

# The Key Essentials for AFCTA for Competitive Regional Value Chains

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## Abstract

The Africa Free Trade Agreement (AFCTA) is a joint vision by the African continent to open up the markets in the continent by relaxing the import quotas and tariffs for export and import products throughout the continent, this is a viable move taking into cognizant a population of 1,2 billion with a GDP of \$ 2.3 trillion dollars, this is a pivotal direction for the continent taking into cognizant that there is not a single country in the continent not even the largest has a domestic market of sufficient scale to drive significant industrialization. Although this is indeed in the right direction pertaining to industrialization, it is required in order for the strategic benefits of trade to be realized that there be innovative continuous improvement and enhancement in final products traded, as currently South Africa which is the most industrialised country in the continent was ranked 22 out of 38 countries in the world in terms of competitiveness. This outcome requires a turn-around approach in the manufacturing value chains as an initiative for better global ranking standards and ability to create export driven economies that are globally competitive. The paper is to discuss how the joint improvement tools pertaining to quality can successfully lead to competitive industries in the African continent and embracing a successful AFCTA vision.

**Keywords:** AFCTA, Quality Management, Regional Value Chains

## Introduction

AFCTA's envisaged plan for the African continent is packaged around regional trade value chains operating in a liberalized trade environment in the continent with less quotas and tariffs impeding free trade and efficient movement of imports and exports; this is very appropriate in terms of creating such a common market with a population of 1.2 billion and a GDP of \$ 2.3 trillion Creamer (2021); accompanying this approach is the emphasizing manufactured value added products and graduating away from export of primary products to tertiary as this will result in a high level of competitiveness and export driven economies impacting positively on nations balance of payments. In the ensuring of high value added manufactured products it is essential that industries and sectors are accustomed to the application of tools pertaining to innovative continuous improvement in the value chain; it is disheartening for South Africa, which can be considered as Africa's central economic hub to be ranked as number 22 out of 38 countries in terms of global competitiveness. This signals for the urgent need for sectors

and industries to adopt more aggressively in terms of the culture of competitive excellence , quick response philosophy and joint improvement tools relating to the final manufactured goods for consumption.

### **Competitive Excellence in Readily Made Goods for Export**

According to Steyn(2020a), for Africa to benchmark with competitive economies it is essential that the following elements of competitive excellence are adopted into the manufacturing regional value chains; the sectors has got to comprehensively adopt a customer focused approach, emphasise on the provision of goods and services that customers want and ensure retention of the cliental market, these goods and services should result from carefully planned and executed transformation processes and the industries and sectors should instill the customer focus culture within the organization more so the employees engaged in the entire production and system value chains.

Additionally, to the competitiveness excellence approach the drivers of competitiveness should be embraced in the regional value chains; this entails a high focus on the extent of **productivity**; highlighting on the general ability to manufacture efficiently and effectively meeting the customer expectations and beyond, secondly the ability to integrate the **e-commerce** factor into the production lines, this is looking at the actual manufacturing and the final transaction process performed as well as logistics within value chain, thirdly ensuring **order-fulfillment**, whereby customer needs dates and requirement drive processes , additionally manufacturing, distribution and transportation plans are intergrated. Fourthly, **teaming and partnering** becomes an essential, sequentially followed by outsourcing and finally the distinctive core competencies as well as human talent inclusive of leadership excellence are essential in achieving an overall competitiveness in industry. Having highlighted on competitiveness component relating to regional value chains the next phase of the paper is to discuss the quick response philosophy in relation to regional value chains.

### **Application of Quick Response Philosophy in Regional Value Chains**

As the prevailing situation in Africa is and its common markets, the reality is non has a domestic market of sufficient scale to drive significant industrialization; the solution in this regard lies in the emergence of regional value chains engaged in the production of value added goods and service and trading in the global African market. This being a comprehensive solution should also be accompanied by the ability to apply the philosophy of quick response taking into cognizance the level of poor road, rail , port , telecommunication and other infrastructure enhancing the level of competitiveness in manufacturing value chains and export driven economies.

