AFRICAN POLITICAL ECONOMY IN THE TWENTY-FIRST CENTURY

THEORIES, PERSPECTIVES, AND ISSUES

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Theories of International Trade

Perspectives from Africa

Denis Nfor Yuni

International trade theory is one of the oldest economic theoretical concepts. It was first postulated by Adam Smith in his 1776 book titled *An Inquiry into the Nature and Causes of the Wealth of Nations*. About forty-one years later, David Ricardo's 1817 *Principles of Political Economy and Taxation* induced a paradigm shift on the theory of international trade. Adam Smith posited that economic prosperity could only be achieved, if a country recorded export surplus. And this could be done by growing the size of markets via division of labour and specialisation in the production of commodities. This should lead to cheaper production which becomes more competitive than in the importing country. David Ricardo consented to Adam Smith's postulation of the importance of international trade, but differed in the production technologies which should be adopted in driving exports for economic prosperity. These views instigated politico-economic debates in the nineteenth and twentieth centuries with major publications from John Stuart Mill, Ricardo, Eli Heckscher, Bertil Ohlin, Paul Samuelson and several others.

The Africa Agenda 2063 is a fifty-year plan with the vision of *an integrated, prosperous and peaceful Africa* driven by its own citizens, and has represented a dynamic force in the international arena between 2013 and 2063 (African Union Commission 2015). Conspicuous in this laudable plan is the Africa Continental Free Trade Area (AfCFTA), whose aim is to eliminate tariff and non-tariff barriers in view to deepen intra-Africa trade and invariably compete favourably in global trade. This long-term plan is a recognition of the role of international trade in improving economic prosperity as first recognised by Adam Smith. Nevertheless, it is important to review the

theories on international trade with a contextual focus on Africa, with a view to position Agenda 2063 on concrete pillars as it concerns trade.

Today, international trade theories are classifiable into two broad groups: the orthodox or classical country-based theories and the new or modern firm-based theories. The theories shall be discussed from a historical and contextual perspective, in order to demonstrate the evolution of the theories over time as well as their relevance in contemporary times. This chapter argues that existing theories were formulated and projected based on Western, parochial, Eurocentric experiences and perspectives. It is critical that the theories are understood in the African context in search of a suitable theoretical approach for African renaissance and development. This aligns with the 'Africa solution to Africa problem' of African Union (AU) Agenda 2063 and AfCFTA.

CLASSICAL COUNTRY-BASED THEORIES

This refers to those theories that align with the classical school of economic thoughts, and therefore promotes ideals such as free trade, division of labour, specialisation and so on. Five key classical country-based theories are discussed below.

Mercantilist Theory

Adam Smith is popularly recognised as the originator of international trade theories. However, literature shows the existence of the mercantilist theory of the 1600s. Several authors including Adam Smith attribute the origin of the Mercantilist system theory to Thomas Mun (1571–1641). However, most of the European economists between the sixteenth and eighteenth century are largely perceived as mercantilists.

The mercantilist could be said to have been focused on explaining why nations should become prosperous, wealthy and powerful; wherein international trade and industry were considered very significant (Magnusson 2011). The mercantilist theory posits that the amount of gold, silver and precious metals a country had reflected its economic strength. It further posits that the world's wealth was static and this explains why several European nations endeavoured to accrue the largest possible portion of this wealth by maximising their exports and employing import restrictions using tariffs (Kenton 2020). In trade, therefore, when a country or economy recorded a trade deficit, it was meant to pay the difference in gold.

Adam Smith, David Hume, Dudley North and John Locke are believed to be the first critics of the mercantilist theory. Adam Smith perceived the

mercantilist system as *the commercial system* wherein money was confused with wealth; Smith recognised that the majority of mercantilist writers were businessmen and government officials who wrote primarily about trade, shipping, effects of tax and protection of industries at the time, among others (Magnusson 2011). John Locke questioned the stability of money; pointing to the fact that wealth could be created by human labour and, hence, not fixed. And Hume critiqued the mercantilist idea of pursuing a constant positive balance of trade. In spite of the several criticisms of the mercantilist theory, it was only fundamentally replaced in 1776 with the advent of Adam Smith's publication—*The Wealth of Nations*.

While several authors posit that mercantilism is not relevant today, authors such as, Rodrik's (2013) opines that mercantilism is still very much relevant and that its continuous conflict with liberalism is likely to be a major force shaping the future of the global economy. Nevertheless, offshoots of the mercantilist theory such as import restriction by levying tariffs have remained a key policy in international trade across several countries.

