise interviewed for the first case study) is a major industrial player in Senegal’s economy and have important sub-regional activities.

One of the main challenges encountered when conducting the interviews is the fact that some interviews were conducted with “elites” who were sometimes reluctant to openly discuss what they perceived as being “sensitive” issues. This was particularly the case during the fieldwork in Ethiopia and Djibouti. Some of the problems associated with “elite interviews” have been discussed in the literature on social science research methods (Harvey, 2010; Vorrath, 2012). For example, Harvey (2010) argues that the fact that some elites tend to speak in the name of the institutions they represent could deter them from expressing their personal views during research.
interviews. During the fieldwork, some of the elites I interviewed refrained from openly criticizing their institutions or the policies conducted by their institutions. In some instances, they insisted on the fact that they were speaking in their personal capacity and not in the name of their organizations and hence, they requested that the interviews be anonymised. The reluctance to express negative views on the issues that were discussed was particularly noticed when I interviewed some representatives of regional and international organizations and some government officials. The representatives of the private sector and local logistics actors were quicker to point out what they perceived as being problems or issues to be addressed. Nevertheless, contrary to the representatives of the trucking industry in Senegal, some representatives of the trucking industry in Ethiopia were also apparently reluctant to openly discuss the relationship between the Ethiopian trucking industry and the government and they were sometimes reluctant to openly criticize the government’s actions.

2.4. Observation phase at the port of Djibouti

The fieldwork included an observation phase at the port of Djibouti in July 2019. I was able to contact Djiboutian port officials through the office of the representative of the port of Djibouti in Addis Ababa. It is important to note that the visit at the port of Djibouti was a “guided visit” given that I was accompanied during the whole visit by the “Director of Communication” of the port. Furthermore, port officials with whom I discussed refused to be formally interviewed. Only one Djiboutian port official accepted to be formally interviewed in Addis Ababa and that interview took place before I travelled to Djibouti (see sub-section on semi-structured interviews for the case study on the Ethiopia-Djibouti transport corridor). The way my visit at the port was controlled showed the extent to which Djiboutian officials were extremely concerned about the way the port was portrayed by foreigners. From my informal discussions with some government officials, it appeared that Djiboutian authorities were particularly worried about potential foreign spies. I got the sense during my visit that these concerns were related to the general climate of suspicion that was in great part caused by the strained relations between the Djiboutian government and the expelled Emirati port operator Dubai Port World (DP World). I stayed in Djibouti from July 13th 2019 to July 19th 2019 and the visit at the port lasted one day. Despite its
controlled nature, the visit at the port of Djibouti offered the opportunity to observe the investments made to increase the capacity of a certain number of key port terminals. It was also the occasion to discuss with port officials the way some aspects of the structure of Ethiopia’s logistics sector affected the performance of the port of Djibouti.

2.5. Documentary analysis and statistical analysis

The third and fourth research methods were documentary analysis and statistical analysis. In particular, I reviewed official policy documents and indicators of performance for the two transport corridors under study. The official documents included documents on the Ethiopian government’s strategic orientations in the transport and logistics sectors and documents on the strategic orientations of regional and international organizations such as the WAEMU, the World Bank or COMESA in areas related to transport and logistics and the creation of regional textile and apparel value chains. Most of the official documents were used to complement information gathered through the semi-structured interviews conducted with government officials or officials working at regional and international organizations. For regional and international organizations that were not interviewed (such as COMESA), these documents gave information on their strategic orientations in order to assess the extent to which the reality on the ground differed from the objectives set at the regional and international levels.

Some aspects of the performances of the transport corridors under study were assessed throughout the empirical chapters using indicators of performance computed by regional and international organizations. The main objective here was to use these statistics to “set the scene” at the beginning of the empirical chapters focused on trade facilitation and port reforms. The indicators of interest include the World Bank’s Logistics Performance Index (LPI), the World Bank’s “trading across borders” indicators (which are part of the World Bank Doing Business indicators) and UNCTAD maritime transport indicators. The evolution of those indicators was analysed over a period of three to ten years in order to have an overview of the degree of efficiency of logistics services along the two transport corridors under study compared to world and continental standards.
CHAPTER 3

THE POLITICAL ECONOMY OF TRADE FACILITATION REFORMS ALONG THE DAKAR-BAMAKO TRANSPORT CORRIDOR

Introduction

The facilitation of trade along cross-border transport corridors has become a central component of initiatives aimed at reducing trade costs in Africa. In this context, the trade facilitation agenda supported by African regional organisations and development partners has focused on the elimination of non-tariff barriers to trade through the implementation of a certain number of regional projects aimed at accelerating import, export and transit procedures and reducing their cost (UNECA, 2013; Ismail, 2021). Regional trade facilitation programmes have also focused on the implementation of initiatives aimed at preserving the quality of road infrastructure. The challenges affecting the implementation of regional trade facilitation reforms are one of the most illustrative examples of the difficulty of accommodating the diverging interests of the various stakeholders that are active along cross-border transport corridors. Depending on their respective interests and agendas, the combined actions of state organisations, government officials, local logistics actors, cross-border traders, African regional organizations and international organizations ultimately affect the degree of success with which trade facilitation reforms are implemented.

Taking the example of the Dakar-Bamako transport corridor, this chapter will discuss why the implementation of trade facilitation reforms aimed at reducing trade costs can be problematic and can often become a sensitive issue in the framework of a developmental regionalism agenda. The chapter will focus on a certain number of regional trade facilitation rules and will seek to understand how their enforcement at the level of individual countries is affected by the political economy context. The chapter will show in particular how divergences between those who set the reform agenda, those who are affected by this agenda and those in charge of its implementation seriously compromise the enforcement of regional trade facilitation
rules. In particular, the chapter will show why the distribution of organizational power at the national level and the bargaining power of various socio-economic groups vis-à-vis states are important explanations of the difficulty of enforcing regional trade facilitation rules. We will see that socio-economic groups which may lose from the implementation of some regional trade facilitation reforms have successfully resisted the implementation of those reforms because of their capacity to negatively affect economic activities and their capacity to reduce the profitability of ports in a West African context characterized by a competition between ports. Moreover, the chapter will show that the existence of tensions within “the state” – especially between high ranking and low-ranking law enforcement officers on one hand and between law enforcement agencies on the other hand - is also another factor that complicates the implementation of a certain number of trade facilitation reforms. Finally, the chapter will briefly address the problem of regional cooperation among states whose interests may not always lie in the total elimination of tariff and non-tariff barriers.

The chapter is organized as follows. Section 1 will explain the rationale behind the trade facilitation agenda promoted by international organizations and African regional organizations. Section 2 will describe the political economy context and will present the various actors that are involved in the formulation and implementation of trade facilitation reforms as well as actors who are affected by those reforms in the specific case of the Dakar-Bamako transport corridor. In view of the political economy context discussed in section 2, section 3 will analyse the challenges of implementing a certain number of key trade facilitation reforms along the Dakar-Bamako transport corridor. The last section will conclude.

Section 1: The rationale behind the trade facilitation agenda

1.1. Defining trade facilitation

Trade facilitation measures can be roughly defined as the set of measures that aim to expedite import, export, and transit procedures in order to reduce the time and cost of cross-border transactions (Cantens, 2012; UNECA, 2013; Ismail, 2021). The implementation of trade facilitation reforms is part of the accompanying policies that
are expected to enable an optimal exploitation of cross-border transport corridors (Bartley Johns et al., 2018; World Bank, 2019). In this regard, Bartley Johns et al. (2018:12) argue that “the overall efficiency of a given transport corridor depends on the trade facilitation performance of all the countries participating in the corridor”. Over the last decades, the transformation of global production methods and the multiplication of Global Production Networks (GPNs) have placed the facilitation of trade at the forefront of the policy agenda in several countries (UNECA, 2013; Bartley Johns et al., 2018). This development is the illustration of the growing concern of eliminating the obstacles to the movement of goods – and notably intermediate goods – in a world where production processes are increasingly internationalised (UNECA, 2013). In this context, regional integration initiatives have often been the main channel through which the trade facilitation agenda was advanced in various regions of the world (Coe, 2014).

In the African context, African regional organizations and development partners are the key stakeholders that have been pushing for the implementation of trade facilitation measures with a view of promoting a drastic reduction of trade costs. This is because the existence of tariff and non-tariff barriers is viewed by African regional organisations and the community of development partners as a major factor hindering a significant increase in intra-regional and international trade (UNECA, 2013). Non-tariff barriers in particular and their impact on trade flows have been the subject of increased scrutiny. Non-tariff barriers refer to a broad range of obstacles to trade that can be induced - for example - by cumbersome customs procedures, import bans, the imposition of stringent phytosanitary requirements that should be met by imports or illicit taxes levied by law enforcement officers (Calabrese and Mendez-Parra, 2016; UNCTAD and World Bank, 2018). We can therefore see here a distinction between licit non-tariff barriers (commonly referred to as “non-tariff measures” defined by governments) and illicit non-tariff barriers. In the African context, illicit non-tariff barriers – and illegal payments made to law enforcement officers in particular - are rather common along cross-border transport corridors (Arifari, 2006; AfDB, 2015; Eberhard-Ruiz and Calabrese, 2017). Some studies estimated that the negative impact of non-tariff barriers on trade flows is greater that the negative impacts that can be induced by tariffs (Vanzetti et al., 2018; World Bank, 2019). In this regard, Vanzetti et al. (2018) estimated that in the context of the envisioned African Continental Free Trade Area, a
total elimination of tariffs would enable African countries to gain USD 3.6 billion while the reduction of the “trade distortions” induced by non-tariff measures would lead to a gain amounting to USD 20 billion. Given that regional trade agreements have considerably contributed to reducing tariff barriers over the last decades, current trade facilitation reforms are particularly focused on the elimination of non-tariff barriers.

Prior to presenting the trade facilitation agenda in Africa, I will first compare the performances of Sub-Saharan African countries in the area of trade facilitation with those of other regions of the world and I will also analyse the performances of Senegal and Mali more specifically. To that end, the following two sets of indicators will be reviewed: the “Trading across borders” indicators published in the World Bank Doing Business report and the World Bank’s international “Logistics Performance Index” (LPI). “Trading across borders” is one of the ten topics addressed by the annual Doing Business report of the World Bank and the “Trading across borders” indicators are part of the 41 indicators computed in the report. Those indicators assess the speed and cost of import and export procedures in individual countries\textsuperscript{22} (World Bank, 2020). For each indicator, an average score is computed for each of the seven regions identified in the World Bank Doing Business report. The overall “Trading across borders” score ranges from 0 to 100 (100 being the highest score) and the ranking ranges from 1 to 190. As indicated by table 2, Sub-Saharan Africa had the lowest overall “Trading across borders” score among the seven identified world regions in 2020. More precisely, Sub-Saharan Africa had an average score of 53.6 compared to an average score of 94.3 for the OECD high income countries, which had the highest average score. Furthermore, Sub-Saharan Africa was systematically the worst performer for all other indicators (namely, time to export, time to import, cost to export and cost to import) among the seven regions observed. When it comes to the performances of Mali and Senegal more specifically, table 2 shows that the average time needed to complete export procedures in Mali (in other words, the sum of the time needed to complete border procedures and complete documents) was equal to 4 days, compared to 3.67 days for Senegal and an average of 7.04 days for the Sub-Saharan Africa region. Regarding the time needed to complete import procedures (in other

\textsuperscript{22} According to the 2020 World Bank Doing Business report, the “Trading across borders” indicators measured “the time and cost to export the product of comparative advantage and to import auto parts” (World Bank, 2020: 19).
words, the sum of time needed to complete border procedures and complete documents), it was 7.29 days in Mali, 5.21 days in Senegal and an average of 9.26 days for the Sub-Saharan Africa region.

Table 2: World Bank’s Trading across borders indicators (2020 report)

<table>
<thead>
<tr>
<th>Region/ Country</th>
<th>Trading across borders score</th>
<th>Time to export (in days)</th>
<th>Time to import (in days)</th>
<th>Cost to export (in USD)</th>
<th>Cost to import (in USD)</th>
<th>Trading across borders rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>71.6</td>
<td>4.71</td>
<td>5.08</td>
<td>490.5</td>
<td>531.2</td>
<td></td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>87.3</td>
<td>1.72</td>
<td>1.82</td>
<td>237.6</td>
<td>244.7</td>
<td></td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>69.1</td>
<td>3.79</td>
<td>4.11</td>
<td>616.6</td>
<td>735.7</td>
<td></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>61.8</td>
<td>4.95</td>
<td>6.94</td>
<td>682.5</td>
<td>775.1</td>
<td></td>
</tr>
<tr>
<td>OECD high income</td>
<td>94.3</td>
<td>0.625</td>
<td>0.49</td>
<td>170.2</td>
<td>121.6</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>65.3</td>
<td>5.29</td>
<td>7.47</td>
<td>468.5</td>
<td>734.6</td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>53.6</td>
<td>7.04</td>
<td>9.26</td>
<td>775.6</td>
<td>977.8</td>
<td></td>
</tr>
<tr>
<td>Mali</td>
<td>73.3</td>
<td>4.00</td>
<td>7.29</td>
<td>275</td>
<td>635</td>
<td>95</td>
</tr>
<tr>
<td>Senegal</td>
<td>60.9</td>
<td>3.67</td>
<td>5.21</td>
<td>643</td>
<td>1247</td>
<td>142</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on data from the World Bank’s 2020 Doing Business report. The “cost to export” indicator is the sum of the following indicators: “cost to export (border compliance)” and “cost to export (documentary compliance)”. The “cost to import” indicator is the sum of the following indicators: “cost to import (border compliance)” and “cost to import (documentary compliance)”.

Regarding the World Bank’s international Logistics Performance Index (LPI), it is an assessment of the following six dimensions of logistics services: (i) “the efficiency of customs and border management clearance”; (ii) “the quality of trade and transport related infrastructure”; (iii) “the ease of arranging competitively priced international shipments”; (iv) “the competence and quality of logistics services”; (v) “the ability to track and trace consignments” and (vi) “the frequency with which shipments reach consignees within the scheduled or expected delivery time” (World Bank, 2018: 8). The assessments are given by logistics professionals who are asked to respond to a survey prepared by the World Bank. It is important to note that the LPI is one of the main indicators used by policymakers to assess the evolution of the quality of logistics services. Table 3 shows the aggregated international LPI results across four editions (2012, 2014, 2016 and 2018). The number of countries assessed in the 2018 edition was 160 and the highest score that a country could obtain was five (scores range from 1 to 5). Table 3 provides the mean LPI score for Mali, Djibouti, Ethiopia and Senegal and indicates those countries’ scores as a percentage of the top performer’s score.
The table also focuses on the customs dimension of the international LPI (namely, “efficiency of customs and border management clearance”). According to the 2018 international LPI report, the average score for the top ten countries was 4.03 while the average score for the bottom ten countries was 2.08. Even though the ranks of the four countries under study range from number 109 to number 141, their mean LPI scores for the period 2012-2018 are very close and range from 2.55 (for Mali) to 2.34 (for Senegal). The same remark could be made when it comes to the performances of the four countries regarding the efficiency of customs and border procedures. While there is a rather wide variation in the ranks of the four countries (ranks for the customs dimension range from 79 for Ethiopia to 136 for Mali), the customs scores for the four countries are very close and range from 2.22 for Mali to 2.54 for Ethiopia. It is worth noting that Mali was included in the group of the “top-performing low-income countries” in the 2018 International LPI report.

Table 3: Aggregated international LPI results across four editions: 2012, 2014, 2016 and 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Mean LPI rank</th>
<th>Mean LPI score</th>
<th>% of highest performer</th>
<th>Customs rank</th>
<th>Customs score</th>
<th>Missing values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mali</td>
<td>109</td>
<td>2.55</td>
<td>60.9</td>
<td>136</td>
<td>2.22</td>
<td>2012</td>
</tr>
<tr>
<td>Djibouti</td>
<td>126</td>
<td>2.43</td>
<td>58.1</td>
<td>124</td>
<td>2.29</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>131</td>
<td>2.40</td>
<td>57.2</td>
<td>79</td>
<td>2.54</td>
<td>2018</td>
</tr>
<tr>
<td>Senegal</td>
<td>141</td>
<td>2.34</td>
<td>55.8</td>
<td>125</td>
<td>2.29</td>
<td></td>
</tr>
</tbody>
</table>


Overall, this brief analysis of the international LPI and the “Trading across borders” indicators for the four countries of interest and the Sub-Saharan African region confirms that Africa - generally speaking - lacks competitiveness in the area of trade facilitation compared to other world regions. Hence, this situation greatly explains the major efforts made by regional and international institutions to improve logistics services and the business climate in African countries so as to increase their participation in regional and international trade networks, in line with what Bach (2016) and Trémolières and Walther (2017) have dubbed the “defragmentation” agenda supported by donors and the private sector. The next sub-section will give an outline

23 In the 2018 international LPI report, Germany was the top performer with a score of 4.20.
24 Although Djibouti and Ethiopia are not discussed in this chapter, their aggregated international LPI results were included as a matter of information.
of the trade facilitation agenda that is currently supported by regional and international institutions in the African continent.

1.2. The trade facilitation agenda in Africa

At the international level, the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO) and the International Convention on the simplification and harmonization of Customs procedures (also known as the Revised Kyoto Convention) of the World Customs Organization (WCO) are the main instruments that orient the definition of trade facilitation reforms to be implemented at national and regional levels. The WTO-TFA entered into force in 2017 and has defined a set of domestic reforms whose implementation in individual countries is coordinated by National Trade Facilitation Committees (NTFCs). The WTO-TFA focuses on the concepts of transparency, harmonization and simplification and its main objectives are to promote transparent and simplified cross-border transactions and to encourage countries to harmonize customs procedures across borders. The WTO-TFA promotes a certain number of key initiatives including the setting up of single windows within countries, the publication of updated information on procedures for export, import and transit and the enhancement of the cooperation between border agencies (UNCTAD, 2020). Developing and least developed countries that are member states of the WTO are entitled to a “special and differential treatment” when implementing the WTO-TFA (UNCTAD, 2020; Ismail, 2021). In other words, those countries can defer the implementation of some of the provisions of the WTO-TFA (Bartley Johns et al., 2018). To that end, they must classify the provisions of the WTO-TFA into the following three categories: category A (provisions to be implemented upon the entry into force of the agreement), category B (provisions to be implemented after a transitional period) and category C (provisions to be implemented after a transitional period but whose implementation requires financial and technical assistance). Regarding the Revised Kyoto Convention (RKC), it entered into force in 2006 and its main objective is to provide a roadmap aimed at simplifying and harmonizing customs procedures. According to the WCO, the main benefits that countries can expect from implementing the RKC include a reduction of trade costs through a faster release of goods at borders, enhanced revenue collection and the possibility of attracting more Foreign Direct Investments (FDI) as a result of reduced trade costs and more efficient border
procedures (WCO, 2010). Both the WTO-TFA and the RKC rely on the extensive use of Information and Communication Technologies (ICTs) and the digitalization of border procedures to implement the reform agenda.

From a continental perspective, trade facilitation is one of the seven pillars of the Boosting Intra-African Trade (BIAT) Action Plan adopted by the AUC in 2012 (UNECA and AUC, 2012). Furthermore, in the framework of the implementation of the African Continental Free Trade Area (AfCFTA), the AUC has adopted an ambitious trade facilitation agenda that encompasses the provisions of the WTO-TFA and the RKC. More generally, the trade facilitation agendas formulated by the AUC and RECs align with the international instruments formulated by the WTO and the WCO. In this context, the AUC and RECs encourage their member states (most of which are members of the WTO and WCO) to implement the WTO-TFA and the RKC. Moreover, the AUC and RECs provide technical assistance to their member states with a view to support the implementation of international conventions related to trade facilitation at the level of individual countries. According to a senior AUC official25, the provisions of the RKC are not binding while the WTO-TFA combines binding and non-binding provisions. He argued that the trade facilitation agreement under the AfCFTA was inspired by the RKC and the WTO-TFA but was more ambitious in the sense that it increased the proportion of binding provisions. In Africa, trade facilitation reforms have particularly focused on eliminating inefficient border procedures, which can be defined as practices that hinder a smooth and cost-effective movement of goods across borders. In this regard, trade facilitation measures have generally sought to address problems related to lengthy and costly customs procedures, the existence of multiple checkpoints along cross-border transport corridors or the lack of harmonisation of customs procedures between neighboring countries (AfDB, 2015; UNCTAD, 2020). Regional trade facilitation reforms in Africa have also focused on the enactment of rules aimed at preserving the road infrastructure within regional groupings.

However, the implementation of trade facilitation measures by state institutions has generally been problematic and uneven across the African continent. As we will see

in this chapter, when it comes to the implementation of trade facilitation rules, the
interests of regional African organizations and development partners often diverge
from the interests of state institutions, individuals working within state institutions,
domestic logistics actors and some local traders. In other words, there is clearly a
disconnect between on one hand, actors who set (or try to set) the policy agenda and
on the other hand, actors in charge of the implementation of this policy agenda and
those affected by its implementation. In the African context, donors have a great
influence over the definition and implementation of the trade facilitation agenda. A
recent survey conducted by UNCTAD showed that in Least Developed Countries
(LDCs), National Trade Facilitation Committees (NTFCs) were quite exclusively
financed by external donors (UNCTAD, 2020). More precisely, the UNCTAD survey
showed that when the surveyed LDCs had a budget for their NTFCs, this budget was
exclusively financed by donors or development agencies. This illustrates the strong
external influence over the definition and implementation of trade facilitation reforms
in LDCs (many of which are in Africa) and the potential challenges that this situation
may pose to the implementation of the reform agenda that African regional
organisations and development partners seek to promote. On the basis of the case
study on the Dakar-Bamako transport corridor, I will analyse in the following sections
how the domestic political economy context affects the degree of success with which
the regional trade facilitation agenda can be implemented in individual states.

**Section 2: Trade facilitation along the Dakar-Bamako transport corridor: the
political economy context and the main players**

As it is the case for other cross-border transport corridors in Africa, the Dakar-Bamako
transport corridor is a place where a variety of actors - with often diverging interests -
interacts. Those actors include Regional Economic Communities (RECs),
development partners, government officials (law enforcement officers in particular),
local logistics actors, formal and informal cross-border traders and international
logistics firms. Understanding the interests and agendas of those various actors as

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26 The survey was conducted among a sample of 54 NTFCs in developed countries, developing
countries and LDCs.
well as their power relations is crucial to understand why in some contexts the implementation of trade facilitation reforms is more challenging than in other contexts. At the continental level, the Western African region has had more difficulties in enforcing regional trade facilitation rules compared to East Africa for example, even though the set of actors present in both regions is similar. This section will present the main actors that are active along the Dakar-Bamako transport corridor in order to highlight their positioning vis-à-vis the trade facilitation agenda and identify their respective interests and potential agendas.

2.1. Regional Economic Communities (RECs)

In West Africa, two different RECs that cover different countries co-exist. Those two RECs are the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS). The WAEMU gathers seven Francophone countries and one Lusophone country (Guinea Bissau) in a monetary union while ECOWAS gathers fifteen Anglophone, Francophone, and Lusophone countries in a customs union.²⁷ It is worth noting that all the member states of the WAEMU are also member states of ECOWAS. From a historical perspective, the WAEMU is the product of a colonial heritage given that all its member states - except Guinea Bissau - were part of the French West Africa (traditionally known by its French acronym AOF).

A major difference between WAEMU and ECOWAS is their enforcement capabilities and, in particular, the degree of effectiveness with which they are able to implement a certain number of key projects. In the area of trade facilitation, one of the interviewed Senegalese senior government officials²⁸ argued that the WAEMU developed a programme that was implemented under its direct supervision while the ECOWAS approach was to develop an action plan whose implementation was managed by six states and not directly by the ECOWAS Commission. She inferred that the WAEMU approach was more efficient and argued that the two RECs needed to coordinate their

²⁷ The WAEMU member states are Benin, Burkina Faso, Cote d’Ivoire, Mali, Guinea Bissau, Niger, Senegal, and Togo. ECOWAS gathers the eight WAEMU member states plus Cabo Verde, Ghana, Guinea, Liberia, The Gambia, Nigeria, and Sierra Leone.
²⁸ Interview, senior government official at the Ministry of Trade, 21st September 2018, Dakar (Senegal).
strategies. More specifically, the WAEMU formulated a Regional Trade Facilitation Programme that has three main objectives: (i) promoting the facilitation of trade exchanges; (ii) modernizing customs administrations and improving the transparency of trade transactions and (iii) improving the management of border control agencies (internal WAEMU document). The WAEMU also defined a transport and transit facilitation programme which is part of the broader WAEMU trade facilitation agenda. When it comes to ECOWAS, it initiated region-wide initiatives aimed at facilitating trade in West Africa. The most prominent ECOWAS initiatives include the ECOWAS Trade Liberalisation Scheme (ETLS) whose objective is to eliminate tariff barriers within the ECOWAS zone and the ECOWAS Inter-State Road Transit Regime aimed at simplifying transit procedures. However, as we will see later in this chapter, the implementation of these two initiatives – especially the Inter-State Road Transit Regime - has been very problematic in the ECOWAS zone.

Overall, the WAEMU appears to be ahead of ECOWAS when it comes to the accomplishment of a certain number of key regional programmes despite the fact that WAEMU programmes are not implemented without difficulties. The formulation process of the ECOWAS Common External Tariff (CET) could be considered as an illustration of this fact. As it was argued by Karaki and Verhaeghe (2017), the WAEMU Common External Tariff (CET) - which is effective since 2000 - served as the basis for the establishment of the ECOWAS CET that entered into force in 2015. Due to the fact that they share historical, linguistic, and legal commonalities, Karaki and Verhaeghe argue that WAEMU member states constitute a homogenous bloc during ECOWAS summits. However, their position tends to be challenged by the position of Nigeria, the Anglophone regional power whose protectionist tendencies can sometimes be at odds with the more liberal stance of WAEMU member states (Karaki and Verhaeghe, 2017).

In the area of trade facilitation, the WAEMU also appears to be ahead of ECOWAS when it comes to accomplishing a certain number of initiatives and projects. For example, the WAEMU finalized the revision process of its customs code in 2014 before such work was done at the level of ECOWAS. As a result, the WAEMU was contacted by ECOWAS at the end of this revision process in order to harmonize the work done by the two institutions (internal WAEMU document). This was due to the fact that ECOWAS was engaged in a similar revision process of its customs code and wanted
to associate the WAEMU in the formulation of a regional customs code covering the ECOWAS zone.

There is little doubt that the co-existence of two RECs can be the source of coordination problems. The fact that the two RECs are trying to harmonize their interventions in some areas illustrates this reality. For example, the WAEMU and ECOWAS jointly held a Technical Committee of a West Africa Trade Facilitation Programme\(^ {29} \) whose fourth session was organized in 2020. We will see later in this chapter that in the case of the Dakar-Bamako transport corridor, stakeholders tend to refer to the rules enacted by the WAEMU, especially with regard to the regional axle load harmonization regulation. When it comes to the regional axle load regulation, Karaki and Verhaeghe (2017) argue that - even though the WAEMU axle load limit aligns with the ECOWAS limit - the WAEMU formulated a concrete implementation plan, unlike the ECOWAS approach. This could be considered as one of the factors that explain why stakeholders who are active along the Dakar-Bamako transport corridor refer to the WAEMU regulation on axle load harmonization.

More importantly, it is crucial to understand that West African RECs – just as other RECs in other African regions – have no coercive power over their member states (Foster and Briceno-Garmendia, 2010; Karaki and Verhaeghe, 2017). The fact that the role of RECs is limited to issuing recommendations further complicates the effective enforcement of regional rules at the level of individual countries and weakens the power of RECs relatively to powerful domestic socio-economic groups, including transport unions discussed below.

2.2. Senegalese transport unions

Under the category “local logistics actors”, there is a heterogeneous and complex set of actors that include truckers, freight forwarders and informal brokers. In this chapter, I will focus more specifically on the actions of Senegalese transport unions.

\(^ {29} \) According to the ECOWAS website, this programme is financed by a coalition of donors that include the European Union, the United States Agency for International Development (USAID), the Netherlands, Germany, and the World Bank.
Road transport is the dominant mode of transportation in West Africa and the AfDB estimates that nearly 80% of the volume of transit trade and 90% of the volume of intra-regional trade are transported by road in the region (AfDB, 2015). Along the Dakar-Bamako transport corridor, road transport became the dominant mode of transportation after 2000 due to the important degradation of the Dakar-Bamako railway. In this context, truckers and transport unions are at the centre of the current trade facilitation agenda in West Africa and they are the targets of programmes designed to reform transport sectors in several African countries in order to improve the performance of logistics services. In this regard, the World Bank has initiated an important programme aimed at reforming trucking industries in West and Central Africa (Bove et al., 2018). As we will see later in this chapter, Senegalese transport unions constantly resort to strikes in order to pressure the government into accepting their demands or request the government's support in their contestation of regional initiatives. In order to have a better understanding of the relative power of transport unions vis-à-vis the state, it is important to understand how the relationship between the Senegalese state on one hand and trade unions and business associations on the other hand have evolved over time.

After Senegal gained independence in 1960, state-business relations were the typical example of patron-client relations in which the state facilitated the access of the local private sector to rents in exchange of their political support (Thioub et al., 1998). During the twenty to thirty years that followed independence, Thioub et al. describe an economic system in which the Senegalese state, foreign business interests and the indigenous business class were the main protagonists. During this period, the Senegalese state conducted an import-substitution strategy and used political instruments such as the limitation of imports in order to protect the interests of foreign – particularly French – businesses which were involved in light manufacturing (Marfaing, 1997; Thioub et al., 1998; Lombard, 2001; Kassé, 2015; Golub et al., 2019). Furthermore, the Senegalese state controlled the export of peanuts which was the country’s main export commodity (Thioub et al., 1998). On the other hand, the activities of the indigenous business class were mainly limited to the commercial sector and the state tolerated the development of an informal sector dominated by indigenous businesses (Marfaing, 1997; Thioub et al., 1998). In return, the Senegalese state expected political support from the indigenous business groups which were given
access to rents by the state (Thioub et al., 1998). According to Thioub et al., Senegalese businessmen who started to denounce the “neo-colonial orientation of the regime” at the beginning of the 1970s were rapidly co-opted by the ruling party. Lombard (2001) notes that during this period of strong state control over the economy, transport unions that existed were close to the ruling party and benefitted from markets awarded to them by the state and linked to the trade in agricultural products (Lombard, 2001). Moreover, indigenous transporters were part of the political base of the ruling party (Thioub et al., 1998; Lombard, 2001).

The liberalization of the Senegalese economy in the 1980s following the implementation of the Structural Adjustment Programs (SAPs) represented a key moment that changed state-business relations and the distribution of power in the economic and political spheres (Thioub et al., 1998). For Thioub et al., the major change was the fact that the Senegalese state was less and less able to exert its control over economic activities following the waves of privatization and liberalization that occurred in the 1980s. In parallel to that was the rapid development of an increasingly large informal economy on which the state had less control compared to the control it had over business associations and unions that existed in the two or three decades that followed independence (Thioub, et al, 1998). The liberalization of import trade coupled with the appearance of large informal traders also accelerated the decline of the foreign-owned light manufacturing industry which could not sustain the competition with informal traders who imported cheap consumer goods without paying taxes (Thioub et al., 1998). In this regard, Thioub et al. note that numerous attempts – backed by the World Bank – to formalize the informal sector were repeatedly resisted by economic actors from the informal sector who sought to protect their fiscal rents.

When it comes to the evolution of the Senegalese transport sector, Lombard (2001) notes that a key characteristic of this sector is the coexistence of formal transporters close to the ruling party (who can be considered as the heirs of the former political and economic system) and a majority of informal transporters. Moreover, there has been a multiplication of transport unions less aligned with the ruling party but whose demands have paradoxically focused on requesting more support and protection from the state and requesting a greater access to resources in an era marked by a profound transformation of transport sectors in West Africa (Lombard, 2001). In this regard,
Lombard notes that a major development has been the acceleration of the entry of African countries into the global economy and the concomitant increasing involvement of international logistics actors in the Senegalese (and more broadly, the West African) transport market. According to Lombard, a major consequence of this trend has been a greater focus on international transport routes and on the development of international transport corridors. The liberalization of the transport market also enabled the entry of new transporters in the market which intensified competition (Lombard, 2001). Furthermore, in the case of Senegal, there is a pressure to formalize the transport sector through initiatives supported by formal transporters, the state and development partners, especially, the World Bank (Lombard et al., 2006). In this regard, the main objective of the reform programme supported by the World Bank in West and Central Africa is to professionalize trucking industries and dismantle what the World Bank calls “cartels” of truckers that are accused of fixing high transport prices without offering optimal transport services (Bove et al., 2018).

In the specific case of Senegal, a World Bank report indicated that the Senegalese trucking industry was highly informal and the report estimated that 60% of Senegalese truckers owned only one truck (World Bank, 2017). In this context, the World Bank reform program for the Senegalese trucking industry focuses on a certain number of goals including: increasing the percentage of “professional” trucking companies in the sector, renewing the Senegalese truck fleet, and eliminating practices that ensure the sustainability of the so-called “cartels” of truckers. One of those practices is the repartition of transit cargos between coastal countries and transit countries. Along the Dakar-Bamako transport corridor for example, an agreement stipulates that two thirds of the transit freight traffic should be transported by Malian transporters while the rest (namely, one third) should be transported by Senegalese transporters. However, several interviewees confirmed that, in practice, the share transported by Malian transporters is slightly higher than two thirds of the transit freight traffic due to the fact that the Malian truck fleet is newer than the Senegalese truck fleet and that Malian trucking companies were more performant. When asked whether he considered that the repartition rule could be eliminated in the future, a senior manager at the Malian
Warehouse in Senegal\textsuperscript{30} indicated that this issue was too sensitive given that Mali had to guarantee the security of its supply chains. In Senegal, the renewal of truck fleets appears to be among the reforms that are currently at the forefront of the reform agenda for the transport sector as it was confirmed by interviewees working in this sector.

As indicated in one of its reports, the World Bank has chosen to adopt a “progressive” approach by encouraging countries to “gradually” introduce reforms of the road transport sector (Bove et al., 2018). The adoption of a gradual approach is partly justified by the recognition that the aforementioned reforms will undeniably create losers and by the necessity to make sure that the potential losers do not stand in the way of the reform agenda. This approach seems to be also favoured by other development partners such as UNCTAD when it comes to trade facilitation reforms. In this regard, a senior UNCTAD official\textsuperscript{31} considered that in order to successfully implement the trade facilitation agenda, it was necessary to consult with actors who are likely to be affected, reflect on the way they could be repositioned and make sure that they do not constitute obstacles to the implementation of the reforms. As we will see later in this chapter, even though transporters and associations of truckers are the primary actors who stand to benefit from some trade facilitation reforms such as those aimed at promoting more efficient border procedures, they also consider themselves as the victims of some trade facilitation rules that they consider as “ill-conceived” and susceptible to jeopardize the profitability of the transport business.

Despite their tendency to frequently contest the government’s policies or request the government’s support in their contestation of regional initiatives, transport unions do not seem to enjoy a total independence from the state. In this regard, Cissokho’s analysis of the election of the representative of transporters in a local Senegalese bus terminal unveiled a more complicated relationship between government institutions and transport unions (Cissokho, 2015). In particular, Cissokho showed in his article

\textsuperscript{30} Interview, senior manager at the Entrepôts Maliens au Sénégal, 9\textsuperscript{th} November 2018, Dakar (Senegal). The Entrepôts Maliens au Sénégal is part of the Malian Transport Directorate and it is the official body that represents the Malian government at the Port of Dakar. The body defends the interests of Malian transporters and shippers along the Dakar-Bamako transport corridor.

\textsuperscript{31} Interview, senior official at the United Nations Conference on Trade and Development (UNCTAD), 4\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
how national representatives of unions and the local public administration played a role in electing the representative of the local bus terminal that was studied. He also described a type of patron-client relationship within transport unions that was similar to the type of patron-client relationship described by Thioub et al. within UNACOIS, a large national business association that historically defended the interests of the big informal sector in Senegal. In particular, Cissokho argued that local representatives of bus terminals – who were indebted towards national leaders for their election – were more easily mobilized when those national leaders needed to organize national initiatives such as strikes for example.

In view of the difficulty of enforcing certain regional trade facilitation rules due in part to the frequent strikes organized by transport unions (see section 3 below), it can be argued that through their capacity to mobilize, the “holding power” of transport unions is non-negligible. This confirms the argument made by Khan who considers that “the holding power of organizations is not just based on economic capabilities, or on whether they include ‘elites’ but primarily on their organizational capabilities, the capacity of their leadership to mobilize and enthuse, and their skill in identifying and rewarding the right people through formal or informal networks” (Khan, 2018a: 640).

2.3. Traders-Transporters

In the West African context (and in the African context more broadly), cross-border traders include a variety of actors including formal and informal cross-border traders, large and small smugglers, and traders-transporters (Nugent and Soi, 2020). I will focus here on traders-transporters that appeared in the West African transport landscape these recent years (Lombard et al., 2006). Those traders-transporters include relatively big enterprises which rely heavily on export-import transactions – and therefore on transport services – to carry out their businesses. Some of these big enterprises have decided to invest in the acquisition of truck fleets and were consequently labelled “traders-transporters” or “own-account operators”. According to Teravaninthorn and Raballand (2009), who were both employed at the World Bank, the appearance of traders-transporters has been mainly caused by the fact that transport services in West and Central Africa tend to be inefficient and costly. In West Africa, “traders-transporters” include the Nigerian cement manufacturer Dangote and
other less powerful but nonetheless important actors such as the Malian fertilizer producer Toguna Agro-Industries. Those two traders-transporters for example have important regional activities and play important roles in intra-regional trade exchanges. As we will see later in the chapter, due to their economic weight, traders-transporters represent an important group that can have a non-negligible impact on the enforcement of regional trade facilitation rules.

2.4. Development partners and national governmental authorities

Development partners also constitute a heterogeneous set of actors whose influence over the determination and implementation of trade facilitation rules is decisive (Cantens, 2012; Karaki and Verhaeghe, 2017). A UNCTAD report on the work of National Trade Facilitation Committees indicated that in LDCs, those committees tended to act as donor coordinators, in addition to their role as the coordinators of the domestic implementation mechanism of the WTO-TFA (UNCTAD, 2020). This is an indication of the central position of donors and their important influence over the implementation of trade facilitation reforms in LICs, but it can also be considered as an indication of the difficulty of harmonizing different initiatives coming from different donors. The work of the WAEMU and ECOWAS is also heavily dependent on financing from donors such as Japan (notably, for the construction of One Stop Border Posts in the WAEMU zone), the European Union and Germany. Hence, donors intervene at both the national and regional levels (Karaki and Verhaeghe, 2017).

At the national level, the main partners of donors are government authorities which are also far from constituting a homogenous entity. As we will see later in this chapter, law enforcement agencies in Senegal tend to function in an uncoordinated manner, reflecting a deep-seated administrative tradition and culture. The three law enforcement agencies whose representatives are the most visible along cross-border transport corridors are the police, the gendarmerie, and customs authorities (Arifari, 2006). There also tend to be a disconnect between the discourse and interests of high-ranking law enforcement officers and low-ranking officers who are in charge of implementing trade facilitation rules. All these elements complicate the enforcement of regional trade facilitation reforms. More generally, when it comes to the role of governments in the implementation of trade facilitation reforms, the issue of the
political will of governmental authorities is paramount. As we will see later in this chapter, this political will may be lacking in numerous instances despite the official commitment of states to the regional integration agenda.

International organizations such as UNCTAD and the World Bank recognize the diversity of actors that are concerned by trade facilitation reforms at the national level (UNCTAD, 2020; Bove et al., 2018). Hence, they both highlight the necessity to associate all those actors in the implementation of the reform agenda to maximise its chances of success, which can be considered as a recognition by these two institutions of the central importance of understanding the political economy context in which they try to implement trade facilitation reforms.

Finally, when discussing trade facilitation reforms in West Africa, an important fact that needs to be taken into account is that the West African context is characterised by a competition between several ports and corridors, which is a situation that exists in other parts of the continent. This is partly explained by the fact that in West Africa, a multiplicity of ports competes to attract traffic from Mali, Burkina Faso, and Niger, which are the region’s three landlocked countries. Moreover, in a paper in which he discusses the West African port system, Debrie (2012) argues that - following the liberalization of maritime transport and the privatization of port operations - the rising number of port concessions in West Africa and the global trend towards port concentration have contributed to reinforcing the phenomenon of port competition in the region. Even though chapter 6 will be the occasion to discuss West African ports in more details, we will see later in this chapter how this competition can hamper – in some cases – the implementation of trade facilitation measures. In the following section, I will analyse how the actions of this diverse set of actors with different agendas and interests affect the implementation of key regional trade facilitation reforms which are susceptible to have an important impact on the distribution of rents at the national level.
Section 3: Trade facilitation along the Dakar-Bamako transport corridor or how to reconcile diverging interests along cross-border transport corridors

This section will focus on specific initiatives that the AUC, RECs, and development partners seek to implement in the framework of the trade facilitation agenda in West Africa and will discuss their implementation along the Dakar-Bamako transport corridor. The first part of the section will be devoted to the regional initiative aimed at harmonizing the axle load limit. The second part of the section will discuss the challenge of limiting the number of checkpoints along the Dakar-Bamako transport corridor and the issue of endemic corruption within law enforcement agencies. The third part of the section will focus on the factors that led to the failure to implement the ECOWAS Inter-State Transit Regime in West Africa. The fourth part of the section will discuss One Stop Border Posts (OSBPs) and the digitalization programme that international organizations and African regional organizations seek to implement to support the trade facilitation agenda. The fifth and last part of the section will discuss the ambiguous positioning of national governments regarding the elimination of tariff and non-tariff barriers to trade in West Africa.

3.1. The regional axle load harmonization regulation

Regional rules that seek to harmonize the axle load limitation in a given region determine the maximum weight that can be carried by trucks traveling on inter-country roads in this region. The harmonization of the axle load limitation is part of the trade facilitation instruments that regulate transit transport and that are formulated at the level of RECs (UNECA, 2013). The stated objectives of axle load regulations are to preserve the quality of inter-country roads, preserve trucks and reduce transport costs caused by roads in bad conditions. However, since 2005, the implementation of the regional axle load regulation has been problematic in West Africa mainly because a vast part of transporters and economic actors in this region resisted its implementation (Karaki and Verhaeghe, 2017).

Along the Dakar-Bamako transport corridor, the axle load regulation that countries are supposed to enforce is the one that was enacted by the WAEMU in 2005 and which is commonly called “Règlement 14”. The implementation of the WAEMU axle load
regulation has been a particularly controversial issue in the context of the Dakar-Bamako transport corridor as evidenced by the several strikes organised by Senegalese truckers to denounce the provisions of this rule. The transporters and traders-transporters who were interviewed during the fieldwork explained their reluctance to abide by the regional axle load regulation by the fact that the threshold set by the WAEMU compromised the profitability of their businesses. In particular, those transporters and traders-transporters argued that in view of the current state of the transport sector - transporters were obliged to maximise the transported load in order for their businesses to be profitable. They complained about the fact that the interests of transporters were not sufficiently taken into account when the new regional axle load regulation was adopted and called for a broader reflection on the profitability of the transport business. Karaki and Verhaeghe (2017) argue for example that the enforcement of the regional axle load regulation in Ghana resulted in a 30-50% increase in the transport prices of a number of commodities because associations of truckers considered that they needed to increase transport prices in order to compensate the losses induced by the enforcement of the regulation. Some informants suggested - implicitly and explicitly - that donors were the ones really pushing for the enforcement of a strict axle load limitation rule in order to preserve roads whose construction they contributed to finance.