In ensuring the remedy to this challenge it is ideal that AFCTA in its approach of enabling efficient free trade the areas interlinked such as logistics and JIT (Just in time) are paid attention to, as quick response (QR) and JIT both rely on efficient IT (information technology) freight and distribution management (logistics). Subsequent to this factor it is essential that the technology and quick response be integrated into the manufacturing and export value chains ; whereby the universal product codes, scanning of equipment at the export one stops are deployed, sequentially there should be sufficient and efficient data communication hardware, as well as electronic data interchange software. This should also be accompanied by good human relationships and re-engineering processes at various critical points of the manufacturing and export value chains.

### **Application of Joint Improvement Tool in Regional Manufacturing Value Chains**

The reality in the African continent is that the majority of the export market comprises of primary products and less of tertiary; South Africa which can be considered as the most industrialised country in the continent was recently ranked number 22 out of 38 countries in terms of global competitiveness ranking, this does not compare well in terms of the level of competitiveness; for Africa to advance in terms of being globally competitive it is essential that joint improvement tools be adopted across the industrial sectors; the following is a detailed approach on the application of this measure:

### **Joint Improvement Tools**

- **Total Quality Management(TQM):** The TQM dimension is a critical component for competitive manufacturing regional manufacturing value chains , as it extensively communicates to customer relationship management, relationship with suppliers, product design and transformation processes; to add more to this point the schematic diagram below highlights on the competitive benefits of TQM:

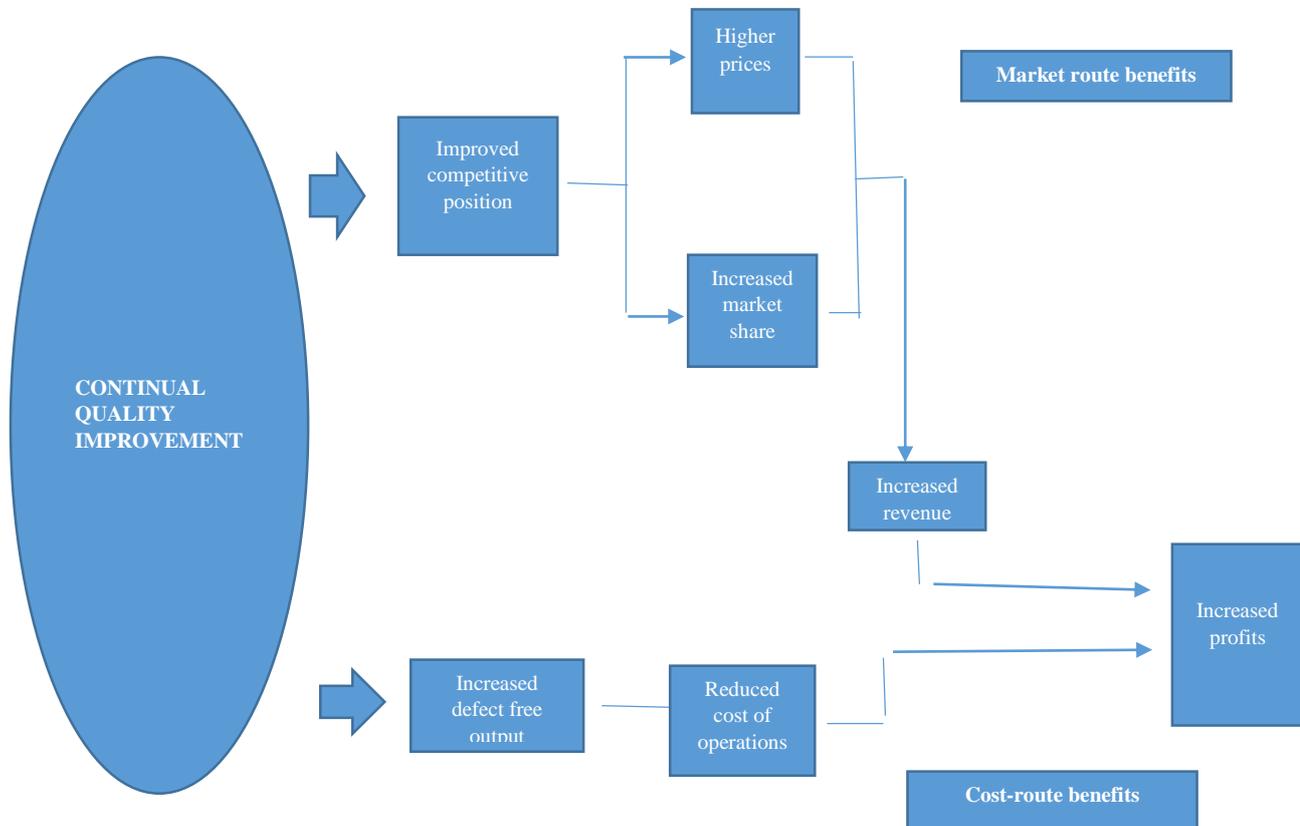


Figure 1. Competitive Benefits of TQM (Source: Adapted from Steyn, 2020b).

- **Just-in-time (JIT)**, this facilitates the processes enabling the procurement management systems to provide production lines with components as they need them.
- **Benchmarking**
- **Re-engineering**
- **Supplier Development**
- **Total Preventive Maintenance (TPM)**
- **Quick Response Programs:** This processes enhanced the production value chains through the application of emergency thinking, by putting teams into the right frame of mind; secondly, designing in a manner that process setups and change overs avoid non-value adding steps, thirdly, gearing towards preparation mode in terms and finally ensuring that the entire process reduces the time needed to serve customers.
- **Team creation & team building**

### **AFCTA, African Economies & Infrastructure**

According to (Makhubela. D, 2021 **Online**), Afcta is to cover 55 countries in the continent , hosting a population of 1,3 billion people and collectively with a GDP of \$ 3,4 trillion, the intention for the free market is to eliminate 90% of the tariffs on trade enabling an efficient free trade and regional integration, in terms of a World bank report it is anticipated that regional income will rise by 7% or by \$ 450 billion and furthermore creating a conducive climate for 30 million people to be alleviated out of extreme poverty by 2035 as the agreement facilitates for economic stimulus and feeding into growth and wages. This will further enhance intra-continental exports to increase by 81% and exports to non-African countries by 19%. As a result of this initiative it is estimated that export will be increased by \$ 560 billion and the largest contributor being manufacturing, for this to be fully realized it is therefore an essential that regional manufacturing value chains be created in order for significant industrialization to suffice, as highlighted earlier in the paper this approach will require sectors and industries in the continent to adopt , embrace and implement culture of competitive excellence , quick response philosophy and joint improvement tools relating to the final manufactured goods for consumption. Furthermore; integral to this requires robust, rail, telecommunication, road and ports infrastructure.

### **Conclusion**

Clearly the inception and conceptualization of Afcta is a step in the right direction for the African continent, more so taking into cognizant the projected benefits to be realized in terms of the improvement in the standard of living whereby 30 million people will be removed out of abject poverty by 2035, furthermore on the trade side of the equation removal of trade barriers as well as implementation of regional economic integration regional income to rise by \$ 450 billion, exports rise by 81% within the continent and 19% for non-African countries, and finally manufacturing being the largest contributor towards exports \$ 560 billion increase to be realized. This initiative to be realized however requires an emergent change in terms of industries and sector approach towards productivity and competitiveness; sound productivity and quality enhancement tools such as competitive excellence, quick response philosophy and joint improvement tools relating to the final manufactured goods for consumption have to be incorporated into the regional manufacturing value chains; integral to this is robust rail, telecommunication, road and ports infrastructure.

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