Evidence of such import restrictions abound in developed and developing countries. In 2015, for example, the government of Nigeria banned rice imports across land borders and raised the tariff on rice imports through ports to 70 per cent (Amata 2022). The Zambian government banned the importation of fruits and vegetables in 2017; South Africa banned use of imported cement on government-funded projects in 2021; and more recently, in August 2022, Nigeria banned importation of SIM cards. While some import restrictions are primarily due to health reasons, security and environmental protection, the ones listed, as well as several others across the globe are aimed at encouraging local production and targeting a positive balance of trade. It is, however, worth noting that import restrictions generally lead to unhealthy reprisals that may undermine the initial objective of export promotion. For example, in 2020, China instituted tariffs of up to 218 per cent on Aussie wine imports in retaliation to Australia's ban on Huawei (Burke 2021).

Absolute Cost Advantage

The classical theory of absolute cost advantage remains the first recognised theory of international trade. The theory is rationalised on the premise that, there is no need to produce a good or service if another country or economy can produce same with lower inputs, time or resources. In effect, Adam Smith submitted that for a country to grow, free trade should be practiced to increase exports and improve economic prosperity. He further stated that for such trade to be beneficial to both economies/countries, each economy or country should specialise in that good or service, which it will produce at

cheaper cost or less resources. This implicitly means that Adam Smith recognised that countries or regions have geographical, socio-cultural, religious and structural, among other, dispositions that determines the cost of production of goods and services (causing it to differ from one place to another). Therefore, each country/economy should only produce goods and services in which they have such cost advantage over the trading partner. Beyond the individual gains from trade by the countries, Adam Smith argued that if trade was driven by absolute cost advantage, which resulted in specialisation, the gains from trade would also increase globally.

The absolute cost advantage can be demonstrated using the example in table 2.1; wherein we assume that there exist only two trading countries in the universe, Nigeria and Cameroon, who trade on two goods—Irvingia (ogbono) and textiles.

The illustration on table 2.1 suggests that, before trade, Nigeria gains forty from producing textiles and thirty units from producing ogbono, while Cameroon gains thirty units from producing textiles and forty units from producing ogbono. If Nigeria has absolute advantage in textiles and Cameroon has absolute advantage in ogbono, then specialisation in the goods in which they have absolute advantage in, alone, will generate ninety units as gains for each country. This implies that, in specialising only in the production of textiles for Nigeria, it gains fifty units and loses thirty. The reverse is the case when Cameroon specialises in ogbono. Interestingly, the world gains twenty units extra of textiles and ogbono when such trade is practiced. Hence all parties gain—Nigeria, Cameroon and the World.

The major criticism of the absolute cost advantage theory is based on its assumptions as it implies that all countries have a product in which they have absolute cost advantage in, relative to trading partners. Meanwhile some countries might be better in producing both goods and the trading partner may not be better in any. This is particularly more difficult in developing countries where most firms are limited in most production inputs which would have aided the 'obtained' or 'developed' cost advantage in the production of certain goods. This leaves most of them to differ mostly in geographical features,

Table 2.1. Gains from Trade Based on Absolute Cost Advantage

	Before Trade		*After Trade*		*Gains from Trade*	
Country	Textiles	Irvingia (ogbono)	Textiles	Irvingia (ogbono)	Textiles	Irvingia (ogbono)
Nigeria	40	30	90	–	+50	−30
Cameroon	30	40	–	90	−30	+50
World Production	70	70	90	90	+20	+20

Source: Developed by the author.

which may likely not also occur because trade is usually across land borders with countries that share similar geographical features.

Another criticism of the absolute cost advantage is that of the non-inclusion of the many other factors that influence trade between two countries such as transportation costs, exchange rates fluctuations and value addition via innovation, among others. And generally, it is perceived as simplistic, especially relative to the comparative cost advantage. Seretis and Tsaliki (2015) investigated the application of the absolute cost advantage in international trade in four countries: Greece, Spain, Finland and the Netherlands. Their findings are consistent with the view that productivity differences persist over the years, which is equivalent to saying that the absolute advantage in production does not change into comparative advantage. On the other hand, Boundi-Chraki and Perrotini-Hernández (2021) employed robust panel regression models to empirically show that the free movement of money capital and technical change in North American Free Trade Agreement (NAFTA) and the EU-28 strengthen the position of countries with absolute cost advantage in some manufacturing sectors and, therefore, weaken the positions of other countries between 2000 and 2014.