During the fieldwork, I studied in particular the impact that regional trade facilitation rules have had on the activities of Senegalese and Malian producers and distributors of fertilizers. The decision to focus on those economic actors was motivated by the fact that the evolution of cross-border logistics costs significantly affects the activities of those economic actors and the cost of fertilizers.

The most recent strikes were organized in 2018, 2019 and 2020. See following news articles:

Interview, Secretary General of a Senegalese Truckers’ Union, 14th November 2018, Dakar (Senegal). Interview, Representative in Senegal of a Malian fertilizers company, 23rd January 2019, Dakar (Senegal).
My interview with a senior manager at the Chemical Industries of Senegal (known by its French acronym ICS)\textsuperscript{34} seemed to illustrate the argument advanced by transporters with the example of the transport of fertilizers. ICS is the largest Sub-Saharan African producer of phosphoric fertilizers, which is one of the inputs needed to produce blended chemical fertilizers. Some of its clients are West African – and in particular Malian - producers and distributors of blended fertilizers. The senior manager at ICS indicated that his clients (who are in charge of transporting the product) complained about the regional axle load regulation which supposedly increases the costs of transporting fertilizers along cross-border roads. As a result, the representative of ICS explained that if potential extra-regional competitors were able to sell phosphoric fertilizers to its Malian clients via the port of Abidjan at a more competitive price than products shipped from Dakar, this could negatively affect the activities of ICS. The statement made by this interviewee suggests that the increase in transport costs induced by the axle load regulation could potentially advantage his company’s extra-regional competitors and therefore, discourage intra-regional trade.

Following my interview with the representative of ICS, I interviewed the focal point in Dakar of one of their Malian clients\textsuperscript{35}. This Malian client is a major supplier of fertilizers in Mali which has also sub-regional activities. According to the focal point of this Malian enterprise, his enterprise imports inputs from ICS and - to a lesser extent - extra-regional suppliers of fertilizers in order to produce its blended fertilizers which are sold in Mali and other West African countries. He added that his enterprise owned a truck fleet but also needed to call on external transporters to transport fertilizers from ICS and the port of Dakar to Mali. Overall, the representative of the Malian enterprise confirmed the information provided by the representative of ICS and argued that the immediate effect of the regional axle load regulation was to increase their transport costs. He explained this increase by the fact that – with the implementation of the axle load regulation – trucks are obliged to increase the number of trips required to transport merchandises. The external truckers with whom his enterprise works also tend to increase the transport cost per ton (of fertilizers) in order to maintain the same

\textsuperscript{34} Interview, senior manager at the Chemical Industries of Senegal (ICS), 28\textsuperscript{th} November 2018, Dakar (Senegal).
\textsuperscript{35} Interview, Representative in Senegal of a Malian fertilizers company, 23\textsuperscript{rd} January 2019, Dakar (Senegal).
amount of profit compared to when they could carry a higher load. In the same vein as the interviewed senior manager at the Malian Warehouse in Senegal (EMASE), the representative of the Malian producer of fertilizers argued that the interests of landlocked countries were not well taken into account when the regional axle load regulation was designed. According to him, even though the intent was good (preserving roads), the axle load rule was adopted following pressure from the donor community and was not sufficiently discussed with actors on the ground. He explained that – as a result - some economic actors from landlocked countries were trying to take advantage of the competition between West African ports by shifting their shipments to coastal countries where the rule was not strictly enforced. He admitted though that over the long run, it was highly likely that all West African countries would have to uniformly abide by this rule.

According to the Malian interviewees\textsuperscript{36}, transporters could tolerate the effects of the axle load regulation if authorities took concomitant trade facilitation measures to reduce other transport costs including customs charges. In this regard, the representative of the Malian producer of fertilizers acknowledged that the digitalisation process engaged by customs authorities in Senegal and Mali induced improvements in customs clearance procedures and enabled time gains. For his part, the Secretary General of a Senegalese transport union\textsuperscript{37} argued that Senegalese transporters were advocating for an increase of the axle load limit and were in talks with the Senegalese government in this regard. Nevertheless, he considered that if a good transport pricing system was in place (with the setting up of a “freight bureau”), Senegalese transporters would more easily accept the current axle load threshold.

An important observation that can be made from the example discussed above is that the competition between ports that each try to gain more market shares may discourage some coastal countries from strictly enforcing a constraining regional regulation such as the axle load limitation rule. We can clearly see with this example how economic actors from landlocked countries can take advantage of the situation

\textsuperscript{36} Interview, Representative in Senegal of a Malian fertilizers company, 23\textsuperscript{rd} January 2019, Dakar (Senegal).
\textsuperscript{37} Interview, Secretary General of a Senegalese Truckers’ Union, 14\textsuperscript{th} November 2018, Dakar (Senegal).
and use their bargaining power whenever they have the opportunity to do so. For example, the Malian supplier of fertilizers whose activities were discussed above progressively transferred part of its shipments from the port of Abidjan to the port of Dakar. Nevertheless, according to the interviewed focal point of the company in Dakar, the company constantly evaluates the advantages and disadvantages of each port and may shift its shipments from a port to another depending on the circumstances. The effect that the competition between ports can have on the enforcement of regional trade facilitation rules is complex and can vary. As it was argued by one of the interviewees – a senior official at an international organization\(^{38}\) – a competition between ports is in theory beneficial since it should encourage coastal countries to implement trade facilitation measures aimed at reducing transit times in order to attract more traffic. Nevertheless, the example of the axle load regulation discussed above shows that the enforcement of some regional trade facilitation rules by West African coastal countries is partly a function of how those regional rules are perceived by economic actors, especially local logistics actors and economic actors from landlocked countries. If those regional rules do not align with the interests of both coastal states and those economic actors, their implementation can be problematic.

We can therefore infer from the discussion above that when there is a convergence between the interests of states and the interests of economic actors, this can negatively or positively affect the enforcement of regional trade facilitation rules, depending on whether those rules are perceived as constraining or not. In the example depicted above, Malian economic actors can be considered as a pressure group whose influence over the enforcement of the regional axle load regulation is as important as the influence of Senegalese transporters due to the fact that they play an important role in the profitability of the port of Dakar. The pressure that the Senegalese transport unions exert on the Senegalese state is important due to their capacity to mobilize and disturb economic activities through their frequent strikes. Hence, it can be argued that the holding power of both groups (namely, the Senegalese transporters and the economic actors from landlocked countries) is quite

\(^{38}\) Interview, senior official at the United Nations Economic Commission for Africa (UNECA), 2\(^{nd}\) April 2019, Addis Ababa (Ethiopia).
significant in view of the fact that it has been difficult to enforce the axle load limitation rule for more than 15 years now (since 2005).

On the other hand, there is obviously pressure from the community of development partners to enforce strict axle load regulations. In this regard, it is interesting to note that one of the main recommendations of Teravaninthorn and Raballand (2009) in their book on transport corridors in West and Central Africa was for development partners to insist on the enforcement of axle load regulations which would preserve cross-border roads. This recommendation was part of a series of recommendations aimed at ensuring that investments made by development partners in the development of transport infrastructure are profitable. The decisive influence of development partners over the adoption of the regional axle load regulation was confirmed by Karaki and Verhaeghe (2017) who argued that the WAEMU adopted its most recent axle load regulation after that the European Union threatened to stop financing road projects if West African states failed to ensure that the regional axle load limit was respected by transporters.

The discussion on the effects of the competition between ports reminds us that transport corridors aim - by definition - to improve the competitiveness of the ports they serve, relatively to other ports in the same region. In other words, the construction of roads and railways and the implementation of trade facilitation measures are all aimed at increasing the attractiveness of ports by improving the connectivity between ports and their hinterlands. For example, a senior Senegalese government official indicated that the investments that the Senegalese government made in the development of transport infrastructure along the Dakar-Bamako transport corridor aimed at increasing the attractiveness of the port of Dakar. He indicated that other coastal countries in the region were doing the same and mentioned the example of the government of Cote d'Ivoire which recently made substantial investments in the development of the port of Abidjan and in the construction of transport infrastructure linking the port to the hinterland in partnership with Chinese enterprises. However, the Senegalese senior government official indicated that Senegal was only concerned with

39 Interview, senior government official, Senegalese Ministry of Transport Infrastructure, 12th September 2018, Dakar (Senegal).
the section of the corridor on its territory, and he admitted that there was no concertation between Senegalese and Malian authorities in order to coordinate their investments in hard infrastructure along the whole length of the Dakar-Bamako transport corridor. In view of the competition between transport corridors that exist in all African regions, the adherence of states to the regional integration agenda will be a function of how states perceive the gains and losses that would result from the enforcement of regional trade facilitation rules.

The negative effect that the competition between West African ports has on the enforcement of the regional axle load regulation was confirmed by a senior Senegalese government official40 and a senior official at the World Bank41 even though they offered a different analysis of the situation. The Senegalese senior government official complained about the fact that Senegal was trying to enforce the WAEMU axle load regulation while other coastal countries deliberately tolerated the non-enforcement of this regional rule in their countries in order to attract market shares. He therefore implied that this situation was detrimental to the competitiveness of the port of Dakar. On the other hand, the senior official at the World Bank considered that all coastal countries – including Senegal – were equally to blame for the lack of enforcement of the regional axle load rule. He deplored in particular the short-sighted views of coastal states and the pressure that some groups of transporters may exert on those states. It is interesting to note that interviewees from African regional organisations were generally reluctant to acknowledge the potential negative impacts that a competition between ports could have on the enforcement of some regional trade facilitation rules and notably, on the enforcement of the axle load regulation. For example, a senior WAEMU official42 considered that the lack of enforcement of the regional axle load regulation was mainly due to the fact that truck drivers did not fully understand the rationale behind this regulation. However, the various interviews conducted with the leaders of various transport unions show quite the opposite.

40 Interview, senior government official, Senegalese Ministry of Transport Infrastructure, 12th September 2018, Dakar (Senegal).
41 Interview, senior official at the World Bank, 31st October 2018, Dakar (Senegal).
42 Interview, senior official at the WAEMU, 11th December 2018, Dakar (Senegal).
Furthermore, weighbridges are another contentious issue when it comes to the enforcement of the regional axle load regulation. Weighbridges were installed in WAEMU member states to ensure that trucks comply with the regional axle load regulation and do not carry excessive loads. However, the representatives of the Senegalese transport unions\(^{43}\) who were interviewed claimed that the weighbridges that were installed in Senegal were not sound. In other words, they considered that trucks’ weights were miscalculated in several cases and truckers were forced to pay undue fines. It appears that the company that manages weighbridges in Senegal – whose name is “Afrique Pesage” - is in fact a multinational company which operates in several countries in West Africa. An interviewee who works in a regional oversight body\(^{44}\) also accused the company of solely focusing on trying to collect fines (and make profits) instead of trying to ensure that the axle load regulation was strictly enforced.

3.2. The limitation of the number of checkpoints and corruption within law enforcement agencies

The regional recommendation related to the limitation of the number of checkpoints along cross-border transport corridors is one the most difficult regional rules to implement in West Africa. Transporters and organizations whose mandate is to report barriers to the free movement of people and goods across borders have long denounced the “illicit” practices of the police, gendarmerie and customs officers in the region. The Secretary General of a Senegalese transport union\(^{45}\) indicated that truckers could be stopped more than 40 times along the Dakar-Bamako corridor even though the WAEMU recommended its member states to limit the number of checkpoints to three along cross-border transport corridors. The interviewed union leader added that truckers were forced to pay bribes to police, gendarmerie and customs officers at each stop, which ultimately increases transport costs. The claims of this union leader were confirmed by other interviewees including the representative

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\(^{43}\) Interview, Head of a Senegalese Transport Union, 22\(^{nd}\) October 2018, Dakar (Senegal).

\(^{44}\) Interview, Representative of the Observatory of abnormal practices along the WAEMU cross-border transport corridors, 16\(^{th}\) November 2018, Dakar (Senegal).

\(^{45}\) Interview, Head of a Senegalese Truckers’ Union, 14\(^{th}\) February 2019, Dakar (Senegal).
of the WAEMU Observatory of abnormal practices\(^46\) who indicated that truckers were stopped much more than the three times required by the WAEMU along the Dakar-Bamako transport corridor. This longstanding problem shows how difficult it is for public administrations to control the actions of individual government officials on the ground. Overall, the interviews conducted highlighted the disconnect between the official discourse of the police, gendarmerie and customs administrations of Senegal and Mali (officially favourable to deeper regional integration) and the practices and interests of officers on the ground. This problem partly points to the broader issue of endemic corruption within both countries’ public administrations, which is an issue that is also problematic in other parts of the African continent (Eberhard-Ruiz and Calabrese, 2017).

At this stage, an analysis of official documents that document illicit practices along the Dakar-Bamako transport corridor is useful to shed light on the extent of the problem. The Observatory of abnormal practices along the WAEMU cross-border transport corridors (known by its French acronym “OPA”) was created in 2005 to monitor the performances of cross-border transport corridors in the WAEMU zone. The OPA normally publishes quarterly reports that assess the performances of the WAEMU cross-border transport corridors against the following three criteria: the average number of checkpoints per 100 kms, the average amount of bribes paid to law enforcement officers per 100 kms and delays every 100 kms. Two of the three indicators identified by the OPA (namely, the number of checkpoints and delays) impact the hidden logistics costs, while the indicator related to bribes perceived by law enforcement officers has an impact on the financial cost of logistics services (see the introduction to this thesis for an explanation of the logistics costs breakdown). The latest OPA report that I could find dates back to the second quarter of 2017 and offers an assessment of the performance of the Dakar-Bamako transport corridor against the aforementioned three criteria (UEMOA, 2017). According to the report, the average number of checkpoints along the Dakar-Bamako transport corridor during the second quarter of 2017 was two checkpoints for every 100 kms (the length of the corridor was estimated at 1,382 kms). As a matter of comparison, the OPA report noted that the

\(^{46}\) Interview, Representative of the Observatory of abnormal practices along the WAEMU cross-border transport corridors, 16\(^{th}\) November 2018, Dakar (Senegal).
average total number of checkpoints along the WAEMU transport corridors was 20 over the same period. During the same period, the Dakar-Bamako transport corridor was also the second transport corridor with the highest average duration of checks performed by law enforcement officers (average of 21 minutes per 100 kms) in the WAEMU zone. The worst performer was the Dakar-Bissau transport corridor (average of 37 minutes per 100 kms) and the best performers were the Abidjan-Ouagadougou and the Bamako-Ouagadougou via Hérémakono transport corridors (both had an average duration of checks equal to 10 minutes per 100 kms). Moreover, the OPA report noted that the countries where the highest amounts of bribes were paid within borders were respectively Guinea Bissau, Mali, Cote d’Ivoire, Burkina Faso, and Ghana. During the second quarter of 2017, the average amount of bribes paid along the Bamako-Dakar transport corridor (within the borders of Senegal and Mali) was F CFA 45,000 (approximately USD 84) compared to an average of F CFA 41,245 (approximately USD 77) for all WAEMU transport corridors. The OPA report also indicated that the average amount of bribes paid at the border between Senegal and Mali hovered around F CFA 22,000 compared to an average of F CFA 17,886 paid at borders in the WAEMU zone (UEMOA, 2017).

Another report from the African Development Bank (AfDB) on trade facilitation in West Africa estimated that costs induced by formal and informal harassments represented in average between 12% and 15% of total transit costs along the Dakar-Bamako transport corridor (AfDB, 2015)47. The AfDB report defined the costs induced by formal harassments as costs induced by customs escorts and the extra amount of work performed by customs officials. The report also estimated that the costs induced by formal harassments were higher than those induced by informal harassments (the costs of informal harassments were estimated to be equal to nearly 5% of transit costs). When asked about the sustainability of customs escorts over time, a Senegalese senior customs official48 who was interviewed considered that their total elimination was unlikely because some transit goods that can be the subject of smuggling (like sugar or oil) had to be escorted by customs officials. Nevertheless, he

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47 The calculations were based on a 2011 USAID study on the rice value chain along the Dakar-Bamako transport corridor.
48 Interview, senior official at the Customs Directorate, Senegalese Ministry of Economy and Finance, 31st January 2019, Dakar (Senegal).
acknowledged that in view of the high number of trucks departing from the port of Dakar each day - which he estimated at 1,500 - customs administrations will have to increasingly adopt new technologies that would enable an electronic monitoring of transit cargos (also referred to as “cargo tracking systems”). However, according to the Secretary General of a Senegalese transport union\textsuperscript{49} and to the representative of the WAEMU Observatory of abnormal practices along transport corridors\textsuperscript{50}, in a great number of cases at the present time, escort fees were paid but trucks were not escorted by customs officers. In those cases, when truck drivers arrive at the border, they must reportedly wait for the customs officers who were supposed to escort their trucks despite the fact that escort fees were paid. As a result, the aforementioned two interviewees considered that this practice contributed to increasing transit times, and therefore, trade costs.

The systemic corruption that exists within law enforcement agencies in Africa has been the subject of discussions in the literature. This system of corruption not only benefits individual law enforcement officers, but it also benefits a large range of institutions and actors including law enforcement agencies, intermediaries (customs brokers in particular) and large and small smugglers (Arifari, 2006; Karaki and Verhaeghe, 2017). When it comes to customs administrations more specifically, the fact that a large portion of government revenues in West Africa are generated by customs administrations reinforces the bargaining power of customs administrations vis-a-vis states (Arifari, 2006; Cantens, 2012). In this regard, Cantens estimates that “African customs administrations collect between 20-60 per cent of national revenue” (Cantens, 2012: 2). For his part, Arifari (2006) considers for example that when customs officers threaten to go on strike, this threat is taken seriously by states given that they could cause important losses in government revenues. In his article focused on corruption in the customs and transport sectors of Benin, Senegal, and Niger, Arifari argues that several factors explain the persistence of corrupt practices within customs administrations (Arifari, 2006). Those factors include the discrepancy between the periodic revenue targets set by governments and the means at the disposal of customs administrations to reach those targets in contexts where proceedings from corrupt

\textsuperscript{49} Interview, Head of a Senegalese Truckers’ Union, 14\textsuperscript{th} February 2019, Dakar (Senegal).

\textsuperscript{50} Interview, Representative of the Observatory of abnormal practices along the WAEMU cross-border transport corridors, 16\textsuperscript{th} November 2018, Dakar (Senegal).
practices contribute to financing underfinanced customs administrations; the fact that cross-border traders include a high number of smugglers (large and small) who benefit from the opacity of trade transactions at the borders and the fact that some traders may consider that paying bribes would be less costly for them than wasting time (and therefore money) on long export-import procedures (Arifari, 2006). An interesting example given by Arifari in his article is the example of the customs escorts in Senegal and how those escorts are used by some customs officers to engage in corrupt practices. More precisely, Arifari explains that since traders are the ones who are supposed to pay for customs escorts, some traders are willing to find “arrangements” with customs officers to avoid the costs of those escorts. In an article in which he discussed the possibility of reforming customs administrations in Cameroon, Cantens studied the relationship between high-ranking customs officers and their subordinates and tried to understand how those relationships could affect the capacity to reform customs administrations (Cantens, 2012). In his article, Cantens discussed the concept of “non coercive authority” which he uses to describe the type of relationship that exists between high-ranking customs officers and their subordinates who are in direct contact with users and therefore, more likely to be bribed. This concept of “non coercive authority” refers to the fact that high-ranking customs officers lack the power to sanction their direct subordinates (Cantens, 2012). For Cantens, the authority of high-ranking customs officers (and their legitimacy to carry out reforms) greatly derives from other parameters such as their ability to maximise the amount of licit revenues (including shares of fines on evaded duties) that are collected and re-distributed among customs officers. According to Cantens, the key question to be asked in this context is how elites can get the legitimacy to carry out reforms in the face of constraints such as the high turnover rate among high-ranking customs officers.

The discussion above shows that the reduction of trade costs through the elimination of corruption within law enforcement agencies is obviously not an objective that can easily be reached given the range of powerful and less powerful actors that take advantage of the system of endemic corruption. This system of endemic corruption not only benefits a number of corrupt law enforcement officers but it also obviously benefits a wide range of actors including large and small smugglers who take advantage of the opacity of trade transactions (Arifari, 2006). Even though one of the demands of transport unions during strikes is for the state to tackle the problem of
corruption along transport corridors, the discussion above highlighted the power of some state agencies vis-à-vis the central state. In this regard, we have seen that in the African context, the important contribution of customs administrations to state revenues for example could possibly reinforce their positions and their bargaining power vis-à-vis states (Arifari, 2006; Cantens, 2012). I will discuss in the sub-section below the difficulty of enforcing a regional trade facilitation rule whose objective was precisely the limitation of the number of checkpoints and – therefore - the reduction of the amount of bribes paid by users of cross-border transport corridors.

3.3. The failure of the Inter-State Road Transit Regime

The limitation of the number of checkpoints along cross-border transport corridors (discussed above) has been a central focus of ECOWAS trade facilitation initiatives for nearly four decades. The most notable illustration of this fact is the adoption by ECOWAS of a convention establishing an Inter-State Road Transit regime (called ‘TRIE’ in French) in 1982. The stated objective of the Inter-State Road Transit regime was to facilitate the movement of transit goods across borders by limiting the number of unnecessary checks undergone by trucks and by promoting the issuance of a single customs document that would travel from the customs office at the departure point to the customs office at the destination point. However, until now, ECOWAS has failed to implement the Inter-State Road Transit regime in West Africa. There are many reasons that are given by various stakeholders to explain this failure. A major contentious issue is related to the guarantee fund requirement associated with the Inter-State Road Transit Regime. The ECOWAS Convention originally made provisions for the setting up of a regional guarantee fund that would be funded by financial contributions that amount to a fraction of the value of transit goods. The financial contribution was supposed to be equal to 0.5% of the CIF value of imports.51 According to a manager at the Malian Warehouse in Senegal52, the Inter-State Transit Regime allowed time gains, but the amount of the non-refundable contribution was so

51 According to the OECD Glossary of statistical terms, “the c.i.f. price (i.e. cost, insurance and freight price) is the price of a good delivered at the frontier of the importing country, including any insurance and freight charges incurred to that point, or the price of a service delivered to a resident, before the payment of any import duties or other taxes on imports or trade and transport margins within the country”.

52 Interview, senior manager at the Entrepôts Maliens au Sénégal, 9th November 2018, Dakar (Senegal).
high that it discouraged economic actors from using it. He added that economic actors would rather use the ordinary customs regime even though that meant that they would have to endure longer transit times. From the viewpoint of a Senegalese senior customs official\textsuperscript{53}, the most important reason that explain the non-implementation of the Inter-State Transit Regime is the fact that countries did not agree on the management modalities of the regional guarantee fund. He further added that the customs dimension of the Inter-State Transit Regime was the easiest dimension to address, and that the problem occurred at the level of the National Chambers of Commerce that were supposed to manage the regional guarantee fund. Nevertheless, this explanation is different from the explanation given by the representative of the WAEMU Observatory of abnormal practices along transport corridors \textsuperscript{54} who considered that in Senegal, customs officers have always been reluctant to implement this ECOWAS Convention. One of the most striking aspects with regard to the various interviews conducted is the fact that each of the interviewed stakeholders gave a reason for the non-implementation of the Inter-State Transit Regime that was different from or that contradicted the reasons advanced by other interviewees. In some cases - such as the interview with a senior WAEMU official\textsuperscript{55} - there was obviously a reluctance to denounce potential “culprits”. The senior WAEMU official only explained that the failure to implement the transit regime was due to disagreements between stakeholders without giving further explanations.

Given the various and diverging explanations given by the interviewees with regard to the reasons that explain the failure to implement the Inter-State Transit Regime, I explored secondary data to get more clarity on the issues at stake. The secondary data was derived from a report of the African Development Bank (AfDB) on trade facilitation in West Africa. According to this AfDB report, the management of the financial contributions has been a major constraint for the implementation of the Inter-State Transit Regime in West Africa (AfDB, 2015). The report argues that the collected financial contributions were used to pay for the operating expenses of the various national organizations involved in the management of the transit regime, instead of

\textsuperscript{53} Interview, senior official at the Customs Directorate, Senegalese Ministry of Economy and Finance, 31\textsuperscript{st} January 2019, Dakar (Senegal).
\textsuperscript{54} Interview, Representative of the Observatory of abnormal practices along the WAEMU cross-border transport corridors, 16\textsuperscript{th} November 2018, Dakar (Senegal).
\textsuperscript{55} Interview, senior official at the WAEMU, 11\textsuperscript{th} December 2018, Dakar (Senegal).
funding the regional guarantee fund as initially planned. The report also noted a lack of trust between the various administrations in charge of managing the transit regime (including National Chambers of Commerce), which prompted the customs administrations of some countries to levy additional taxes that would add up to the financial contribution that was initially requested (namely, 0.5% of the CIF value of imports). The taxes levied by those customs administrations represent a deposit that is equal to the amount of the customs duties on transit goods. Moreover, customs administrations have allegedly continued to escort transit goods, despite the fact that the entry into force of the Inter State Transit Regime should have reduced those escorts. Another challenge mentioned by the AfDB report is that many trucks in the region are old and are in such a bad condition that the sealing of the cargos transported by those trucks – which is a key requirement of the Inter-State Transit Regime - was not always possible. This refers to the problem of renewing truck fleets in the region even though the World Bank has been constantly advocating for the renewal of truck fleets to reduce the costs of transport in the region and promote the professionalization of the trucking sector.

Overall, the failure of the ECOWAS Inter-State Transit Regime can be considered as an illustration of the way the diverging interests of various actors and their capacity to resist the implementation of new reforms can compromise the implementation of regional trade facilitation measures. The difficulties to implement such an important initiative like the transit regime for almost four decades appears to be the outcome of coordination problems among countries that could not be resolved. The successful implementation of a transit regime would have addressed several trade facilitation concerns including significantly reducing the number of checkpoints or enhancing the cooperation between the customs authorities of countries sharing corridors. From the interview with the Senegalese senior customs official\(^56\), it appeared that ECOWAS Member States were progressively abandoning the idea of implementing the ECOWAS Inter-State Transit Regime and that alternative mechanisms solely based on customs cooperation – and excluding the idea of establishing a regional guarantee fund - were being explored. In this regard, the senior customs official explained that

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\(^56\) Interview, senior official at the Customs Directorate, Senegalese Ministry of Economy and Finance, 31\(^{\text{st}}\) January 2019, Dakar (Senegal).
those mechanisms were essentially aimed at digitalizing the transit process. In the next sub-section, I will analyse in more details the digitalization agenda in the African context and the way it is influencing the implementation of trade facilitation reforms.

3.4. One Stop Border Posts (OSBPs) and the digitalization agenda

The focus of trade facilitation reforms – and of the WTO-TFA and the Revised Kyoto Convention in particular - on the concepts of simplification, harmonization and transparency and the way this materializes in individual countries is important to analyse. The interview with the representative of UNCTAD\textsuperscript{57} showed that international organizations perceived the digitalization process as an effective tool to ensure a more efficient implementation of trade facilitation reforms while fighting corrupt practices within public administrations. In this regard, the digitalization of customs data in Africa has been a major agenda supported by UN agencies, the World Bank, other development partners and African regional organizations (UNECA, 2013). One of the stated objectives of the digitalization agenda is to reconcile the security imperative with the facilitation of trade across borders (Bartley Johns et al., 2018). In other words, Information and Communication Technologies (ICTs) are considered as a means aimed at enabling governmental authorities to simplify trade procedures while ensuring that the flows of people and goods are adequately controlled. A second stated objective of the digitalization agenda is to fight corruption by limiting the frequency of human interactions along transport corridors. Moreover, international organizations and African regional organizations have put in place ICT-based reporting mechanisms that should enable economic actors – principally truck drivers – to denounce the corrupt practices they encounter along transport corridors. According to a UNCTAD senior official who was interviewed\textsuperscript{58}, UNCTAD is currently working with the AUC on the establishment of a continental non-tariff barriers reporting mechanism.

\textsuperscript{57} Interview, senior official at the United Nations Conference on Trade and Development (UNCTAD), 4\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).

\textsuperscript{58} Interview, senior official at the United Nations Conference on Trade and Development (UNCTAD), 4\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
The establishment of One Stop Border Posts (OSBPs) is obviously part of the agenda aimed at increasingly digitalising customs data, reducing the number of checkpoints, and harmonizing customs procedures across borders (UNECA, 2013; Nugent and Soi, 2020; Ismail, 2021). The main objective of OSBPs is to promote the grouping of all control procedures in one place and strengthen the cooperation between the border agencies of neighboring countries. Even though West African states have committed to creating OSBPs through their commitment to the regional trade facilitation agenda, it has been relatively difficult to ensure that those OSBPs become operational. Compared to West Africa, the operationalization of OSBPs in East Africa is at a more advanced stage (Nugent and Soi, 2020). According to the UNCTAD senior official who was interviewed, the relatively better performances of East African countries – and notably of countries belonging to the East African Community – compared to West African countries could be explained by the presence in East Africa of an organization of the type of Trademark East Africa. According to this senior official, the “Trademark East Africa model” enables a closer collaboration between donors and governments and therefore, enables an external monitoring of progress made towards the implementation of trade facilitation reforms. The UNCTAD representative also considered that, in East Africa, there was a strong “political will” to advance the trade facilitation agenda.

According to the interviewed senior Senegalese customs official\textsuperscript{59}, the problem of operationalizing OSBPs located on Senegal’s borders is mainly due to a lack of financing and the insufficient degree of involvement of customs administrations in the planning of OSBP projects. He also considered that another problem hindering the operationalization of OSBPs in Senegal and the implementation of regional trade facilitation rules more broadly is the lack of cooperation between law enforcement agencies at the national level. This refers more specifically to the historically complicated working relationships between police, customs, and gendarmerie officials at the national level. Those three different law enforcement agencies are still not working sufficiently together to achieve a certain number of trade facilitation objectives including minimizing the number of checkpoints along the Dakar-Bamako transport

\textsuperscript{59} Interview, senior official at the Customs Directorate, Senegalese Ministry of Economy and Finance, 31\textsuperscript{st} January 2019, Dakar (Senegal).
corridor. This cooperation problem between law enforcement agencies also exists in East Africa. In this regard, Nugent and Soi (2020) argued that the operationalization of several OSBPs in East Africa was made possible by the intervention of Trademark East Africa which coordinated the collaboration between all the parties involved in the operationalization of those OSBPs. Hence, OSBPs in which Trademark East Africa was involved in East Africa have had a greater chance of success, which seems to corroborate the argument developed by the interviewed UNCTAD official. An interesting example depicted by Nugent and Soi in their article is the way the lack of coordination among Kenyan border management agencies affected the smooth operation of the (operational) OSBPs that Kenya shares with Uganda, even though the Uganda Revenue Authority has clearly taken the lead in the management of border procedures on the Ugandan side of OSBPs.

Initiatives aimed at simplifying and increasing the transparency of trade procedures primarily rely on the sharing of data between customs administrations. In this regard, African countries are involved in projects aimed at interconnecting the customs IT systems of countries sharing corridors, especially as part of the establishment of OSBPs. When it comes to ECOWAS Member States, the interviewed Senegalese senior customs official confirmed that initiatives were currently in place to accelerate the interconnection of customs IT systems in the ECOWAS zone. In view of the failure of previous initiatives, he explained that a pilot project funded by the European Union\textsuperscript{60} was being used as a basis to progressively interconnect the customs IT systems in the ECOWAS zone. According to the Senegalese official, the failure of previous initiatives was mainly explained by the unrealistic attempt to interconnect 15 customs IT systems that were at varying degrees of advancement. However, as part of the challenges hindering the operationalization of OSBPs, he acknowledged that some customs officers might be reluctant to share information related to transit goods with their colleagues from neighboring countries. This statement suggests that increased transparency could go against the interests of some individual customs officers who are engaged in reprehensible activities. This is consistent with the argument made by Karaki and Verhaeghe (2017:16) who argue that “beyond harmonising systems across

\textsuperscript{60} This project is the EU Support Programme for Trade and Regional Integration (known by its French acronym PACIR).
borders”, an important challenge for the implementation of border posts “relate to the willingness of different public agencies and agents to relinquish the rent access they currently enjoy”. It remains to be seen how this could slow the pace of the digitalization of customs data. Cantens (2012) interestingly recounts in one of his articles the battle (in 2007) between reformers in Cameroon’s customs administration who were favourable to the introduction of a new IT system that would radically change existing procedures at the port of Douala and those who were not opposed to the introduction of the new IT system but who felt that the new IT system should not significantly change existing procedures that were adapted to the “local context”. This example shows that the resistance to change that may exist among customs officers is not always motivated by a desire to perpetuate a system of corruption but it can also be the result of a sentiment among some customs officers that there is a certain uniqueness or peculiarity to the African context that renders radical reforms difficult.

3.5. The general positioning of West African governments vis-à-vis the trade facilitation agenda

The previous sections distinguished between various factions of the Senegalese state in order to understand how the actions of some of those factions affected the feasibility of certain aspects of the trade facilitation agenda. This sub-section will discuss the policy orientations of West African governments at the general level and their compatibility with the regional trade facilitation agenda. First and foremost, it is important to highlight that the vast majority of the funds allocated to the implementation of trade facilitation reforms in Least Developed Countries (LICs) comes from donors (UNCTAD, 2020). This dependency on external funding was confirmed by several interviewees. For example, a Senegalese senior government official who is also a member of Senegal’s NTFC indicated that the implementation of an important trade facilitation project was at risk of being halted because it was uncertain whether the German Development Agency would renew its funding for the project. The lack of domestic resources allocated to the trade facilitation agenda and the reliance on external funding seem to reflect – at least in part – a somewhat moderate commitment to the trade facilitation agenda on the part of national governments. It especially shows

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61 Interview, senior official, Senegalese Ministry of Trade, 21st September 2018, Dakar (Senegal).
that the priorities in terms of trade facilitation are set in great part by the donor community.

The frequency of trade disputes between countries is perhaps a better indicator of the fact that the orientations of governments are sometimes at odds with the objective of facilitating trade across borders. In this regard, the persistence of tariff and non-tariff barriers in West Africa despite the entry into force of the ECOWAS Trade Liberalization Scheme (ETLS) in 2000 and despite the existence of numerous trade facilitation initiatives is an issue that deserves particular attention. In West African countries, the problem of certificates of origin for example is a particularly contentious issue (internal WAEMU document). Certificates of origin are documents that testify that products traded in a given customs union originate in this customs union and can benefit from tax exemptions when they cross the border. In the WAEMU zone, certificates of origin are considered as documents that are particularly prone to falsification and there are numerous cases in which countries engage in disputes over the validity of those certificates. As a result, the WAEMU considered that disputes over certificates of origins remain one of the main trade barriers in the WAEMU zone (internal WAEMU document). According to the Senegalese senior customs official, the controversies surrounding certificates of origin are explained by the fact that the financial implications are huge given that those certificates exempt their holders from paying tariffs. The digitalization of certificates of origin is part of the key reforms that are envisaged as part of the programme aimed at interconnecting customs IT systems in West Africa and in the WAEMU zone in particular. This confirms the fact that the digitalization agenda is viewed as one of the main solutions that would contribute to combatting corruption and reducing tariff and non-tariff barriers.

A recent World Bank report on the transport sector in Senegal considered that the digitalization programme in Senegal has so far yielded good and encouraging results such as an important reduction of time spent on customs procedures at the port of Dakar (World Bank, 2017). In this regard, the interviewed Senegalese senior customs official indicated that – at the Senegalese level - the pre-clearance and clearance procedures were now fully digitalized but were still separate. He added that the next

62 Interview, senior official at the Customs Directorate, Senegalese Ministry of Economy and Finance, 31st January 2019, Dakar (Senegal).
challenge was to integrate all the customs procedures (including pre-clearance and clearance) in a unique digital platform called a “Single Window” in the UNCTAD technical terminology. The progress made in the customs area was confirmed by the focal point of the Malian fertilizer enterprise\textsuperscript{63} who considered that the increase in transport costs induced by the regional axle load regulation could be mitigated if the improvements in customs procedures that were recently noted were sustained over time. However, as we have seen in this chapter, the difficulty of eliminating tariff and non-tariff barriers such as disputes over certificates of origin, escort fees or multiple checkpoints reflect deeper problems of intra-state tensions and what seems to be a moderate commitment of states to the regional trade facilitation agenda. The extent to which the digitalization programme will change this state of affairs remains to be seen. In West Africa for example, a major objective of a country such as Nigeria has been to protect its domestic industries, which has led Nigeria to adopt a “protectionist stance” within the ECOWAS zone (Karaki and Verhaeghe, 2017: 15).

When asked why East Africa was doing relatively better than West Africa in the area of trade facilitation, the UNCTAD senior official\textsuperscript{64} argued that “the ingredient for success is finding a good match between building on the momentum of political will and creating a culture of institutions that strengthen the digitalization component”. She added that “the digitalization component removes the ability of people to ask for bribes”. Nevertheless, in the East African Community (EAC) for example, even though significant progress has been made in implementing trade facilitation initiatives such as the operationalization of OSBPs, the persistence of trade disputes and non-tariff barriers shows that the digitalization agenda has not solved some crucial political issues that constraint intra-regional trade (Eberhard-Ruiz and Calabrese, 2017).

**Conclusion**

This chapter discussed specific regional trade facilitation rules whose implementation was complicated by the actions of various organized socio-economic groups with

\textsuperscript{63} Interview, Representative in Senegal of a Malian fertilizers company, 23\textsuperscript{rd} January 2019, Dakar (Senegal).
\textsuperscript{64} Interview, senior official at UNCTAD, 4\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
diverging interests. On one hand, international organisations and African regional organisations are the main actors who set the regional trade facilitation agenda. Those actors consider that deep-seated inefficient administrative practices and endemic corruption greatly contribute to increasing trade costs in Africa. Therefore, the trade facilitation agenda that they support – with its focus on reducing trade costs and expanding trade – seeks to specifically address those two challenges and reduce non-tariff barriers to trade. If we espouse the view of scholars who consider that the African continent has recently been the “target” of international institutions that champion a defragmentation agenda, the current trade facilitation reforms can be viewed as one of the illustrations of a defragmentation agenda that seeks to eliminate – as far as possible - barriers to the movement of goods and services at the global level. Determining the extent to which trade facilitation reforms are appropriated (or owned) by governments, individual law enforcement officers and local economic actors is obviously a difficult exercise. This chapter has shown that – depending on their interests – the compliance of each of those actors with regional rules will vary. The trade facilitation agenda is essentially an externally driven agenda, despite the commitment of African countries to the WTO-TFA, to the Revised Kyoto Convention and to regional and continental trade facilitation programs. An illustration of this fact is the important impact that donors and development partners have on the orientation and implementation of trade facilitation reforms in African countries, notably through their financial assistance.

This chapter demonstrated that - along the Dakar-Bamako transport corridor and in West Africa more generally - the resistance of transporters and economic actors from landlocked countries and the competition between ports have complicated the strict enforcement of a regional axle load regulation supported by donors. The example of the axle load regulation showed that the holding power of transporters and economic actors from landlocked countries (especially traders-transporters) can be quite significant in view of the fact that the enforcement of this regional regulation has been problematic since 2005 (Karaki and Verhaeghe, 2017). Furthermore, the challenge of operationalizing OSBPs and the challenge of limiting the number of checkpoints along the Dakar-Bamako transport corridor reflect a lack of cooperation between national law enforcement agencies and the difficulty of combatting corruption within public administrations, respectively. Given the central role played by customs administrations
in the revenue collection strategies of African states, we have seen in this chapter that reforming customs administrations may be a quite challenging exercise. The difficulty of combatting corruption is compounded by the fact that the system of corruption benefits a wide range of actors including intermediaries as well as large and small smugglers. Furthermore, the failure to implement the ECOWAS Convention establishing the Inter-State Transit Regime – which was adopted in 1982 - is mainly explained by a lack of cooperation among West African states and more specifically by the difficulty of reconciling the interests of National Chambers of Commerce and customs administrations (AfDB, 2015).

One of the most significant developments that occurred in the last decade or so is the rapid pace of the digitalization process and the way this process is changing the way actors that are active along cross-border transport corridors interact (Cantens, 2012). Indeed, the digitalization agenda is the main channel through which trade facilitation reforms are being implemented and they occupy a central place within international trade facilitation instruments such as the WTO-TFA and the Revised Kyoto Convention of the WCO. Despite the fact that the digitalization process enabled improvements in customs procedures at the level of ports, its effect on the elimination of persistent tariff and non-tariff barriers remains to be seen. In the WAEMU zone, the contestation of certificates of origin is a frequent source of trade disputes and is the most important trade barrier that hinders a seamless enforcement of the ETLS. Hence, the persistence of tariff and non-tariff barriers in West Africa despite the entry into force of the ETLS and numerous trade facilitation initiatives also seems to reflect a somewhat moderate commitment of states to the facilitation of trade across borders.

Overall, this case study showed how the actions of three groups of state and non-state actors – which enjoy varying levels of holding power - can affect the degree of success with which the regional trade facilitation agenda is implemented at the national level. Those three groups are transport unions, law enforcement agencies (in particular customs administrations) and economic actors from landlocked countries. More generally, the existence of divergences between those who set the trade facilitation agenda, those who are affected by this agenda and those in charge of its implementation complicates the implementation of trade facilitation reforms and poses the question of the inclusiveness of the decision-making process. In this context, the
success of regional trade facilitation initiatives is a function of the way those initiatives can effectively respond to context-specific challenges and their ability to reconcile the diverging interests of the concerned stakeholders.
CHAPTER 4

THE ETHIOPIAN LOGISTICS SECTOR AND THE PERFORMANCE OF THE ETHIOPIA-DJIBOUTI TRANSPORT CORRIDOR

Introduction

As indicated in the preceding chapters, the stated objective of the construction or rehabilitation of cross-border transport corridors in Africa is to contribute to the reduction of trade costs by enabling a substantial reduction of logistics costs and a significant improvement of the quality of logistics services. However, as the case study on the Ethiopia-Djibouti transport corridor will confirm, investments in hard infrastructure alone cannot significantly improve the quality of logistics services and reduce their costs (Mbekeani, 2010). This chapter will show why the impact of state regulations and practices on the level of logistics costs is as important as the impact of the construction or rehabilitation of transport infrastructure. Those state regulations and practices are shaped by the political economy context, and especially by the nature of state-business relations.

This chapter will discuss the determinants of inland transportation prices along the Ethiopia-Djibouti transport corridor and will also discuss the extent to which the rehabilitation of this transport corridor can contribute to reducing logistics costs in the context of the political economy of Ethiopia. As indicated in the introduction to this thesis, inland transportation costs are an important component of logistics costs (Nathan Associates/ World Bank, 2013). Contrary to what we would have in perfect transport markets (in the economic sense), the formation of transport prices in Ethiopia is often the outcome of complex domestic mechanisms which entail tacit agreements between the state and transport organizations. There are four direct and potential implications of this situation. First, the level of transport prices tends to reflect the interests of the relatively more powerful actor, which is the state. Second, in order for investments in hard infrastructure to significantly reduce transport prices, the state must be willing to reform the domestic transport market. Third, those reforms can be
compromised by the resistance of state organizations themselves if they are the main beneficiaries of distortions in transport markets. Fourth, the implementation of regional reforms aimed at liberalizing services sectors can also face resistance from state institutions themselves if they do not align with their interests or – in other words – if they are likely to reduce their rents.

From the viewpoint of African regional organisations and International Financial Institutions (especially the World Bank), investments in hard infrastructure should be complemented with a progressive liberalization of logistics sectors in order for logistics costs to be substantially reduced (World Bank, 2019). In this framework, the liberalization of services sectors (including the transport and communication sectors) is a key component of the regional integration agenda. Therefore, when analysing the extent to which the regional integration agenda can be implemented in the African context, it appears crucial to study the capacity and willingness of states to liberalize logistics sectors. In other words, understanding the political economy context in which liberalization reforms are implemented or are attempted to be implemented is crucial to understand the potential effects that investments in hard infrastructure can have on the evolution of logistics costs. From this perspective, analysing the political economy of reforms of domestic logistics sectors results in analysing the responses of states to the implementation of the liberalization agenda that accompanies the construction of cross-border transport corridors.

On the basis of the case study on the Ethiopia-Djibouti transport corridor, this chapter aims to show how the institutional and regulatory contexts affect the cost and efficiency of logistics services, independently of the availability (or not) of quality transport infrastructure. The chapter is organized as follows. The first section will discuss the relationship between the political and economic spheres in Ethiopia from a historical perspective in order to understand the political economy context in which the Ethiopian logistics sector functions and in order to identify factors that may hinder the implementation of the liberalization agenda which accompanies the construction of cross-border transport corridors. The second section will show how the relationship between the Ethiopian state and the Ethiopian trucking industry explains some distortions in the Ethiopian transport market which affect the cost of inland transportation. The second section will also explain why – in view of the regulatory
context and in view of the structure of the logistics sector – the Addis-Djibouti railway experiences difficulties in being performant and reaching its full potential. The third section will discuss how the political economy context in Ethiopia may affect the implementation of the regional integration agenda when it comes to the liberalisation of services sectors. The fourth and last section will conclude.

Section 1: The political settlement of Ethiopia and the relationship between the political and economic spheres in Ethiopia

The impact of state regulations and policies on the cost and efficiency of logistics services is equally as important as the impact of the availability of quality transport infrastructure. An illustrative example in this regard is the case of the Ethiopia-Djibouti transport corridor. Prior to analysing the challenges of reducing the cost of road and rail transport in Ethiopia, I will first analyse the Ethiopian institutional context and the evolution of state-business relations in Ethiopia. This will enable us to understand in which political and economic environment the Ethiopian logistics sector functions. When it comes to the period of analysis, it appears relevant to start the analysis from 1991 which corresponds to the year the previous regime\footnote{The previous regime is the EPRDF regime which ruled Ethiopia from 1991 to 2019. At the time of the fieldwork (from March to July 2019), the EPRDF was theoretically still in power, even though the current Prime Minister – Abiy Ahmed – came into power in 2018. It is at the end of 2019 that Prime minister Abiy dissolved the EPRDF and replaced it by the Prosperity Party which is now the current ruling coalition.} came into power after that the Derg regime - the military junta that ruled Ethiopia after that Emperor Haile Selassie was toppled in 1973 - was overthrown. The origins of the previous regime explains in great part the orientations of the Ethiopian state’s economic development strategy, its traditional mistrust of neoliberal ideologies, and the reason why the Ethiopian state exerts a tight control over domestic businesses.

According to Clapham (2018), after the end of the war in 1991, the Ethiopian state found a political settlement in the form of the creation of the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF), the state-party which ruled the country between 1991 and 2019. The EPRDF was in principle created as an alliance between political groups representing the four main ethnic groups of Ethiopia: the Tigrayans,
the Amharas, the Oromos and the Southern Nations. Moreover, the EPRDF regime adopted a political system based on “ethnic federalism” which guaranteed a greater autonomy to regions delineated along ethnic lines (Vaughan and Gebremichael, 2011). This political system based on ethnic federalism was contested by nationalists who support a centralized system of political governance and was particularly not approved by the “urban elite” (Pellerin, 2019). In practice, the most powerful group within the EPRDF coalition was the Tigray People’s Liberation Front (TPLF) which is the military guerilla that was instrumental in the fight against the Derg regime (Clapham, 2018; Gebregziabher and Hout, 2018). As Clapham argues, the fact that the Tigrayans controlled the state apparatus after 1991 - and at least until the death in 2012 of Meles Zenawi, the charismatic leader who started the country’s ambitious economic transformation programme - while representing a minority ethnic group compared to the three other groups represented within the EPRDF was somewhat problematic. For Clapham, this paradox was the reason why the regime considered that economic growth was the only way to preserve social peace in the country, given that good development results would provide a kind of “performance legitimacy” necessary for the survival of the regime. Hence, Meles Zenawi and the EPRDF sought to emulate the development strategies pursued by Asian countries (in particular: China, South Korea and Taiwan), which promoted an active role of the state (“the developmental state”) in the management of the economy (Vaughan and Gebremichael, 2011; Fourie, 2015; Clapham, 2018; Pellerin, 2019). This can be perceived as a kind of disapproval of the neoliberal policies promoted by International Financial Institutions (IFIs) under the Washington Consensus which sought to keep the role of the state to a minimum (Fourie, 2015; Clapham, 2018). It is worth noting that the year 2005 represented a rupture point in Ethiopia’s political trajectory given that the results of the 2005 elections (elections requested by donors) were a setback for the ruling party and prompted the regime to adopt a more repressive response towards any sort of contestation of its legitimacy (Vaughan and Gebremichael, 2011; Clapham, 2018; Pellerin, 2019).

In this context, two crucial issues are worth considering: first, the way the EPRDF regime chose to finance its development strategy and, second, the role that was given to the private sector in the development process. While the authoritarian Derg regime adopted a Marxist ideology and – therefore - did not seek to promote the emergence
of a dynamic private sector, the EPRDF adopted a different approach that has been interpreted slightly differently by scholars. According to Gebregziabher and Hout (2018), the EPRDF developed a rent-seeking system through which party officials and individuals close to the party progressively controlled the country’s main economic sectors. They argue that this situation promoted the appearance of an “oligarchy” in Ethiopia whose main preoccupation has so far been to retain control over growth dividends through the “politics of wealth defence”. In particular, Gebregziabher and Hout (2018: 503) consider that the appearance of this oligarchic elite was enabled through a certain number of channels including “privatization, land deals, phony shareholdings and corruption”. The privatization channel described by Gebregziabher and Hout corresponds to the privatization of state enterprises that existed during the Derg military regime and which – according to them - were acquired by party officials and businesses close to the EPRDF. In this regard, the business arm of the TPLF (called the Endowment Fund for the Rehabilitation of Tigray or “EFFORT”) exploited several business opportunities due to the strategic place occupied by the TPLF within the ruling coalition and it was by far the biggest endowment fund that existed during the EPRDF regime (Clapham, 2018; Gebregziabher and Hout, 2018).

In their analysis of the role of EFFORT in the development strategy adopted by the EPRDF regime, Vaughan and Gebremichael (2011) adopted a more nuanced approach compared to the analysis conducted by Gebregziabher and Hout. They argued that the advantage that EFFORT had over its competitors in the private sector did not necessarily materialize in a greater access to land or finance, but it surely materialized in a greater access to information on the government’s orientations given that several leaders of EFFORT were also apart of the leadership of the TPLF. Interestingly, Vaughan and Gebremichael acknowledged that the type of usage that EFFORT companies made of the rents they earned was a source of controversies. The main question in particular was whether those rents served the interests of members of the ruling party. Nevertheless, Vaughan and Gebremichael argued that the rents earned by businesses affiliated with EFFORT benefitted the whole economic system through “taxation” and “the creation of positive externalities” (Vaughan and Gebremichael, 2011: 33). For his part, Clapham (2018) viewed rent capture (through the state monopoly in the telecommunications sector for example) as one of the means
through which Ethiopia’s development strategy was being financed. In this regard, he considered that rent capture was part of the domestic savings mobilized by the state, while the other two financing means were foreign official development assistance (including concessional loans) and foreign direct investments (notably in a certain number of strategic sectors including horticulture, leather industries and textile and apparel industries). Nevertheless, Clapham also stressed the fact that EFFORT enterprises as well as a wealthy Saudi-Ethiopian “business tycoon” - Sheikh Mohammed Al Amoudi - were able to exploit very lucrative business opportunities during the EPRDF regime.

In the same vein as Clapham, Vaughan and Gebremichael (2011) considered that the EPRDF regime put in place a very centralized rent management system and the regime derived rents from various sources including state-owned enterprises and businesses belonging to endowment funds. In the specific case of EFFORT enterprises, Vaughan and Gebremichael argued that they played the role of “pioneers” by sometimes investing in sectors in which the domestic private sector had little expertise or little involvement. In this regard, EFFORT enterprises belonged to the following five commercial business units: (i) engineering and construction (including the cement sector); (ii) manufacturing (including the textile and garment manufacturing sector); (iii) service (including the transport sector); (iv) agroprocessing and (v) mining (Vaughan and Gebremichael, 2011). On the other hand, Vaughan and Gebremichael argued that EFFORT enterprises exploited the “synergies” that existed between them. For example, the cement produced by one of the EFFORT enterprises was transported by TransEthiopia, the EFFORT enterprise in the transport sector (Vaughan and Gebremichael, 2011). Nevertheless, Vaughan and Gebremichael considered that – generally speaking - EFFORT enterprises played an important role in enabling the central management of the allocation of rents and the adoption of a long-term development strategy by the Ethiopian state, which are two key characteristics of “developmental patrimonialism” (Kelsall, 2013). Hence, the role played by EFFORT seemed to be similar in some aspects to the role played by the Tri-Star/CVL group in Rwanda (Booth and Golooba-Mutebi, 2012).

An interesting argument made by Clapham is that - despite the lack of political freedom and the government’s reluctance to implement a neoliberal economic policy - Western
donors continued to support Ethiopia during the EPRDF era because of its position as a pole of stability in the Horn of Africa and because of the ability of the government to deliver tangible development results. In this regard, Ethiopia was regularly cited as a “success story” given that the country was one of the fastest growing countries in Africa (and the world) with annual GDP growth rates exceeding eight per cent (8%) over the last decade. Clapham’s argument is interesting in the sense that it suggests that contestation of the Ethiopian state’s economic policy was not coming from the development partners community (especially the IFIs represented by the World Bank and the IMF).

The discussion above sheds light on the political and economic context within which the current Ethiopian state plans to conduct its economic reforms and it also enables us to identify potential challenges that may arise in case there is any serious attempt to liberalize economic sectors including services sectors. The state’s rent-seeking strategy described by Gebregziabher and Hout suggests that the blurry state-business relationships was a way for the former ruling coalition (namely, the EPRDF) to guarantee its survival by tightly controlling the economic sphere. For his part, Clapham considered that one of the main differences between the contexts in Ethiopia and in the Asian countries it tried to emulate was the absence of a strong partnership between the Ethiopian state and a dynamic domestic private sector. Moreover, the results of the 2005 elections showed that a part of the domestic business community was more in favour of an opposition party that supported a more liberal approach to the economy (Vaughan and Gebremichael, 2011; Clapham, 2018; Pellerin, 2019). This led the EPRDF regime to tighten its control over the economic sphere (Vaughan and Gebremichael, 2011; Clapham, 2018; Pellerin, 2019). More broadly, a general mistrust existed between the EPRDF regime and the Ethiopian private sector, particularly the urban business sector (Vaughan and Gebremichael, 2011; Abegaz, 2013; Pellerin, 2019). For instance, in an article in which she discussed the relationship between the EPRDF regime and Ethiopian business associations, Pellerin explained how the EPRDF regime strengthened its control over the private sector by re-structuring the chamber system in order to neutralise private sector actors that were critical of the regime and in order to align the chamber system with the ethno-federalist political system it had put in place. In this regard, Pellerin noted that “instead of promoting Ethiopian private sector development, the EPRDF regime had built its development
operations on state-owned enterprises, party endowment funds and party affiliated businesses, as well as the attraction of foreign direct investment” (Pellerin, 2019: 590). In the following sections, we will see how this great influence of the Ethiopian state over the functioning of the economy materializes in the logistics sector and I will discuss the implications for the evolution of logistics costs. I will also analyse the challenges that this situation may pose to the liberalization agenda supported by international and regional organisations in parallel with the development of cross-border transport corridors.

Section 2: How do state regulations and the practices of state institutions in Ethiopia affect the cost and efficiency of inland transportation along the Ethiopia-Djibouti transport corridor?

2.1. The Ethiopian state and the Ethiopian trucking industry

In the specific case of the Ethiopia-Djibouti transport corridor, high logistics costs represent a major constraint for enterprises trading with extra-regional partners (especially those located in Ethiopian industrial parks). For example, a logistics manager\(^\text{66}\) who worked in a textile and apparel company based in Ethiopia (and which exports its products to extra-regional markets) estimated that almost 50% of the prices of their finished products was a function of logistics costs. Road transport (more particularly, transport by truck) is the dominant mode of transport along the Ethiopia-Djibouti transport corridor (UNCTAD, 2018). With the construction of the new Addis-Djibouti railway, the objective of the Ethiopian government was to offer an alternative mode of transport that is more cost-effective than road transport. Given the fact that the railway is new and has started its operations only recently (and for other reasons that will be discussed below), road transport remains the main mode of transport along the Ethiopia-Djibouti transport corridor.

\(^{66}\) Interview, import/ export and logistics manager at a textile and apparel company based outside industrial parks, 25\(^{\text{th}}\) April 2019, Addis Ababa (Ethiopia).
According to the Ethiopian logistics services providers who were interviewed\textsuperscript{67}, the cost of inland transport (namely, the cost of transport by truck), sea freight costs and port charges in Djibouti were the highest logistics charges along the Ethiopia-Djibouti transport corridor. Those claims are corroborated by the Ethiopian government’s report on the National Logistics Strategy 2018-2028 which estimated that – for a typical 20 feet container imported in Ethiopia – the cost of land transportation represented between 41% and 43% of the total logistics costs; shipping costs represented 28-30%; port service at Djibouti represented around 25% and inland dry port service represented around 4% (Federal Democratic Republic of Ethiopia, 2019). The report also noted that - for a typical 20 feet container – the average cost of land transportation ranged from USD 1000 to USD 1127. Although several factors can explain the high cost of inland transport (including roads in bad condition on some sections of the corridor or high operating costs), the type of relationship that the Ethiopian state has with the trucking industry can be considered as an important factor that explains in great part the yearly fluctuations of transport prices in Ethiopia. More particularly, the Ethiopian state’s control over the trucking industry has direct consequences on the cost of inland transport which represents the largest part of logistics costs on the Ethiopia-Djibouti transport corridor.

As illustrated by the example of the transport of fertilizers, the activities of the Ethiopian trucking industry are strongly influenced by the Ethiopian government’s policy agenda. When it comes to the strategic importance of fertilizers in Ethiopia, Vaughan and Gebremichael argue that “the (Ethiopian) state retains a strong presence in strategic sectors in the supply of key inputs (seeds, fertilizers and cement) and key services (telecommunications, and distribution of power and water)” (Vaughan and Gebremichael, 2011: 31). The quantity of fertilizers imported each year by Ethiopian governmental organizations was estimated at 1.2 or 1.3 million tons by representatives of trucking companies\textsuperscript{68}. Each year between January and June, the transport of those large quantities of fertilizers from the port of Djibouti to Ethiopian regions represent the biggest commercial activity for Ethiopian truckers. This is because Ethiopian truckers

\textsuperscript{67} Interview, Representatives of an international logistics company in Ethiopia, 7\textsuperscript{th} June 2019, Addis Ababa (Ethiopia).

\textsuperscript{68} Interview, general manager of a transport association, 11\textsuperscript{th} June 2019, Addis Ababa (Ethiopia). Interview, transport manager at a transport PLC, 14\textsuperscript{th} June 2019, Addis Ababa (Ethiopia).
are “requisitioned” by the government to transport fertilizers imported by state institutions. According to the managers of some Ethiopian trucking companies, the price at which fertilizers are transported is determined by the results of a call for tenders organized by the government on a yearly basis. Nevertheless, following the call for tenders, trucking companies that are selected by the government to transport fertilizers from the port of Djibouti to Ethiopian regions have no other choice than to transport those fertilizers in priority. Hence, throughout the period during which fertilizers are transported (which is called the “peak season” by truckers), the cost of inland transport for other types of merchandises (other than fertilizers) rises substantially in Ethiopia due to the scarcity of trucks. According to one of the informants with whom I discussed, another consequence of the arrival of large quantities of fertilizers at the port of Djibouti is the congestion of the container terminal due to the fact that there are not enough Ethiopian trucks to collect containers at the port. According to the Ethiopian government’s report on the National Logistics Strategy 2018-2028, 80% of the dry bulk cargos imported in Ethiopia (which include fertilizers, wheat, grain, coal and sugar) are imported by the Ethiopian government and dry bulk cargos represent 28% of all imported cargos in the country. The same report estimates that – for dry bulk cargos – the waiting time of ships at anchorage can range from 15 days to 3 months (Federal Democratic Republic of Ethiopia, 2019).

As this example shows, the periodic transport of fertilizers from the port of Djibouti to Ethiopia can be considered as a disruption in the Ethiopian transport market explained in great part by the state’s intervention in the market. This periodic disruption of the transport market has direct consequences on the fluctuations of transport prices. It is clear that the trucking industry in Ethiopia is confronted with several challenges that directly affect transport costs and transport prices and this was confirmed by several informants. Those challenges include high operating costs (explained by the high costs of fuel and imported spare parts), the time trucks are forced to stop because of

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69 Interview, general manager of a transport association, 11th June 2019, Addis Ababa (Ethiopia). Interview, transport manager at a transport PLC, 14th June 2019, Addis Ababa (Ethiopia). Interview, manager of a transport association, 18th June 2019, Addis Ababa (Ethiopia).

70 Informal discussion with a Djiboutian port official.

71 Interview, general manager of a transport association, 11th June 2019, Addis Ababa (Ethiopia). Interview, transport manager at a transport PLC, 14th June 2019, Addis Ababa (Ethiopia). Interview, manager of a transport association, 18th June 2019, Addis Ababa (Ethiopia). Interview, general manager at a transport PLC, 18th June 2019, Addis Ababa (Ethiopia).
various factors (including long customs procedures), the long distance between the port of Djibouti and Ethiopia, a particularly difficult landscape to cross etc. However, all these challenges exist within the context of a transport market whose functioning is strongly influenced by the government’s actions. In this regard, two main observations can be made from the discussion above. First, the fertilizer sector is one of the most strategic economic sectors in Ethiopia and a strong correlation exists between the dynamics in the fertilizer sector and the dynamics in the transport sector (Vaughan and Gebremichael, 2011). Moreover, enterprises that belong to endowment funds (especially, EFFORT enterprises during the EPRDF regime) have traditionally had a strong presence in the fertilizers sector and have been particularly involved in the supply and distribution of fertilizers (Vaughan and Gebremichael, 2011, Abegaz, 2013). In this regard, Vaughan and Gebremichael argue that following the liberalization of the fertilizer sector in 1993, the Ethiopian government largely relied on “endowment owned suppliers and distributors of fertilizers” to ensure that the prices of fertilizers were kept low (Vaughan and Gebremichael, 2011: 46). In this context, Vaughan and Gebremichael noted that TransEthiopia – the EFFORT enterprise in the transport sector and one of the most profitable EFFORT enterprises - was able to derive important profits from the transport of fertilizers and other commodities. Second, I acknowledge that it is possible to argue that the example of the transport of fertilizers in Ethiopia shows that seasonality is an important factor that influences the prices set by the Ethiopian trucking industry just as seasonality has an impact on transport prices set by truckers along other African transport corridors (Nathan Associates/ World Bank, 2013). However, I argue that the example of the transport of fertilizers in Ethiopia shows that the actions of the Ethiopian state exacerbate the effects of seasonality on transport prices.

The Ethiopian government’s control over the transport sector is visibly one of the several illustrations of a strong state which is alternating between a developmental state and an authoritarian regime. In this context, assuming that the provision of quality transport infrastructure will ease constraints in the logistics sector is quite illusory. The logic underpinning initiatives aimed at constructing cross-border transport corridors is undeniably a neoliberal logic, the ultimate goal of these initiatives being to facilitate international logistics and trade activities. Hence and in line with this neoliberal logic, transport infrastructure development programmes are accompanied by regional
initiatives aimed at liberalizing national logistics sectors in order to substantially reduce logistics costs (World Bank, 2019). However, as we have seen in the case of the Ethiopia-Djibouti transport corridor, reforms aimed at liberalizing services sectors are not always consistent with the political and socio-economic realities within individual countries. Therefore, there is a high probability that the implementation of the above-mentioned neoliberal logic gets compromised on the ground by those political and socio-economic realities.

In the specific case of Ethiopia, the transport market (and the trucking industry in particular) does not operate under what economists would call the principle of “free competition” and as we have already seen, the transport of fertilizers is a perfect demonstration of this fact. For example, the manager of a major transport company\(^{72}\) (with a fleet of over 300 trucks) complained about the fact that during the peak season the price at which fertilizers are transported tend to be low, which causes a loss of earnings for trucking companies. As indicated earlier, this is because the price at which fertilizers are transported is determined every year by the results of a call for tenders launched by the government around October, while fertilizers arrive at the port of Djibouti around January/February (which is the start of the peak season). For their part, managers of other trucking companies explained that they had a “social obligation” to transport fertilizers, which seems to depict the “acceptable discourse”\(^{73}\). However, the representative of a local private logistics company\(^{74}\) considered that the peak season was one of the worst periods of the year for private logistics companies because the transport market is highly disturbed during that period and transport prices increase significantly as a result of those disturbances. In this regard, the manager of a trucking company\(^{75}\) estimated that transport prices could increase by 10 to 25% during the peak season. In this context, it is interesting to note that the Ethiopian government’s report on the National Logistics Strategy 2018-2028 acknowledged that “the government procurement system for dry bulk cargo is imposing a negative impact on the country’s logistics system” (Federal Democratic Republic of Ethiopia, 2019: 22).

\(^{72}\) Interview, manager of a transport association, 18\(^{th}\) June 2019, Addis Ababa (Ethiopia).
\(^{73}\) Interview, general manager of a transport association, 11\(^{th}\) June 2019, Addis Ababa (Ethiopia).
\(^{74}\) Interview, Founder of an Ethiopian private logistics company, 25\(^{th}\) June 2019, Addis Ababa (Ethiopia).
\(^{75}\) Interview, general manager of a transport association, 11\(^{th}\) June 2019, Addis Ababa (Ethiopia).
The structure of the Ethiopian trucking industry itself can also explain some inefficiencies in the transport market. Most of the Ethiopian truckers engaged in cross-border trade are part of transport associations which gather several individual truckers. According to a government official\textsuperscript{76}, almost 67 out of a total of 98 cross-border transporters are transport associations and transport associations own more than 9,000 trucks (which is the equivalent of roughly 80% of the Ethiopian trucks that are engaged in cross-border trade). The second and third categories of cross-border transporters are respectively private limited companies (and share companies) and individual truckers. According to some informants\textsuperscript{77}, transport associations are rather poorly managed and not profitable compared to private limited companies and share companies because associations do not have control over their truck fleets. Indeed, the role of transport associations is limited to getting contracts and subsequently distributing the cargos among their members. As a result, the aforementioned government official indicated that the Ethiopian government had a plan to transform transport associations into share companies in order to address this specific problem given that the poor management of transport associations had negative consequences on the performance of the trucking industry as a whole. This “governmental plan” to transform transport associations into share companies as well as other types of government initiatives illustrate the degree of government control over the industry. It is interesting to note that during the EPRDF regime, the EFFORT enterprise TransEthiopia was one of the most efficient private limited companies in the Ethiopian transport sector and it was able to derive important profits from the transport of fertilizers (Vaughan and Gebremichael, 2011). In their paper, Vaughan and Gebremichael interestingly recall that – at its beginnings – TransEthiopia (founded in 1993) used the vehicles and facilities that were put at the disposal of the Relief Society of Tigray (REST) during the humanitarian crisis of the 1980s/1990s to start its operations.

\textsuperscript{76} Interview, government official, Ethiopian Federal Ministry of Transport, 31\textsuperscript{st} May 2019, Addis Ababa (Ethiopia).
\textsuperscript{77} Interview, government official, Ethiopian Federal Ministry of Transport, 31\textsuperscript{st} May 2019, Addis Ababa (Ethiopia). Interview, general manager at a transport association, 11\textsuperscript{th} June 2019, Addis Ababa (Ethiopia).
The presence of a trucking company owned by the government can be considered as another source of dysfunctions in the transport market even though Vaughan and Gebremichael consider that the road transport market in Ethiopia can be considered as a “low or moderately concentrated market”, compared to other highly concentrated markets such as the ones for sugar or fertilizers. The trucking company owned by the government belongs to the Ethiopian Shipping and Logistics Service Enterprise (ESLSE) which is the public monopoly in the logistics sector. According to the manager of a transport association, the ESLSE regularly subcontracts part of its freight transport activities (and recruits private transporters) due to the high volume of merchandises it manages. The same manager added that the trucks belonging to ESLSE were in direct competition with private trucks, while ESLSE benefits from advantages such as tax exemptions (contrary to private trucking companies). In their analysis of the relations between politics and business in Ethiopia, Vaughan and Gebremichael (2011) noted that there was a widely shared sentiment among several Ethiopian private sector actors that they faced “unfair competition” from state-owned companies, enterprises belonging to endowment funds and enterprises belonging to the group of the “business tycoon” Sheikh Mohammed Al Amoudi. Although Vaughan and Gebremichael considered that these accusations may not always be founded, they argued that - very often - businessmen relied on their connections with members of the ruling elites to win business tenders and they also noted that corrupt practices existed in the area of public procurement. This also corroborates the argument according to which several markets in Ethiopia (including the transport market) do not totally function under the principle of free competition that a regional integration agenda would support.

2.2. The construction of the new Addis-Djibouti railway and its potential impact

One of the recent major initiatives along the Ethiopia-Djibouti transport corridor was the construction of the Addis-Djibouti railway (Chen, 2021). The construction of this railway figures prominently among the projects of the African Union’s Programme for

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78 Interview, general manager of a transport association, 11th June 2019, Addis Ababa (Ethiopia).
79 As a matter of comparison, the largest transport association has a fleet of over 500 trucks.
Infrastructure Development in Africa (PIDA). According to the PIDA website, “an effective (Addis-Djibouti) railway system is more cost effective than road transport” and “a more efficient transport network” should “increase transport capabilities, regional trade and the ease of border crossing, all of which will lead to cost savings and better regional integration”. These excerpts confirm the accepted fact that rail transport is more cost effective than road transport given that it is supposed to enable the transport of much larger quantities of cargos over long distances at a lower cost (Adewole and Struthers, 2019). In this regard, the railway is considered to be the most adapted mode of transport for containers, which constitutes an important advantage given the current worldwide containerization trend that started some decades ago (Debrie, 2012; Adewole and Struthers, 2019). According to a UNCTAD report, the construction of the Ethiopian section of the Addis-Djibouti railway costed approximately USD 3.4 billion, of which 70% was financed through a loan extended by the China EXIM Bank and 30% was financed by the government of Ethiopia. As for the construction of the Djiboutian section of the railway (which costed USD 878 million), it was financed by the Djiboutian government. According to Humphreys et al. (2019), the construction works were undertaken by two Chinese state-owned enterprises: China Railway Group (CRG) and China Civil Engineering Construction Company (CCECC). The railway became operational in 2018 and the trains that cover the distance between Addis Ababa and Djibouti currently transport passengers and freight at the same time (Chen, 2018). Field research conducted in Ethiopia from March to July 2019 was therefore the occasion to try to get a sense of the extent to which the construction of the railway was starting to benefit enterprises using the Ethiopia-Djibouti transport corridor for their export and import activities. From the interviews with representatives of enterprises in the textile and apparel industries, it appeared that many enterprises could not really take advantage of the construction of the new railway. Interviewees gave essentially two main reasons to explain this situation. The first reason was the fact that rail transport was still more expensive than road transport and the second reason was the structure of the Ethiopian logistics sector.

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80 These are excerpts from a description of the “Djibouti-Addis Transport Corridor” available on the PIDA website: [https://www.au-pida.org/view-programme/22/](https://www.au-pida.org/view-programme/22/)
When it comes to the structure of the Ethiopian logistics sector, interviewees explained that the presence of a state monopoly in the logistics sector was a source of inefficiencies. In fact, the ESLSE has a monopoly over the transport of merchandises that are imported in Ethiopia (via the port of Djibouti) under the multimodal transport system. In this regard, a UNCTAD report indicates that “all importers into Ethiopia who access their foreign exchange through the National Bank of Ethiopia have to use ESLSE if they are importing through Djibouti” (UNCTAD, 2018: 9). The same UNCTAD report indicates that “about 65 per cent of the dry bulk and container cargo imported through Djibouti uses the ESLSE multimodal system — and dry bulk and container cargo account for about 95 per cent of Ethiopia’s imports” (UNCTAD, 2018: 9). The multimodal transport system refers to the transportation of merchandises from the point of origin to the point of destination using several modes of transport including sea, rail and road (which is designated by the term “end-to-end services”). The main characteristic of the multimodal system is that the carrier - the ESLSE in the Ethiopian context - takes care of all steps related to the transportation of merchandises including customs clearance procedures and there is only one bill issued for the customer. According to Amentae and Gebresenbet (2015), although the multimodal mode of transportation is a well-established practice around the world, it was introduced in Ethiopia fairly recently (in 2011).

Some of the informants working in the textile and apparel industries explained that the performances of the ESLSE were rather poor and that there were notably repeated cases of delays in the delivery of goods. As a result, some companies (including those I interviewed) requested to be exempted from using the multimodal shipping services of the ESLSE due to the fact that timely delivery was a key competitiveness factor for them. Companies exempted by the state from using the services of the ESLSE (which constitute a minority) use what is called “the unimodal transport system” to import merchandises such as inputs. Under the unimodal transport system, the customer deals with multiple transporters, who are each in charge of a specific part of the logistics chain.

81 Interview, import/ export and logistics manager at a textile and apparel company based outside industrial parks, 25th April 2019, Addis Ababa (Ethiopia). Interview, supply chain manager at a textile manufacturing company based outside industrial parks, 24th April 2019, Addis Ababa (Ethiopia).
However, it appeared during the fieldwork period that the only imported goods that could be transported by the train were those imported through the channel of the ESLSE via the multimodal system which is a system over which the ESLSE has a monopoly. In view of the unsatisfactory performances of the ESLSE, some of the informants working in the textile and apparel industries claimed that they had no incentives to move from the unimodal system to the multimodal system.

It is important to keep in mind that the distinction between the multimodal and unimodal transport systems is only relevant for imported goods since exporters are free to select a shipping line of their choice (knowing that the quantity of goods imported in Ethiopia is significantly higher than the quantity of exported goods)\(^2\). In this regard, some of the transnational investors installed in Ethiopia’s industrial parks (which apparently use the unimodal system) have very recently started to use the train to export their final products. However, one of their representatives\(^3\) who was interviewed deplored the fact that transport by train was more expensive than transport by truck. This issue – which was confirmed by other informants - refers to the problematic fee schedule proposed by the national railway company. Moreover, a logistics manager at an American apparel company\(^4\) indicated that the train only offered a “time benefit”, which was not needed by all factories, given that some factories were able to adapt their production processes to using trucks. Interviewees from the private sector also added that even though the official discourse indicates that the train could transport containers in twelve hours (compared to between two and three days for trucks), it takes in reality more than twelve hours to get containers from a place like Hawassa (in Ethiopia) to the port of Djibouti. This is due to the fact that the twelve hours exclude the time it takes to transport containers from Hawassa (or another manufacturing area) to the Modjo dry port\(^5\), the waiting time at the Modjo dry port (which could allegedly take up to three days) and the time it takes to transport containers from Nagad in Djibouti to the port. This points to the fact that some industrial parks such as Hawassa

\(^2\) According to the document on Ethiopia’s National Logistics Strategy, the annual imported cargos amount to 14 million tons while the annual exported cargos amount to 2 million tons (Federal Democratic Republic of Ethiopia, 2019).

\(^3\) Interview, manager at a foreign apparel manufacturing company based in a state-owned industrial park and President of the association of manufacturers at this industrial park, 22nd May 2019, Addis Ababa (Ethiopia).

\(^4\) Phone Interview, logistics manager at a foreign apparel company (a buyer), 17th April 2019.

\(^5\) The Modjo dry port is the largest of the seven dry ports controlled by the ESLSE on the Ethiopian territory.
and some manufacturing areas are not connected to the Addis-Djibouti railway. Indeed, apart from the problematic fee schedule, another important factor that explains the lack of competitiveness of the railway is the fact that the railway does not reach all the regions of the country. According to the interviewed Ethiopian government officials\footnote{Interview, senior official at the Ethiopian Investment Commission, 25th March 2019, Addis Ababa (Ethiopia). Interview, senior government official at the Ethiopian National Planning Commission, 5th April 2019, Addis Ababa (Ethiopia).}, there are currently plans to extend the railway to priority areas in Ethiopia where industrial parks are located. An official from the port of Djibouti\footnote{Interview, official at SGTD (which is the company that manages the Doraleh container terminal at the port of Djibouti), 7th July 2019, Addis Ababa (Ethiopia).} also indicated that there were plans on the Djiboutian side to extend the railway to the several Djiboutian port terminals. In the meantime, the distances that are not covered by the train are covered by trucks, which makes combining the train and the trucks more expensive for potential customers than using only trucks.

The discussion above shows how the policy environment, state regulations and shortcomings at the project planning stage affect the outcomes and impacts of a project such as the construction of the Addis-Djibouti railway. Nevertheless, Ethiopia has recently stated its intention to reform its logistics sector by opening it to foreign investments and dismantling the monopoly of the ESLSE. According to the representative of a big international logistics company in Ethiopia\footnote{Interview, Representatives of an international logistics company in Ethiopia, 7th June 2019, Addis Ababa (Ethiopia).}, the current regulation in Ethiopia requires that international shipping companies work through local agents. The new national logistics strategy (which has not yet been implemented) should allow foreign logistics companies to create joint ventures with local logistics companies. Those joint ventures should in principle be allowed to compete with the ESLSE. However, foreign entities will only be able to own up to 49% of the shares of those joint ventures. It is interesting to note here that one of the parameters observed by international organizations (the World Bank in particular) to assess the degree of openness of services sectors are the government-imposed restrictions on foreign investments in those sectors (Constantinescu et al, 2018). Even though Ethiopia’s own political trajectory can explain the problem of liberalizing the services sectors (and other key sectors of the economy), Ethiopia is far from being a unique case. Constantinescu et al. (2018) argue for example that despite the fact that East Asian
countries implemented successful export-led industrialisation strategies by allowing foreign investments in manufacturing sectors, those same countries have been particularly reluctant to totally open their services sectors even though they were members of the WTO.

In the specific case of Ethiopia, dismantling the state monopoly in the logistics sector does not necessarily mean that logistics services will become more efficient or that the logistics sector will function under the principle of “free competition”\(^89\). Moreover, a major problem for Ethiopian logistics actors is the fact that they lack the technical and financial capabilities required to thrive in a more competitive market. In this regard, the representative of a big international logistics company\(^90\) in Ethiopia indicated that he feared that the new logistics strategy was not going far enough. The main reason is that – with the new logistics strategy – the share that foreign companies would be allowed to own in the planned joint ventures would be limited to 49% even though local logistics companies do not have sufficient financial resources. More generally, the interviewed representatives of private logistics companies argued that the level of government control over the logistics sector should be substantially reduced if the government really wants to reduce logistics costs on the transport corridor. The manager of an Ethiopian private logistics firm\(^91\) was even more skeptical on the potential of the planned reform to bring change. He considered that the planned reform was not addressing the problems affecting the performance of the logistics sector (such as the inefficient customs and transport services) and was therefore not likely to substantially improve logistics services. As a result, the extent to which the entry of transnational logistics firms in the Ethiopian market will transform logistics services along the Ethiopia-Djibouti transport corridor remains to be seen. Nevertheless, some local logistics actors who were interviewed stated their intention to prepare for the changes resulting from the adoption of a new logistics policy. The manager of a transport association\(^92\) stated for example that his transport association was planning to carry out more logistics tasks (in addition to offering transportation services) in order to be able to compete with the ESLSE when its monopoly is dismantled.

\(^{89}\) For a more detailed discussion of this argument, please see section 3 below.
\(^{90}\) Interview, Representatives of an international logistics company in Ethiopia, 7\(^{th}\) June 2019, Addis Ababa (Ethiopia).
\(^{91}\) Interview, Founder of an Ethiopian private logistics company, 25\(^{th}\) June 2019, Addis Ababa (Ethiopia).
\(^{92}\) Interview, general manager of a transport association, 11\(^{th}\) June 2019, Addis Ababa (Ethiopia).
It is important to note that Ethiopia is still negotiating its accession to the World Trade Organization (WTO) and has not yet committed to implementing the WTO General Agreement on Trade in Services (GATS). In this regard, the country has resumed the negotiations with the WTO in January 2020. Given that the distortions in the Ethiopian transport market noted earlier obviously benefit state institutions, the terms on which the country intends to negotiate its accession will be interesting to observe. In view of the political economy context in Ethiopia and the way the Ethiopian state has historically managed its relations with the economic sphere, I will discuss in the following section the capacity and willingness of the Ethiopian state to significantly change the way it intervenes in the economy and liberalize services sectors in accordance with the regional integration agenda.

**Section 3: The political economy context in Ethiopia and the liberalisation of services sectors in the framework of the regional integration agenda**

As it was indicated earlier, the regional integration agenda calls for a progressive liberalisation of services sectors at the same time as the development of cross-border transport corridors to reduce the cost and improve the effectiveness of logistics services. In this regard, the liberalization of services sectors - and of the logistics sector in particular - is one of the objectives pursued in the context of the implementation of the African Continental Free Trade Area (AfCFTA). Moreover, it is important to note that the AUC explicitly urges its member states to implement WTO agreements such as the WTO GATS. Obviously, the regional integration agenda has a neoliberal dimension (Bach, 2016), even though African regional organizations constantly denounce the disastrous effects of the 1980s Structural Adjustment Programmes (SAP) that the World Bank and the IMF imposed on African countries and have been lately advocating for a more important role of the state in the management of the economy. As it is constantly recalled by African regional organisations and policymakers, the AfCFTA is supposed to build upon the work previously carried out by RECs. Regarding regional trade in services, Ethiopia signed a regional agreement formulated by the Common Market for Eastern and Southern Africa (COMESA) which aims to open the services sectors of all COMESA member states to COMESA service
providers. In other words, if this agreement comes into force, Ethiopia will have to open its transport market to transporters from other COMESA member countries. It is worth noting here that the relations between Ethiopia and COMESA have not always been very clear since Ethiopia is not part of important COMESA initiatives such as the COMESA Free Trade Area. Hence, just as with the WTO accession process, it will be interesting to observe Ethiopia’s attitude towards the implementation of the COMESA agreement on the liberalization of trade in services and the country’s attitude towards the implementation of the AfCFTA which was ratified by the Ethiopian parliament in 2019.

We have seen earlier that the necessity to reduce logistics costs and significantly improve the efficiency of logistics services along the Ethiopia-Djibouti transport corridor has led the Ethiopian government to formulate a new logistics strategy. This seems to indicate a recognition by the Ethiopian government that investments in hard infrastructure (such as the construction of the Addis-Djibouti railway) should be accompanied by a certain level of liberalization of the logistics sector. The extent to which the government will be willing to liberalize the logistics sector as well as the conditions under which the state monopoly (the ESLSE) will be privatized remain to be seen. Despite the reservations and concerns expressed by some Ethiopian logistics actors about the efficiency of the measures the government plans to adopt, the Ethiopian state does not seem to be willing to accelerate the pace of the reform or expand its depth. In other words, despite the fact that the Ethiopian government is aware that the success of its industrialisation strategy is dependent on the availability of cost-effective logistics services, there is an apparent reluctance of the government to make radical policy decisions that would overturn the way the Ethiopian logistics sector has been functioning so far. In this regard, Clapham (2018) argues that one of the greatest challenges for the Ethiopian state in the near future will be to transform itself and create the required conditions for the emergence of a strong domestic private sector that would play a more important role in the development process.

The reform of the logistics sector is part of a broader liberalization plan that targets several sectors (including the telecommunications sector) and which aims to dismantle several state monopolies that have traditionally been considered as the regime’s “cash cows”. This liberalization plan has been introduced by Prime Minister Abiy Ahmed
shortly after he came to power in 2018. However, as we have seen earlier, politics and economics are closely intertwined in Ethiopia. On the political front, Abiy Ahmed is currently engaged in a fight against the leadership of the TPLF which has historically been the more powerful group within the EPRDF (the former ruling coalition) and whose business arm – EFFORT - exploited some of the most lucrative business opportunities after the fall of the Derg regime in 1991. In November 2019, Prime Minister Abiy announced the dissolution of the EPRDF which he replaced with a new party called the “Prosperity Party”. It has been reported in international media outlets that the bank accounts of several EFFORT companies were frozen after the start of the war in Tigray opposing the current Ethiopian government to the TPLF in November 2020. As a result, many questions arise: is Abiy calling the political settlement identified by Clapham into question? What is the depth of the planned liberalization reform and under which conditions the new government plans to dismantle state monopolies? Is the government embracing a more liberal approach to the economy or is it continuing the past oligarchic system? To what extent does the proposed reform allow the implementation of the regional integration agenda (notably the liberalization of trade in services)? Some observers have argued that the EPRDF system was still in place and that only its name has changed.

It is still early to assess the depth of the reforms proposed by Abiy’s government since we are still at the stage where the government is stating its intentions and trying to rally (domestic and international) support for its agenda. The speech that Ethiopia’s Chief Trade Negotiator made in January 2020 at the meeting of the WTO Working Party on the Accession of Ethiopia is quite informative on where the country stands and clearly highlights the issues at stake. The following excerpts from the speech are therefore interesting to analyse:

94 See the following newspaper article: Gardner, Tom ’Will Abiy Ahmed’s Bet on Ethiopia’s Political Future Pay Off?’, Foreign Policy, 21st January 2020 (https://foreignpolicy.com/2020/01/21/will-abiya-ahmed-eprdf-bet-ethiopia-political-future-pay-off/ )
95 See the link to the WTO webpage: https://www.wto.org/english/news_e/news20_e/acc_eth_31jan20_e.htm
Mr Chairman, the reforms underway under the leadership of Prime Minister Abiy Ahmed represent a Berlin-Wall moment and transition in my country’s history. (...) While consolidating its achievements on the political front, Ethiopia has now embarked on a wide-ranging home-grown economic reform agenda. (...) The current economic reform programme is thus fundamentally driven by the imperative to reduce our vulnerabilities and speed up our transition towards a market-driven economy led by private investment. (...)

Mr Chairman: A program of economic readjustment of this scope and complexity imposes short-term political costs while the benefits come only later. Sustaining these important and essential reforms requires that we stay alert and on full guard against backsliding and policy reversals. That is where WTO membership comes in. By putting WTO membership as part of our short-term reform priorities, we are effectively building protective walls against a possible tide in the future; we are securing our internal reforms by attaching them to a strong external anchor. (...)