Comparative Cost Advantage

Propelled by the major criticism to Absolute cost advantage as mentioned in the previous section, Ricardo proposed the theory of comparative cost advantage. Comparative advantage introduced the aspect of relativity into the dynamics of trade rather than just the absolute advantage. A country is said to have comparative advantage over another when it can produce a good or service at a lower opportunity cost or with relatively higher efficiency than another, even when it may not be cheaper than that of the other country. Ricardo's contribution therefore shows that, even if a country produces all goods less expensive than the other, trade could still take place if each country produces that good in which it has lower opportunity cost.

Table 2.2. Gains from Trade Based on Competitive Cost Advantage

	Before Trade		*After Trade*		*Gains from Trade*	
Country	Textiles	Irvingia (ogbono)	Textiles	Irvingia (ogbono)	Textiles	Irvingia (ogbono)
Nigeria	40	10	80	–	+40	−10
Cameroon	30	20	–	40	-30	+20
World Production	70	30	80	40	+10	+10

Source: Developed by the author.

Given two countries (Nigeria and Cameroon) involved in trade, comparative cost advantage could be illustrated on table 2.2. Again, we assume only these two countries exist and that they both sell Irvingia (ogbono) and textiles.

If Nigeria produces one unit of ogbono, it has an opportunity cost of four (forty/ten) units of textiles. And for Cameroon to produce one unit of ogbono, it will have an opportunity cost of 1.5 (thirty/twenty) units textiles. This means that Cameroon has a comparative advantage in producing ogbono, given that it has a lower opportunity cost. Meanwhile, Nigeria has a comparative advantage in textiles with 0.25 (ten/forty units of ogbono) opportunity cost, relative to Cameroon whose opportunity cost is 0.667 (twenty/thirty) units of ogbono. If Nigeria and Cameroon now decide to specialise in the country in which they have comparative advantage in, trade gains will increase overall, from thirty to forty units of ogbono and seventy to eighty units of textiles. According to Pettinger (2020), major comparative cost advantages examples in the world today include: Saudi Arabia with oil, New Zealand with butter, the United States with soya beans, Japan with cars and so forth.

Criticisms of the theory of comparative advantage abound. Firstly, countries may tend to specialise only in primary production because it has comparative advantage in it, hence not growing in the middle and long term. Secondly, trade may not necessarily lead to higher Pareto optimality. The example in table 2.2 shows that, though world or total production improved for both goods, Cameroon did not necessarily get better-off. As they gained twenty units of ogbono in specialising in ogbono but lost thirty units of textile. Lastly, countries tend to trade with countries that have closer geographical space or trade agreements (Tinbergen 1962, 330). Additionally, total cost is limited only to labour cost, its restrictiveness to two countries and commodities and only based on the supply side, as well as its unrealistic assumption of labour being homogenous, constant returns to scale, full employment and perfect mobility.

Developing countries share a similar fate in comparative advantage theory as is the case with absolute cost advantage. The hypothetical example of trade above is a reflection of the reality of trade that exists between Nigeria and Cameroon. While value addition in the textile industry has improved over the decades in Nigeria, Cameroon has over several decades continued to sell ogbono in its primary primitive form (without value addition). And again, though developing countries in Africa may be able to establish which goods they have comparative advantage in, they are constrained to trade only with neighbouring countries even when they may ultimately not improve gains. This is primarily because of the poor infrastructure of road, rail and water ways that are meant to connect the African countries.

Costinot and Donaldson (2012) employ agricultural data for seventeen crops in fifty-five countries to empirically validate Ricardo's theory of

comparative advantage. Stuart (2019) posits that African countries generally show comparative advantage in the export of aggregate primary goods, and because they are diversified within the broad category of exports, then 'increased intra-African trade with current comparative advantage patterns is possible.' This is valid to the extent that movements of goods are perfectly mobile (which is seldom the case in Africa) and that the diversity is specialised to appreciable standards.

Heckscher-Ohlin Theory

The Heckscher-Ohlin theory also known as the (H-O) model was propounded by Eli Heckscher in 1919, and later on, his student, Bertil Ohlin, contributed to it in 1933. They assumed that there exists perfect competition in both commodities and factor markets; technology, tastes and preferences of consumers are identical in both economies; production functions vary in factor intensities, there is constant returns to scale and perfect mobility of labour within nations but not between nations.