Just as the WTO aims to advance peace and stability through trade, the Government of Ethiopia is committed to use trade and regional integration as the central pillar for its mission to bring peace and stability to the Horn of Africa region. (...)

We are hopeful that the members of this Working Party, while supporting our desire to join the Organization and to anchor our internal reforms on its strong institutional and normative frameworks, will not put undue pressure on us to undertake concessions and commitments on trade in goods and services beyond that which is commensurate with our national development, financial and trade needs as recognized by these and other WTO instruments and decisions.

These excerpts from the speech of Ethiopia’s Chief Trade Negotiator at the WTO highlight the fragile political context that prevails in Ethiopia and the difficulty for the government to conduct significant economic reforms in this context. The dissolution of the EPRDF in 2019 seems to signal a political rupture in Ethiopia’s political settlement. However, the current Ethiopian state faces strong contestation from external groups, the most important among them being the TPLF. This refers to the horizontal distribution of power which according to Khan refers to “the power of excluded coalitions relative to the ruling coalition” (Khan, 2010: 64-65). When it comes to the vertical distribution of power, the cohesion of the new ruling coalition formed by Prime Minister Abiy Ahmed has also been questioned by some observers, which seems to suggest that the ruling coalition is quite vulnerable to internal contestation. When it comes to the mode of financing of the ruling coalition and state-business relations - the third determinant of institutional performance according to the political settlements framework – it is still unclear how the current ruling coalition distinguishes itself from
the EPRDF regime. We have seen that the EPRDF regime was in favour of a strong intervention of the state in the economy, in opposition to the principle of free competition in economic sectors. In particular, the EPRDF regime relied on state monopolies, businesses affiliated with endowment funds and businesses close to ruling elites to carry out its economic policies and earn rents. Even though some scholars argued that the activities of businesses close to political elites could be growth-enhancing in some contexts (Gray and Whitfield, 2014), we have seen that the EPRDF regime’s strong intervention in the economy often induced distortions in some markets such as the transport market.

It is clear from the excerpts above that the Ethiopian government tries to seek external support for its new set of reforms, given the difficulty of rallying domestic support for this reform agenda. Once again, the extent of the economic reforms, the conditions under which the government intends to privatize state monopolies and the way the government intends to interact with the domestic private sector are not clear. The excerpts above also show that even though the country clearly showed its desire to join the WTO, it is still trying to avoid the enforcement of stringent rules. In this regard, during the fieldwork period in Ethiopia, I interviewed an Ethiopian law Professor and trade specialist96 and asked him whether an adhesion to the WTO would oblige a country like Ethiopia to address market inefficiencies in its transport sector. He argued that the WTO general agreement on trade in services covered different services and that “the rules were flexible enough for Ethiopia to become a member and not allow foreign transport companies to operate in the country”. He added that it was possible for Ethiopia to open certain parts of the transport value chain (which does not include only trucking) and not other parts.

Overall, the discussion above shows the tensions that may exist between an ambitious regional integration agenda that encompasses the liberalization of trade in goods and services and national policies that do not go far enough due to the political and socio-economic context in individual countries. A country like Ethiopia is vulnerable to domestic tensions that limit the capacity (or willingness) of the government to conduct reforms that would promote the liberalization of services sectors which usually

96 Interview, Law professor at the University of Leicester, 3rd July 2019, Addis Ababa (Ethiopia).
complement regional infrastructure development initiatives. In this context, the effectiveness of those regional initiatives may be compromised due to limited policy leeway at the level of individual countries.

**Conclusion**

This chapter demonstrated why in the Ethiopian context the effect of state regulations and practices on the level of logistics costs is - at least - as important as the effect of new investments in hard infrastructure. While the liberalization of services sectors has been presented by IFIs as the necessary complements to the rehabilitation of cross-border transport corridors in order to bring about a significant reduction of logistics costs (World Bank, 2019), we have seen in this chapter that the Ethiopian state has traditionally been reluctant to totally liberalize some economic sectors due to the nature of the political regime (Workneh, 2018). In this context, we have seen that the interventions of the Ethiopian state in the logistics sector exacerbate the effects of seasonality on trucking prices while the presence of a state monopoly in the logistics sector hinders an optimal exploitation of the recently constructed Addis-Djibouti railway. The example of Ethiopia can be useful when analysing other similar contexts where the political orientation of states does not really align with the “defragmentation” agenda that usually complements the development of cross-border transport corridors and the implementation of trade facilitation measures. As Coe (2014: 240) put it, “at the national level, there is an inherent tension between states seeking to retain control over their national transport and communications spaces and corporate actors seeking the most deregulated environment possible”. Just like Ethiopia, some countries may be subject to domestic pressures that limit their capacity or willingness to conduct sweeping economic reforms that align with the regional integration agenda. Hence, the successful implementation of the regional integration agenda is highly dependent on the institutional context and on political and socio-economic factors in individual countries.

As Clapham (2018) put it, the creation of the former ruling coalition (the EPRDF) could be considered as the outcome of the political settlement found by the Ethiopian state after the end of the war in 1991. Vaughan and Gebremichael (2011) argued that in
accordance with a developmental patrimonialism approach, the EPRDF regime successfully centralized the management of rents and adopted a long-term development strategy. In particular, the EPRDF regime relied on state monopolies, businesses close to ruling elites and foreign investors to earn rents and finance its development strategy (Vaughan and Gebremichael, 2011; Clapham, 2018; Pellerin, 2019). Vaughan and Gebremichael (2011) showed that in the economic system put in place by the EPRDF regime, the endowment fund of the TPLF – EFFORT – functioned as a conglomerate whose various enterprises interacted with each other and sometimes played the role of “trailblazers” by investing in markets in which the local private sector had few capabilities. At the same time, we have seen in this chapter that the government tends to impose its economic decisions (which are not always source of efficiencies in some economic sectors) on a local private sector with low technological capabilities and low political influence. The post-1991 political settlement of Ethiopia was clearly marked by tensions within the ruling coalition that became apparent after the death of Meles Zenawi in 2012 and that culminated with the exit of the TPLF from the ruling coalition in 2019. With the dissolution of the EPRDF, it appears that the country is currently at a critical juncture from a political perspective. Considering the fact that the economic model that was adopted after 1991 seems to be called into question, it is increasingly difficult to say which type of economic model will emerge from the government’s liberalization plan. The orientation that the current government will take will probably determine if the domestic reform agenda that it plans to implement will effectively support the regional integration and liberalization agenda. In this context, there are three important parameters that need to be observed. The first parameter is the extent to which the current government plans to retain control over key economic sectors and how it plans to interact with the domestic private sector. The second parameter is the nature of the economic reforms the government plans to introduce and how those reforms will be perceived by coalitions that were excluded from the current ruling coalition and by the various groups that compose the current ruling coalition. Finally, the third parameter is how those developments will affect the feasibility of a regional integration agenda that seeks to liberalize trade in goods and services within a continental free trade area.
CHAPTER 5

CROSS-BORDER TRANSPORT INFRASTRUCTURE DEVELOPMENT AND THE CREATION OF REGIONAL VALUE CHAINS IN THE FRAMEWORK OF A DEVELOPMENTAL REGIONALISM AGENDA: THE CASE OF ETHIOPIA AND THE TEXTILE AND APPAREL INDUSTRIES

Introduction

The development of cross-border transport infrastructure in Africa is expected to contribute significantly to boosting intra-African trade and creating regional value chains (RVCs). This is because the dynamics of intra-African trade are affected by several parameters including the costs of cross-border trade and national industrialisation strategies which reflect the strategic orientations of individual states. Contrary to regional organisations - whose mandate is limited to advocating for the development of regional infrastructure and offering technical assistance for project preparation – individual states are responsible for the implementation of cross-border infrastructure projects. Hence, one of the main concerns of regional organisations has been to ensure that individual states “own” those projects and integrate them in their development plans and strategies. Even though it occupies an important place among priority continental projects aimed at enhancing regional integration, the main factor that expedited the rehabilitation of the Ethiopia-Djibouti transport corridor is the fact that the success of Ethiopia’s national industrialisation strategy is heavily dependent on a well-performing transport corridor (Federal Democratic Republic of Ethiopia, 2019). As a result, in order to have a better understanding of the way the rehabilitation of the Ethiopia-Djibouti transport corridor contributes or could contribute to enhancing intra-African trade in the future, it appears crucial to understand how Ethiopia’s national industrialisation strategy affects the direction of trade along the Ethiopia-Djibouti transport corridor. In other words, the impact of transport infrastructure development policies should be analysed in conjunction with the impact of national
industrialisation policies in order to understand the trade dynamics supported by cross-border transport corridors and their potential contribution to the creation of RVCs.

While chapters three and four focused on the first dimension of the developmental regionalism agenda (in other words, the extent to which the construction of cross-border transport corridors and the introduction of trade facilitation reforms can reduce the costs of trading across borders), this chapter will be devoted to the second dimension of the developmental regionalism agenda, which is structural transformation (including the creation of RVCs). In the framework of the implementation of a developmental regionalism agenda in Africa, the objective of regional organisations is to promote the expansion of domestic manufacturing sectors through the creation of RVCs, the ultimate goal being to boost intra-African trade (Mittelman, 1999; UNCTAD, 2013; Ismail, 2021). In this context, a certain number of policy instruments – such as the development of cross-border infrastructure in the transport and energy sectors – should theoretically have the dual objective of supporting national industrial policies while supporting the creation of RVCs by reducing cross-border trade costs. As a result, the main challenge in this context is to ensure that national industrial policies (and policy instruments that are used to support them) are aligned with the objectives of the regional integration agenda.

The type and outcomes of industrial policies adopted by individual states are primarily a function of domestic socio-economic and political dynamics including the nature of the relations between states on one hand and domestic and foreign businesses on the other hand (Whitfield et al., 2015). As a result, the orientation of national industrialisation strategies is heavily dependent on the state of domestic politics and on the balance of power between states and domestic or foreign businesses. Taking the example of Ethiopia and the apparel global production network (GPN), this chapter will discuss how the implementation of a developmental regionalism agenda is affected by the type of industrialisation strategy adopted by individual states. In doing so, the chapter will address three questions that focus on the link between infrastructure development, globalisation and regionalism. First, in which cases does the enrolment of African locations into GPNs – enrolment facilitated by the rehabilitation of transport corridors - increase the prospects for economic upgrading? Second, how does the enrolment of African locations into GPNs affect the
development of productive capacities and the creation of RVCs in the African context in accordance with the developmental regionalism agenda? Third, how do national industrialisation strategies determine the orientation of trade along cross-border transport corridors?

This chapter is organized as follows. Section 1 will discuss the objective of creating RVCs within a developmental regionalism agenda. Section 2 will analyse how the political settlement of Ethiopia influences the Ethiopian state’s industrialisation strategy. Section 3 will discuss Ethiopia’s recent enrolment in the apparel GPN and will also analyse the potential contribution of Ethiopian industrial parks to the implementation of a developmental regionalism agenda in the COMESA zone. Section 4 will discuss the challenge of ensuring coherence between national industrialisation strategies, national transport infrastructure development policies and the regional integration agenda in the context of the implementation of the African Continental Free Trade Area (AfCFTA). Section 5 will conclude.

Section 1: Global Production Networks and the creation of Regional Value Chains in the African context as part of a developmental regionalism agenda

1.1. The concepts of GVC/ GPN and RVC

According to Vickers (2017), a developmental regionalism agenda is based on the following three pillars: the development of cross-border infrastructure, market integration and structural transformation. Without oversimplifying, structural transformation could be described as the transition from a predominantly agrarian economy towards an economy in which the manufacturing sector represents an increasingly important part of the Growth Domestic Product (GDP). In this regard, several scholars consider that in East Asia, “developmental states” have been instrumental in leading this transition process by using industrial policy (Stiglitz et al., 2013; Oqubay, 2019). Still in the East Asian context, the implementation of a developmental regionalism strategy by the Asian Development Bank (ADB) in the

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97 Section 2 will elaborate on the concept of the developmental state.
Greater Mekong sub-region contributed to the emergence of cross-border industries and the creation of RVCs (Wadley and Parasati, 2000). In Africa, the developmental regionalism agenda promoted by the African Union Commission (AUC) and Regional Economic Communities (RECs) has a dual objective. On one hand, the AUC and RECs consider that African countries should strive to build manufacturing bases through the development of RVCs (UNCTAD, 2013). On the other hand, the long-term objective of the regional integration agenda is to promote the participation of African economic actors in global value chains (GVCs) or GPNs in order to increase Africa’s share of global trade. Regarding the definitions of GVCs/ GPNs and RVCs, Black et al. (2021: 40) argue that GVCs and RVCs “are essentially about global and regional linkages” and “they are driven by lead firms exercising power (i.e. governance) over chain activities ensuring suppliers meet standards required to deliver appropriate products and processes into final markets, economic efficiency, as well as social and environmental consumer demands.” Regarding RVCs in particular, they state the following:

RVCs therefore involve some of the following characteristics: (1) Firms sourcing cross-border regional inputs, assembling them, and exporting to lead firms in global markets. This grows regional integration through regional supply chain linkages and creates scale economies. (2) Firms sourcing cross-border regional inputs or final products, and supplying a lead firm in an economic hub in the regional market. This grows regional integration through expanding the regional market for final products and regional supply chains for intermediate goods. (3) Regional lead firms creating subsidiaries in another country in the region (or small firms simply relocating there) and supplying markets in the regional economic hub. This expands regional integration, encompassing regional investment as well as regional supplier sourcing. Black et al. (2021: 40)

Scholvin et al. (2022) note that RVCs which supply global markets are the type of RVC that dominate in East Asia. In this regard, we have seen in chapter one that some scholars consider that the processes of regionalism and globalization were two concomitant and mutually reinforcing processes in East Asia. In the African context, African regional organisations have repeatedly called for the development of RVCs that would promote intra-regional trade in higher value-added products in a great number of policy documents and conferences. In this regard, the Boosting Intra-African Trade (BIAT) Action Plan of the African Union – which was published in 2012 - identified seven priority areas to promote the development of intra-African trade:
trade facilitation, trade policy, productive capacities, trade-related infrastructure, trade finance, trade information and factor market integration (UNECA and AUC, 2012). Among those seven priority areas, “productive capacities” designate the objective of building the manufacturing capabilities of African countries so that they can engage in intra-regional trade in higher value-added products. According to African regional organisations, the development of RVCs should equip African economic actors with the required skills and technologies to upgrade within GPNs. This ultimately refers to the argument – supported by international organisations and African regional organisations - that the participation of developing countries into GPNs and their upgrading within those networks is the best strategy to promote economic development (Neilson, 2014).

The supposedly positive developmental outcomes of the participation of developing countries in GPNs has been questioned in the GPN literature in view of the increasing difficulties of upgrading within GPNs and in view of problems induced by social and economic downgrading that can result from the participation of local economic actors in GPNs (Barrientos et al., 2011; Gereffi, 2014). Barrientos et al. (2011) distinguish the following four types of economic upgrading: process upgrading (which describes improvement in the production process); product upgrading (which describes an improvement in the quality of the manufactured product); functional upgrading (which describes a move towards higher-value added activities within a value chain) and chain upgrading (which describes a move towards a different value chain that requires undertaking more technologically advanced production activities or activities that demand higher skills). When it comes to the concept of “social upgrading”, Barrientos et al. (2011: 324) define it as “the process of improvement in the rights and entitlements of workers as social actors, which enhances the quality of their employment”. They further add that “the concept of social upgrading is framed by the ILO’s Decent Work Agenda98, which encompasses employment, standards and rights at work, social protection and social dialogue” (Barrientos et al., 2011: 324). In the labour-intensive apparel GPN, the issue of social downgrading has been particularly acute and widely discussed in the literature (Barrientos et al., 2011; Pickles et al., 2015). In this regard, the need to constantly reduce consumer prices in the apparel

98 ILO is the International Labour Organization.
industry has led to a constant quest for lower production costs, and especially, lower wages. This quest for lower production costs is one of the main factors that explain the inclusion of new locations – such as Ethiopia – in the apparel GPN. As argued by Barrientos et al. (2011), empirical studies showed that in the specific case of the garment industry economic upgrading could lead to both social upgrading and social downgrading depending on several factors including workers’ status (formal or informal). When it comes to economic upgrading, Ravenhill (2014) stressed several challenges encountered by suppliers located in developing countries that try to upgrade within GPNs. Those challenges include the problem of innovating and acquiring the required technologies to upgrade or the limitations that trade agreements signed between developed countries and developing countries may pose to the capacity of suppliers to upgrade. The problem of upgrading within GPNs has even been recognized by the World Bank, an institution that has constantly called for developing countries to undertake socio-economic reforms that would promote their participation in GVCs. In its 2020 World Development Report, the World Bank considered that the difficulty of upgrading within GVCs was primarily explained by the fact that some value chains had “matured” (World Bank, 2020). Nevertheless, in the same report, the World Bank argued that the best way for developing countries to promote growth and poverty reduction was still to integrate GVCs. As a result, as part of its recommendations, the institution urged countries that still encounter challenges to participate in GVCs to implement a number of reforms including the liberalization of services sectors and trade facilitation reforms.

In the same vein as development agencies, African regional organisations have embraced the GVC/ GPN paradigm. Hence, trade facilitation reforms, the development of transport corridors, port reforms, the improvement of logistics services and the liberalization of services sectors are all part of a strategy aimed at linking African markets between them, but also enhancing the links between Africa and extra-regional markets. The adoption of the GVC/ GPN paradigm by development agencies and the relevance of using this paradigm to address development issues have been the subject of debates in the literature. For Nielsen (2014), development agencies have increasingly used the value chain paradigm to promote policies that are inspired by the neoliberal policies conducted under the old Washington Consensus. In this regard, he argues that “some donor agencies seamlessly conflate the supply chain
management concerns of individual firms with public policy imperatives designed to deliver development benefits to otherwise impoverished chain participants” (Nielson, 2014: 59).

It is also important to note that the GVC/ GPN paradigm has also been adopted by individual states and that the development of cross-border transport corridors has contributed to facilitating the enrolment of African locations in GPNs in line with national development priorities. However, this has obviously implications for how well the developmental regionalism agenda and its focus on building productive capacities and boosting intra-African trade can be implemented. The following sub-section will discuss the articulation between GPNs and RVCs and will also discuss what the recent Chinese involvement in infrastructure development and manufacturing activities may imply for regional integration dynamics in Africa.

1.2. The articulation between GPNs and RVCs and the potential impact of the Chinese engagement in Africa on the developmental regionalism agenda

Despite the fact that the overwhelming majority of decision makers (especially in African regional organisations) tend to consider that upgrading within GPNs is the best route to economic development and that the creation of RVCs can help achieve this objective, the issue of the articulation between GPNs and RVCs warrants closer attention. In this regard, a number of key questions need to be asked. In this chapter, I will focus on three main questions. First, in which cases does the enrolment of African locations into GPNs increase the prospects for upgrading? Second, how does the enrolment of African locations into GPNs affect the development of productive capacities and the creation of RVCs in the African context? Third, how do national industrialisation strategies determine the orientation of trade along cross-border transport corridors? Answers to these questions are far from being straightforward. In this chapter, I will more specifically discuss the circumstances under which national industrialisation strategies promote the development of RVCs and ultimately, the implementation of a developmental regionalism agenda. In doing so, I will partly focus on Special Economic Zones (SEZs) and industrial parks and their influence over the creation of RVCs.
Over the course of history, African countries tried to promote industrialization either through the adoption of import substitution industrialisation strategies or through the adoption of export-led industrialisation strategies. Export-led industrialisation strategies in particular were aimed at boosting exports of manufactured goods by – among other things - attracting foreign investments in manufacturing sectors through various incentives. Those incentives included the establishment of SEZs where foreign investors could benefit from a range of advantages including tax exemptions and access to infrastructure. For governments, the rationale behind the creation of SEZs is to concentrate limited resources in a specific area and shield enterprises operating in SEZs from the difficulties of doing business in their countries. However, Africa’s experience with SEZs has been mixed. According to Monga (2011), factors explaining the failure of the SEZs experience in many African countries include the lack of alignment between countries’ comparative advantages and the type of products manufactured in the SEZs, various governance issues or the lack of efficient logistics services and adequate transport infrastructure serving the SEZs. Recently, a number of African countries like Ethiopia, Rwanda or Senegal have embarked (or re-embarked) in the development of SEZs, industrial parks or export processing zones. Several factors can explain these developments. First of all, those countries are obviously trying to emulate the successful export-led industrialisation strategies of a certain number of Asian countries. Indeed, a great number of Asian countries have been able to substantially increase their exports of manufactured goods and benefit from important skills and technology transfers by attracting foreign investments in their manufacturing sectors. The establishment of SEZs played a great role in achieving the objective of attracting foreign direct investments (FDI) flows to Asia. This was especially the case for China in the early stages of its development process. In this regard, senior Ethiopian government officials - and especially, the late Meles Zenawi, who has been the great mastermind behind Ethiopia’s current development strategy – have repeatedly cited the export-led industrialisation strategies of Asian countries like China or South Korea as models that they try to emulate (Fourie, 2015; Clapham, 2018). Moreover, in some cases, the recent development of SEZs and industrial parks in African countries has been facilitated by the increased Chinese engagement in the African continent from the years 2000s (Tang, 2015; Calabrese and Tang, 2020). In Ethiopia for example, Chinese companies have been contracted to build several
industrial parks and a number of Chinese investors set up manufacturing plants in those industrial parks (Calabrese and Tang, 2020).

Given that the availability of quality transport infrastructure and efficient logistics services are among the key factors that attract multinationals to a given location, it is logic that China’s Belt and Road Initiative (BRI) entails the simultaneous construction of export processing zones and transport corridors in several countries that are part of the BRI (Tang, 2015; World Bank, 2019). In the case of the BRI, the availability of performant transport networks linking hinterlands to ports is a factor of competitiveness for enterprises installed in export processing zones and industrial parks. In this context, China’s recent engagement in the development of regional transport infrastructure in Africa and the construction of industrial parks could potentially have an impact on the implementation of a developmental regionalism agenda in Africa. Assessing the potential impact of China’s engagement in Africa on the implementation of a developmental regionalism agenda is all the more important that there has been a relatively recent debate in the economic literature on the possibility for China to replicate in Africa the flying geese paradigm that was at the origin of the industrialisation wave in East Asia (Broadman, 2008; Lin, 2012). Indeed, in the East Asian context, the flying geese paradigm describes the industrialisation process that was set off by Japanese direct investments in the manufacturing sectors of a certain number of East Asian countries (Mittelman, 1999; Verbiest, 2013). Through knowledge and technology transfers, the Japanese investments in manufacturing promoted the emergence of industries in the investment-recipient countries. Moreover, in the case of Southeast Asia, the financing of connective cross-border infrastructure by Japan contributed to the development of border industries and the creation of RVCs in the sub-region (Wadley and Parasati, 2000; Verbiest, 2013). In view of the rising labour costs in China, several scholars considered that China may be in a position to replicate the flying geese paradigm by outsourcing part of its labour-intensive manufacturing jobs in locations in Asia and Africa where labour costs are lower (Lin, 2012; Qobo and Le Pere, 2017; Friedman, 2009; Davies and al., 2014). The main question for African countries has been whether they would be able to take advantage of the opportunities that the potential outsourcing of millions of manufacturing jobs by Chinese firms would offer. Ismail argues for example that “China’s cooperation programmes on Industrial Parks and Free Trade Zones offer
African countries opportunities to mobilise investment to industrialize and build their regional value chains” (Ismail, 2021: 98).

Ethiopia is one of those African countries that elected to focus on the development of labour-intensive industries with the assistance of foreign investors to promote its industrialisation (Federal Democratic Republic of Ethiopia, 2016). The key sectors targeted by the Ethiopian government include the textile and apparel sectors (Federal Democratic Republic of Ethiopia, 2016; Calabrese and Tang, 2020). In this regard, a number of Chinese and other Asian apparel manufacturers have recently invested in the establishment of factories in Ethiopia. Moreover, Ethiopia and Djibouti are among those African countries that benefited from important Chinese loans for the development of transport infrastructure, notably in the framework of China’s BRI. In particular, Chinese entities were engaged in the implementation of a certain number of transport infrastructure projects along the Ethiopia-Djibouti transport corridor including the construction of the Addis-Djibouti railway (project completed in 2016) and the development of the Doraleh Multipurpose Port in Djibouti. As a result, it is important to study how the simultaneous rehabilitation of the Ethiopia-Djibouti transport corridor and the development of light manufacturing in Ethiopia is contributing (or could contribute) to the implementation of a developmental regionalism agenda in the Horn of Africa and in the COMESA zone more generally.

When it comes to the regional integration agenda, Ethiopia belongs to two RECs that formulated regional initiatives aimed at promoting the development of transnational transport infrastructure and the creation of regional textile and apparel value chains. The two RECs to which Ethiopia belongs are the Intergovernmental Authority on Development (IGAD)99 and the Common Market for Eastern and Southern Africa (COMESA)100. An interview with a senior official at IGAD101 confirmed the strategic importance of the Ethiopia-Djibouti transport corridor in IGAD’s Regional Infrastructure Master Plan. More particularly, the interviewed IGAD official explained that the

99 IGAD has 8 member states: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda.
100 COMESA has 21 member states from Eastern and Southern Africa: Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.
101 Interview, senior official at IGAD, 14th July 2019, Djibouti.
development of the “broader” Djibouti corridor (linking Uganda, Ethiopia, Djibouti and South Sudan) was expected to contribute to facilitating trade and the movement of people in the region. As a result, the construction of the Addis-Djibouti railway has been part of IGAD’s flagship projects and has figured prominently among the priority projects of the African Union’s PIDA. The fact that some projects are prioritized by the AUC and RECs assists in some crucial stages of the project cycle such as project design and resource mobilization. However, and as it was pointed out by interviewees from international organizations and RECs, implementation remains under the responsibility of individual states. When it comes to COMESA, it formulated in 2009 a “regional strategy for the cotton to clothing value chain”. As part of this regional strategy, COMESA developed an action plan divided into four main components (COMESA, 2009). The first component of the action plan is focused on the development of the cotton sectors of member states. In this regard, the regional strategy aims to support member states in the formulation and implementation of initiatives aimed at promoting agricultural transformation - and the transformation of the cotton sectors of member states in particular – in order to promote the development of quality inputs for the clothing industry. The second and third components are respectively focused on the development of the textile industry and the development of the clothing industry in member states. Finally, the fourth component of the action plan relates to “cross-cutting textile and clothing issues” and includes activities such as the promotion of “vertical integration and regional cotton sourcing”; “the development of regional value chains” and “improvements in the state of critical infrastructure connectivity within COMESA” (COMESA, 2009). As indicated in the document laying out the regional strategy, Ethiopia is part of the 11 COMESA member states that took part in the consultative meetings that were organized before the elaboration of the regional strategy (COMESA, 2009). Prior to discussing the potential contribution of Ethiopian industrial parks to the creation of regional textile and apparel value chains, I will analyse in the following section the domestic factors that explain the Ethiopian state’s policy choices, and more specifically, its industrialisation strategy.
Section 2: The political settlement of Ethiopia and the industrialization strategy of the Ethiopian state

Since independence, the successive industrial policies that most Sub-Saharan African countries have tried to implement have had very mixed results and have generally failed to spur a structural transformation of their economies (Whitfield et al., 2015; Lopes and te Velde, 2021). The most obvious illustration of this fact is the lack of diversification of exports from Sub-Saharan African countries which tend to be dominated by primary commodities. As a result, a key objective of the developmental regionalism agenda that African regional organisations seek to implement is the development of national manufacturing sectors through the creation of RVCs and the enhancement of intra-regional trade in higher value-added products (UNECA and AUC, 2012; Ismail, 2021). In this context, a successful implementation of the regional agenda requires the coordination of the various national industrial policies conducted in a given region. However, the strategic orientations of states - and national industrial policies in particular – are mainly the result of domestic dynamics which means that aligning national objectives with regional objectives is not straightforward and can prove to be challenging (Sloan, 1971). The political economy context in which states formulate their industrial policies has been discussed in the political settlements literature (Whitfield et al., 2015). The theoretical framework developed by political settlements theorists offers interesting tools that I will use in this chapter to analyse and explain the strategic orientations of the Ethiopian state’s industrialization strategy and the outcomes of this strategy.

The orientations and results of industrial policies in developing countries have long been the subject of debates in the literature. Following the failure of policies conducted under the Washington consensus in the 1980s and 1990s, theorists of the “developmental state” have argued that a key factor that explained the success of industrial policies in East Asia was the existence of a competent and impartial bureaucracy that was able to work in collaboration with domestic capitalists to achieve tangible development results (Stiglitz et al., 2013). While the Washington Consensus promoted by International Financial Institutions in Africa sought to minimize the role of the state in the economy, theorists of the developmental state underlined the centrality of the state bureaucracy in driving the development process. However, scholars in the
political settlements literature have contested the fact that the impartiality of the state bureaucracy constitutes a prerequisite for the successful implementation of industrial policies and have argued that cases of clientelism exist even in countries that were able to implement successful industrial policies (Whitfield et al., 2015). In particular, scholars in the political settlements literature argue that the nature of the relations between ruling elites and domestic businesses, the technological capabilities of domestic businesses, the degree of vulnerability of the ruling coalition and the degree of contestation faced by the ruling coalition are all factors that have a determinant impact on the type of industrial policies adopted by states and their outcomes (Gray, 2013; Whitfield et al. 2015). In this regard, Whitfield et al. (2015) explain that the degree of vulnerability of the ruling coalition is a function of the power of the ruling coalition relatively to external groups while the degree of contestation faced by the ruling coalition is a function of the degree of cohesion between higher and lower factions of the ruling coalition.

In the previous chapter, I used the tools offered by the political settlements framework to analyse some of the policy orientations of the Ethiopian state and the context within which the Ethiopian state has been implementing its economic policies since the fall of the Derg military regime in 1991. We have seen that the political settlement of Ethiopia between 1991 and 2019 was characterised by the existence of a strong ruling coalition (the EPRDF) composed of four factions representing the four main ethnic groups of the country. Until the recent implosion of the EPRDF in 2019, the ruling coalition could be considered as a quite cohesive bloc. Without much doubt, the dissolution of the EPRDF by the current Prime Minister and its replacement with a new political party that excludes the former most powerful faction of the EPRDF (namely, the TPLF) ushered in a period of political uncertainty in Ethiopia that culminated with the war in Tigray that started in November 2020. From an economic viewpoint, the Ethiopian ruling elite under the EPRDF regime was heavily involved in business activities (Vaughan and Gebremichael, 2011; Abegaz, 2013). In this regard, major enterprises in strategic economic sectors were state-owned enterprises, enterprises controlled by endowment funds affiliated with the ruling coalition or businesses connected with the regime (Vaughan and Gebremichael, 2011; Abegaz, 2013). Therefore, the line between the economic and political spheres in Ethiopia is quite blurred. In the Ethiopian context, the relations between the ruling coalition and
domestic businesses greatly explain the performance of economic sectors (such as the logistics sector) and they also determine the capacity (or willingness) of the state to conduct the reforms required by the regional integration agenda. The nature of state-business relations also influences the policy choices of the Ethiopian state when it comes to its national industrialization strategy.

The economic orientation of the Ethiopian state has been in great part shaped by the late Meles Zenawi, the Ethiopian Prime Minister from 1991 to 2012 (Fourie, 2015; Cheru and Oqubay, 2019). Until his death in 2012, Meles Zenawi embarked his country on an ambitious development strategy that was inspired by the export-led industrialisation strategies of China and South Korea (Cheru and Oqubay, 2019). According to Fourie (2015), Meles’ desire to emulate the Chinese model could be explained by some similarities between the political trajectory of Ethiopia and China, which both share a communist past. Moreover, in the same vein as Chinese leaders, Meles tried to gradually transition to a capitalist economy and improve his country’s position in the global economy while resisting neoliberalism and maintaining a “strong and authoritarian” political regime that controls the economy (Fourie, 2015). The Ethiopian state’s current development strategy is spelt out in its second Growth and Transformational Plan (GTP), which covers the period 2015-2020. The second GTP attaches a great importance to the development of labour-intensive light manufacturing to increase the share of the industrial sector in the country’s GDP (Federal Democratic Republic of Ethiopia, 2016; UNDP, 2017). The stated intention of the Ethiopian government is to transform Ethiopia into a low middle-income country by 2025 (UNDP, 2017). In order to achieve its development objectives, the Ethiopian state relies heavily on foreign investments to develop light manufacturing. This reliance on foreign investments could be explained by multiple reasons. First, Ethiopian domestic firms obviously lack the technological capabilities required to enter GPNs and upgrade within them (Vaughan and Gebremichael 2011; Oya and Schaefer, 2021). Therefore, one of the stated objectives of the Ethiopian state is to build the capacities of domestic firms through the transfer of technologies and skills from foreign to domestic firms. Second, Ethiopia is confronted with an acute shortage of foreign currencies and needs to attract foreign investors in order to address this shortage (Oya and Schaefer, 2021). Third, the desire of the Ethiopian state to retain control over the economy could also explain the bias of the Ethiopian state towards foreign investors.
In this regard, Clapham (2018) argues that – in view of the Ethiopian state’s suspicion of domestic businesses - foreign investors could be considered by the Ethiopian state as being more easily “controllable” from a political viewpoint. Clapham (2018) also argues that Foreign Direct Investments (mainly from Asian companies) have been one of the three major sources of capital for the Ethiopian state, along with domestic savings and Official Development Assistance. The next section will focus on the apparel sector in Ethiopia and will discuss the extent to which foreign investments in the development of this sector and investments in cross-border transport infrastructure are promoting (or have the potential to promote) the creation of RVCs in the COMESA zone.

Section 3: Apparel manufacturing in Ethiopia and the potential for the development of regional value chains in the COMESA zone

As indicated earlier in this chapter, the impact of transport infrastructure development policies should be analysed in conjunction with the impact of national industrialisation policies in order to understand the trade dynamics supported by cross-border transport corridors and their potential contribution to the creation of RVCs. This is because the most important factors that determine the level of intra-regional trade include the level of logistics costs (discussed in the preceding chapters) and the industrialisation strategy adopted by individual states.

The rehabilitation of the Ethiopia-Djibouti transport corridor is one of the priority regional transport infrastructure projects of the AUC. While the role of the AUC and RECs is limited to advocating for the construction of regional infrastructure and assisting states in the preparation of projects and the mobilization of resources, the implementation of regional infrastructure projects falls under the responsibility of individual states. In the case of the construction of the Addis-Djibouti railway, the determination of the Ethiopian state to accelerate the implementation of this project is explained by the fact that the competitiveness of Ethiopian industrial parks – and of manufacturers based in Ethiopia more generally - is strongly dependent on the availability of efficient logistics services (Federal Democratic Republic of Ethiopia, 2019; Chen, 2021). From this perspective, the rehabilitation of the Ethiopia-Djibouti
transport corridor can be viewed as one of the policy instruments used by the Ethiopian state to support its national industrial policy and facilitate Ethiopia's participation in GPNs.

In this section, I will focus on the apparel sector in Ethiopia and I will discuss the impact that Ethiopia's participation in the apparel GPN could have on the creation of textile and apparel RVCs. In what follows, I will analyse the potential consequences on the creation of textile and apparel RVCs of Ethiopia’s reliance on foreign investments for the development of the apparel sector. Despite the insistence of the Ethiopian government on the necessity for foreign investors to transfer knowledge and technologies to local firms, it appears that a number of factors hinder the creation of linkages between foreign investors and local and regional firms. Those factors include the design of preferential trade agreements (which are one of the major determinants of foreign investments in the apparel sector), the great influence of buyers on the sourcing decisions taken by suppliers, the apparent longstanding wariness of Ethiopia vis-à-vis regional trade agreements and the challenge of developing connective infrastructure that can effectively support intra-African trade.

3.1. The development of the apparel sector: a key pillar of Ethiopia’s industrialisation strategy

Ethiopia has engaged in the construction of industrial parks these recent years to attract foreign investments, boost the country’s exports of manufactured goods and increase the country’s foreign exchange earnings (Federal Republic of Ethiopia, 2019; Cheru and Oqubay, 2019; Oya and Schaefer, 2021). As of 2019, there was a dozen of industrial parks in the country which were either developed by the Industrial Park Development Corporation (IPDC) or developed in partnership with private developers (many of which are Chinese). The main sectors targeted by those industrial parks are sectors belonging to light manufacturing and are more particularly: the textile and apparel sector, the agro-industrial sector and the leather industry (Calabrese and Tang, 2020). Moreover, a senior official from the Ethiopian Investment Commission

102 Interview, senior official at the Ethiopian Investment Commission (EIC), 25th March 2019, Addis Ababa (Ethiopia).
explained that an increasing number of industrial parks were developed by private enterprises (mostly foreign) which started as manufacturers in Ethiopia and then decided to build industrial areas. Examples of manufacturers that have taken such an initiative include Huajian (a Chinese shoe manufacturer) or Vogue/Velocity (an apparel manufacturer based in the United Arab Emirates). The Ethiopian government put in place many incentives to promote exports and export firms located inside or outside industrial parks can import their inputs duty free, provided that all their production is exported.

Due to the Ethiopian government’s active efforts to attract foreign investments in the textile and apparel sectors and due to some of the advantages of Ethiopia (including low labour costs), the country was able to attract a certain number of Asian apparel manufacturers that set up factories in the recently constructed industrial parks and, also, outside the industrial parks (Oya and Schaefer, 2021). Many of those investors originate from China and the Indian sub-continent. According to data compiled by Altenburg et al. (2020), out of a total of 75 export firms in the textile and clothing sectors based in Ethiopia, 20 are from China, 7 are from India, 4 are from Sri Lanka and 3 are from Bangladesh. This suggests that investors from China and the Indian sub-continent own roughly 45% of export firms operating in the textile and clothing sectors in Ethiopia. For their part, Oya and Schaefer (2021) distinguish three “waves” in the arrival of foreign apparel investors in Ethiopia: a first wave that started before 2010 during which mainly Turkish apparel manufacturers (who mostly targeted the domestic market) came to Ethiopia, a second wave during which Chinese investors - some of whom also targeted the domestic market - set up plants in the industrial park developed by a Chinese private investor (namely, the Eastern Industrial Park) and a third wave after 2014 during which the government actively developed industrial parks that hosted foreign manufacturers who supplied buyers in the apparel GPN.

Changes in the governance of GPNs and their consequences have been widely discussed in the GVC/GPN literature (Azmeh and Nadvi, 2014; Gereffi 2014). In the apparel GPN in particular, the roles and functions of suppliers have significantly evolved over time (Oya and Schaefer, 2021). An increasing number of suppliers – who in great part originate from Asia – have devised sophisticated internationalisation strategies in order to satisfactorily respond to the requirements of buyers in a
constantly evolving global economy. In this regard, a certain number of Asian apparel manufacturers that supply the North American and European markets have become multinationals in their own rights and have started to invest in the construction of manufacturing plants in various locations around the world (Oya and Schaefer, 2021). As it was demonstrated by Azmeh and Nadvi (2014), those investment decisions are influenced by several factors including the search for lower production costs or the evolution of trade agreements. It appeared from the field research in Ethiopia that Asian suppliers of American and European buyers constituted an important part of apparel manufacturers installed in Ethiopian industrial parks. Some of those suppliers were incited by buyers to invest in Ethiopia. A regularly cited example in this regard is the example of PVH Corp., a leading American apparel company that significantly contributed to putting the spotlight on Ethiopia’s potential in apparel manufacturing and which incited some of its suppliers to set up manufacturing plants in Ethiopia. In this regard, PVH Corp. has been the driving force behind the development of the Hawassa Industrial Park which is Ethiopia’s flagship industrial park (Mihretu and Llobet, 2017).

As indicated above, Ethiopia’s participation in the apparel GPN is the result of the government’s pro-active policy and its ability to lobby some key buyers (Mihretu and Llobet, 2017; Oya and Schaefer, 2021). Some of the most obvious advantages offered by Ethiopia are the existence of industrial parks that tend to focus each on one or two industries and the availability of an abundant and cheap workforce. However, the competitiveness of export firms based in Ethiopia and that are installed inside or outside the industrial parks is still compromised by multiple bottlenecks including the lack of reliable energy provision and inefficient (and costly) logistics services. In this regard, interviewees 103 who worked in companies that manufacture textiles and clothing cited three major challenges that they encountered in Ethiopia. Those challenges were the high logistics costs on the Ethiopia-Djibouti transport corridor (including the very high charges at the port of Djibouti; high sea freight and inland

103 Interview, senior official at the Ethiopian Textile and Garment Manufacturers Association (ETGAMA), 27th March 2019, Addis Ababa (Ethiopia). As of 2019, ETGAMA gathered 87 Ethiopian and foreign textile and garment manufacturers. At the time of the fieldwork, the association expected its members to increase to 200 in the near future, given the rapid expansion of the sector. Interview, import/export and logistics manager at a textile and apparel company located outside industrial parks, 25th April 2019, Addis Ababa (Ethiopia). Interview, supply chain manager at a textile company located outside industrial parks, 24th April 2019, Addis Ababa (Ethiopia).
transportation costs), the lengthy and inefficient customs procedures, and the shortage of foreign currencies. It is possible to add to this list of challenges a particularly important one for enterprises located inside industrial parks, which is the high turnover rate (Oya and Schaefer, 2021). As explained by Oya and Schaefer (2021), many workers decide to quit their jobs in industrial parks because of the particularly low wages paid by foreign apparel manufacturers.

Given that short lead times and flexibility are crucial determinants of competitiveness within the apparel GPN, the fact that several apparel manufacturers chose to produce part of their products in Ethiopia despite the lack of efficiency of logistics services along the Ethiopia-Djibouti transport corridor may at first sight constitute a paradox. However, there are multiple reasons that can explain this apparent paradox. In this regard, the representative of a foreign apparel manufacturer\textsuperscript{104} offered an important explanation as to why some foreign apparel manufacturers decided to invest in Ethiopia despite the relative inefficiency of logistics services. This interviewee was the manager of an Indian-based apparel company with factories in India, Bangladesh, Sri Lanka and (recently) Ethiopia. He was at the same time the President of the Association of foreign manufacturers installed in an Ethiopian industrial park specialized in apparel manufacturing\textsuperscript{105}. The interviewed manager considered that cost and time were the two most important parameters to be taken into account when assessing the quality of logistics services and he acknowledged that logistics services in Ethiopia were less efficient than logistics services in other locations in which his company operates. As an example, he explained that transporting a container from the port of Djibouti to his company’s factory in Ethiopia could take between seven to ten days, while in Bangladesh or Sri Lanka, it only took a few hours to transport a container from the port to his company’s factories. However, the manager explained that one of the main factors that attracted his company to Ethiopia was the fact that Ethiopia was part of the African Growth and Opportunity Act (AGOA) agreement which grants products manufactured in Ethiopia a preferential access to the US market. He further explained that the fact that Ethiopia benefits from a preferential access to the

\textsuperscript{104} Interview, manager at a foreign apparel manufacturing company based in a state-owned industrial park and President of the association of manufacturers at this industrial park, 22\textsuperscript{nd} May 2019, Addis Ababa (Ethiopia).

\textsuperscript{105} This association gathered twelve (12) foreign apparel manufacturers located in an industrial park on the outskirts of Addis Ababa.
US market relatively offsets the lack of competitiveness of logistics services for apparel manufacturers that export quite exclusively to the US market. This is the case for his company, which exports about 90% of its products to the US market.

From the discussion above, we can see that three main factors played a great role in attracting predominantly Asian apparel manufacturers to Ethiopia and therefore, in facilitating Ethiopia’s enrollment in the apparel GPN. Those three factors are the Ethiopian government’s pro-active policy, the availability of a cheap and abundant workforce in Ethiopia and the country’s preferential access to the American and European markets through AGOA and the European Union’s “Everything But Arms” (EBA) agreements. In this context, the main question to be asked is whether the development of the apparel industry in Ethiopia can contribute to the creation of regional apparel value chains in the COMESA zone in a context where there are ongoing efforts to improve regional trade logistics and create a continental free trade area.

3.2. Can Ethiopian industrial parks contribute to the implementation of a developmental regionalism agenda in the COMESA zone?

The role that regional hegemons could play in driving the regional integration process in Africa has been discussed in the regional integration literature (Draper, 2012; UNCTAD, 2013). The qualification “regional hegemon” designates the most developed or most influential country in a given region. In particular, investments from those regional hegemons in the creation of RVCs linking their industries with enterprises from neighboring countries is considered as a way of deepening regional integration through an increase of intra-regional trade. South Africa is a good example of a regional hegemon whose enterprises contributed to spurring the creation of RVCs in Southern Africa (UNCTAD, 2019). This is because a certain number of South African industries outsourced part of their manufacturing activities to neighboring countries in the SADC\textsuperscript{106} zone. When it comes to the apparel value chain, South Africa represents an alternative market for manufacturers located in Lesotho or Madagascar that have increasingly supplied South African apparel companies these recent years (Morris et

\textsuperscript{106} SADC is the Southern African Development Community.
By definition, Ethiopia can be considered as an aspiring regional hegemon in the Horn of Africa, especially in light of the fact that the Ethiopian economy has been among the fastest growing economies in Africa over the last decade (Cannon and Rossiter, 2017). In this context, and given the Ethiopian government’s aggressive push for the development of light manufacturing in the country, we can legitimately ask if Ethiopian industrial parks can contribute to the implementation of a developmental regionalism agenda in the Horn of Africa and in the COMESA zone more generally. In the apparel sector, that would imply – among other things - that foreign firms installed in industrial parks create backward linkages with local and regional enterprises by sourcing part of their inputs (mainly textiles and accessories) from Ethiopia and the sub-region.

In the specific case of the apparel industry in Ethiopia, it appeared from the fieldwork that foreign investors in the apparel industry created very few backward linkages with local and regional enterprises. In this regard, three interviewed apparel manufacturers indicated that almost all their inputs were imported from Asia (mainly India and China). Those claims were confirmed by a representative of the Ethiopian Textile and Garment Manufacturers Association (ETGAMA). In particular, the representative of ETGAMA indicated that textile and apparel manufacturers based in Ethiopia imported up to 80% of the inputs needed to produce their finished products, due to the challenges of developing the local cotton sector (among other things). In this regard, he indicated that inputs were mainly imported from China (from where most of the polyester is imported) and India (from where most of the raw cotton is imported). To illustrate his point, the representative of ETGAMA explained that the value of the inputs imported by textile and garment manufacturers based in Ethiopia represented around USD 850 million, while the value of their exports represented around USD 150 million, which clearly shows a trade deficit. He also indicated that most of the textiles and garments manufactured in Ethiopia (and those manufactured

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107 Interview, manager at a foreign apparel manufacturing company based in a state-owned industrial park and President of the association of manufacturers at this industrial park, 22nd May 2019, Addis Ababa (Ethiopia). Interview, import/export and logistics manager at a textile and apparel company located outside industrial parks, 25th April 2019, Addis Ababa (Ethiopia). Interview, supply chain manager at a textile company located outside industrial parks, 24th April 2019, Addis Ababa (Ethiopia).

108 Interview, senior official at the Ethiopian Textile and Garment Manufacturers Association (ETGAMA), 27th March 2019, Addis Ababa (Ethiopia).
in industrial parks in particular) were exported to extra-regional markets (namely, Europe, Asia and North America).  

Nevertheless, a study by the United States International Trade Commission (USITC) considered that Ethiopia was among those African countries that had the greatest potential in transforming the local cotton to manufacture textiles and apparel inputs (USITC, 2009). However, the report noted several challenges that hindered the development of capital-intensive textile industries in Sub-Saharan Africa. Those challenges include the insufficient level of demand for apparel inputs given the underdeveloped apparel manufacturing sectors in Sub-Saharan Africa, the limited access to finance and the limited access to infrastructure (especially the limited access to reliable sources of water and electricity and to viable transport networks). In the case of Ethiopia, some of the interviewees\textsuperscript{110} indicated that the quality of the local cotton did not meet the American and European requirements.

Apart from the low level of development of the Ethiopian cotton sector, an important factor that can explain the very few backward linkages created by foreign investors is that – as indicated above - several foreign apparel manufacturers were attracted to Ethiopia because the country signed preferential trade agreements (PTAs) with the United States and the European Union. In fact, Ethiopia – as many other African countries – benefits from a preferential access to the American and European markets though the AGOA agreement and the EU’s “Everything but Arms” arrangement, respectively. Given that the United States and the European Union are significant markets for many foreign investors installed in Ethiopia, the PTAs signed by Ethiopia constitute a major factor that explains the attractiveness of the country despite the existence of numerous challenges (including those that exist in the Ethiopian logistics sector and which were discussed earlier).

\textsuperscript{109} It is important to note that some textile and apparel manufacturers focus on the domestic market. One of the textile manufacturers interviewed during the fieldwork (a joint venture between Chinese and Ethiopian investors) mainly targeted the domestic market and exported nearly 20\% of its products. Oya and Schaefer (2021) also noted that foreign apparel manufacturers who arrived in Ethiopia before 2010 mainly targeted the domestic market.

\textsuperscript{110} Interview, senior official at the Ethiopian Textile and Garment Manufacturers Association (ETGAMA), 27\textsuperscript{th} March 2019, Addis Ababa (Ethiopia). Interview, import/export and logistics manager at a textile and apparel company located outside industrial parks, 25\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
Regarding the AGOA agreement, it has been well documented in the GVC and GPN literatures that the AGOA agreement (and previously, the MFA\textsuperscript{111}) played a central role in the investment decisions made by apparel manufacturers that mainly (or only) supply the US market. Trade agreements have indeed become one of the key factors that determine the attractiveness of a given location at a given point of time (Azmeh and Nadvi, 2014; Sindzingre, 2014; Pickles et al., 2015; Curran and Nadvi, 2015; Van der Ven, 2015; Morris et al., 2016; UNCTAD; 2019). In this context, the fact that the third-country fabric provision within the AGOA agreement allows for a less stringent enforcement of rules of origins (RoOs) can potentially discourage foreign investors interested by the US market from developing backward linkages with the local and regional economies. As it was explained by Altenburg et al. (2020), the rules of origin associated with PTAs are classified in three categories: RoOs that impose a triple transformation requirement, RoOs that impose a double transformation requirement and RoOs that impose a single transformation requirement. A triple transformation requirement means that—to qualify for a preferential access— at least three stages of the products’ production process (namely, the transformation from fibre to yarn, from yarn to fabric and from fabric to clothing) have to take place in the preference-receiving country. In the case of the double transformation requirement, sewing and the production of one input (namely, the transformation from yarn to fabric) have to take place in the preference-receiving country. Finally, a single transformation requirement means that only sewing is required to take place in the preference-receiving country.

In the framework of the AGOA agreement, the third-country fabric provision imposes a single transformation requirement (UNCTAD, 2019). Therefore, the provision allows for the import of inputs from third countries or, in other words, it exempts countries that are part of the agreement from sourcing inputs exclusively from the following sources: locally, from the US or from other AGOA countries. In an article in which they discussed the internationalisation strategies of Asian apparel manufacturers, Azmeh and Nadvi (2014) discussed the example of an apparel manufacturer from Hong Kong that decided to establish a vertically integrated production site in Lesotho (which participates in the AGOA agreement) mainly because it was initially planned that the third-country fabric provision would be introduced temporarily. This encouraged this

\textsuperscript{111} The Multifibre Arrangement (MFA) imposed limits (or quotas) on the quantity of apparel that could be exported by most countries (including major apparel exporters) to the United States, Europe and Canada (Altenburg et al., 2020).
Asian apparel manufacturer - which exports to the US market - to import cotton from other African countries and invest in the establishment of textile manufacturing plants. However, as the third-country fabric provision was subsequently repeatedly renewed, this manufacturer could not realise the profits it initially expected from those investments. Given the difficulty for developing countries to meet the requirements of stringent RoOs (such as RoOs imposing a double or triple transformation requirement), development partners have progressively set more flexible RoOs for apparel products in order to allow more developing countries to take advantage of their preferential access to the markets of developed countries (Curran and Nadvi, 2015; Van der Ven, 2015; UNCTAD, 2019). As a result, the Everything But Arms agreement after 2011 and the AGOA agreement impose a single transformation requirement. However, as it was shown by Curran and Nadvi (2015), more flexible RoOs can constitute a disincentive for the development of backward linkages and can keep countries in the position of performing low value-added assembling activities while the imposition of a double transformation requirement can stimulate the development of local textile industries. Curran and Nadvi showed in particular how the imposition of a double transformation requirement in the pre-2011 version of the EU’s Everything But Arms agreement stimulated the development of textile industries in preference-receiving Bangladesh.

In the apparel GPN, investments from foreign investors with low levels of embeddedness in host countries obviously pose a problem of sustainability (Azmeh and Nadvi, 2014; Tati, 2014). As Azmeh and Nadvi (2014) argue, many of the Asian manufacturers that have an internationalisation strategy can rapidly exit from a location once the factor that attracted them to that location in the first place is no longer relevant. When the factor of attractiveness is trade agreements - such as the AGOA agreement – the volatility risk can be even higher. A well-known example in this regard is the Multifibre Arrangement (MFA) which prompted many Asian apparel manufacturers to outsource part of their production activities to some African countries, only to suddenly withdraw from those locations when the MFA was phased out (Sindzingre, 2014; Morris et al., 2015). In the framework of the MFA, countries were allowed to export garments to the American, European and Canadian markets up to a pre-determined quota. Given that many African countries did not have the required productive capacities to manufacture garments for export, a certain number
of Asian manufacturers (that reached their quotas) started manufacturing in some of those African countries that did not use their quotas and exported from those African locations. However, those investments were only motivated by short-term objectives as proven by the sudden withdrawal of those Asian apparel manufacturers when the MFA was terminated in 2005.

The discussion above shows that the current situation in Ethiopia is similar to the situation in Kenya, Lesotho and Swaziland where the potential for local economic actors to upgrade in the apparel GPN has been limited given that those countries attracted mainly transnational investors with limited embeddedness in the host country (Morris et al., 2016; Tati, 2014). Likewise, the potential for the creation of RVCs with this type of foreign investors also appears to be limited given that the development of the textile industries in all the aforementioned countries has been very limited. Nevertheless, in the case of Madagascar and Lesotho, it appears that Mauritian and South African investments in their apparel industries prompted the creation of RVCs (Morris et al., 2016). In this regard, Van der Ven (2015) notes that Madagascar was able to satisfy the double transformation requirement of the EU’s Cotonou Agreement by importing textiles from Mauritius given that the Cotonou Agreement allowed imports from ACP countries. The fact that Mauritian investors invested in the apparel sector in Madagascar facilitated this process.

The sourcing requirements of buyers is an additional factor that may hinder the creation of backward linkages with host economies (Morris and Barnes, 2008; COMESA, 2009). According to two representatives of foreign apparel manufacturers based in Ethiopia112, suppliers generally follow buyers’ instructions regarding the sourcing of their inputs. This is one of the several illustrations of the fact that the apparel value chain is a buyer-driven value chain and that, even though the roles and functions of suppliers have increased significantly these recent years (Azmeh and Nadvi, 2014), global buyers are still the ones coordinating the organisation of the apparel GPN (Morris and Barnes, 2008). In this regard, Oya and Schaefer note that

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112 Interview, manager at a foreign apparel manufacturing company based in a state-owned industrial park and President of the association of manufacturers at this industrial park, 22nd May 2019, Addis Ababa (Ethiopia). Interview, import/export and logistics manager at a textile and apparel company located outside industrial parks, 25th April 2019, Addis Ababa (Ethiopia).
the apparel GPN is now characterized by a greater concentration among global buyers that increases competition among suppliers who must satisfy buyers’ requirements by constantly lowering their prices and cutting their delivery times. In the specific case of the aforementioned two apparel manufacturers that I interviewed, their buyers requested them to source their inputs from non-African countries due to quality requirements. Moreover, according to a report from the USITC (2009) that analyzed the potential of Sub-Saharan African countries in the production of textiles and apparel inputs, buyers can also request that their suppliers source inputs from non-African sources if the latter are able to “respond more quickly” to demand compared to less competitive African producers. This seems to suggest that improving the quality of inputs produced in Africa and rendering them more accessible (by reducing cross-border transport costs) may not be sufficient to make manufacturers buy their inputs from African sources (rather than importing them from outside the continent) because of the structure of the apparel GPN (COMESA, 2009). The USITC report argues that this situation is caused by the fact that buyers and their suppliers need to adapt to increasingly short fashion cycles by constantly reducing “order-to-delivery lead times”. The problem related to the inputs sourcing requirements of buyers has been recognized by COMESA whose “regional strategy for cotton-to-clothing” plans to put in place initiatives aimed at lobbying global buyers so that they consider African economic actors as potential suppliers of inputs for the apparel industry. In this regard, COMESA stated in its strategy document that “the need to promote matchmaking is paramount in order for buyers to be familiar with manufacturers from the region in order to inform their sourcing decisions” (COMESA, 2009: 17).

In the case of Ethiopia, another important factor that affects the dynamics of regional integration and the potential creation of RVCs is Ethiopia’s longstanding wariness of regional trade agreements. In this regard, it is worth noting that Ethiopia has for example never joined the COMESA Free Trade Area (FTA). One of the Ethiopian government officials113 interviewed explained that – in the past - Ethiopia was not willing to join the COMESA FTA (and the WTO) because the country wanted to protect its nascent industries. Given this situation, interviewed economic actors considered

113 Interview, senior official at the Ethiopian National Planning Commission, 5th April 2019, Addis Ababa (Ethiopia).
that some of the main challenges that hinder Ethiopia’s trade with other African countries had to do with customs regulations and the fact that Ethiopia does not belong to any customs union on the continent. For instance, a senior manager at an important American apparel company\textsuperscript{114} indicated that – contrary to Kenya or Lesotho (a landlocked country from which his company used to source its products) – Ethiopia does not belong to a customs union, which makes it difficult for Ethiopia to trade with other African countries. For example, Kenya’s trade with Uganda and Tanzania is facilitated by the fact that the three countries belong to the East African Community (EAC).

Finally, the limited productive capacities in African countries and the challenges of developing efficient intra-African transport and communication infrastructure are still major impediments for the development of intra-regional trade in intermediate goods. In this regard, a senior official at UNCTAD\textsuperscript{115} argued that the fact that manufacturers based in Ethiopia import inputs from countries like China rather than neighbouring countries indicates that “the (current) business model does not support intra-African trade”. It is interesting to note here that a manager at a textile and clothing manufacturing firm based in Ethiopia\textsuperscript{116} explained that his company (which currently imports raw cotton from India to produce cotton yarn) used to import raw cotton from Burkina Faso but stopped doing so some years ago. He explained his company’s decision to stop importing raw cotton from Burkina Faso by three main reasons: the fact that vessels were not available on a weekly basis, the (non-satisfactory) quality of the cotton produced in Burkina Faso and its expensive unit price. He also added that importing raw cotton from India takes around 10 days while importing raw cotton from Burkina Faso takes approximately 25 days. A manager at another Ethiopian textile company located outside industrial parks\textsuperscript{117} indicated that his company was currently exploring the possibility of exporting its finished products to Sudan, Kenya and Tanzania. He stated that the main challenge to exporting to those countries was the security situation in Ethiopia and in the neighboring countries. As a result, his company

\textsuperscript{114} Phone interview, logistics manager at an American apparel company (a “buyer” in the GPN terminology), 17\textsuperscript{th} April 2019.
\textsuperscript{115} Interview, senior official at UNCTAD, 4\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
\textsuperscript{116} Interview, import/export and logistics manager at a textile and apparel company located outside industrial parks, 25\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
\textsuperscript{117} Interview, supply chain manager at a textile company located outside industrial parks, 24\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
was exploring the possibility of exporting to Kenya and Tanzania by sea (via the port of Mombasa) but one of the problems was the expensive cost of this mode of transport. According to the senior manager at the American apparel company\textsuperscript{118}, intra-African trade by sea is “largely opportunistic” and to his knowledge, only one major carrier deliberately entered this niche market. It is interesting to note here that during interviews for the case study on the Dakar-Bamako transport corridor, a senior manager at the Senegalese company ICS\textsuperscript{119} (the largest producer of phosphoric fertilizers in Sub-Saharan Africa) considered that the development of maritime transport between African countries would contribute to facilitating his company’s sub-regional activities, given the limitations of road transport. The question would then be: why maritime transport between African countries has received so little attention from governments and major carriers alike? This question will be discussed in the following chapter on the geopolitical dimension of transport corridors. These examples illustrate both the problem related to limited productive capacities (with the difficulty for African cotton producers to produce at a satisfactory quality level) and the long-lasting problem of developing relevant intra-African trade routes, which means that the costs of intra-African trade are still prohibitively high.

When it comes to the possibility for the replication of the flying geese paradigm in Africa following China’s recent engagement in the continent, an analysis of the Ethiopian textile and apparel sector could offer preliminary answers given that an important part of foreign apparel manufacturers in Ethiopia originate from China. I will rely on secondary data to analyse the characteristics of those Chinese investors and their linkages with local and regional firms. In a study on the recent dynamics in the apparel industry, Altenburg et al. (2020) did not find the evidence of a replication of the flying geese paradigm in Africa. They explain this by the fact that Chinese textile and apparel manufacturers generally express a certain reluctance to invest in Africa given that they tend to perceive African countries as being particularly risky investment destinations. Moreover, those manufacturers tend to relocate in Southeast Asian countries or invest in new technologies in order to counterbalance the effects of rising wages in China. Nevertheless, Altenburg et al. (2020) argue that in Ethiopia, contrary

\textsuperscript{118} Phone Interview, logistics manager at a foreign apparel company (a buyer), 17\textsuperscript{th} April 2019.

\textsuperscript{119} Interview, senior manager at the ICS (Chemical Industries of Senegal), 28\textsuperscript{th} November 2018, Dakar (Senegal).
to other Asian apparel manufacturers that invested in the country, some Chinese firms have invested in the establishment of vertically integrated companies that manufacture a range of products from textiles to garments. However, Altenburg et al. (2020) argue that even though those Chinese investors invested in the capital-intensive textile industry, they tend to have limited linkages with the local cotton sector. Another study by Brautigam et al. (2018) tried to look for evidence that Chinese manufacturing firms were creating a flying geese pattern in Africa. Their study focused on Chinese investments in the following four African countries: Ghana, Nigeria, Tanzania and Ethiopia. According to Brautigam et al., Chinese manufacturing firms in Africa could be classified in the following four categories of “geese”: “geese seeking raw materials”; “large, global supply chain geese”; “strategic market seeking geese” and “small geese travelling together”. Regarding Chinese investments in the Ethiopian textile and apparel sector, Brautigam et al. (2018: i41) indicate that “between 2012 and 2015, ten new Chinese garment factories, dying, spinning and weaving mills were set up” in Ethiopia and that most of those investors were interested by the Ethiopian and regional markets. Moreover, they argue that a relatively small number of Chinese investors decided to invest in the shoe and garment manufacturing sectors in Ethiopia in order to benefit from lower wages and the country’s preferential access to the American and European markets. Brautigam et al. classify those last investors in the second category of geese, namely: “the large, global supply chain geese” and argue that they tend to be concentrated inside industrial parks even though most Chinese investors in the Ethiopian manufacturing sector were located outside industrial parks. However, they found that, overall, Chinese firms have generally transferred limited technologies and skills to African enterprises. Generally speaking, a major problem associated with recent Chinese FDI flows to Africa is that they did not stimulate the creation of sufficient linkages between Chinese firms and enterprises from the FDI recipient countries (Tang, 2015; Cheru and Oqubay, 2019; Calabrese and Tang, 2020). Even though the study conducted by Brautigam et al. seems to confirm the fact that a number of Chinese firms have invested in the textile industry in Ethiopia and have therefore invested in the production of apparel inputs, the study does not provide the evidence of the emergence of a clear flying geese pattern in Africa in general and Ethiopia in particular. Furthermore, when it comes to the Ethiopian apparel manufacturing sector, the study confirmed that PTAs played an important role in the investment decisions made by investors that have the capacity to initiate a flying geese pattern (namely, the
“large, global supply chain geese”). As discussed earlier and as argued by some scholars, when the main factor that attracts apparel manufacturers to a given location is PTAs, there is a risk that those manufacturers have a limited degree of embeddedness in the host country and therefore, have a limited developmental impact on the local and regional economies (Morris et al., 2015). Taking the example of the apparel industry in Ethiopia that was discussed in this section, the following section will discuss the challenge of aligning national policy objectives with the regional and continental roadmaps defined by regional and continental institutions in matters related to industrial policy.

Section 4: National industrialization strategies in the context of the implementation of the African Continental Free Trade Area

The alignment between the objectives of national industrialisation strategies and the regional integration agenda is important to analyse in the current context where the African Continental Free Trade Area (AfCFTA) is being implemented. As indicated in the previous section, Ethiopia engaged these recent years in the construction of industrial parks as part of a national development strategy focused on the development of labour-intensive light manufacturing.

The development of apparel manufacturing in Ethiopian industrial parks was made possible because of the convergence of interests between the Ethiopian state and Asian apparel manufacturers. Moreover, the rolling out of China’s BRI and rising labour costs in China have promoted the simultaneous development of transport infrastructure, SEZs and industrial parks in countries that are part of the BRI. In the framework of the BRI, the Ethiopian and Djiboutian states received loans from the Chinese government to rehabilitate sections of the Ethiopia-Djibouti transport corridor. Furthermore, even though their link to the BRI is not formally established, a number of industrial parks in Ethiopia were built with the assistance of Chinese construction companies. In addition, at least one Chinese manufacturer developed a private industrial park in Ethiopia and several Chinese apparel manufacturers set up factories in Ethiopian industrial parks. It is clear that all these developments will have positive or negative repercussions on the implementation of a developmental regionalism
agenda in the Horn of Africa and in East Africa more generally. There are three main reasons for this. First, in order to achieve the kind of structural transformation needed to boost intra-African trade in higher value-added products (and intermediate goods particularly), there needs to be an alignment between the objectives of national industrialisation strategies and the regional integration agenda. Second, the effectiveness with which national industrialisation strategies support the regional integration agenda (and developmental regionalism in particular) partly depends on the interests and strategic objectives of foreign manufacturers that invest in African countries. Third, the fact that some African countries (like Ethiopia and Djibouti) are part of the BRI and, therefore, received Chinese loans for the development of cross-border transport infrastructure should have implications for the success with which the developmental regionalism agenda will be implemented. This is because, in the case of Ethiopia, the aforementioned recent developments affect two of the three dimensions of developmental regionalism, that is to say: the development of connective infrastructure (through the enrolment of Ethiopia and Djibouti in the BRI) and structural transformation (through investments made by Asian manufacturing firms in the apparel sector for example).

Ultimately, the dependence of regional hegemons (and Ethiopia can be considered as one) on foreign investments to build up manufacturing bases in target sectors will mean that the creation of RVCs will be subject to the strategic interests of foreign investors and the dynamics that exist in each target sector. Even though some scholars view the cooperation between China and Ethiopia in the areas of infrastructure development and manufacturing as an evidence of the fact that African states can exercise a certain degree of agency in their relations with powerful extra-regional actors (Cheru and Oqubay, 2019), the discussion above leads us to interrogate the implications of a heavy reliance on foreign businesses for the development of local skills and the creation of RVCs in specific contexts where the bargaining power of states appears to be limited or the requirements imposed on foreign investors are few. When it comes to the regional integration agenda, the example of the apparel GPN shows that – depending on the motives of the investors privileged by governments in their industrialisation strategies and the power relations between those investors and governments – the impacts on the implementation of a developmental regionalism agenda will be different. In this section, I will start by
discussing how Ethiopia’s transport infrastructure development policy supports Ethiopia’s national industrialisation strategy and the extent to which it aligns with a developmental regionalism agenda. Then I will discuss the coherence between Ethiopia’s national industrialisation strategy and the objectives of the developmental regionalism agenda and in particular, the objectives of the AfCFTA.

4.1. Ethiopia’s transport infrastructure development policy and the regional integration agenda

The construction or rehabilitation of cross-border transport corridors has a dual objective. On one hand, it is expected to contribute to the creation of RVCs in the framework of a developmental regionalism agenda. On the other hand, it is one of the policy instruments used by states to attract foreign investors and promote the participation of their countries in GPNs. As a result, it is important to understand the articulation between GPNs and RVCs, and more specifically how the enrolment of a given location in a GPN can affect the creation of RVCs and vice versa.

One of the most significant transport infrastructure development projects that was recently implemented along the Ethiopia-Djibouti transport corridor was the construction of the Addis-Djibouti railway. While the implementation of several cross-border infrastructure projects in Africa is hindered by the problem of mobilizing financial resources, the implementation of a project like the rehabilitation of the Addis-Djibouti railway seems to have been facilitated by the inclusion of Ethiopia and Djibouti in the Chinese BRI (Styan, 2020). The interviews conducted with Ethiopian government officials120 clearly show that the Ethiopian government actively pushed for the construction of the Addis-Djibouti railway in order to enhance the competitiveness of manufacturers based in Ethiopia (located inside or outside industrial parks) that are competing with other manufacturers in other locations in the world. When it comes to the textile and apparel industries, a representative of ETGAMA121 estimated that logistics costs were the biggest expense item for textile and apparel manufacturers.


121 Interview, senior official at ETGAMA, 27th March 2019, Addis Ababa (Ethiopia).
based in Ethiopia. Given the heavy reliance of those manufacturers on imported inputs, they face the cost of logistics twice: when they import inputs and when they export the finished products. In this context, the improvement of transport infrastructure on the Ethiopian section of the Ethiopia-Djibouti corridor can be viewed as one of the policy measures taken by the Ethiopian government to support its industrialisation strategy. Therefore, in the framework of a developmental regionalism agenda, it is important to know the extent to which this industrialisation strategy supports the objective of boosting intra-African trade in higher value-added products.

As we have already seen, Ethiopian industrial parks aim to boost exports towards extra-regional markets (mainly the American and European markets). The recent rehabilitation of the Addis-Djibouti railway and other recent investments in the development of transport infrastructure along the transport corridor (including the upgrading of port installations in Djibouti) are expected to contribute to achieving this objective. For the moment, Ethiopian industrial parks are doing little to enhance intra-African trade in inputs, especially in the textile and apparel industries which occupy an important place within Ethiopian industrial parks. The example of the apparel industry in Ethiopia shows that the development objectives of individual states combined with the interests of extra-regional actors (such as buyers and suppliers) ultimately determine the orientation of trade along cross-border transport corridors. Moreover, the fact that Ethiopia and Djibouti are part of the Chinese BRI also implies that China’s strategy in the Horn of Africa affects the dynamics of trade in this sub-region. In this regard, the evolution of trade exchanges along this corridor clearly signals an important development of the Africa-Asia trade route. This is consistent with the trend observed in other parts of the continent where the Africa-Asia trade route has gained an increasing importance relatively to the old Africa-Europe trade route (Debrie, 2012). In this context, China invested in a certain number of African ports and a Chinese State-Owned Enterprise - China Merchant Ports - acquired a stake in the Port of Djibouti.

It is clear that the development objectives and industrialisation strategies of regional hegemons - which tend to have a significant impact on the dynamics of intra-regional trade exchanges in their sub-regions – have a significant impact on the creation of RVCs. As a result, the discussion above confirms the argument that – ultimately - the
dynamics of intra-regional trade exchanges is a function of the following two parameters: (i) the state of domestic politics and (ii) the balance of power between individual states and foreign or domestic businesses. In the case of Ethiopia, these two parameters greatly determine the cost of trade (especially logistics costs) and the type and outcomes of the industrial policy pursued by the Ethiopian state.

4.2. Ethiopia’s industrialisation strategy within the developmental regionalism agenda

When asked about the possibility that Ethiopian industrial parks contribute to boosting intra-African trade in intermediate goods or contribute to the implementation of a developmental regionalism agenda, interviewees who worked in international organizations indicated that they believed that Ethiopian industrial parks could play a positive role in boosting intra-African trade (in the future). The ratification in March 2019 of the AfCFTA by the Ethiopian Parliament seems to signal a positive development in this regard. As indicated earlier, Ethiopia has had a longstanding wariness regarding regional trade agreements and has never joined the COMESA Free Trade Area for example. Hence, it will be interesting to analyse what has changed in the meantime and observe how the attitude of the country towards regional free trade areas in Africa has evolved. For the time being, the interviews conducted suggest that Ethiopian industrial parks are quite exclusively trading with extra-regional markets and the Ethiopia-Djibouti transport corridor mainly links Ethiopia to those markets. After admitting that the Ethiopia-Djibouti transport corridor was not really promoting intra-regional trade, some of the interviewees - particularly those working in international organizations - argued that activities on the corridor could potentially transform Djibouti into a logistics hub, which would (according to them) constitute a positive development.

Regarding the place of SEZs or industrial parks in the future continental free trade area, an academic (who had knowledge of the ongoing negotiations for the establishment of the AfCFTA)\(^\text{122}\) indicated that negotiators have had difficulties deciding which treatment SEZs should receive within the continental free trade area.

\(^{122}\) Interview, Professor of Law at the University of Leicester, 3\(^{rd}\) July 2019, Addis Ababa (Ethiopia).
One of the main issues discussed during the AfCFTA negotiations was the conditions under which enterprises located within SEZs (or industrial parks) would be permitted to access the continental free trade area, knowing that those enterprises benefit from advantages such as the possibility to import their inputs duty free (UNCTAD, 2019). In other words, the question is whether products that originate in SEZs should benefit from a preferential treatment. The assumption of African regional organisations here is that enterprises located in SEZs or industrial parks will want to gain access to an attractive continental market of more than a billion potential consumers. In such case, the issue that negotiators considered was how to ensure a level playing field for all enterprises competing in the continental market so that enterprises located inside SEZs or industrial parks (which benefit from tax exemptions for example) do not have a significant advantage over their competitors that do not benefit from similar advantages. This refers to the concept of “unfair competition” and the challenge for AfCFTA negotiators has been to determine what constituted an unfair competition (UNCTAD, 2019). Nevertheless, two of the interviewees explained that they did not have plans to export to African markets in the near future. The representative of the Indian supplier in particular indicated that his company was more focused on the American market and that the AGOA agreement played a determinant role in his company’s decision to open a factory in Ethiopia.

As we have seen in the previous sections, countries like Ethiopia, which bet on Foreign Direct Investments (FDI) flows to boost their exports of manufactured goods, must ensure that foreign investors develop linkages with local economies and transfer knowledge and technologies to local enterprises in order for those countries to build sustainable manufacturing bases. In this regard, the representative of ETGAMA indicated that the Ethiopian government was working with actors of the textile and clothing sectors to find ways of promoting linkages between foreign investors and local enterprises. As we have seen with the example of Ethiopia and the apparel GPN, the sustainability of foreign investments and their ability to contribute to the structural transformation of the economies of host countries are not guaranteed. On one hand,

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123 Phone Interview, logistics manager at a foreign apparel company (a buyer), 17th April 2019. Interview, manager at a foreign apparel manufacturing company based in a state-owned industrial park and President of the association of manufacturers at this industrial park, 22nd May 2019, Addis Ababa (Ethiopia).

124 Interview, senior official at ETGAMA, 27th March 2019, Addis Ababa (Ethiopia).
this is explained by the evolution of the global economy, the resulting evolution of the configuration of several global industries and the ever-changing strategies of buyers and suppliers to adapt to this constantly evolving global economic environment. On the other hand, this is also explained in the Ethiopian case by a lack of technological capabilities of domestic firms, a quite troubled relation between the Ethiopian state and the local private sector and the problem of developing a capital-intensive textile industry in a low-income country.

When it comes to the developmental regionalism agenda, it is evident that its successful implementation depends on how well national industrialisation strategies support the goal of creating RVCs. This will in turn determine the degree of success with which policies that support national industrialisation strategies – such as transport infrastructure development – can contribute to boosting intra-regional trade. The example of Ethiopia and the apparel GPN highlighted a number of factors that influence the creation of RVCs. Those factors can be classified in two categories: external factors over which states have little or no control and factors that depend on the policy orientations of states. In the case of the apparel sector, external factors include the structure of the global apparel industry and, in particular, the great influence of buyers over decisions taken by suppliers. As indicated earlier, buyers in the apparel GPN have a considerable influence over several issues including the origins of inputs used by their suppliers. In this regard, the quality requirements of American and European buyers regarding apparel inputs tend to be difficult to satisfy by African cotton producers. For instance, the representative of ETGAMA indicated that a great part of the cotton produced in Ethiopia was “contaminated”. This problem of “cotton contamination” is not unique to Ethiopia and exists in other African countries. In its regional strategy, one of the key programmes defined by COMESA is to raise the productivity of the cotton sector and improve the quality of the cotton produced in the COMESA zone by - among other things – addressing the problem related to the contamination of a great part of the cotton produced in COMESA member states. In addition, the development of textile industries has long been problematic in the African context due to multiple challenges such as insufficient demand for apparel inputs, the

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125 Interview, senior official at ETGAMA, 27th March 2019, Addis Ababa (Ethiopia).
difficulty for textile companies to access financing or to access reliable sources of water and electricity in order to scale up production (USITC, 2009).

Another factor that has an influence over the creation of apparel RVCs is the design of PTAs and, especially, their provisions regarding rules of origins (UNCTAD, 2019). Even though they can contribute to boosting the exports of manufactured goods from developing countries, trade preferences are often designed with the view of protecting the interests of specific groups within developed countries (Pickles et al., 2015). The interviewed academic\textsuperscript{126} argued that one of the objectives of the continental free trade area will be to increase the collective bargaining power of African countries so that they can “negotiate better terms with external players”. However, for the time being, PTAs tend to have an important impact on regional integration dynamics, especially through the type of rules of origins that are imposed on developing countries (Altenburg, 2020). In the case of foreign investors attracted to African locations because of their preferential access to the US and the EU markets, the rules of origin associated with PTAs can incite them to set up vertically integrated production facilities and/ or develop backward linkages with local firms or firms from neighbouring countries (Azmeh and Nadvi, 2014; Pickles et al., 2015; Van der Ven, 2015; Curran and Nadvi, 2015). It appears however that the current norm is to define more flexible rules of origins for apparel products exported by preference-receiving low-income countries in order for them to benefit from their preferential access to the US and EU markets in view of the low level of development of textile industries in many developing countries (Van der Ven, 2015; Curran and Nadvi, 2015). The result has been that a number of countries (especially in Africa) have been able to increase their exports to the US and to the EU thanks to investments from foreign manufacturers. Nevertheless, those foreign investors have generally created few backward linkages with local and regional enterprises in the African context and several preference-receiving African countries end up performing low value-added manufacturing activities without great prospects for upgrading.

Still, given that several countries in Africa are cotton producers, an important question to be asked is whether the few textile companies based in the continent can easily

\textsuperscript{126} Interview, Professor of Law at the University of Leicester, 3\textsuperscript{rd} July 2019, Addis Ababa (Ethiopia).
import raw cotton from other African countries and create the type of RVCs called for by African regional organisations. It appears that trading within Africa is still problematic as evidenced by the example discussed in the previous section that shows how costly and lengthy the process of transporting raw cotton from Burkina Faso to Ethiopia - for instance - can be. This poses the question of which regional transport infrastructure projects receive sufficient financial resources for their implementation and why. In an African context where financial resources are scarce and as a result, the implementation of regional infrastructure projects can be compromised, the Chinese loans that are extended under the BRI can be considered as a boon for African states in need for financing. In the case of the Ethiopia-Djibouti transport corridor, its rehabilitation has more developed the Africa-Asia trade route than it has developed intra-African trade routes. It must however be acknowledged that the structure of the Ethiopia-Djibouti transport corridor (which links a large landlocked country with a tiny transit country whose economy revolves around its port) may not be conducive to a substantial increase in intra-African trade exchanges. Perhaps, with the envisaged IGAD plan to construct the missing links of the “broader” Djibouti corridor (linking Uganda, South Sudan, Ethiopia and Djibouti) and the implementation of the AfCFTA, one may expect a development of intra-African trade routes and of intra-African trade exchanges. However, this remains speculative as the two issues related to the financing of regional transport infrastructure projects and the implementation modalities of the AfCFTA are likely to be difficult to resolve.

This leads us to consider the problem associated with the development of productive capacities in the context of the implementation of the AfCFTA. This issue reflects the broader problem of aligning national industrial policies with the regional integration agenda or, in other words, the longstanding problem of developing regional industrial policies (Sloan, 1971; Ravenhill, 1979). This factor is the most consequential factor for the dynamics of intra-African trade and it is the factor that reflects the most the orientations and priorities of individual states. The example of Ethiopia and the apparel industry shows that cooperation between states, the AUC and RECs could enable a better exploitation of the economic complementarities between COMESA member states for example. In the specific case of Ethiopia, the fact this country has never been part of the COMESA Free Trade Area shows the reluctance that some countries may have had in the past to open their economies to neighboring countries. A
A legitimate question to ask in this context is whether the implementation of the AfCFTA will succeed in changing intra-regional trade dynamics by enabling a better coordination of national industrial policies. This question is all the more important that the orientations of national industrial policies respond - above all - to domestic realities and imperatives. In the case of Ethiopia, we have seen that the factors explaining the policy choices of the state include the low technological capabilities of domestic firms, the shortage of foreign currencies and a desire to emulate the “Chinese model” of export-led economic growth while maintaining a strict control of the state over the economy. The case of Ethiopia is far from being singular in Africa given that many other countries (especially in the COMESA zone) also rely on foreign investors with low levels of embeddedness to enter the apparel GPN and boost their exports of manufactured goods. The apparel industry offers an example where the strategic orientations of individual states do not seem to support the creation of RVCs, despite the existence of potential complementarities between countries. In the case of the Ethiopia-Djibouti transport corridor, one of the main goals of its rehabilitation is obviously to support the activities of foreign firms which may not necessarily create backward linkages with local and regional enterprises. In the Ethiopian apparel sector for example, foreign direct investments have effectively promoted the participation of Ethiopia in the apparel GPN but - in the same vein as many other African countries - local economic actors tend to be involved in low skill assembly activities with no clear prospects for upgrading within the GPN.

**Conclusion**

This chapter showed how the direction of trade along cross-border transport corridors is determined by the industrial policies adopted by individual states. Depending on the strategic orientations of states, cross-border transport corridors facilitate intra-regional trade or facilitate the enrolment of African locations in GPNs but with the risk that this enrolment undermines the development of RVCs. The issue of the alignment of national industrialisation strategies with the developmental regionalism agenda reflects the old problem of formulating regional industrial policies in a context where states may have diverging interests and priorities (Sloan, 1971). Without an effective coordination at the regional level and the formulation of a regional industrial policy,
regional transport infrastructure can reinforce the traditional detrimental trade dynamics that maintain African countries at lower stages of GPNs.

In the case of the apparel industry in Ethiopia, the heavy reliance on foreign businesses to develop this industry and the decisive impact that PTAs have on the investment decisions made by those foreign businesses mean that the interests of extra-regional actors risk taking precedence over the regional integration agenda of creating RVCs. If foreign businesses have a very limited degree of embeddedness in host countries, this will negatively affect the creation of backward linkages with local and regional enterprises. As a result, cross-border transport infrastructure that are prioritised by governments to support the activities of those extra-regional actors may not serve well the objectives of boosting intra-regional trade. In the case of the Ethiopia-Djibouti transport corridor (which is part of the major regional transport infrastructure projects expected to strengthen regional integration in East Africa), the direction of trade along this corridor obviously points to the enhancement of the Africa-Asia trade route. This is coherent with the objectives of China’s BRI, which includes the Ethiopia-Djibouti transport corridor.

The example of Ethiopia and the apparel industry shows the challenge of ensuring that the interests and the strategic orientations of individual states are coherent and align with the regional integration agenda. In the case of Ethiopia and the apparel industry, there is obviously an alignment between the interests of the Ethiopian state and the interests of foreign businesses. The policy orientations of the Ethiopian state are, in turn, explained by domestic political factors and the relations between the Ethiopian state and the local private sector. In conclusion, this chapter confirms the argument that the dynamics of intra-regional trade are strongly determined by the state of domestic politics and the balance of power between individual states on one hand and foreign and domestic businesses on the other hand. This is the direct consequence of the fact that the state of domestic politics and state-business relations are two important parameters that influence trade costs (as seen in chapter 4) and the industrialisation strategies adopted by states (as seen in this chapter).
CHAPTER 6

AFRICAN PORTS AND THE GEOPOLITICAL DIMENSION OF CROSS-BORDER TRANSPORT CORRIDORS

Introduction

International logistics firms have had a decisive influence over the orientation of transport corridors in the world and in Africa in particular given that transport corridors are above all aimed at facilitating the activities of logistics firms in the spirit of the “logistics revolution” (Coe, 2014). Given that the performance of ports is greatly dependent on efficient transport networks linking ports to their hinterlands (Iheduru, 1994; Harding et al., 2007; Gekara and Chhetri, 2013; Humphreys et al., 2019), the improvement of the condition of transport corridors has been a central preoccupation for major transnational shipping lines and port operators that compete to improve their strategic positioning in Africa (Lombard and Ninot, 2013; Steck, 2015). In this regard, Steck (2015) argues that the agendas of transnational logistics firms align with the African regional integration agenda, which seeks to facilitate the movement of goods and people across borders through the development of cross-border transport corridors.

Despite the recent focus of African regional integration initiatives on the construction of cross-border infrastructure, the implementation of projects aimed at constructing or rehabilitating cross-border transport corridors in Africa proved to be quite challenging due to various issues that include the lack of financing. In a number of circumstances, the implementation of such projects has been made possible by a convergence between the interests of extra-regional actors and the interests of sovereign African states. Among those extra-regional actors, foreign states – and the Chinese state in particular - have invested through their state-owned logistics enterprises in cross-border infrastructure projects across the African continent.
The emergence of major transnational shipping lines and port operators has been the direct consequence of the liberalisation of the maritime transport sector and the privatization of port operations over the last decades (Iheduru, 1993; Haralambides, 2019). On one hand, a few international logistics firms have progressively controlled ocean shipping and have progressively operated a great proportion of ports around the world (Chalfin, 2010; Merk, 2017). On the other hand, African coastal countries have sought to increase the strategic importance of their respective ports, sometimes in contradiction with a strategy based on regional cooperation (Iheduru, 1993).

Today, some of the major port operators at the global level are state-owned enterprises whose strategies often align with the foreign policies of their respective countries. Notable examples in this regard are Chinese port operators and the Emirati port operator Dubai Ports World (DP World) which have recently become major players in the global maritime industry (Merk, 2017; Styan, 2020). The way international logistics firms – be they state-owned enterprises or private entities – have been able to transform the way African ports function has direct implications on the organisation of African transport corridors. In this regard, changes in the organization of African ports over the last decades in order to render them more efficient provoked various responses from the local private sectors. In turn, those responses may or may not compromise the objectives of plans aimed at reforming African ports with a view to reducing the costs of logistics services and improving their efficiency (Lamarque, 2019).

As a result, analysing the development of ports and transport corridors in Africa from a geopolitical perspective is particularly important especially in view of the fact that a certain number of foreign states are increasingly seeking to acquire or operate foreign ports in order to advance their strategic interests (Merk, 2017; Cannon and Rossiter, 2017; Styan, 2020). An analysis taking into account the geopolitical dimension of ports and transport corridors will enable us to better understand the potential impact of changes in the organisation of ports and transport corridors on the implementation of a developmental regionalism agenda in Africa.

This chapter is organized as follows. The first section briefly discusses the evolution of ports and maritime transport in West Africa and aims to analyse how ports in West
Africa have evolved since the waves of liberalization and privatization in the maritime industry that started in the 1980s. The section also discusses how states and local logistics actors have responded to those evolutions and what this implies for the cost and efficiency of logistics services. The second section analyses recent investments in the port of Djibouti within the context of China’s Belt and Road Initiative (BRI). The section also discusses the rationale behind recent initiatives aimed at developing ports and transport corridors in the Horn of Africa. Section 3 takes a broader perspective and discusses the role of African ports in the developmental regionalism agenda. The third section also discusses the challenges of developing intra-African maritime transport to support intra-African trade. The last section concludes.

Section 1: Ports and maritime transport in West Africa

The maritime transport sector is a highly concentrated sector at the global level with a few big transnational companies dominating ocean shipping. In the same vein, a few big transnational companies are operating the majority of port terminals around the world (Merk, 2017). As noted by Chalfin (2010: 580):

Attesting to the global trend of multinational monopolisation of maritime commerce, according to reports from UNCTAD (2008: 80, 86, 98), the top three private shipping lines own nearly 30% of the world fleet; the top four liner conferences control nearly 50% of available capacity; and the top five terminal operators control 50% of world container throughput.

In this section, I will briefly present the processes that led to the formation of some of the biggest transnational companies that currently dominate maritime transport and port operation. I will then discuss the impacts of those trends in the global maritime industry on the evolution of ports in West and Central Africa. The section will finally analyze some of the responses of states and local logistics actors to those evolutions and the way those responses affect the implementation of a developmental regionalism agenda in West Africa and in Africa more generally.
1.1. The evolution of the global maritime industry from a historical perspective and the evolution of maritime transport in West Africa

Given that an in-depth analysis of the evolution of the global maritime industry is beyond the scope of this chapter, I will focus on a number of key phases of the evolution of this industry that contribute to explaining the way African ports currently function. A particularly critical phase in the evolution of the organization of the global maritime industry started with the waves of liberalization and privatization that began in the 1980s which promoted the emergence of two major phenomena (Debrie, 2012). On one hand, the liberalization of the maritime transport sector promoted the emergence of big transnational shipping companies that were formed through successive processes of mergers and acquisitions (Iheduru, 1994). On the other hand, the privatization of port operations - supported by the World Bank - promoted the emergence of a “landlord port model” with the signature of port concession agreements between national port authorities and global port operators becoming the norm for a majority of ports around the world (Harding et al., 2007; Chalfin, 2010; Merk, 2017; Humphreys et al., 2019). Under the landlord port model, states retain the ownership of their ports while port operations are privatized (Chalfin, 2010). According to Iheduru (1994), the aforementioned waves of liberalization and privatization came as a result of a progressive shift at the global level towards a neoliberal vision of the economy championed by the Reagan and Thatcher administrations and International Financial Institutions (IFIs) from the 1980s.

Prior to the wave of liberalization that started in the 1980s, ocean shipping in Africa was mainly controlled by shipping conferences which gathered various shipping lines that collectively reached agreements on various issues including the level of sea freight transport prices (Iheduru, 1993, 1994). As explained by Iheduru (1993), the liberalization of the maritime transport sector from the 1980s enabled independent shipping lines to rise to prominence in West Africa due to essentially two factors. First, those independent shipping lines were able to introduce new technologies in the sector, which gave them a competitive advantage over shipping lines that were part of shipping conferences (Iheduru, 1993). Second, after that some independent shipping lines accused shipping lines belonging to conferences of unfair competition in West Africa, the European Commission’s Directorate of Competition took action at the end
of the 1980s/ beginning of 1990s to guarantee free competition between European shipping lines offering their services to West African states (Iheduru, 1993, 1994; Pedersen, 2001; Harding et al., 2007). Shipping lines belonging to conferences were more particularly accused of monopolistic practices and of colluding with West African governments to fix prices and eliminate potential competitors (Iheduru, 1993, 1994; Harding et al., 2007). The actions taken by the European Commission’s Directorate of Competition significantly contributed to opening up the sector to more competition. In this regard, the Danish shipping line MAERSK was at the frontline of the attempt to combat what it perceived as anti-competitive practices of shipping lines that were part of conferences (Iheduru, 1993; Harding et al., 2007). As a result, the opening-up of the maritime transport sector has been particularly beneficial to independent shipping companies that operated outside conferences such as MAERSK, which has quickly become – and is still today – among the biggest transnational shipping lines in the world (Iheduru, 1993). On the other hand, Iheduru (1994) argues that the measures taken by the European Commission’s Directorate of Competition prompted the biggest shipping lines belonging to conferences to exit those conferences and operate as independent shipping lines. In this regard, Iheduru (1994) cites the examples of SDV and other European shipping companies which dominated West African shipping trade when they were part of conferences and which continued to dominate West African shipping trade after they exited conferences and became independent.

As indicated above, a few transnational shipping lines dominate ocean shipping around the world and the biggest transnational shipping lines that exist today were notably formed through processes of mergers and acquisitions (Iheduru, 1994; Harding et al., 2007; Chalfin, 2010). In this regard, Iheduru (1994) refers to alliances formed between major shipping companies as powerful “maritime consortia”. Some of the biggest transnational shipping lines are also port operators (Debrie, 2012; Merk, 2017). In this regard, Humphreys et al. (2019: 70) note that “many shipping lines have a network of terminals”. In the specific case of West Africa, the biggest port operators compete or form alliances to gain markets in the sub-region (Debrie, 2012). For instance, in the case of the port of Tema in Ghana, Chalfin (2010) notes that the

127 SDV is part of the Bolloré Group. According to Iheduru (1994: 407), SDV was formed in 1992 following the merger of the SNCDV, which was “the transport subsidiary of the Bolloré Transport and Industrial Group” and the SCAC, which was “the largest freight forwarding company in West Africa”.

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container terminal is operated by a consortium named Meridian Port Services (MPS) that includes Bolloré, AP Møller/MAERSK and the Ghana Ports and Harbours Authority.

From a more general perspective, the relationships between some of the big transnational logistics companies and African governments have often been the subject of controversies. For example, the French shipping line Bolloré – which operates a significant part of ports in West and Central Africa either as a single operator or in collaboration with other port operators - has been accused at multiple times of exploiting its ties with African elites to gain market shares in African countries. For instance, a recent report published by Africa Confidential accused the aforementioned MPS consortium of illegally winning the contract for the operation of the container terminal at the port of Tema after that Vincent Bolloré – the head of the Bolloré Group – actively lobbied Ghanaian Authorities. The report also recalled that Vincent Bolloré was sentenced by a French court in 2021 after that he was accused of contributing to the financing of the presidential campaigns of the Togolese and Guinean Heads of States in exchange of being awarded contracts at the ports of Lomé (in Togo) and Conakry (in Guinea). Overall, a central argument of the Africa Confidential report is that the MPS Consortium was able to gain a considerable amount of profit from its activities at the port of Tema – at the expense of Ghana - because of the shady relations between Ghanaian Authorities and the Bolloré Group.

A notable evolution in the shipping industry is that the biggest transnational shipping lines have progressively pursued a strategy of vertical integration with the direct consequence being that those shipping lines are active in virtually all the stages of the logistics value chain from ocean shipping to land transport and warehousing (Chalfin, 2010; Debreie, 2012; Steck 2015; Humphreys et al., 2019). According to Humphreys et al. (2019: 81), “the move toward vertical integration in the port sector is to a large extent fueled by the drive for increased efficiency and for more complete control of the transport chain”. For Steck (2015), the increasing number of activities undertaken by transnational companies across the logistics value chain explains why those

128 As noted by Steck, Bolloré Africa Logistics – a branch of the Bolloré Group – is a major logistics actor in the African continent and it carries out activities in 55 countries including 45 African countries (Steck, 2015).
129 See the special report by Andrew Weir in Africa Confidential dated 25th March 2021.
companies have been increasingly interested in issues ranging from the development of land infrastructure to security policies implemented by states to counter security threats along cross-border transport corridors. The progressive control of the whole logistics value chain by big transnational shipping lines and port operators was somewhat confirmed by some interviewees working in the logistics sector. Indeed, it was possible to see during the fieldwork in Dakar how the growing involvement of transnational shipping lines and port operators in all the stages of local logistics value chains materialized on the ground and it was also possible to see the types of reactions from local logistics actors that this situation provoked. For instance, one interviewee who worked at the Entrepôts Maliens au Sénégal (in English: the Malian Warehouses in Senegal) deplored the fact that big international shipping lines were increasingly competing with African logistics actors at each stage of the logistics chain (including transport). In this regard, this interviewee worried that big transnational firms could soon be able to impose “their prices” in all segments of the logistics industry. He also complained more specifically about the fact that each of the major shipping lines at the port of Dakar (including CMA-CGM, Bolloré and MAERSK) had total control over the determination of their prices. In this regard, this interviewee considered that Senegalese authorities should conduct a more assertive regulatory policy to regulate the actions of big transnational shipping lines. Moreover, some interviewees working in the trucking sector for example claimed that companies such as Bolloré regularly subcontracted the services of local truckers. When it comes more specifically to assessing the way the involvement of transnational shipping companies in the trucking industry affected the cost and quality of trucking services, the assessments given by various interviewees diverged depending on their functions. Interviewees who worked in bodies whose mission is to ensure a smooth movement of goods and persons across borders commended the efficiency of trucking services offered by international shipping lines and were more critical of the quality of services offered by local truckers. In the case of the port of Tema in Ghana for example, Chalfin (2010)

130 Interview, senior manager at the Entrepôts Maliens au Sénégal, 9th November 2018, Dakar (Senegal).
131 Interview, Secretary General of a Senegalese transport union, 14th November 2018, Dakar (Senegal). Interview, Secretary General of a Senegalese trucking union, 14th February 2019, Dakar (Senegal).
132 Interview, official at the Observatory of abnormal practices along the UEMOA transport corridors, 16th November 2018, Dakar (Senegal). Interview, official at Borderless West Africa, 5th November 2018, Dakar (Senegal).
mentioned comparable examples where the involvement of transnational companies at multiple stages of the logistics value chain caused friction with local logistics actors. In this regard, Chalfin gave the example of the conflict over stevedoring rights that erupted in 2008/2009 between the Ghana Association of Stevedoring Companies and the MPS consortium that operates the container terminal.

Overall, the discussion above shows some of the effects of the strategy of vertical integration pursued by major transnational shipping lines and port operators. As argued by Coe (2014), process and functional upgrading in the logistics GPN can take many forms including undertaking an increasing number of activities (by offering multimodal transport services for example). We have seen that in the context of West Africa, the strategy of vertical integration pursued by major transnational companies caused friction with local logistics actors on some occasions. On the other hand, we will see below how this strategy of vertical integration enabled powerful transnational shipping lines and port operators to capture more rents associated with port activities, often to the detriment of importers and/or local consumers. This is because the fact that major transnational firms have opportunities to capture more rents within the logistics value chain does not always translate into reduced logistics costs. I will discuss below two specific issues that have direct implications for the feasibility of the regional integration agenda aimed at reducing trade costs. The first issue is the competition between African ports that was accelerated by the shift towards containerization and the second issue is the way the domestic political economy context affects the efficiency of port reforms aimed at reducing logistics costs and improving their efficiency.

1.2. The competition between West African ports and the impact of the domestic political economy context on ports’ efficiency

The evolution of maritime transport in West Africa since the independence era can be divided into a number of phases which reflect the worldwide trends discussed above. The maritime transport sector was initially one of the key sectors targeted by regional integration initiatives in West and Central Africa and the creation of the Ministerial Conference of West and Central African States on Maritime Transport (MINCONMAR) in 1975 was a notable moment in the history of the organization of the sector in the
sub-region (Iheduru, 1993). According to Iheduru, the main objective of MINCONMAR was to ensure regional cooperation in order for West and Central African states to assert more control over the transport of their maritime cargoes through the creation of national merchant fleets, in line with the objectives of the 1974 UN Code of Conduct for Liner Conferences. This is because the transport of maritime cargoes in the sub-region was traditionally controlled by foreign shipping lines that were members of shipping conferences (which gathered mostly Western shipping lines) that collectively fixed maritime freight rates, often to the detriment of the interests of African states (Iheduru, 1993). In this context, the creation of MINCONMAR supported – among other things - the implementation of the 40-40-20 rule whose objective was to fix a quota of maritime cargoes (equal to 40%) to be exclusively transported by the shipping lines of any developing country engaged in a given bilateral trade (Iheduru, 1993). Iheduru argues that the main reason why MINCONMAR failed to attain its goal was that West and Central African states privileged the short-term gains of pursuing a strategy of competing nationalism over the long-term gains of pursuing a strategy of regional cooperation. For Iheduru, this has resulted in the continued domination of the maritime trade of West and Central African states by foreign shipping conferences and – subsequently – foreign independent shipping lines.

The competing nationalism depicted by Iheduru (1993) reflects the desire of each of the coastal states in the sub-region to transform its port into a transhipment hub. As noted by several scholars, most African ports hardly fulfil the criteria that are required for a port to become a transhipment hub (Harding et al., 2007; Debrie, 2012; Steck 2015). Those criteria include having a high level of traffic, being adequately equipped to receive the largest ships in the world, being highly effective by significantly cutting turnaround times, being strategically located and being connected with the hinterland through quality land infrastructure (Iheduru, 1993; Harding et al., 2007; Steck, 2015; Humphreys et al., 2019). Those essential criteria that are required for ports to be able to become transhipment hubs are in great part explained by the shift towards containerization that began in the 1960s and which represented a “revolution” in the shipping industry (Debrie, 2012; Haralambides, 2019). The shift towards containerization means that ports around the world had to significantly invest in the upgrading of port facilities to be able to receive ships of an ever-growing size (Harding et al., 2007; Debrie, 2012; Steck, 2015; Haralambides, 2019; Humphreys et al., 2019).
As explained by Haralambides (2019), the shift towards containerization supported the emergence of global value chains and enabled firms to adopt new manufacturing processes including just-in-time production methods, which eliminated the need for firms to maintain large inventories. This is because the shift towards containerization improved the predictability of logistics chains and enabled the realisation of economies of scale (Harding et al., 2007; Haralambides, 2019; Humphreys et al., 2019). However, the realisation of economies of scale is a function of the efficiency of ports that are able to receive the largest ships given that ocean shipping costs – especially in the case of the largest ships – are negatively correlated with the time ships spend at ports for the needs of completing port procedures (Harding et al., 2007; Haralambides, 2019).

The shift towards containerization prompted the emergence of a worldwide “hub and spoke system” (Haralambides, 2019; Humphreys et al., 2019). This system entails the introduction of a hierarchy of ports with African ports being classified into three categories: transshipment hubs from where cargoes are redistributed to secondary ports in their regions; secondary ports which serve their local markets and ports that perform both functions by serving their regions and their local markets at the same time (Debrie, 2012; Steck, 2015). More generally, Haralambides and Merk (2020: 7) make a distinction between gateway ports “where a large share of the cargo reaches its destination or has its origin” and transshipment hubs. Under the aforementioned hub and spoke system, the largest ships dock in ports that are transshipment hubs and – subsequently - smaller ships redistribute the cargoes unloaded from the largest ships to the secondary ports of the region (or load cargoes from secondary ports into the larger ships). In other words, the biggest transnational shipping lines dock in the largest ports that are adequately equipped to receive them (Iheduru, 1993; Harding et al., 2007; Haralambides, 2019). For their part, Humphreys et al. (2009: 17) distinguish four categories of ports at the global level (which are global hubs, regional hubs, feeder ports and regional ports) and define a global hub as a port that “is connected to the main global trade routes and is called on by mega ships of up to 20,000 TEU to tranship cargo to both regional and global markets”. African ports have generally not been able to make the shift towards containerization (Harding et al, 2007; Steck, 2015). According to Steck (2015), very few African ports have a container traffic that
exceeds one million TEU\textsuperscript{133} and the three African ports that qualify as hubs in the global system are Port Said in Egypt, Durban in South Africa and Tanger Med in Morocco. Table 4 below indicates the evolution of the container throughput (in TEUs) for Djibouti and Senegal from 2010 to 2019.\textsuperscript{134} The table shows a constant increase of the container throughput for Djibouti and Senegal even though the figures for both countries remain below the one million mark. However, the container throughput for Djibouti was approaching one million TEU during the period under study with a throughput amounting to 932,000 TEUs in 2019.

Table 4: Evolution of the container throughput for Djibouti and Senegal in TEUs

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<tbody>
<tr>
<td>Djibouti</td>
<td>600,000</td>
<td>634,200</td>
<td>659,600</td>
<td>660,000</td>
<td>736,000</td>
<td>910,000</td>
<td>987,000</td>
<td>928,000</td>
<td>859,000</td>
<td>932,000</td>
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<tr>
<td>Senegal</td>
<td>349,200</td>
<td>369,100</td>
<td>383,900</td>
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<td>570,500</td>
<td>555,250</td>
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</table>

Source: UNCTADStat

For Iheduru (1993), a strategy of regional cooperation in West Africa would have consisted in designating a few transshipment hubs in the sub-region and cooperating to develop a regional maritime strategy. Instead, Iheduru (1993) argues that the strategy of competing nationalism - with each coastal state competing to transform its port into a transhipment hub - left countries with underutilized port capacities as a result of overinvestment. In addition to the fact that turnaround times in many African ports are in average very long, the quantity of exports in several African countries is very limited, which result in very limited quantities of cargoes in African ports compared with other ports in the world (Debrie, 2012; Iheduru, 1994; Humphreys et al., 2019). An OECD/ ITF report notes that even in the case of the port of Durban – which is one of the largest ports in Africa – turnaround times are very long compared to other ports in the world (OECD/ ITF, 2014). As a result, Debrie (2012) argues that in West Africa shipping lines have been reluctant to significantly invest in the development of selected hubs in the sub-region because of the aforementioned weaknesses of African ports but also because of security issues in the region, which render large investments even

\textsuperscript{133} According to the OECD Glossary of Statistical Terms, “TEU (i.e. Twenty Foot Equivalent Unit) is the standard unit for counting containers of various capacities and for describing the capacities of container ships or terminals. One 20 Foot ISO container equals 1 TEU”.

\textsuperscript{134} To put these figures into perspective, the world container port throughput reached 811 million TEUs in 2019 (UNCTAD, 2020).
riskier. Nevertheless, Steck (2015) - who uses the phrase “port nationalism” to qualify the competition between African ports - contends that – whatever their strategies might be - even powerful logistics actors have to accept the reality that coastal states tend to prioritize the interests of their own ports.

It is important to note that in Africa the waves of liberalization and privatization of the 1980s occurred in the context of the implementation of Structural Adjustment Programs (SAPs) supported by IFIs (Debrie, 2012). In this regard, Iheduru (1994) argues that West African governments came under pressure from the IFIs and proponents of the neoliberal paradigm to privatize their ports and national shipping lines. For Iheduru, proponents of privatization wrongly asserted that privatization would improve the performances of national ports and national shipping lines and the arguments made about the benefits of privatization often ignored crucial issues that contributed to causing inefficiency problems. Those issues - which have nothing to do with the ownership of ports and shipping lines - include dynamics in the global shipping industry and the political economy context (Iheduru, 1994). The features of the political economy context in Africa and the way this context affects the efficiency of port reforms have been discussed by several scholars. For instance, the domestic factors explaining long dwell times in African ports and the business surrounding the management of dry ports are among the issues that have been discussed in the literature. Dwell times are one of the key parameters used to assess the efficiency of ports around the world as they greatly contribute to determining transit times. One of the key objectives of port reforms is to diminish logistics costs supported by cargo owners and in particular costs caused by long dwell times (Harding et al., 2007).

Before continuing the discussion on the impact of the political economy context on the efficiency of port reforms and the specific example of dwell times, it may be useful to analyse some statistics on the recent performances of the ports of Djibouti and Dakar to help set the context. Tables 5 and 6 indicate the median times in ports for various types of vessels in Djibouti and Senegal according to UNCTAD. Overall, tables 5 and

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135 Raballand et al. define cargo dwell times as “the time that cargo spends within the port or its extension” (Raballand et al., 2012: 1).

136 UNCTAD defines the median time in port as “the median time vessels spent within port limits” (UNCTADStat).
show that the median time spent by all ships in the ports of Djibouti and Dakar has slightly increased for both ports between 2018 and 2019 even though for specific categories of ships, this figure decreased during the period.

In their analysis of the performances of the port of Djibouti, Humphreys et al. provided the following data (based on the World Bank’s computations): the average turnaround times for vessels carrying different types of cargos and the average container dwell time at the port in 2016. The figures given by Humphreys et al. show that vessels that experienced the longest turnaround times at the port of Djibouti in 2016 were vessels carrying dry bulk cargos (which include fertilizers, wheat and similar products) with an average turnaround time of approximately 12 days. This represented the longest average turnaround time for all types of vessels in the group of Eastern and Southern African ports to which Djibouti was compared. When it comes to vessels carrying containers, the average turnaround time for this type of vessel at the port of Djibouti was less than 2 days in 2016, which represented one of the shortest turnaround times among the group of Eastern and Southern African ports studied in the report by Humphreys and colleagues. When it comes to the average container dwell time, Humphreys et al. assessed that this figure was between 5 and 10 days at the port of Djibouti in 2016 and they also recalled that for “the best performing global container ports”, the average dwell time is “less than 48 hours” (Humphreys et al., 2019: 54).

Table 5: Median times in ports in Djibouti (in days) from 2018 to 2020

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>All ships</td>
<td>1</td>
<td>1.0007</td>
<td>1.0375</td>
</tr>
<tr>
<td>Liquid bulk carriers</td>
<td>1.07</td>
<td>0.8188</td>
<td>1.2295</td>
</tr>
<tr>
<td>Liquefied petroleum gas carriers</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Liquefied natural gas carriers</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Dry bulk carriers</td>
<td>3.92</td>
<td>2.1076</td>
<td>1.5424</td>
</tr>
<tr>
<td>Dry breakbulk carriers</td>
<td>1.75</td>
<td>1.9611</td>
<td>1.1701</td>
</tr>
<tr>
<td>Roll-on/ roll-off ships</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Container ships</td>
<td>0.81</td>
<td>0.9444</td>
<td>0.9319</td>
</tr>
<tr>
<td>Passenger ships</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
</tbody>
</table>

Source: UNCTADStat
Table 6: Median times in ports in Senegal (in days) from 2018 to 2020

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>All ships</td>
<td>1.47</td>
<td>1.4465</td>
<td>1.5819</td>
</tr>
<tr>
<td>Liquid bulk carriers</td>
<td>2.79</td>
<td>2.6861</td>
<td>2.4826</td>
</tr>
<tr>
<td>Liquefied petroleum gas carriers</td>
<td>2.01</td>
<td>2.0042</td>
<td>2.0177</td>
</tr>
<tr>
<td>Liquefied natural gas carriers</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Dry bulk carriers</td>
<td>5.45</td>
<td>5.0722</td>
<td>4.5635</td>
</tr>
<tr>
<td>Dry breakbulk carriers</td>
<td>1.56</td>
<td>1.5826</td>
<td>1.3479</td>
</tr>
<tr>
<td>Roll-on/roll-off ships</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Container ships</td>
<td>0.64</td>
<td>0.6743</td>
<td>0.8302</td>
</tr>
<tr>
<td>Passenger ships</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
</tbody>
</table>

Source: UNCTADStat

When reading and interpreting the statistics above, two important caveats must be borne in mind. First, the UNCTAD statistics on the median time vessels spend in ports differ from the average vessels’ turnaround times computed by Humphreys et al. given that we are dealing with medians one hand and averages on the other hand. In this regard, the following remark by UNCTAD that accompanies the statistics on median times is important to note:

The average time vessels spend in port is longer for practically all countries and markets, due to statistical outliers, i.e. ships that spend weeks or months in a port, for example for repairs. The statistical distribution of time spent in ports has a “long tail”. The global average time ships spent in port in 2018 was 41 hours, vis-à-vis 23.5 hours median time.\(^{137}\)

Second, a distinction must be made between statistics that measure the time spent by vessels in ports and statistics that measure the time that cargos spend in ports (the latter is referred to as “cargo dwell time”).

It is interesting to note that in a World Bank report on cargo dwell times in African ports, Raballand et al. (2012) made an argument that is similar to the aforementioned argument made by Iheduru about the need to avoid overly focussing on issues related to the ownership of ports when analysing their efficiency. In their report, Raballand et

al. argue that in several African ports, investments in the construction of additional berths or the privatization of port operations will have a very limited effect on reducing dwell times in a situation where long dwell times are in the interests of some public officials, the local private sector, port operators and shippers. According to Raballand et al., long dwell times offer opportunities for some groups to exploit rents in several African ports. For instance, importers could be tempted to use ports as cheap storage areas while terminal operators and the local private sector may collude to manage off-dock container yards whose profitability is positively correlated with dwell times (Raballand et al., 2012). Lamarque (2019) makes an argument that is similar to the argument made by Raballand et al. in a paper in which he discusses the rationale behind the construction of dry ports around the port city of Mombassa in Kenya. In his paper, Lamarque uses a political settlements approach to analyse the web of actors that seems to benefit from the installation of dry ports around the port city of Mombasa and argues that the establishment of those dry ports was mainly motivated by a desire of local elites to benefit from the “inefficiencies” at the port of Mombasa. In his article, Lamarque also analyses how actors like shipping lines and economic actors from landlocked countries manage to escape the negative effects of those inefficiencies on their activities by efficiently using their bargaining power. As it was the case in the report of Raballand et al. (2012), Lamarque concludes that consumers are the ones ending up supporting the costs of inefficiencies at the port of Mombasa and the costs of the system put in place by local elites to profit off those inefficiencies. For her part, Chalfin (2010) noted that in the case of the port of Tema in Ghana, a number of off-dock terminals surrounding the port are managed by an entity named Tema Container Terminal (TCT) which is part of the Bolloré Group. Even though Chalfin noted that TCT had two serious competitors in the management of off-dock terminals surrounding the port of Tema, the example given by Chalfin illustrates how some transnational port operators are able to exploit their preferential position and make profit out of a wide range of activities in direct relation to the ports they operate. As a result, Chalfin argues that “Tema’s off-dock terminals stimulate an

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138 The reason why the arguments made by Iheduru (1994) and Raballand et al. (2012) are similar but not the same is that Iheduru talks about the privatization of ports while Raballand et al. talk about the privatization of port operations, which implies that the ownership of the port remains in the hands of the state. In other words, Iheduru – whose article dates back to the 1990s – seemed to be in favour of a model similar to the landlord port model (i.e. the port is owned by the state but port operations are privatized). On the other hand, Raballand et al. argue that the adoption of a landlord port model does not solve the problem of the lack of efficiency of several African ports.
unlikely interplay of state and multinational interests, with unexpected results" (Chalfin, 2010: 591). Chalfin (2010) interestingly argues that in the case of the port of Tema, Ghanaian port authorities have managed to exploit the neoliberal port reforms to their advantage and preserve the interests of the state while privatizing port services under a “landlord port system”.

The discussion above shows how the waves of liberalization and privatization in the global maritime industry strengthened the positions of transnational companies in African ports and how this development affected the distribution of rents related to port activities. The changes in the distribution of rents created opportunities for some public and private actors while it threatened the activities of other groups of economic actors who have consequently tried to organize themselves to resist the implementation of some aspects of port reforms that would be detrimental to their activities. Hence, port reforms that were initially designed to reduce the costs of logistics services and improve their efficiency do not necessarily produce the expected results. The outcome of port reforms depends on the relative power of the various groups engaged in port activities and on the interests of the most powerful groups. In this regard, we have seen that the growing involvement of transnational companies in the whole logistics chain was not always conducive to greater efficiency and lower logistics costs even though the involvement of the private sector in port activities has long been considered as beneficial by IFIs (Harding et al, 2007; Iheduru, 1994; Humphreys et al., 2019). In the case of the port of Dakar for example, there have been recent tensions between the port operator – the Emirati DP World – and associations of local traders and transporters which have threatened to go on strike if DP World did not change its practices at the port of Dakar. In particular, those associations of local traders and transporters complained about the high fees charged by DP World and transnational shipping lines due to their privileged positions. During a television interview, one of those local transporters complained about the fact that DP World – which is responsible for stevedoring activities at the port of Dakar – was able to make profits


140 TV interview with Mr. Diadjii Wade, representative of a transport company. Name of the TV show: Dlisso. Dtv channel, 19th March 2021.
under all circumstances. He gave the example of local traders and transporters who are obliged to pay extra charges for stevedoring services during weekends because of the fact that some DP World offices at the port of Dakar were not available during weekends. The transporter further added that congestion at the port of Dakar fuelled “corruption” and suggested that this was somewhat in the interest of the port operator.

Furthermore, the shift towards containerization has intensified the competition between African ports. As we have seen in chapter 3 with the example of the regional axle load regulation, an important consequence of the competition between West African ports is that in some cases this competition can prompt coastal West African states to adopt policies that go against the regional integration agenda. The strategy of regional cooperation discussed by Iheduru (1993) would still be a relevant strategy today because the structure of African exports has not greatly changed over the last decades. African exports are still much more limited than imports and they are still not very diversified. The direct consequence of this state of affairs is that African ports have to face high sea freight costs due to the fact that export containers are rather difficult to fill in (Harding et al., 2007; Steck, 2012; Nathan Associates/ World Bank, 2013; Humphreys et al., 2019). In this context, designating a few transshipment hubs that would handle large quantities of cargoes, that would be adequately equipped to receive the largest ships and that would be more efficient would make more sense at a regional level, especially if the goal is to reduce logistics costs. Despite the fact that the competition between African ports to become transshipment hubs seems in part counterproductive, there is a general sense among a certain number of stakeholders that the competition between ports would help reduce logistics costs and improve ports’ efficiency. In this regard, a senior UN official\textsuperscript{141} claimed that this competition between ports should encourage African ports to improve their performances given that they compete to attract traffic from landlocked countries. However, as the discussion in this section has shown, the capture and distribution of rents related to port activities following port reforms seems to be an obstacle to greater efficiency.

\textsuperscript{141} Interview, senior official at the United Nations Economic Commission for Africa (UNECA), 2\textsuperscript{nd} April 2019, Addis Ababa (Ethiopia).
In the next section, I will discuss the situation of ports in the Horn of Africa where Western transnational shipping lines and port operators have less influence over the direction of ports and cross-border transport corridors than in West Africa. We will see in particular why a convergence between the interests of the Horn of Africa states and the interests of state-owned port operators from China and the United Arab Emirates was a driving force behind the development of ports and cross-border transport corridors in the sub-region.

Section 2: China’s engagement in the port of Djibouti and the geopolitical context in the Horn of Africa

The Horn of Africa represents an interesting example of how the development of ports and transport corridors in Africa contributes to advancing the strategic interests of foreign states. In this region, states such as Ethiopia and Djibouti play a central role in the development of transport corridors in line with their own interests and the interests of foreign states such as China and the United Arab Emirates (UAE). This section will first discuss China’s engagement along the Ethiopia-Djibouti transport corridor and it will subsequently discuss the rationale behind the development of ports and transport corridors in the Horn of Africa.

2.1. The port of Djibouti in the framework of China’s Maritime Silk Road Initiative

Djibouti is among the countries that are part of China’s Maritime Silk Road Initiative (MSRI), which is itself a component of China’s Belt and Road Initiative (Styan, 2020; Blanchard, 2020). The Belt and Road Initiative (BRI) is a vast global initiative launched by China in 2013 which encompasses several dimensions including the development of infrastructure, investments in foreign ports and the construction of Special Economic Zones and industrial parks in various countries in the Asia Pacific region, Eastern Europe and Eastern Africa (Merk, 2017; Blanchard, 2020; Haralambides and Merk, 2020). The initiative also promotes the implementation of trade facilitation measures in countries that are part of the BRI (Bartley Johns et al., 2018; Blanchard, 2020). China seeks to achieve multiple objectives with the launch of the BRI. Those objectives include: enabling Chinese enterprises to find new market opportunities
overseas, facilitating China’s access to mineral resources, developing new maritime trade routes and promoting the development of Chinese peripheral provinces by developing their trade linkages with neighboring countries (Summers, 2016; Blanchard, 2020; Haralambides and Merk, 2020).

Along the East African coast, the port of Djibouti is one of the major ports which received important Chinese financing to support its expansion (Humphreys et al., 2019; Styan, 2020). Chinese investments in the development of the port of Djibouti are of various nature and involve in many cases China Merchants Ports Holdings, a Chinese state-owned port operator. In this regard, China Merchants Ports Holdings acquired 23.5% of the stakes of Port de Djibouti SA (PDSA)\(^{142}\) - which is the company that manages Djiboutian port entities – while the rest of the stakes of PDSA are owned by the Djiboutian government. China Merchants Ports Holdings also co-financed (with the Djibouti Port and Free Zone Authority) the construction of the Doraleh Multipurpose Port (DMP) which is the entity that handles the break bulk cargoes (including all the fertilizers and grains) at the port of Djibouti but also other types of cargoes including a small number of containers (Humphreys et al., 2019). The construction of DMP was completed in 2017 and was undertaken by two Chinese enterprises: China State Construction Engineering Construction Company (CSCEC) and China Civil Engineering Construction Company known as CCECC (Humphreys et al., 2019; Styan, 2020). Moreover, following the bitter dispute between Djiboutian authorities and DP World – which significantly invested in the development of the Doraleh Container Terminal – and following the eviction of DP World from the port of Djibouti in 2018, China Merchants started operating the container terminal. We can see here that the Ethiopia-Djibouti transport corridor is a corridor whose development was strongly supported by China through its state-owned enterprises as proven by Chinese investments in the development of the Addis-Djibouti railway, besides China’s engagement in the development and operation of the port of Djibouti.

My visit to the port of Djibouti was the occasion to see the types of investments that were made at that time to improve the efficiency of the port and it was also the occasion to observe how the construction of the railway impacted the functioning of

\(^{142}\) The entities owned by PDSA include the Doraleh Multipurpose Port (DMP).
the Ethiopia-Djibouti transport corridor. At the time of my fieldwork in 2019, the Addis-Djibouti railway was not connected with the port given that the last station of the railway in Djibouti was located at Nagad (a locality that is situated outside of the port). The fact that the Addis-Djibouti railway was not connected with the port was deplored by some economic actors\textsuperscript{143} who were based in Ethiopia and who considered that this factor contributed to reducing the attractiveness of the newly constructed Addis-Djibouti railway. As a result, a Djiboutian port official\textsuperscript{144} claimed that recent investments were made to build new sections of the railway that would connect each of the port’s terminals to the Addis-Djibouti railway. Besides, the interviewed port official explained that the port recently invested in the acquisition of new equipment such as cranes. When asked about the source of financing for these new investments, he claimed that – in the case of the Doraleh Container Terminal - financing for the new investments came from Djibouti itself. It is important to note that during my visit at the port of Djibouti, there was a reluctance on the part of port officials to be formally interviewed even though they would happily discuss the strategic orientations of the port as long as it was off the record. During my whole visit at the port, I was accompanied by the “port’s director of communication”. Moreover, the issue related to the dispute between DP World and the port of Djibouti was apparently a very sensitive issue to discuss for Djiboutian port officials. In this regard, a port official claimed – off the record – that one of the reasons for the dispute was that DP World was reluctant to significantly invest in the development of the port due to DP World’s strategic interests.

In order to understand the place of Djibouti within the BRI, two issues deserve particular attention: the role of the Chinese State-Owned Enterprise (SOE) China Merchants in the MSRI and the rationale behind its investments in the port of Djibouti. According to Styan (2020), China Merchants began its investments in foreign ports in 2009 and invested in at least 18 ports in countries that are part of the MSRI. More generally, Chinese SOEs have increasingly been involved in the construction and operation of foreign ports around the world. Merk (2017) argues that the relatively

\textsuperscript{143} \textit{Interview, senior official at the Ethiopian Textile and Garment Manufacturers Association (ETGAMA), 27\textsuperscript{th} March 2019, Addis Ababa (Ethiopia).}

\textsuperscript{144} \textit{Interview, senior official at SGTD, 7\textsuperscript{th} July 2019, Addis Ababa (Ethiopia). SGTD is the enterprise that manages the Doraleh containers terminal. SGTD is the French acronym for « Société de Gestion du Terminal à Conteneurs de Doraleh ».
recent involvement of states in foreign ports was promoted by the following two concomitant trends: “the privatization of port operations and the emergence of global port operators” (Merk, 2017: 76). As indicated in the previous section, the privatization of port operations has been a major phenomenon over the last decades and has been notably encouraged by institutions such as the World Bank (Chalfin, 2010; Merk, 2017; Humphreys et al., 2019). It is estimated that 80% of ports in the world are currently operated by transnational private entities and SOEs (Merk, 2017). Merk distinguishes two categories of SOEs: those whose strategy is purely based on commercial objectives and those whose strategy is aligned with the strategic interests of the country in which they originate. Merk includes in the second category of SOEs Chinese SOEs which have recently sought to increase their presence in parts of the African continent. For his part, Blanchard (2020) adopted a more nuanced approach in his analysis of Chinese SOEs and their role in the MSRI and argued that it was difficult to evaluate the extent to which the strategies pursued by Chinese SOEs respond to the Chinese state’s foreign policy imperatives and the extent to which those strategies satisfy purely commercial motives. For Haralambides and Merk (2020), China seeks to achieve four types of objectives by engaging in the construction and/or operation of foreign ports in the framework of the BRI. Those four objectives are the control of existing maritime routes, the promotion of new trade flows, the search for alternative maritime routes and the promotion of new modes of transportation with the construction of railways for example (Haralambides and Merk, 2020). In view of the development of trade routes between Asia and Africa and of the growing trade between the two regions (Harding et al., 2007; Humphreys et al., 2019), Debrie (2012) notes that Chinese port operators are increasingly competing with Western port operators and port operators from other parts of the world to gain markets in Africa. The strategies employed by Chinese port operators in Africa are in some respect similar to the strategies employed by Western shipping companies such as Bolloré or MAERSK which form alliances or compete with other port operators to gain markets in African countries (Debrie, 2012; Steck, 2015). Steck gives in this regard the example of the port of Kribi in Cameroon whose new terminal is operated since 2015 by a consortium comprising Bolloré, CMA-CGM and China Harbour Engineering Company. For his part, Merk notes that port expansion projects financed by China through Chinese state-owned banks are in most cases undertaken by Chinese companies and
– in general - the ports are subsequently operated by a state-owned Chinese port operator such as China Merchants Ports Holdings (Merk, 2017).

For Haralambides and Merk (2020: 9), China’s engagement in the construction and operation of the port of Djibouti is aimed at controlling an important trade route given that “Djibouti and the Gulf of Aden are strategically important areas”. The strategic importance of the Bab-El-Mandeb Strait has been constantly underlined by the Djiboutian port officials with whom I discussed during the fieldwork period. The Djiboutian port official\textsuperscript{145} who was interviewed stated that the ambition of the port was more precisely to become a major transshipment hub in East Africa and he claimed that all the recent investments that were made in the port were aimed at facilitating the achievement of that objective. In accordance with the claims of the aforementioned port official, Steck (2015) and Humphrey et al. (2019) consider that Djibouti is increasingly transitioning towards a regional transshipment hub along the Suez Canal. According to Styan (2020), three important factors played a key role in the enrollment of Djibouti in China’s MSRI: (i) its strategic location on the Red Sea; (ii) its position as a gateway to Ethiopia where a number of Chinese-built industrial parks are located and (iii) the state of domestic politics in Djibouti. When it comes to the state of domestic politics in Djibouti, Styan (2020) notes that the authoritarian regime put in place by the Djiboutian President Ismael Omar Guelleh, the highly centralized rent management system in Djibouti and the extensive experience of President Guelleh in dealing with foreign powers (including the United States, France and Japan which each have military bases in Djibouti) are three factors that have facilitated the implementation of MSRI projects in Djibouti and that reinforced the bargaining power of Djibouti vis-à-vis China. Hence, the first argument made by Styan is that a small state like Djibouti is capable of “wielding a certain degree of agency” when it comes to the determination of the terms of its partnership with China. His second argument is that Djiboutian authorities were able to rely on their partnership with China to advance their objective of transforming Djibouti into a major logistics hub (Styan, 2020). From the Chinese perspective, Haralambides and Merk (2020) consider that the expansion of the port of Djibouti in the framework of the BRI represents an example of a successful investment on the part of China. An interesting argument made by Merk is that states which invest

\textsuperscript{145} Interview, senior official at SGTD, 7\textsuperscript{th} July 2019, Addis Ababa (Ethiopia).
in the development and operation of foreign ports generally seek to achieve three types of objectives. One of those objectives – which seems to be particularly relevant in the case of China along the Ethiopia-Djibouti transport corridor - is that such investments could be a way for states to promote the internationalisation of their companies, including their logistics companies that work on various aspects of ports’ operation. In the case of the Ethiopia-Djibouti transport corridor, China Merchant Holdings is operating the Doraleh Container Terminal and several Chinese enterprises were involved in the construction of a number of infrastructure including the Addis-Djibouti railway and the Doraleh Multipurpose Port. While these investments reinforce the strategic positioning of China along the red sea and the Bab-el-Mandeb strait and surely help Djibouti achieve its objective of becoming a regional transshipment hub, the performance of logistics services along the Ethiopia-Djibouti transport corridor is still affected by dynamics in the Ethiopian logistics sector, as it was discussed in chapter 4.

2.2. The wider geopolitical context in the Horn of Africa and implications for the development of transport corridors

As we have seen earlier with the example of China – in a number of cases - state-owned port operators implement – at least partly - the strategic orientations of the foreign policies defined by their states. This seems to be the case for DP World in the Horn of Africa. Another important driver of the construction of transport corridors and the expansion of ports in the Horn of Africa are Ethiopia’s strategic interests in the region. Landlocked Ethiopia is heavily dependent on the port of Djibouti for its international trade exchanges. It is estimated that 95% of Ethiopia’s exports and imports pass through the port of Djibouti (Cannon and Rossiter, 2017). This heavy dependence on the port of Djibouti has been deplored by some Ethiopian economic actors146 who considered that fees charged by the port of Djibouti were extremely high mainly because Djibouti was a monopoly. In this regard, the report of the Ethiopian government on the National Logistics Strategy 2018-2028 estimated that the port stevedoring and shore handling charges at Djibouti for a 20 feet container were 42%

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146 Interview, senior official at the Ethiopian Textile and Garment Manufacturers Association, 27th March 2019, Addis Ababa (Ethiopia).
higher than the average of those charges at the ports of Mombasa in Kenya, Dar es Salaam in Tanzania and Port Sudan (Federal Democratic Republic of Ethiopia, 2019). In view of this situation, the Ethiopian government has tried to seek alternative transport corridors in the Horn of Africa to diversify its trade routes. An Ethiopian government official stated that Ethiopia was currently considering five main alternative corridors to reduce its dependency on the port of Djibouti. The project that seems to be at the most advanced stage is the project aimed at developing the port of Berbera which would ultimately enable the development of a transport corridor linking northern Ethiopia to the port of Berbera in Somaliland. In this regard, the government of Ethiopia partnered with the Emirati port operator DP World and the government of Somaliland to develop the port of Berbera, despite the fact that Somaliland is not a recognized state at the international level. The agreement between the three parties – which was signed in 2016 - stipulates that the government of Ethiopia (through the Ethiopian Shipping and Logistics Services Enterprise) will own a 19% stake in the joint venture while DP World and the government of Somaliland will respectively own 30% and 51% of the joint venture. The second alternative corridor whose development was considered by Ethiopia is the transport corridor that would link Ethiopia to Port Sudan and which would pass through the border town of Metemma. With the recent rapprochement with Eritrea, a third corridor currently in consideration is the one linking Ethiopia to the Port of Assab in Eritrea. A fourth potential corridor would be the Addis Ababa-Moyale-Nairobi-Mombasa Corridor, which would link Ethiopia to the port of Mombasa in Kenya and which would pass through a One-Stop-Border Post (OSBP) at Moyale. The fifth and last corridor under consideration is the Lamu Port-South Sudan-Ethiopia (LAPSSET) transport corridor linking the port of Lamu in Kenya to Ethiopia and South Sudan. It is however important to note that in the case of the LAPSSET corridor, Kenya was the main driving force behind the development of this corridor. In this regard, one interviewee explained that Ethiopia was reluctant to engage in the development of some projects along the LAPSSET corridor such as the project aimed at constructing a railway between Kenya and Ethiopia. This interviewee

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147 Interview, senior government official, Ethiopian National Planning Commission, 5th April 2019, Addis Ababa (Ethiopia).
explained in particular that Ethiopian officials considered that the level of trade exchanges between Kenya and Ethiopia was limited and hence, did not justify the construction of a railway between the two countries. The importance that Ethiopia attached to the construction of the new Addis-Djibouti railway seems to suggest that Ethiopia prioritizes its insertion into GPNs over the creation of RVCs even though the regional integration agenda suggests that the creation of RVCs should provide African economic actors with the means to engage in higher value-added activities within GPNs (UNCTAD, 2013). According to the aforementioned interviewed Ethiopian government official, the long-term objective of the Ethiopian government is to divide the Ethiopian territory into zones which will each have their ports of predilection. As such, the international trade exchanges of Northern Ethiopia would transit through Djibouti, Berbera (Somaliland), Port Sudan (Sudan) and Assab (Eritrea), while the international trade exchanges of Southern Ethiopia would transit through the Kenyan ports of Lamu and Mombassa.

As correctly pointed out by one of the interviewees working at a UN organization, the biggest constraint for the development of transport corridors in Africa is the lack of financing for regional infrastructure projects. Arguably, in the specific case of the Horn of Africa, we can add to that challenge a second equally important challenge, which is the highly volatile nature of the region which is currently encountering serious security-related problems. Nevertheless, in the case of Ethiopia, its plan to diversify its transport corridors was partly made possible because a certain number of international actors are increasingly interested in investing in the development of ports in the Horn of Africa. Apart from the Chinese state, Cannon and Rossiter (2017) argue that the Emirati state – through the global port operator DP World - is one of those international actors that have recently scaled up their investments in ports situated along the Red Sea for economic, political and military reasons. Cannon and Rossiter take the example of the port of Berbera to explain how the convergence between the interests of the Emirati state and the interests of the Ethiopian state enabled the implementation of the project aimed at developing the port of Berbera in Somaliland. In other words, they tried to demonstrate in their article why the agency of the Horn of Africa states is

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an important parameter to be taken into account when analysing cross-border infrastructure development in the region. According to Cannon and Rossiter, Ethiopia – as an aspiring regional hegemon - sought to achieve three main objectives by trying to develop the port of Berbera: maintain a fractured Somalia, isolate Eritrea and develop alternative trade routes to reduce its dependency on the port of Djibouti. The rapprochement between Eritrea and Ethiopia after that the Ethiopian Prime Minister Abiy Ahmed came to power in 2018 means that the desire to isolate Eritrea has obviously become a less relevant factor that explains Ethiopia’s actions in the sub-region. When it comes to the Emirati state and DP World, Cannon and Rossiter consider that the Emirati state had two main objectives in the Horn of Africa. First, on the military front, the war in Yemen prompted the Emirati state to install military bases in some states in the Horn of Africa. Second, following the conflict between Djiboutian authorities and DP World and the eviction of DP World from the port of Djibouti, the development of the port of Berbera in Somaliland became a project of interest for both Ethiopia and DP World. Given that Ethiopia obviously lacks the financial and technical resources required for the implementation of its strategy in the Horn of Africa, Cannon and Rossiter show in their analysis how Ethiopia successfully capitalized on the interest of the UAE in the Horn of Africa to advance the project aimed at developing the port of Berbera.

The first observation that can be made from the discussion above is that the recent investments in the development of ports in the Horn of Africa have been strongly driven by the engagement of two foreign states – namely China and the United Arab Emirates – which are seeking to strengthen their strategic positioning in the region. Even though Merk considers that – contrary to Chinese SOEs – DP World is motivated by “purely commercial motives” (Merk, 2017: 76), the involvement of DP World in the Horn of Africa seems to mirror the UAE’s policy in the region.

The second observation that can be made from the discussion above is that Ethiopia’s focus – at least in the economic domain – is on improving its access to extra-regional markets in order to integrate GPNs. The fact that Ethiopia has shown little interest in the construction of a railway linking Ethiopia to Kenya in the framework of the LAPSSET corridor is indicative of the priorities set by Ethiopia and of the state of trade relations between these two major East African nations. As indicated in the preceding chapters, it is important to note that the African regional integration agenda does not
oppose RVCs to GPNs. Instead, it considers the creation of RVCs to be a stepping-stone to the participation in GPNs. As we have seen in chapter 5, Ethiopia’s participation in the apparel GPN for example did not really enable Ethiopian economic actors to engage in higher-value added activities within this GPN. It did not also help stimulate the development of the local (capital-intensive) textile industry even though the development of the textile industry in Eastern and Southern Africa is a key area of focus for COMESA (COMESA, 2009).

As a result and at least for the moment, the development of ports and transport corridors in the Horn of Africa seems to be oriented towards the fulfillment of the objectives of China and the UAE which seek to strengthen their strategic positioning in the region through their investments in ports. It also provides Ethiopia with improved access to extra-regional markets and it enables Djibouti to advance its agenda of transforming its port into a major transhipment hub along the East African coast. However, the state of the productive capacities in the Horn of Africa and in East Africa in general is an impediment to the development of intra-regional trade even in a scenario where the development of ports and transport corridors induced a reduction of logistics costs (which is not necessarily the case as we have seen in this chapter and in the preceding chapters).

Section 3: African ports and their role in the regional integration agenda

On the basis of the analysis carried out in the preceding two sections, this section will analyse how the combined actions of actors who contribute to the development of African ports, stakeholders who work in and around ports and African states (who each have specific interests) affect the cost and efficiency of logistics services. The section will also discuss the challenges of developing intra-African maritime transport as a viable alternative to cross-border land transport.

3.1. African ports and logistics chains: a constellation of various interests

As it was argued in the preceding chapters, reforms that accompany the construction and rehabilitation of cross-border transport corridors – including port reforms - are part
of a wide effort to reduce the costs of logistics and improve their efficiency across borders. In this regard, the regional integration agenda aims to accelerate the “logistics revolution” in the African continent in the same vein as other regional integration initiatives around the world which have been the entry points to facilitate the cross-border activities of logistics actors and accelerate the participation of economies in RVCs and GPNs (Coe, 2014). Port reforms occupy a central place in initiatives aimed at reducing cross-border logistics costs and promoting the participation of countries in GPNs. As Raballand et al. put it: “weeks-long cargo dwell times in ports have become a serious obstacle to the successful integration of Sub-Saharan African economies into global trade networks, because they make lean, demand-driven manufacturing and trading activities virtually impossible” (Raballand et al., 2012: 5). As it is the case with trade facilitation reforms and the liberalization of logistics sectors that were discussed in the preceding chapters, the attempt to implement port reforms unveils a large web of public and private actors with various and often diverging interests.

African ports have seen an increasing level of maritime traffic during the last two or three decades as a result of the intensification of trade exchanges (Chalfin, 2010; Humphreys et al., 2019). These increased levels of maritime traffic combined with the waves of liberalization and privatization in the global maritime industry were important factors that reinforced the position of major transnational shipping lines and port operators in logistics value chains across the African continent. When it comes to the developmental regionalism agenda and its focus on the reduction of cross-border logistics costs in order to promote the insertion of African economic actors into RVCs and GPNs, its implementation will likely depend on the interests of actors that seem to benefit the most from the implementation of port reforms. We have seen that trade facilitation and port reforms can create various seemingly contradictory outcomes at the level of African ports. In chapter 3, we have seen that one of the main objectives of trade facilitation reforms is the digitalization of port procedures aimed at reducing transit times and combatting corruption. In this chapter, we have seen that port reforms can create opportunities for the capture of rents that could possibly compromise the objective of reducing transit times and logistics costs. We have seen for instance that in the case of the port of Dakar, transnational shipping lines and the port operator DP World have been the targets of regular attacks from Senegalese associations of importers, freight forwarders and transporters that accused them of fixing prohibitive
prices for various services they offer (such as stevedoring) due to their privileged positions. In this example, part of the local private sector accused the state of being a passive mediator that is reluctant to take action against major transnational companies. They even claimed that “the country’s social stability was at stake” because of the difficulties encountered by private sector actors in view of the high fees charged by the port operator.

The growing involvement of transnational firms (especially Western shipping lines) in various activities along logistics chains that was noted above is not really seen along the Ethiopia-Djibouti transport corridor. In the case of that transport corridor, the activities of Western shipping lines are extremely limited, at least in Ethiopia. The monopolistic structure of the Ethiopian logistics sector means that shipping lines such as MAERSK are not allowed to offer end-to-end services and must work through local agents. The reform of the Ethiopian logistics sector - which should allow foreign logistics firms to enter the Ethiopian logistics market - is still awaited. With this reform, foreign logistics firms would be allowed to enter the Ethiopian logistics market under the condition that they create a joint venture with an Ethiopian logistics firm and that they own up to 49% of the shares of the joint venture. The limitation of the share that foreign logistics firms could own in a given joint venture shows that even if the logistics sector was reformed, the activities of foreign logistics firms would still be limited in Ethiopia. This situation was deplored by a representative of MAERSK in Ethiopia who considered that allowing international logistics firms to offer end-to-end services and operate freely in Ethiopia would significantly reduce logistics costs along the Ethiopia-Djibouti transport corridor. It is interesting to note that in their report on port competition in Eastern and Southern Africa, Humphreys et al. (2019) argued that the strategy of vertical integration pursued by logistics companies enabled the delivery of high-quality services along the logistics value chain and they cited the example of the


152 End to end services refer to all logistics services offered from the point of departure to the point of destination including sea freight, inland transport, freight forwarding, customs clearance etc. Those services are delivered by the shipping company and one bill is issued to the client. Currently, only the Ethiopian Shipping and Logistics Services Enterprise is authorized to deliver end-to-end services in Ethiopia.

153 Interview, manager at MAERSK Ethiopia, 7th June 2019, Addis Ababa (Ethiopia).
Ethiopian Shipping and Logistics Services Enterprise (ESLSE) along the Ethiopia-Djibouti transport corridor. However, we have seen in chapter 4 that many economic actors based in Ethiopia consider that the services offered by the ESLSE are sub-optimal mainly because the ESLSE is a state monopoly that does not have any competitors. Some interviewees\textsuperscript{154} even considered that the monopolistic structure of the Ethiopian logistics sector hindered an optimal exploitation of the newly constructed Addis-Djibouti railway. Nevertheless, there is an intense competition between foreign state-owned port operators when it comes to the development and operation of ports in the Horn of Africa. The development of the port of Berbera in Somaliland by DP World is obviously aimed at developing a transport corridor that would compete with the Ethiopia-Djibouti transport corridor, even though one interviewee\textsuperscript{155} noted that it would take a long time before ports in the Horn of Africa can become serious competitors of the port of Djibouti. On the other hand, Chinese state-owned banks heavily invested in the development of the port of Djibouti and the development of transport infrastructure linking the port of Djibouti to the hinterland.

The discussion above shows the extent to which the African continent is a terrain of competition for various transnational firms including Western shipping lines and port operators, Chinese port operators and port operators from other origins such as DP World. As we have seen in this chapter, this competition for the operation of ports combined with the growing involvement of transnational companies in virtually all segments of local logistics value chains are not always conducive to lower logistics costs at the level of African ports. Hence, ensuring that the development of ports and corridors supports the activities of local private sectors in the framework of a developmental regionalism agenda will require that African states and regional organizations ensure that the strategies of international shipping lines and port operators that are active in the continent support the goals of reducing the costs of logistics services and improving their efficiency.

\textsuperscript{154} Interview, logistics manager at a textile and apparel manufacturing company, 25\textsuperscript{th} April 2019, Addis Ababa (Ethiopia). Interview, supply chain manager at a textile company, 24\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).

\textsuperscript{155} Interview, senior official at the World Bank, 16\textsuperscript{th} May 2019, Addis Ababa (Ethiopia).
3.2. Intra-African maritime trade: current trends and perspectives

Today, one of the main features of ocean shipping in Africa is the low level of development of intra-African maritime transport. Nevertheless, recurrent problems affecting the cost and efficiency of land transport can sometimes lead some actors from the African private sector to view intra-African maritime transport as a potential alternative to road transport in order to support intra-African trade. During my fieldwork, two interviewees working in the private sector expressed their desire to use intra-African maritime transport as an alternative to (often problematic) land transport. In the case of the first interviewee\textsuperscript{156} whose company works with clients using the Dakar-Bamako transport corridor, the poor quality of roads along this transport corridor should be an incentive to develop alternative maritime routes. The second interviewee\textsuperscript{157} - whose company uses the Ethiopia-Djibouti transport corridor – cited security issues along the border between Ethiopia and Kenya as the main reason why his company was exploring the possibility of using maritime routes to develop trade with East African countries. However, in both cases, the low level of intra-African maritime trade is the direct result of the lack of development of intra-African maritime transport.

Interestingly, a World Bank report mentioned the existence of a few local (African) shipping lines that were linking some small ports in West and Central Africa, while big transnational shipping lines served the biggest ports of the region (Harding et al., 2007). In this regard, Harding et al. (2007) note that the regional feeder services that African regional shipping lines could offer are not of a particular interest to the biggest transnational shipping lines for economic and strategic reasons. The situation described by Harding et al. seems to be consistent with the hub and spoke system which was described in section one and which is emerging in the African continent. This also suggests that the development of intra-African maritime transport is dependent on the existence of viable local shipping lines that can exploit this potential market niche. One interviewee\textsuperscript{158} summed up the situation regarding intra-African maritime transport.

\textsuperscript{156} Interview, senior manager at the Industries Chimiques du Sénégal (ICS), 28\textsuperscript{th} November 2018, Dakar (Senegal).
\textsuperscript{157} Interview, supply chain manager at an Ethiopian textile company, 24\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
\textsuperscript{158} Phone Interview, logistics manager at a foreign apparel company (a buyer), 17\textsuperscript{th} April 2019.
maritime transport as follows: “intra-African ocean trade today is largely opportunistic. I believe there is only one large carrier who set out to cover intra-African trade deliberately, the others are niche carriers”.

Following the waves of liberalization and privatization in the maritime industry that started in the 1980s, few African countries were able to sustain their national shipping lines. In an article written in the 1990s, in the midst of the debate around the privatization of African ports and national shipping lines, Iheduaru (1994) noted that the trends in the global maritime industry threatened the survival of African national shipping lines if they were to be privatized. The dismantling of national shipping lines in West and Central Africa was accelerated by the aforementioned waves of liberalization and privatization, the repeal of the 40-40-20 rule and the economic crisis of the 1970s and 1980s. Furthermore, entry barriers in the shipping industry are particularly high given that the sector has become more capital-intensive during the last decades, making it more difficult for African shipping lines to enter the industry and/or to survive within the industry (Harding et al., 2007; Iheduru, 2014). When it comes to the 40-40-20 rule more specifically, the World Bank has been particularly vocal in denouncing its effects since the Bank considers that this rule is source of inefficiencies. As explained by Iheduaru (1993), the objective of the 40-40-20 rule was to promote the transport of a specific percentage of developing countries’ cargoes by shipping lines from those countries, in a context where UN organizations were encouraging the development of national merchants fleets in developing countries (see the 1974 UN Code). In this regard, Iheduaru (1993: 128) defined the 40-40-20 rule as follows:

For a given trade between two countries, 40 percent of conference cargo is set aside to be competed for by conference shipping lines of the importing country, 40 percent for the conference lines of the exporting country and 20 percent is reserved for cross traders.

The World Bank has constantly advocated for the repeal of this rule as part of the reforms of the transport sectors it promoted in developing countries (Harding et al., 2007; Teravaninthorn and Raballand, 2009). In this regard, Harding et al. (2007) argue that the repeal of the 40-40-20 rule enabled more competition in the shipping industry in West Africa, which in turn enabled a reduction of maritime freight rates.
The discussion above shows that the limited development of intra-African maritime transport is apparently the result of the combination of three factors. The first factor is the weakening of national merchant fleets in African countries as a result of the waves of liberalization and privatization that started in the 1980s. The second factor is the apparent lack of implementation of regional strategies in the maritime sector that call for more coordination among African coastal states. The third factor is the high degree of concentration noted in the shipping industry and the apparent lack of interest of transnational shipping companies in the development of intra-African maritime routes. Moreover, the still predominantly extra-regional orientation of trade in the continent does not support the development of viable intra-African maritime routes. In this context, the strategies of transnational shipping lines seem to be more orientated towards positioning themselves on the fast-developing trade routes between Africa and Asia (Debrie, 2012; Harding et al., 2007).

**Conclusion**

As we have seen in this chapter, the African continent has long been a terrain where transnational companies from various origins have played an important role in the orientation of ports and transport corridors. The waves of liberalization and privatization in the global maritime industry contributed to reinforcing the importance of the role played by a few major transnational shipping lines and port operators in the development and orientation of a great number of African ports and transport corridors. State-owned enterprises – including Chinese SOEs and the Emirati DP World – are also playing an increasingly important role in the operation of African ports. Changes in the organization of ports and the strategies of transnational firms have provoked various responses from local logistics actors.

In this context, a crucial question that needs to be asked is the following: are transport corridors contributing to fulfilling the developmental needs of the regions they cross or are they mostly facilitating the activities of transnational firms? A similar question was asked by Debrie in one of his research articles regarding the impact of the re-structuration of the West African port system. In this regard, Debrie (2012: 9) states:
We still need to see through future research whether this rationalization of the port system, which provides international operators with very large productivity increases and returns on investment, also benefits the economies of West Africa by improving port clearance and services to different areas, or if it merely benefits the networks of the companies involved.

We have seen that in West Africa, some representatives of the local private sector (including truckers, importers and freight forwarders) claimed that the strategy of vertical integration pursued by major transnational firms has not always been conducive to lower logistics costs and more efficient logistics services. We have seen that this strategy of vertical integration offered transnational shipping lines and port operators with opportunities to capture more rents along local logistics value chains, which created frictions with local private sectors. In this regard, the business surrounding the management of dry ports - which has been discussed in the literature – illustrates well the fact that transnational firms increasingly have the possibility to engage in multiple port activities as it is the case in the port of Dakar or the port of Tema in Ghana (Chalfin, 2010).

When it comes to the situation along the Ethiopia-Djibouti transport corridor in the Horn, it is quite different from the situation in West Africa. Contrary to the situation in West Africa, the Ethiopian logistics sector has not yet been entirely open to transnational shipping companies which still have to operate under strict regulations that limit their activities. The long-planned opening-up of the Ethiopian logistics sector could represent an opportunity for transnational shipping lines to enter the Ethiopian market in which the ESLSE has so far been a monopoly in several segments of the market. Nevertheless, the current political turmoil in Ethiopia risks derailing the implementation of the economic liberalization programme that development partners have long awaited in Ethiopia. In the meantime, Chinese firms are playing an increasingly important role along the Ethiopia-Djibouti transport corridor. As seen in this chapter, the Chinese state – through its SOEs – played an active role in the development and operation of the port of Djibouti and extended loans for the development of land infrastructure linking the port of Djibouti to Ethiopia. The Emirati DP World is also playing a major role in the development of alternative transport corridors on which Ethiopia could rely in the future. The effects of all these
developments on the cost and efficiency of logistics services in Ethiopia is uncertain due to various reasons. One of those reasons is that the monopolistic structure of the Ethiopian logistics sector and state-business relations in Ethiopia have an important impact on the cost and efficiency of logistics services as we have seen in chapter 4.

In summary, this chapter and the preceding chapters showed that - despite the different configurations of the logistics value chains in Senegal and Ethiopia - the political economy context played a major role in determining the cost and efficiency of logistics services in both countries. This chapter showed that port reforms aimed at reducing logistics costs and improving the quality of logistics services encompass important initiatives such as the privatization of port operations. In the same vein as trade facilitation reforms discussed in chapter 3, the introduction of port reforms induces changes in the distribution of rents, which inevitably creates losers and winners at the national level. Hence, the achievement of the objectives of trade facilitation and port reforms depends on the distribution of power among actors who are positively or negatively affected by those reforms and on the extent to which those objectives align with the interests of the most powerful actors. Ultimately, this chapter and the preceding chapters demonstrated that the success of a regional integration agenda aimed at reducing logistics costs greatly depends on domestic and international parameters that are beyond the control of African regional institutions (such as the AUC) and that the construction of regional transport infrastructure was only one step in addressing the problem of high logistics costs in Africa.
CHAPTER 7

KEY FINDINGS, CONCLUDING REMARKS AND PERSPECTIVES

Introduction

This thesis aimed to improve our understanding of the way the domestic and international political economy contexts can affect the achievement of two specific objectives of the developmental regionalism agenda pursued by the AUC and African RECs, which are the improvement of logistics services and the reduction of their costs and the creation of RVCs. Given that policy reforms that are promoted by regional integration initiatives entail a change in the distribution of rents at the national and international levels, I used the political settlements framework to evaluate how the responses of specific socio-economic groups to the reform agenda can affect its implementation in view of the distribution of organizational power at the sectoral, national and international levels. In doing so, I tried to identify the strategies employed by different state and non-state actors to defend their interests and protect their rents given the changing national and international economic contexts. I then tried to understand how those strategies affected the possibility of achieving the two goals of the developmental regionalism agenda under study. Even though the political settlements framework has been mostly used to analyse the actions of domestic actors, studying regional integration initiatives necessitates an analysis of the actions of both domestic and international actors. This is because the actions of international actors such as development partners or multinationals influence the orientations and outcomes of regional integration initiatives in the African context. As a result, the thesis analysed how the interactions and the balance of power between domestic and international actors affected the development of RVCs and the outcomes of policy reforms aimed at reducing the costs of trade. The thesis used cross-border transport corridors as entry points to answer the research questions and deployed two case studies on the Dakar-Bamako transport corridor in West Africa and the Addis-Djibouti transport corridor in the Horn. Given the nature of the research questions, the research methods that were employed were essentially qualitative and semi-structured
interviews occupied a central place in the research design. In addition to semi-structured interviews, the other research methods that were employed were observation, documentary analysis and statistical analysis. This chapter will discuss the key findings from the two case studies and will provide concluding remarks. The chapter will also discuss a number of important issues that could be addressed by future research on regional integration dynamics in Africa.

Section 1: Summary of the chapters and key findings

The findings of this thesis corroborate the argument made by De Lombaerde et al. (2010) who consider that regional integration theories should identify the common factors that explain the dynamics of regional integration in Europe and other regions, while taking into account the specificities of the region under study. In accordance with the earlier theories of regional integration focused on the European experience, a central argument of this thesis is that domestic pressure groups or powerful socio-economic groups play a key role in advancing or constraining regional integration initiatives. In this regard, the thesis showed that the political settlements framework offers analytical tools that enable us to study how the interactions between state and non-state actors at the national and international levels affect the implementation of the policies studied in the thesis, while taking into account the specificities of the African context. In particular, the emphasis of the political settlements framework on the way specific socio-economic groups respond to institutional or policy changes and the capacity of those groups to derail reforms that do not align with their interests (and which are susceptible to alter the political settlement) is extremely useful when analysing the feasibility of the reform agenda associated with regional integration initiatives. In this regard, the concept of “holding power” – which according to Khan (2010) refers to the capacity of specific groups to resist during a conflict over a prolonged period – occupies a central place in the political settlements framework. This thesis demonstrated that using cross-border transport corridors as entry points to study the feasibility of a number of regional initiatives is particularly informative. Indeed, cross-border transport corridors are places where a variety of actors with different – and often diverging – interests interact. It is therefore important to understand the balance of power between those various groups of actors in order to
understand how their combined actions may affect the outcomes of specific regional integration programmes aimed at reducing trade costs and creating RVCs. The creation of RVCs in particular presupposes the alignment between the objectives of individual states and the objectives of RECs in matters related to industrial policy. Therefore, it is important to understand the factors - and the actors - that influence the orientations of states and that can promote or discourage the alignment of national industrialization strategies with regional industrialization strategies.

This section will summarize the empirical chapters of the thesis and will discuss the key findings from the two case studies. The empirical chapters addressed the following four themes: (i) the political economy of trade facilitation reforms along the Dakar-Bamako transport corridor; (ii) the Ethiopian logistics sector and inland transportation costs along the Ethiopia-Djibouti transport corridor; (iii) Ethiopia’s potential contribution to the creation of regional textile and apparel value chains in the COMESA zone and (iv) African ports and the geopolitical dimension of cross-border transport corridors.

Chapter 3 discussed the political economy of trade facilitation reforms along the Dakar-Bamako transport corridor. The objectives of the chapter were twofold: (i) to understand the relative power of law enforcement agencies (particularly, customs administrations), transport unions and cross-border traders-transporters vis-à-vis the Senegalese state and RECs; (ii) to understand the capacity of those three categories of actors to derail or disturb the implementation of specific regional trade facilitation reforms that do not align with their interests. Hence, chapter 3 was the occasion to discuss the evolution of the political settlement of Senegal and identify moments that could be considered as rupture points in this evolution. In this regard, the waves of liberalization and privatization of the 1980s were identified as key events that changed the distribution of organizational power in Senegal. According to Thioub et al. (1998), the waves of liberalization and privatization - which were accelerated by the implementation of the Structural Adjustment Programmes - weakened the control of the Senegalese state over the economic sphere. This was a major change compared to the type of control that the Senegalese state had had over the private sector during the three to four decades that followed the country’s independence in 1960 (Thioub et al., 1998). When it comes to the evolution of the transport sector in particular and as argued by Lombard (2001), the waves of liberalization and privatisation of the 1980s changed the relations between the Senegalese state and Senegalese transport
unions. While the former transport unions (which mostly gathered formal transporters) were part of patron-client networks, the current transport unions are relatively more independent vis-à-vis the Senegalese state (Lombard, 2001). Moreover, the number of transport unions substantially increased following the liberalization of the transport market in the 1980s and most of the transporters currently involved in the transport business are informal transporters (Lombard, 2001; World Bank, 2017). A key argument made by Lombard (2001) is that – despite the fact that they are now more independent vis-à-vis the state - the demands of Senegalese transport unions are paradoxically focused on demanding more protection from the state in view of the major transformations that the logistics industry is going through. A particularly important current trend in Western African logistics sectors is the greater internationalization of logistics services (Lombard, 2001). This is consistent with the claims of the interviewed leaders of transport unions who argued that the main reason why they resist the implementation of some regional rules (such as the axle load limitation rule) is because of the necessity for them to protect their livelihoods. The chapter showed that the difficulty of implementing the regional axle load limitation rule since 2005 due to the resistance of transporters and economic actors from landlocked countries was a perfect illustration of the holding power of those two groups of actors. The power of Senegalese and West African transport unions lies in their capacity to mobilize and organize strikes that affect economic activity while economic actors from landlocked countries have an important bargaining power vis-à-vis coastal states in a context characterized by port competition. Despite the fact that donors have repeatedly insisted on the enforcement of the regional axle load limitation rule, the chapter showed that RECs had very limited enforcement capabilities and that coastal states were reluctant to enforce a rule that would render their ports less attractive to economic actors from landlocked countries in a context where the rule was not uniformly enforced by all West African coastal states.

The chapter was also the occasion to discuss the challenge of reforming part of the public administration and the challenge of reforming law enforcement agencies in particular. An important part of the non-tariff barriers to trade in African countries is explained by the illegal practices of some law enforcement officers – belonging to the police, gendarmerie and customs administrations - on the ground. Those illegal practices increase the “hidden” logistics costs caused by illegal payments to law
enforcement officers and caused by time wasted due to repeated checks on the road (Nathan Associates/World Bank, 2013). Research conducted during the fieldwork period confirmed that the enforcement of regional rules aimed at limiting the number of checkpoints along transport corridors and eliminating the collection of bribes by law enforcement officers were particularly difficult to enforce in West Africa. The persistence of corruption among low-ranking law enforcement officers is partly explained by the difficulty for top law enforcement officers to control the actions of officers on the ground (Cantens, 2012). Within customs administrations, the fact that high-ranking officers do not possess the power to sanction low-ranking officers—which Cantens (2012) refers to as “non coercive authority”—can reinforce the hypothesis that hierarchical authorities lack the capacity to control and sanction the actions of low-ranking officers. However, the assessment made by Arifari (2006) unveils a more intricate political economy context in which corrupt practices within customs administrations for example benefit a variety of actors, in addition to corrupt customs officers. Those actors include customs intermediaries as well as small and large smugglers whose activities benefit from the opacity of border procedures (Arifari, 2006). According to Arifari (2006), given the fact that customs administrations significantly contribute to government revenues in West African countries, they enjoy an important bargaining power vis-à-vis states, and attempts to reform those administrations can be met with credible resistance. Law enforcement agencies are also the main actors in charge of operationalizing One Stop Border Posts (OSBPs) along transport corridors (Nugent and Soi, 2020). Those OSBPs aim to expedite import and export procedures by—among other things—grouping the law enforcement agencies of transit and landlocked countries at facilities located at the borders. As it was explained by one interviewee, the operationalization of these OSBPs in West Africa has been more problematic than in East Africa. In Senegal, the problem of operationalizing OSBPs is partly explained by the lack of coordination between law enforcement agencies at the Senegalese level. Nugent and Soi (2020) demonstrated that in the case of some East African OSBPs for example, the lack of coordination between law enforcement agencies at the national level was addressed by TradeMark East Africa—a donor funded agency—which played a coordination role in the implementation process of several OSBPs projects in East Africa. Similarly, the lack

159 Interview, senior official at UNCTAD, 4th April 2019, Addis Ababa (Ethiopia).
of enforcement of the ECOWAS inter-state road transit regime since 1982 has been mainly caused by a problem of cooperation between various state entities including customs administrations and chambers of commerce, but this time the problem lies at the regional level and not necessarily at the level of individual countries (AfDB, 2015). A proper enforcement of the ECOWAS inter-state road transit regime would have addressed a number of trade facilitation issues and would have reduced the number of checkpoints along transport corridors for example.

Overall, chapter 3 illustrated how the divergences between the interests of those who set the reform agenda (namely RECs and development partners), those in charge of its implementation (state agencies) and those affected by this agenda (mainly local logistics actors and cross-border traders) can complicate the enforcement of specific regional trade facilitation reforms.

Chapter 4 focused on the second case study on Ethiopia and aimed to explain how the structure of the Ethiopian logistics sector affected the performance of the Ethiopia-Djibouti transport corridor, despite recent investments in hard infrastructure along this corridor. More particularly, the objective of this chapter was to take a closer look at the factors influencing the level of inland transportation costs at the national level or in other words, “behind borders”. A central argument of this chapter was that the achievement of the objectives of international and regional initiatives aimed at reducing logistics costs through the construction of transport infrastructure was highly dependent on national institutional contexts and in particular, on the way domestic logistics sectors function. The chapter showed in particular that investments in hard infrastructure do not necessarily reduce logistics costs (especially transport prices) in a situation where there are distortions in transport markets. When distortions in transport markets seem to benefit state institutions or well-connected and well-organized socio-economic groups, the elimination of such distortions can be a difficult affair. As a result, the impact that the institutional context and the structure of transport markets can have on the level of logistics costs is as important as the impact that the availability of quality transport infrastructure can have on the level of those costs. Furthermore, the capacity or willingness of states to liberalize their logistics sectors is an important parameter to analyse in view of the fact that regional integration initiatives entail a liberalization of services sectors.
Chapter 4 began with a discussion on state-business relations in Ethiopia in order to give us the tools to understand the functioning of the Ethiopian logistics sector. From 1991 to 2019, the EPRDF regime sought to maintain a tight control over the economic sphere and relied on state monopolies and businesses linked to endowment funds to pursue a development strategy that Vaughan and Gebremichael assimilated to a form of “developmental patrimonialism” (Vaughan and Gebremichael, 2011; Pellerin, 2019). The four endowment funds that existed during the EPRDF regime were the business arms of the four factions of the EPRDF and the largest endowment fund was by far the Endowment Fund for the Rehabilitation of Tigray (EFFORT) which was the business arm of the Tigray People’s Liberation Front known as the TPLF (Vaughan and Gebremichael, 2011). Chapter 4 showed that the governance of the logistics sector in Ethiopia and the structure of the trucking industry were a reflection of the configuration of the wider economic system described above. For instance, the Ethiopian Shipping and Logistics Service Enterprise (ESLSE) is the state monopoly in the logistics sector and - at the time of the fieldwork - two of the most important enterprises in the trucking industry were the transport enterprises owned by the ESLSE and EFFORT. The chapter showed how the interventions of the Ethiopian state in the trucking sector exacerbated the effects of seasonality on trucking prices in Ethiopia and therefore, affected the evolution of the cost of inland transportation along the Ethiopia-Djibouti transport corridor. In particular, the chapter showed that the requisition of trucks by the state during the peak season - when state organizations import high quantities of fertilizers - induced distortions in the transport market that substantially increased the level of transport costs due to the scarcity of trucks. Two observations could be made from the example of the transport of fertilizers. First, there is a strong link between dynamics in the transport market and dynamics in the fertilizers sector in which the Ethiopian state and enterprises affiliated with political elites during the EPRDF regime have traditionally been very active, notably in the distribution and transport of fertilizers (Vaughan and Gebremichael, 2011). Second, the level of control of the Ethiopian state over the activities of Ethiopian truckers has a direct implication on the cost and quality of logistics services along the Ethiopia-Djibouti transport corridor given that the scarcity of Ethiopian trucks during the peak season induces congestion problems at the port of Djibouti. Chapter 4 was also the occasion to discuss the potential impact of the construction of the Addis-Djibouti railway on the level of inland transportation costs. From the interviews conducted with
representatives of textile and apparel companies based in Ethiopia\textsuperscript{160}, it appeared that the presence of the state monopoly in the logistics sector reduced the potential of the newly constructed Addis-Djibouti railway to significantly reduce transport prices for several economic actors that use the Ethiopia-Djibouti transport corridor for their import and export activities.

It is important to note that Ethiopia has been going through major changes these last three years, especially after the fieldwork period from March to July 2019. The dismantlement of the ruling coalition that came to power in 1991 (namely, the EPRDF) at the end of 2019 and the exclusion of the TPLF from the new ruling coalition has disturbed even more the Ethiopian political landscape. The political crisis in Ethiopia culminated with the eruption of the war between the government of Prime Minister Abiy Ahmed and leaders of the TPLF in November 2020. Moreover, the fact that enterprises affiliated with the TPLF were major actors in key sectors of the economy during the EPRDF regime will surely have implications for the current Ethiopian government’s economic programme, especially in view of the fact that EFFORT enterprises have allegedly been the targets of attacks from the current government after the start of the war with the TPLF. It is therefore safe to argue that Ethiopia is currently at a rupture point and that the distribution of organizational power in the country is significantly changing. This will have implications for the type of economic policy adopted by the current government and for the alignment of Ethiopia’s economic policies with regional integration programmes that seek to liberalize trade in goods and services in the context of the implementation of the AfCFTA.

Chapter 5 focused on the second objective of developmental regionalism studied in this thesis - which is the creation of RVCs - and analysed more specifically Ethiopia’s potential contribution to the creation of regional textile and apparel value chains in the COMESA zone. The chapter was the occasion to reflect on the link between regionalism and globalisation given that the proponents of developmental regionalism in the African context consider that the development of domestic productive capacities through the creation of RVCs should provide African economic actors with the

\textsuperscript{160} Interview, logistics manager at a textile and apparel company based outside industrial parks, 25\textsuperscript{th} April 2019, Addis Ababa (Ethiopia). Interview, supply chain manager at a textile company based outside industrial parks, 24\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
necessary skills to upgrade within GPNs. The case study on Ethiopia was also the occasion to discuss the potential impact that the involvement of Chinese enterprises in the construction of regional transport infrastructure and in the development of industrial parks in Ethiopia could have on the dynamics of intra-African trade in intermediate goods. Overall, chapter 5 showed how certain types of North-South preferential trade agreements, power dynamics in specific GPNs, the limited technological capabilities of domestic entrepreneurs and the limited leverage of African states vis-à-vis foreign manufacturers can constitute obstacles to the creation of RVCs in manufacturing sectors whose development is heavily dependent on incoming Foreign Direct Investments (FDI).

A country like Ethiopia relies heavily on foreign apparel manufacturers to boost its exports of apparel products to extra-regional markets and develop the country’s manufacturing sector. This high dependence on foreign manufacturers can be explained by the lack of technical skills among domestic entrepreneurs (Vaughan and Gebremichael, 2011) combined with a lack of strong relations between the Ethiopian state (especially the EPRDF regime) and the Ethiopian private sector (Clapham, 2018; Pellerin, 2019). The political settlement of Ethiopia under the EPRDF regime - which was analysed in chapter 4 - greatly explains the relations between the Ethiopian state and the domestic class of entrepreneurs.

In the specific case of the apparel GPN, Azmeh and Nadvi (2014) argued that Asian apparel manufacturers progressively gained more power within the apparel GPN and had a growing influence over decisions related to the location of manufacturing sites in various parts of the world. The inclusion of Ethiopia in the apparel GPN is a result of the combination of three factors: the preferential access of Ethiopia to the North American and European markets, the availability of an abundant and cheap labour force and the extremely pro-active lobbying of global buyers by the Ethiopian state (Mihretu and Llobet, 2017). Chapter 5 showed that the lack of “embeddedness” (to borrow the expression used by Morris et al., 2016) of foreign Asian manufacturers in Ethiopia can be identified as a major factor hindering the creation of regional textile and apparel value chains. This lack of embeddedness is explained by the fact that a major factor that attracted those firms to Ethiopia was the fact that the country benefits from a preferential access to the American and European markets though the AGOA and Everything But Arms agreements respectively (Morris et al., 2016). The fact that
the AGOA agreement for instance does not oblige manufacturers to source their inputs locally (or in the sub-region) does not encourage the creation of backward linkages with local and regional economies. Hence, the activities performed by Ethiopian workers in the apparel GPN seem to be limited to low value-added assembly activities and the prospects for economic upgrading appear to be limited. The same situation can be observed in other East and Southern African countries that are parties to the AGOA agreement such as Kenya and Lesotho (Tati, 2014; Van der Ven, 2015). Another important factor to be taken into account is the fact that – despite the growing influence of Asian apparel manufacturers in the apparel GPN – buyers are still the ones coordinating the apparel GPN and important decisions such as those related to the origins of inputs are still made by buyers. As it was confirmed by some interviewees\textsuperscript{161}, buyers tend to prefer purchasing inputs from non-African sources because of especially stringent quality and speed requirements that African input producers can hardly meet. As it was recognized by COMESA in its regional strategy (COMESA, 2009), the sourcing requirements of buyers mean that even if the quality of African apparel inputs was significantly improved, that would not mean that apparel manufacturers (especially foreign manufacturers based in Africa that supply global buyers) would buy their inputs from African sources and create backward linkages with local and regional economies. More generally, Ethiopia and several African countries in the same situation do not seem to be in a position to take advantage of the incoming FDI flows in the apparel industry to develop their textile sectors as a country like Bangladesh was able to do by requiring foreign manufacturers to form partnerships with domestic textile industries (Van der Ven, 2015).

As a result, there is no clear sign of an alignment of Ethiopia’s national strategy in the textile and apparel industries with COMESA’s “regional strategy for cotton-to-clothing value chain”. Furthermore, a country like Ethiopia has never joined the COMESA Free Trade Area despite belonging to COMESA. As it was explained by an Ethiopian government official\textsuperscript{162}, this partly signals Ethiopia’s desire to protect its industries. This also seems to signal a preference of Ethiopia to develop its trade relations with extra-

\textsuperscript{161} Interview, logistics manager at a textile and apparel company based outside industrial parks, 25\textsuperscript{th} April 2019, Addis Ababa (Ethiopia). Interview, manager at an apparel manufacturing company based inside an industrial park, 22\textsuperscript{nd} May 2019, Addis Ababa (Ethiopia).

\textsuperscript{162} Interview, senior official at the National Planning Commission, 5\textsuperscript{th} April 2019, Addis Ababa (Ethiopia).
regional markets even though Ethiopia ratified the African Continental Free Trade Area (AfCFTA) agreement in 2019.

The last empirical chapter focused on transnational shipping lines and port operators which are actors that play a key role in the orientation of ports and cross-border transport corridors in Africa. On one hand, chapter 6 was the occasion to discuss in more details how the activities of those multinationals affect the cost and quality of logistics services along transport corridors. On the other hand, the chapter was also the occasion to analyse the extent to which the strategic orientations of those multinationals influence the development of cross-border transport corridors in Africa. Contrary to the situation in West Africa where logistics sectors are more open to foreign investors, the Ethiopian logistics sector is dominated by the state monopoly ESLSE and transnational companies that are the most active in the Horn of Africa ports are Chinese and Emirati state-owned port operators. Those state-owned port operators are also present in West Africa, but in West Africa they compete with mostly Western major shipping lines and port operators. The chapter showed that the geopolitical context in the Horn of Africa is characterized by a game of alliances between states on one hand and Chinese and Emirati state-owned port operators on the other hand. These alliances are based on the alignment between the interests of states and port operators and they are focused on the development of cross-border transport corridors in the sub-region. Ethiopia appears to be a major player in this context in view of its unfavourable situation - it is landlocked - and of its position of aspiring regional hegemon in the Horn of Africa (Cannon and Rossiter, 2017). While Ethiopia seeks to diversify its trade routes and reduce its dependency on the port of Djibouti, Djibouti aspires to become a regional transhipment hub in East Africa (Styan, 2020). Both countries have found strategic partners in DP World and Chinese state-owned enterprises that also have their own strategic agendas in the Horn. In the framework of the Belt and Road Initiative (BRI), the port of Djibouti is a strategic location that enables China to control a strategic maritime route along the red sea while facilitating the access of Chinese economic actors to Ethiopia where Chinese-built industrial parks are located (Haralambides and Merk, 2020; Styan, 2020). When it comes to DP World, following its eviction from the port of Djibouti, it has partnered with Ethiopia and has heavily invested in the development of the port of Berbera in Somaliland which should compete with the port of Djibouti for the attraction of
Ethiopian cargos in the future. Hence, the development of cross-border transport corridors in the Horn of Africa is strongly driven by geopolitical motives and the situation in the Horn shows that in an African context characterized by a lack of funding for regional transport infrastructure projects, the projects whose implementation can contribute to the realisation of the strategic orientations of foreign states have apparently a greater chance to be funded. In this context, the driving force behind the development of cross-border transport corridors is obviously not always the development of intra-African trade routes.

In the West African context, the chapter showed that the greater involvement of transnational shipping lines and port operators in the logistics value chain in Senegal – a direct consequence of the liberalization of maritime transport and the privatization of port operations in West Africa in the 1980s – was sometimes a source of tensions with local logistics actors and traders. While we have seen in chapter 3 that the capacity of Senegalese transport unions to mobilize contributed to hampering the implementation of the regional axle load limitation rule, chapter 6 showed that the mobilization of trade and transport unions has not been particularly effective when they tried to contest the fact that transnational companies were increasingly capturing a growing share of rents along the logistics value chain. This seems to confirm that the main beneficiaries of the current internationalisation of logistics services are indeed major transnational companies which have increasingly adopted a strategy of vertical integration (Humphreys et al., 2019). According to some local logistics actors and local traders, this process of vertical integration has not always led to lower logistics costs and Senegalese transporters and traders recently organized strikes to denounce the high fees charged by DP World at the port of Dakar. The consequences of the strategy of vertical integration adopted by transnational shipping lines and port operators can be illustrated with the example given by Chalfin (2010) who indicated that the consortium which operates the container terminal at the port of Tema in Ghana – a consortium that includes Bolloré and MAERSK - was also involved in the management of dry ports. This seems to suggest that the consortium was also

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susceptible to profit off inefficiencies at the port of Tema. In the Senegalese case, some transport workers accused DP World of making profit in all circumstances (including when there is congestion at the port) given the wide range of activities handled by the port operator at the port of Dakar which include stevedoring services for example.164

Overall, the analysis conducted in chapter 6 seems to confirm the arguments made by Coe (2014) who considers that the GPN framework is particularly suited to analysing the political economy of logistics services provision and that the framework enables the study of issues that tend to be overlooked by the traditional business literature on logistics including issues such as the role of states or economic and social upgrading dynamics within the logistics industry (Coe, 2014). Analysing the logistics industry as a GPN is interesting in the sense that it highlights three essential facts that were observed in the framework of the case studies on the Dakar-Bamako and Ethiopia-Djibouti transport corridors. First, the institutional and policy environments have an important influence on the performance and cost-effectiveness of logistics services. Second, when analysing the political economy of logistics services provision, the adoption of a multi-scalar approach is necessary in order to analyse the interactions between the global, regional and national levels (in particular, the interactions between transnational companies, international and regional organisations, states and local logistics actors). Third, the profound changes undergone by the logistics industry and the emergence of big logistics players at the global level (as a result of the global logistics revolution) have economic and social implications for local logistics actors in Africa who may attempt to employ various resistance strategies to limit their marginalization and protect their rents. In this regard, cross-border transport corridors are the areas where the socio-economic transformations are the most visible. The necessity for states to adapt to a rapidly changing world in which efficient logistics services are a critical condition to successfully engage in international trade has undoubtedly consequences on the functioning of local logistics sectors in a number of African countries (Bach, 2016). Hence, the regional integration agenda must contend

164 TV interview with Mr. Diadjli Wade, representative of a transport company. Name of the TV show: Diisso. Dtv channel, 19th March 2021.
with national and international dynamics in the logistics industry whose impacts on logistics costs are - to say the least - ambiguous.

Section 2: Concluding remarks and perspectives

2.1. The influence of the political economy context on the evolution of logistics costs and the creation of RVCs in Senegal and Ethiopia

This thesis argued that the distribution of organizational power between national state and non-state actors, regional and international organizations and foreign multinationals have an important impact on the outcomes of regional integration strategies aimed at reducing trade costs and creating RVCs in the African context. While the literature on regional integration dynamics in Africa has discussed informal processes of regionalization led by non-state actors in opposition to top down processes of regionalism led by RECs and states (Söderbaum and Taylor, 2008; Trémolières and Walther, 2017), this thesis showed that it was equally important to conduct more in-depth research on the way the interactions between other non-state actors (namely, organized domestic socio-economic groups and powerful international actors), regional institutions and factions of the state shape the direction and outcomes of processes of regionalism in the African context. The discussion in the previous section showed that three main factors have a determinant impact on the outcomes of developmental regionalism strategies aimed at reducing logistics costs and creating RVCs: (i) the power relations between states and organized domestic socio-economic groups (including domestic businesses); (ii) intra-state tensions and (iii) the power relations between international actors and African states. This sub-section will discuss each of these three factors.

First, the thesis shed light on the way state-business relations affect the outcomes of regional integration initiatives in the context of the two countries under study. The case study on the Dakar-Bamako transport corridor illustrated the implications for the regional integration agenda of the change in the distribution of organizational power in Senegal that was brought about by the waves of liberalization and privatization of the 1980s. As demonstrated by Thioub et al. (1998), the waves of liberalization and
Privatization profoundly changed the relations between the Senegalese state on one hand, and domestic and foreign businesses (or economic actors) on the other hand. The weakening of the patron-client relations that existed between the Senegalese state and local logistics actors prior to the 1980s coupled with the greater internationalisation of logistics services have had two main consequences. First - as argued by Lombard (2001) - these developments favoured the multiplication of transport unions that are more prone to confront the state. Second, given the necessity to protect their livelihoods in an economic environment increasingly characterized by the greater involvement of transnational shipping lines and port operators in the logistics value chain and a greater pressure put on governments to liberalize transport markets, those transport unions have been more vocal in their contestation of regional regulations that are susceptible to reduce their rents. In a context where a great part of truckers consider that their professional activities are becoming less and less profitable, the propensity of transport unions to protest regional regulations increases.

During the fieldwork in Senegal, it was possible to observe that the determination of transport prices was a source of disagreement between the state, development partners and transport unions. The misalignment between the interests and objectives of development partners (International Financial Institutions in particular) and African transport unions is nothing new. In their book focused on transport corridors in West and Central Africa, Teravaninthorn and Raballand (2009) - who were employed at the World Bank at the time their book was published - argued that the difference between transport costs and transport prices in West and Central Africa was mainly explained by the actions of “transport cartels” reluctant to change. According to them, those cartels maintain transport prices at a higher level than the actual transport costs because of their oligopolistic position within transport markets in West and Central Africa. As a result, Teravaninthorn and Raballand considered that – in those two regions - transport prices tended to be inflated and transport services tended to be poor because of the actions of those powerful transport cartels. They therefore argued that investments in the rehabilitation of transport corridors and trade facilitation measures would have greater positive impacts (in terms of lower transport prices and more efficient services) in countries where transport markets were liberalized. The argument according to which trucking companies in West and Central Africa are able to realise high profit margins sharply contrasts with the picture depicted by truckers
and transport unions, notably in Senegal. Overall, research conducted in the framework of the two case studies showed that transporters working along both corridors were concerned with what they perceived as increasingly precarious working conditions. In this regard, representatives of the Senegalese transport unions who were interviewed\(^{165}\) considered that their interests were at the opposite of those of the Senegalese government. For example, one of the requests of some of those transport unions is the setting up of a freight bureau that would determine a transport pricing scheme instead of the bargaining system currently in place. According to them, the introduction of a pricing scheme would allow truckers to earn decent incomes given that it would mean that the price at which merchandises are transported would be a function of their weight. Senegalese truckers consider in particular that the current bargaining system benefits shippers who tend to impose their prices. The Secretary-General of one of the main Senegalese truckers' unions\(^{166}\) argued that the government was not in favour of the introduction of a pricing scheme because it feared an overall increase of transport prices. At the same time, truckers who consider that they have difficulties earning a decent income resist the implementation of measures that they think would worsen their working conditions. In this regard, the Secretary-General of another Senegalese transport union\(^{167}\) with whom I discussed argued that they would more easily accept the UEMOA axle load limitation rule if a freight bureau that would introduce a pricing scheme was created. While transport unions accuse the government of refusing to set up a freight bureau, the World Bank made clear its opposition to the idea of creating (or keeping) freight bureaus in West and Central Africa. In this regard, the elimination of the queuing system and the progressive elimination of freight bureaus is part of the reforms that the World Bank promotes in West and Central Africa in order to dismantle “transport cartels” and reduce transport prices along international transport corridors in those two regions (Teravaninthorn and Raballand, 2009; Bove et al., 2018). We have seen in this thesis that the power relations between Senegalese transport unions and the state were not constant and could change depending on the situation. For instance, while Senegalese transport unions have significantly contributed to hindering the implementation of the regional

\(^{165}\) Interview, leader of a transport union, 14th November 2018, Dakar (Senegal). Interview, leader of a truckers union, 14th February 2019, Dakar (Senegal).

\(^{166}\) Interview, leader of a truckers union, 14th February 2019, Dakar (Senegal).

\(^{167}\) Interview, leader of a transport union, 14th November 2018, Dakar (Senegal).
axle load regulation in a West African context characterized by port competition, their contestation of the practices of transnational companies (including DP World) did not yield significant results.

In the Ethiopian context, state-business relations have an important repercussion on the cost and quality of inland transportation along the Ethiopia-Djibouti transport corridor. We have also seen that an analysis of state-business relations mattered when assessing the feasibility of implementing regional industrialization strategies and creating RVCs. As demonstrated by Vaughan and Gebremichael (2011), the Ethiopian state under the EPRDF regime had a highly centralized rent management system and relied on state monopolies, businesses affiliated with endowment funds and businesses close to the ruling party to conduct its development strategy. Moreover, the relations between the Ethiopian state and part of the domestic private sector have not always been cooperative and have even been conflictual at times (Clapham, 2018; Pellerin, 2019). The aforementioned structure of the economic sphere translates into economic sectors such as the logistics sector in which the Ethiopian state is heavily involved through the presence of a state monopoly. A major consequence of the Ethiopian state’s interventions in the transport market is the fact that those interventions exacerbate the effects of seasonality on trucking prices while the presence of the state monopoly in the logistics sector contributed to hindering an optimal exploitation of the newly constructed Addis-Djibouti railway. We have also seen in chapter 5 with the example of the textile and apparel industries in Ethiopia that a class of domestic entrepreneurs with low technological capabilities combined with a heavy reliance on foreign manufacturers with low levels of embeddedness in host economies offer very few perspectives for the creation of backward linkages with local and regional economies and offer very few perspectives for the upgrading of African economic actors within GPNs.

A second remark that can be derived from the discussion in the previous section is that both case studies highlighted the existence of tensions within the state that affect the feasibility of reforms associated with the regional integration agenda. However, the tensions identified in Senegal and Ethiopia are of a very different nature. In the case of Senegal, we have seen that intra-state tensions that affect the feasibility of some trade facilitation reforms existed at two distinct levels: (i) between high ranking and
low-ranking law enforcement officers and (ii) among law enforcement agencies themselves. In the case of Ethiopia, the identified intra-state tensions are significantly more disruptive than in the Senegalese case and threaten to significantly modify the distribution of organizational power. Those intra-state tensions in Ethiopia refer to tensions between different factions of the ruling coalition and therefore refer to the horizontal distribution of power. Given the strong involvement of ruling elites in the economic sphere – which is epitomized by the existence of the so-called “endowment funds” – any change in the political sphere or the composition of the ruling coalition is likely to have repercussions on the functioning of key economic sectors including the logistics sector. For example, as it was previously recalled, there have been reports in international media outlets of a “clampdown” on enterprises affiliated with EFFORT - the endowment fund or business arm of the TPLF - following the eruption of the war between the Ethiopian state and the leadership of the TPLF in November 2020. During the EPRDF regime, enterprises affiliated with EFFORT have been major players in several strategic sectors including the transport sector (Vaughan and Gebremichael, 2011). When he came into office in 2018, the current Ethiopian Prime Minister declared his intention to liberalize a certain number of economic sectors (including the logistics sector) and he also committed to pursuing negotiations for the accession of Ethiopia to the World Trade Organization (WTO). The aforementioned liberalization programme has been long awaited by the community of development partners and would align with regional integration programmes that call for a liberalization of trade in goods and services. However, given the structure of the Ethiopian economy and the rapidly deteriorating political situation, it is difficult to see how this liberalization programme will materialize.

A third observation that can be made from the discussion in the previous section is that the thesis highlighted the major role played by international actors in orientating regional integration initiatives in Africa. The power relations between those international actors – which include donors, private multinationals, state-owned enterprises, economic actors from landlocked countries – and African states have a determinant impact on the outcomes and direction of African regional integration initiatives. In the case study on the Dakar-Bamako transport corridor, Malian economic actors were identified as a relatively powerful group with an important bargaining power when it comes to the enforcement of certain regional trade facilitation rules.
When it comes to transnational shipping lines and port operators, they have benefitted from a greater liberalization of maritime transport and the privatization of port operations in the 1980s. The strategy of vertical integration that they pursued has reinforced their position in West African logistics value chains and has increased their ability to capture more rents along those logistics value chains. All these developments have consequences on the development of cross-border transport corridors and the quality and cost of logistics services. Moreover, development partners play a key role in the orientation and implementation of trade facilitation initiatives through their financing of trade facilitation reforms and regional infrastructure development (Sindzingre, 2014). Thus, the combined actions of development partners and transnational shipping lines and port operators aim to eliminate the obstacles to a smooth circulation of goods across borders and accelerate the entry of African countries in the "logistics revolution". This in turn has an effect on the activities of local logistics actors, other local economic actors and factions of the state whose interests may not always align with the interests of donors and transnational companies and who may pursue resistance strategies as a result.

In the case study on the Ethiopia-Djibouti transport corridor, we have seen that the Ethiopian and Djiboutian states sought to rely on state-owned port operators - such as the Emirati DP World and the Chinese China Merchants - to pursue their national strategies in the area of transport infrastructure development. The Ethiopian state has also relied on foreign apparel manufacturers to boost its exports of manufactured products and pursue its national industrialization strategy. While the strategies of the Ethiopian and Djiboutian states on one hand and those foreign multinationals on the other hand may align, the question to be asked is whether the strategies of those foreign entities align with the developmental regionalism agenda focused on the expansion of intra-African trade routes. A major objective of Ethiopia's development strategy is to substantially increase the country's exports to extra-regional markets and its transport and industrial policies primarily serve this objective (Chen, 2021). Another question that was asked in the framework of this thesis is the following: how will the enrolment of locations like Ethiopia in GPNs impact the creation of RVCS in accordance with the developmental regionalism agenda? While it is true that African textile industries are underdeveloped for various reasons including the fact that those industries are capital-intensive and require access to good infrastructure (USITC,
2009), we have seen in chapter 5 that power dynamics in the apparel GPN and the strategies of foreign apparel manufacturers that primarily target the US and European markets do not necessarily support the creation of backward linkages with local and regional economies. Hence, while the strategies of foreign manufacturers may support the realisation of the strategic orientations of individual states, they may not necessarily promote the creation of RVCs. Moreover, African states that are parties to the AGOA agreement have obviously not been able to involve foreign apparel manufacturers in the development of domestic textile industries through the creation of partnerships between foreign manufacturers and domestic businesses (Van der Ven, 2015).

Overall, the thesis offered additional evidence that the inclusion of international actors in the political settlements framework is particularly relevant when studying a certain number of policies. Obviously, the power relations between international and domestic actors are a determinant factor that contribute to explaining the outcomes of regional integration initiatives in the African context. While the AUC and RECs have no coercive power and their role is limited to issuing directives and recommendations (Ravenhill, 2016; Karaki and Verhaeghe, 2017), we have seen in this thesis that the implementation of a number of regional rules and policies at the level of individual countries primarily depend on the power relations between factions of the state, domestic organized groups and powerful international actors such as multinationals and development partners. The thesis also offered compelling evidence of the necessity to conduct more in-depth studies on the way the balance of power between state and non-state actors at the national and international levels affects specific components of the regional integration agenda. The problem related to the lack of implementation of regional rules at the national level has been discussed in the literature on regional integration dynamics in Africa (Jordaan, 2014; Karaki and Verhaeghe, 2017) but there is a need to conduct more research on the factors that influence the choices of African states, as the liberal intergovernmentalist theory has attempted to explain the choices of European states when it comes to the formulation of the European integration project. While the liberal intergovernmentalist theory has offered interesting arguments about the factors that influence the supply and demand for regional integration in the European context, there is a need to develop a theoretical framework that tries to explain the policy choices of African states in the
area of regional integration while taking into account the specificities of the African context. The next sub-section will adopt a more general perspective and will discuss how future research could assess the feasibility of pursuing a developmental regionalism agenda centred around the creation of RVCs in the African context. To this end, a comparison between the socio-economic conditions that prevail in Southeast Asia and Africa will be conducted as a first step in the discussion.

2.2. Challenges of promoting regional industrialization strategies within a developmental regionalism agenda in Africa

This thesis focused on the logistics and apparel sectors in order to shed light on some of the factors that explain the performances of a certain number of regional initiatives aimed at reducing logistics costs and creating regional textile and apparel value chains in West Africa and the Horn. This sub-section will adopt a more holistic approach and will discuss the challenges of implementing regional industrialization strategies in the African context. More specifically, the sub-section will discuss – though succinctly - the experience of East Asian countries with regard to developmental regionalism before attempting to identify potentially interesting issues that could be addressed by future research on regional integration dynamics in Africa.

Compared to African countries, East Asian countries – and countries in the Greater Mekong sub-region (GMS) in particular – were obviously more successful in implementing a developmental regionalism agenda centred around the development of RVCs (or regional production networks) and the expansion of intra-regional trade (Dent, 2008). As argued by Deichmann and Gill (2008), the important reduction in transportation costs that was observed during the 20th century contributed to the expansion of intra-regional trade in intermediate goods in East Asia and facilitated the participation of East Asian economies in GPNs and their upgrading within those global networks. As such, the East Asian example illustrates well the new outward oriented form of regionalism that emerged in the context of the rapid transformation of global production methods and the multiplication of GPNs (Deichmann and Gill, 2008; He and Inoguchi, 2011; Sindzingre, 2014; Ravenhill, 2016). The socio-economic conditions that led to a rather successful implementation of the developmental regionalism agenda in East Asia and the conditions that prevail in Africa have been
the subject of discussions in the regional integration literature. For instance, Ravenhill (2016) explained the failure of past African regional integration initiatives by two main factors: the adoption of overly ambitious forms of regionalism aligned with the European model - which required important transfers of sovereignty to regional institutions that African states were not willing to make - and the absence of what he considers as favourable “political and economic background conditions”. In this regard, Ravenhill noted that the political and economic contexts in African countries were often characterized by the presence of “rent-seeking political coalitions”, a lack of competitiveness of African industries and poor infrastructure that hinder a substantial increase in intra-regional trade. As a result of the failure of the past forms of regionalism, Ravenhill concluded that African countries should shift the focus of regional integration initiatives towards trade facilitation and the removal of non-tariff barriers to trade. Nevertheless, we have seen in this thesis that the implementation of trade facilitation reforms and the removal of certain types of non-tariff barriers can be compromised by the actions of various state and non-state actors – with diverging interests - at the national and regional levels.

Within the context of the growth triangles in the GMS - which are regularly cited as examples for African regional institutions aspiring to deepen economic integration - regional infrastructure development certainly played an important role in the creation of regional production networks (Pomlaktong et al., 2013). In this regard, growth triangles in the GMS are considered as an illustration of the way cross-border transport corridors could be transformed into “development corridors” that support the economic development and industrialization of peripheral or border areas (Dosch and Hensengerth, 2005; Kudo; 2009; UNCTAD, 2013; Ismail, 2021). Nevertheless, GMS countries – and ASEAN countries more generally - encounter roughly the same problems as African countries when it comes to the problematic implementation of trade facilitation reforms and the existence of inefficiencies in domestic transport markets that hinder a more substantial reduction in logistics costs (Lim and Kimura, 2010; Verbiest, 2013). For instance, Pomlaktong et al. (2013) showed that the problem of endemic corruption within law enforcement agencies, inefficient pricing systems in transport markets or the fact that some categories of actors benefit from the persistence of port inefficiencies are all issues which exist within GMS countries and which may compromise the objectives of further reducing trade costs and maximizing
intra-regional trade flows. According to Pomlaktong et al. (2013), an important factor that explains this situation is the unequal distribution of benefits among countries that share transport corridors given that some categories of actors within relatively poorer transit countries lose from the implementation of regional trade facilitation reforms without being sufficiently compensated. As a result, those categories of actors - which include customs officers or some logistics actors - may be tempted to employ various strategies to protect their incomes, strategies that are ultimately detrimental to the enforcement of the regional trade facilitation programme. As we can see, the situation in the GMS countries when it comes to the existence of trade and transport facilitation challenges is strikingly similar to the situation we have analysed in the framework of the case study on the Dakar-Bamako transport corridor. With regard to the inefficient pricing systems in the transport markets of the GMS countries, Pomlaktong et al. (2013) argue that trucking prices in Thailand for example do not take into account negative externalities such as environmental costs and the deterioration of roads, which ultimately leads to an underestimation of real trucking costs and an overutilisation of road transport to the detriment of other modes of transport that may be more efficient (such as rail transport). As we have seen in this thesis, the problems related to inefficient pricing systems in the Senegalese and Ethiopian trucking industries lie at another level. In Senegal the determination of transport prices is a source of disagreement between the Senegalese state, transport unions and the World Bank while in Ethiopia, the interventions of the state in the logistics sector induce distortions that exacerbate the effects of seasonality on trucking prices and limit the capacity of the newly constructed Addis-Djibouti railway to offer an attractive alternative to road transport.

Despite the existence of the aforementioned challenges related to the implementation of the transport facilitation agenda which may hinder a more substantial reduction in logistics costs (Lim and Kimura, 2010), regional production networks were successfully created in the GMS countries. Hence, the East Asian example demonstrates that trade facilitation is only one of the multiple factors that support the creation of regional production networks and other variables play an equally important

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168 Within ASEAN, the trade facilitation programme is known as the “Cross-Border Transport Agreement” (CBTA).
role in the development of intra-regional trade. In this regard, a number of differences between the East Asian and African contexts can explain the differentiated outcomes of regional integration strategies in the two regions. However, I will focus the discussion on only two main related variables. The first variable is the role played by Japanese aid and Foreign Direct Investments (FDI) in the East Asian context. As explained in chapter one, Japanese multinationals outsourced an important part of their labour-intensive manufacturing activities in East Asian countries, which promoted the transfer of skills and knowledge to the class of domestic entrepreneurs in the FDI-recipient countries (Wadley and Parasati, 2000; Verbiest, 2013; Kasahara, 2013; Whitfield et al., 2015). Moreover, through its aid flows, Japan greatly contributed to the financing of regional infrastructure development in Southeast Asia to support the aforementioned industrialization process (Kasahara, 2013; Verbiest, 2013). This phenomenon has been commonly dubbed “the flying geese paradigm” in the economic literature (Lin, 2012; Kasahara, 2013). As argued by Kasahara, the flying geese paradigm – which is the direct consequence of industrial restructuring in Japan – was a driving force behind regional integration dynamics in East Asia. Simply put, the industrial restructuring of the Japanese economy refers to the transition from the production of low value manufacturing products to the production of high value manufacturing products. As a result, this transition entailed the outsourcing of labour-intensive manufacturing activities previously undertaken in Japan to East Asian countries endowed with various resources such as abundant raw materials and cheap labour (Wadley and Parasati, 2000). There have been debates in the economic and regional integration literatures on the types of actors in Africa that could play a role similar to the role played by Japan in the Greater Mekong sub-region. In this regard, Chinese private and state-owned enterprises have often been portrayed as actors that could potentially transfer knowledge and skills to African businesses by outsourcing part of their labour-intensive manufacturing activities to African countries, as Japanese multinationals did in East Asia (Friedman, 2008; Lin, 2012; Qobo and le Pere, 2017). However, as we have seen in this thesis, some scholars who have tried to assess the extent to which this “flying geese paradigm” could be replicated in Africa following recent Chinese investments in manufacturing activities in the continent did not find conclusive evidence of a substantial transfer of skills and technologies to local African firms or evidence of the creation of strong backward and forward linkages with local and regional economies (Brautigam et al., 2018). The regional integration literature
also discussed the role that regional hegemons could possibly play in driving the creation of RVCs in the African context if part of their industries relocates in neighbouring countries (Broadman, 2008; UNCTAD, 2013). This leads us to discuss the second difference between the African and East Asian contexts on which I will focus, which is the extent to which economic convergence can be observed between countries that are part of regional groupings. As argued by Dent (2008) and Sindzingre (2014), economic convergence – which means that less developed countries in a given regional grouping gradually reach the level of development of the richer countries in the grouping – is one of the objectives of developmental regionalism. It is safe to argue that the achievement of economic convergence presupposes that regional hegemons play a key role in regional industrialization strategies. In a report in which it pleaded for the implementation of a developmental regionalism agenda in Africa, UNCTAD argued that regional hegemons could drive the creation of RVCs in the African context given that their industrial sectors tend to be larger than those of the countries in their sub-regions. From an economic geography viewpoint, a central argument of the World Bank in its 2009 World Development Report was that the development of regional infrastructure can play a key role in the promotion of economic convergence among countries belonging to regional groupings and that proximity to richer countries could promote “growth spillovers”. While economic convergence was observed to some extent in the case of East Asian countries, regional integration projects in Africa clearly did not promote economic convergence (Hazlewood, 1979; Deichmann and Gill, 2008; Sindzingre, 2014; de Melo and Tsikata, 2014). In this regard, Sindzingre (2014) argued that the difficulties in promoting economic convergence in the African context were due to multiple factors including the lack of complementarity between low-income African countries and the reliance of African states on unpredictable sources of financing from development partners to fund programmes that may foster convergence (especially regional infrastructure projects). Moreover, Sindzingre noted that the economic literature traditionally considered North-South trade agreements to be “trade creating” while it considered South-South trade agreements to be “trade diverting”. This is based on the theory initially formulated in 1950 by Viner who considered that a customs union was trade-creating if the countries belonging to a given customs union replaced domestic production or imports from countries outside the union (namely, third countries) with cheaper imports from partner countries located within the union (Viner and Oslington,
On the contrary, Viner considered that a customs union was trade-diverting if domestic production or imports from third countries were replaced with more expensive imports from partner countries. Contrary to African countries which generally produce and export the same types of products, Southeast Asia – particularly GMS countries participating in growth triangles - is characterized by the existence of economic complementarities between neighbouring countries (Wadley and Parasati, 2000; Dosch and Hensengerth, 2005; Kudo, 2009; Jordaan, 2014). Hence, according to the conceptual framework developed by Viner, the creation of a Regional Trade Agreement (RTA) between African countries could lead to the replacement of cheaper imports (of a better quality) from outside the regional grouping with more expensive imports from partner countries within the grouping (Draper, 2012; Sindzingre, 2014; Jordaan, 2014). Furthermore, countries that possess greater industrial capabilities within the regional grouping could gain more from the RTA given that they may be in a better position to increase their exports to neighbouring countries, which would lead to economic divergence (Draper, 2012). Another argument given by Sindzingre to explain economic divergence between African countries belonging to a given regional grouping is the fact that incoming FDI flows tend to concentrate on the few attractive locations in the grouping.

Overall, it is clear that the discussion on the conditions that are conducive to the creation of RVCs or regional production networks is in fact a discussion on the conditions that lead to the implementation of successful national and regional industrial policies. In this regard, Whitfield et al. (2015) demonstrated how several dimensions of the political settlements of countries – notably the degree of vulnerability of ruling elites and the degree of contestation they face, the type of state-business relations and the technological capabilities of domestic businesses – had a determinant influence on the outcomes of national industrial policies in the African context. Within the ASEAN zone, Nesadurai (2003) demonstrated that – in a context characterized by the existence of patron-client relations between governments and domestic businesses – ASEAN member states resorted to developmental regionalism to build the capacities of local economic actors and to provide them with the means to compete internationally. Therefore, the strategy of developmental regionalism in ASEAN entailed the adoption of temporary protectionist policies at the regional level to protect domestic industries (Nesadurai, 2003). As we have seen above, inward FDI flows from
Japan (and subsequently, from other relatively developed East Asian countries) were instrumental in the development of intra-regional trade and the catching up of less developed GMS countries since they enabled a progressive transfer of skills and technologies to the class of domestic entrepreneurs in FDI-recipient countries. According to Deichmann and Gill (2008), the main reason why African countries were not able to take advantage of the worldwide reduction in transportation costs during the 20th century was that most African countries were too small to attract substantial FDI flows that would have enabled a development of intra-regional trade in intermediate goods. For Deichmann and Gill, this offers additional evidence that African countries should pursue regional integration strategies that will enable the creation of regional markets whose sizes would be attractive enough for foreign investors. Nevertheless, it is also important to note that Asian countries that were able to attract FDI flows – notably in the apparel sector - had put in place proactive policies that required foreign firms to form partnerships with local businesses so as to facilitate the transfer of skills and technologies to domestic entrepreneurs and facilitate the creation of backward and forward linkages with local economies (Van der Ven, 2015).

This means that the creation of partnerships between foreign investors and domestic businesses crucially depends on the leverage that states enjoy vis-à-vis foreign investors.

Recent discussions in the regional integration literature on the impact of extra-regional actors on regional integration dynamics in Africa have increasingly focused on the impact of the signature of North-South RTAs on the success of the AfCFTA (Sindzingre, 2014; Ismail, 2017). In particular, the perspective of the signature of Economic Partnership Agreements (EPAs) between the European Union on one hand and African, Caribbean and Pacific (ACP) countries on the other hand provoked fears that such agreements would weaken African infant industries and therefore, undermine the goal of boosting intra-African trade in manufactured products within the envisioned continental free trade area (Ismail, 2017). This is because the European Union’s desire to replace the Lomé Conventions – the preferential trade agreements that existed between the EU and ACP countries since the 1960s - by EPAs would imply a progressive removal of tariff barriers between the EU and ACP countries and the application of the principle of reciprocity. As indicated above, some scholars in the economic literature have argued that North-South RTAs signed between developed
regions and developing regions were preferable to South-South RTAs given that North-South RTAs were considered to be “trade-creating” (Draper, 2012). Nevertheless, as we have seen in this thesis and as it was argued by several scholars, North-South RTAs of the type of the AGOA agreement between the United States and African countries are not really “predictable” - given that they can be terminated unilaterally by the developed country that is party to the agreement - and the ability of those agreements to promote sustainable industrialization within developing regions appears to be limited especially if the rules of origin requirements are relaxed (Sindzingre, 2014; Van der Ven, 2015).

While this thesis used the political settlements framework to evaluate how the distribution of organizational power between national state and non-state actors, regional and international organizations and foreign multinationals affected the objectives of the developmental regionalism agenda in the logistics and apparel sectors, the discussion above shows that there is a need to conduct similar research in other sectors or industries that are prioritised by the AUC in the framework of the operationalization of the AfCFTA. The AUC presented the AfCFTA – whose operationalization began in January 2021 - as a great opportunity to spur the creation of RVCs in the continent and boost intra-African trade. We have seen in this chapter (and chapter one) that the creation of RVCs in East Asia was strongly driven by market mechanisms. At the same time, some scholars argued that developmental regionalism could be understood as the extension of the concept of the “developmental state” to the regional level which suggests that the creation of RVCs in the framework of a developmental regionalism agenda should also be the result of a planned regional industrialization strategy (Kasahara, 2013). The problems associated with the implementation of regional industrialization strategies in developing country settings - and particularly in Africa - are longstanding (Sloan, 1971; Hazlewood, 1979). Hence, the political settlements framework could be used to understand how state and non-state actors may hinder or facilitate the achievement of the AUC’s plans for the creation of RVCs in the AfCFTA in specific countries and industries. Such research could specifically focus on the way the political economy context within regional hegemons could affect their potential contributions to the implementation of regional industrialization strategies. As indicated throughout this thesis, the role that regional hegemons play in regional integration initiatives has been the focus of debates in the
regional integration literature (Draper, 2012; Krapohl, 2017). Those debates notably focused on the compatibility between the national agendas pursued by regional hegemons and the regional integration agenda. For instance, Deichmann and Gill (2008) considered that – contrary to small low-income countries – larger countries can afford to prosper without participating in regional integration schemes. For his part, Krapohl (2017) argued that regional hegemons in developing country settings can be tempted to prioritize their national development agendas over the regional integration project if they consider that they might gain more benefits from nurturing their privileged bilateral relations with developed countries. The roles of Nigeria and South Africa in regional integration schemes in West and Southern Africa respectively have often been the focus of numerous analyses in the literature because of the ambiguous impact that these two regional hegemons have on processes of economic integration in their sub-regions (Krapohl, 2017; Karaki and Verhaeghe, 2017). Continental and regional organizations that coordinate the implementation of the AfCFTA – namely the AUC, the United Nations Economic Commission for Africa (UNECA) and RECs - have carried out several consultations with representatives of the private sector to ensure an “appropriation” of the AfCFTA at the level of individual countries. Nevertheless, this thesis showed that the factors that shape the positions of African states and domestic businesses vis-à-vis regional integration initiatives are multiple and complex, especially in light of the fact that these two entities are far from being “monolithic”. As argued by Karaki and Verhaeghe (2017), the “private sector” in African countries is an heterogenous group in which several factions with diverging interests co-exist. It is important to note that some research was conducted on the role of indigenous business groups in regional integration dynamics in Africa. For example, Iheduru (2015) showed that organized domestic businesses – especially in the financial sector - that have an interest in regional integration have had a primary role in advancing some regional integration initiatives in the ECOWAS zone. Nevertheless, there is still a need to improve our understanding of the way state-business relations – in particular within regional hegemons – can impact the feasibility of regional industrialization strategies in Africa. Hence, conducting further research in this area would be particularly informative and timely, especially at this moment where the regional integration agenda seems to be gaining a new impetus in the African continent.
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Annex 1: List of interviewees for the case study on the Dakar-Bamako transport corridor

<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>Organization</th>
<th>Function</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Government</td>
<td>AGEROUTE(^{169})/ Ministry of Infrastructure and Land Transport</td>
<td>Senior official</td>
<td>12(^{th}) September 2018</td>
</tr>
<tr>
<td>2.</td>
<td>Government</td>
<td>Ministry of Agriculture</td>
<td>Senior official</td>
<td>17(^{th}) September 2018</td>
</tr>
<tr>
<td>3.</td>
<td>Government</td>
<td>Ministry of Infrastructure and Land Transport</td>
<td>Senior official</td>
<td>19(^{th}) September 2018</td>
</tr>
<tr>
<td>4.</td>
<td>Government</td>
<td>Ministry of Trade</td>
<td>Senior official</td>
<td>21(^{st}) September 2018</td>
</tr>
<tr>
<td>5.</td>
<td>Government</td>
<td>Ministry of Agriculture</td>
<td>Official</td>
<td>26(^{th}) September 2018</td>
</tr>
<tr>
<td>6.</td>
<td>Private sector</td>
<td>Senegalese supplier of chemical fertilizers</td>
<td>Employee</td>
<td>2(^{nd}) October 2018</td>
</tr>
<tr>
<td>7.</td>
<td>Pan-African</td>
<td>Hub Rural</td>
<td>Researcher</td>
<td>4(^{th}) October 2018</td>
</tr>
<tr>
<td></td>
<td>Research institute/ think tank/ NGO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Government</td>
<td>ISRA(^{170})/ Ministry of Agriculture</td>
<td>Officials</td>
<td>4(^{th}) October 2018</td>
</tr>
<tr>
<td>9.</td>
<td>Rice Producers</td>
<td>Interprofessional committee of the rice sector in Senegal</td>
<td>Senior staff</td>
<td>9(^{th}) October 2018</td>
</tr>
<tr>
<td>10.</td>
<td>Private sector</td>
<td>Senegalese supplier of organic fertilizers</td>
<td>Senior staff</td>
<td>11(^{th}) October 2018</td>
</tr>
<tr>
<td>11.</td>
<td>Private sector</td>
<td>Transnational enterprise/ supplier of organic fertilizers</td>
<td>Senior staff</td>
<td>17(^{th}) October 2018</td>
</tr>
<tr>
<td>12.</td>
<td>Logistics actor</td>
<td>Senegalese Transport Union</td>
<td>Leader</td>
<td>22(^{nd}) October 2018</td>
</tr>
<tr>
<td>13.</td>
<td>International</td>
<td>World Bank</td>
<td>Senior official</td>
<td>31(^{st}) October 2018</td>
</tr>
<tr>
<td></td>
<td>Organization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Pan-African</td>
<td>Borderless Alliance</td>
<td>Official</td>
<td>5(^{th}) November 2018</td>
</tr>
<tr>
<td></td>
<td>Think tank/ NGO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Logistics actor</td>
<td>Entrepôts Maliens au Sénégal (EMASE)/ Malian Warehouses in Senegal</td>
<td>Employee at the administrative and financial unit, in charge of freight</td>
<td>9(^{th}) November 2018</td>
</tr>
<tr>
<td>16.</td>
<td>Logistics actor</td>
<td>Senegalese truckers’ union</td>
<td>Leader</td>
<td>14(^{th}) November 2018</td>
</tr>
</tbody>
</table>

\(^{169}\) AGEROUTE is the French acronym for “Agence des Travaux et de Gestion des Routes”. In English: “Works and Road Management Agency”.

\(^{170}\) ISRA is the French acronym for « Institut Sénégalais de Recherches Agricoles ». In English: “Senegalese Institute of Agricultural Research”.

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<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>Organization</th>
<th>Function</th>
<th>Date of interview</th>
</tr>
</thead>
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<tr>
<td>17.</td>
<td>Regional Regulatory body</td>
<td>Observatory of abnormal practices along WAEMU transport corridors</td>
<td>Official</td>
<td>16th November 2018</td>
</tr>
<tr>
<td>18.</td>
<td>Development partner</td>
<td>USAID</td>
<td>Senior official</td>
<td>21st November 2018</td>
</tr>
<tr>
<td>19.</td>
<td>Private sector</td>
<td>Senegalese producer of chemical fertilizers (ICS)</td>
<td>Senior staff</td>
<td>28th November 2018</td>
</tr>
<tr>
<td>20.</td>
<td>REC</td>
<td>WAEMU</td>
<td>Senior official</td>
<td>11th December 2018</td>
</tr>
<tr>
<td>21.</td>
<td>Private sector</td>
<td>Malian supplier and producer of chemical fertilizers</td>
<td>Employee</td>
<td>23rd January 2019</td>
</tr>
<tr>
<td>22.</td>
<td>Government</td>
<td>Customs Department / Ministry of Economy and Finance</td>
<td>Senior official</td>
<td>31st January 2019</td>
</tr>
<tr>
<td>23.</td>
<td>Logistics actor</td>
<td>Senegalese truckers’ union</td>
<td>Leader</td>
<td>14th February 2019</td>
</tr>
<tr>
<td>24.</td>
<td>Logistics actor</td>
<td>Malian transport union</td>
<td>Member</td>
<td>20th February 2019</td>
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</table>
## Annex 2: List of interviewees for the case study on the Ethiopia-Djibouti transport corridor

<table>
<thead>
<tr>
<th>Category</th>
<th>Organization</th>
<th>Function</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Private sector</td>
<td>Ethiopian Textile and Garment Manufacturers Association (ETGAMA)</td>
<td>Senior staff</td>
<td>27th March 2019</td>
</tr>
<tr>
<td>4. International Organization</td>
<td>UNECA</td>
<td>Senior official</td>
<td>2nd April 2019</td>
</tr>
<tr>
<td>5. International Organization</td>
<td>UNCTAD</td>
<td>Senior official</td>
<td>4th April 2019</td>
</tr>
<tr>
<td>6. Government</td>
<td>National Planning Commission</td>
<td>Senior officials</td>
<td>5th April 2019</td>
</tr>
<tr>
<td>7. Private sector</td>
<td>Apparel company/ Global buyer</td>
<td>Senior staff</td>
<td>17th April 2019 (phone)</td>
</tr>
<tr>
<td>8. Private sector</td>
<td>Textile and Garment Manufacturer</td>
<td>Senior staff</td>
<td>23rd April 2019 (phone) and 25th April 2019 (in person)</td>
</tr>
<tr>
<td>9. Private sector</td>
<td>Textile Manufacturer</td>
<td>Senior staff</td>
<td>24th April 2019</td>
</tr>
<tr>
<td>10. International Organization</td>
<td>World Bank</td>
<td>Senior official</td>
<td>16th May 2019</td>
</tr>
<tr>
<td>11. Government</td>
<td>Industrial Parks Development Corporation (IPDC)</td>
<td>Senior official</td>
<td>16th May 2019</td>
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<td>12. Private sector</td>
<td>Foreign apparel manufacturer</td>
<td>Senior staff</td>
<td>22nd May 2019</td>
</tr>
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<td>13. Government</td>
<td>Ethiopian Maritime Affairs Authority</td>
<td>Senior official</td>
<td>31st May 2019</td>
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<td>15. REC</td>
<td>African Union Commission</td>
<td>Senior official</td>
<td>6th June 2019</td>
</tr>
<tr>
<td>16. Logistics actor</td>
<td>International logistics firm</td>
<td>Senior staff</td>
<td>7th June 2019</td>
</tr>
<tr>
<td>17. Logistics actor</td>
<td>Transport Association</td>
<td>Senior staff</td>
<td>11th June 2019</td>
</tr>
<tr>
<td>18. Logistics actor</td>
<td>Transport PLC</td>
<td>Senior staff</td>
<td>14th June 2019</td>
</tr>
<tr>
<td>19. Logistics actor</td>
<td>Transport Association</td>
<td>Senior staff</td>
<td>18th June 2019</td>
</tr>
<tr>
<td>Category</td>
<td>Organization</td>
<td>Function</td>
<td>Date of interview</td>
</tr>
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<tr>
<td>20. Logistics actor</td>
<td>Transport PLC</td>
<td>Senior staff</td>
<td>18&lt;sup&gt;th&lt;/sup&gt; June 2019</td>
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<tr>
<td>21. Logistics actor</td>
<td>Ethiopian Freight Forwarders and Shipping Agents Association (EFFSAA)</td>
<td>Senior official</td>
<td>19&lt;sup&gt;th&lt;/sup&gt; June 2019</td>
</tr>
<tr>
<td>22. Logistics actor</td>
<td>Ethiopian logistics firm</td>
<td>Senior staff</td>
<td>25&lt;sup&gt;th&lt;/sup&gt; June 2019</td>
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<tr>
<td>23. Academia</td>
<td>University of Leicester</td>
<td>Law professor</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt; July 2019</td>
</tr>
<tr>
<td>24. Port of Djibouti</td>
<td>Management company of the Doraleh container terminal/ Société de Gestion du Terminal à Conteneurs de Doraleh (SGTD)</td>
<td>Senior staff</td>
<td>7&lt;sup&gt;th&lt;/sup&gt; July 2019</td>
</tr>
<tr>
<td>25. REC</td>
<td>IGAD</td>
<td>Senior official</td>
<td>14&lt;sup&gt;th&lt;/sup&gt; July 2019</td>
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