The combined theory is an adjustment of the comparative advantage theory, wherein it considers relative efficiencies of factors of production as the rationale for specialisation and trade. The theory is built on the premise that countries differ in endowment; some are capital intensive in their operations and some are labour intensive. Therefore, countries with abundant capital and relatively limited/scarce labour will tend to export capital-intensive products and import labour-intensive products, while countries in which labour is relatively abundant and capital relatively limited/scarce will tend to export labour-intensive products and import capital-intensive products. Heckscher and Ohlin perceived the factor-price equalisation theorem as an econometric success, because the huge volumes of international trade in the late nineteenth

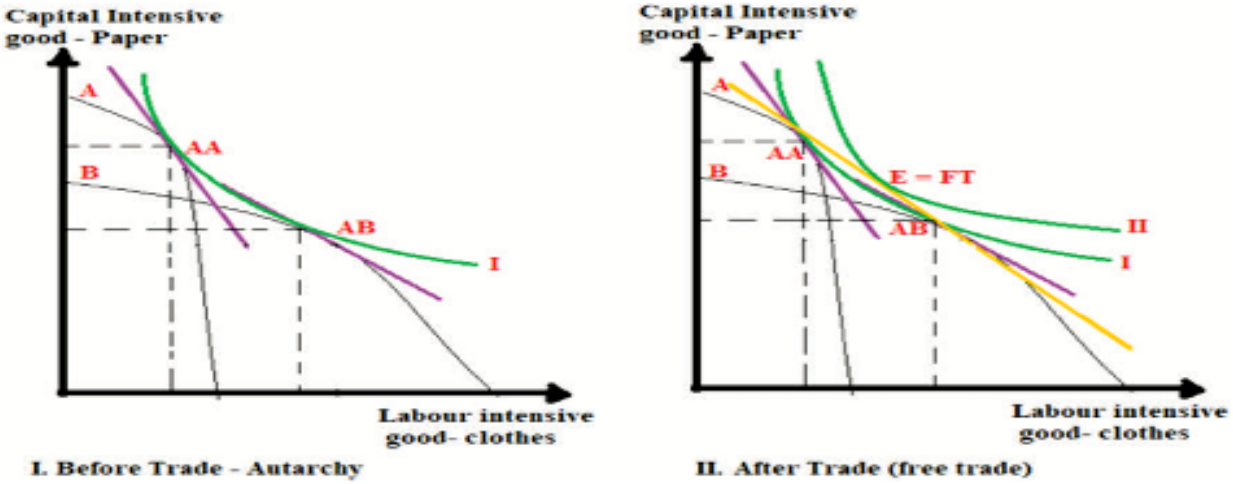

Figure 2.1. Illustration of Heckscher-Ohlin Theory before and after Trade

and early twentieth centuries agreed with the convergence of commodity and factor prices worldwide (Feenstra 2004; Leamer 1995, 77).

We assume that there exist two nations, A and B, wherein A represents a capital-intensive country, producing paper, while B represents a labour-intensive country producing clothes. There exist only two countries producing only two goods. The Heckscher-Ohlin theory is illustrated graphically in figure 2.1 below.

AA is a point on the production possibility frontier (PPF—which represents the maximum amount of goods and services an economy can produce, given fixed factors of production and fixed technology) for country A and AB is a point on the PPF for country B. Point AA involves more of capital and less of labour, while point AB involves more of labour and less of capital. Heckscher-Ohlin upholds that, if both countries specialise in producing goods in which they have relative factor efficiency in (that is; country A producing paper and country B producing clothes), then indifference curve will increase from indifference curve I to indifference curve II. Both nations therefore attain higher level of satisfaction at point E if they specialise based on relative factor efficiency.

Heckscher-Ohlin's contribution to trade theories has been largely appreciated in the literature as it sheds more light on the two previous theories with more realistic rationalisation. However, there exist two key criticisms to this theory. Firstly, the Leontief paradox, which is the assumption that abundance of a factor of production in a country, translates to it being cheap. Leontief empirically shows that, though the United States is a capital-endowed and labour-scarce nation, it imports a larger number of capital-intensive goods and exports more of labour-intensive goods (Leontief 1956). As is the case with the criticisms of previous theories, other criticisms are predicated on its real-life unrealistic assumptions of perfect competition, identical tastes and preferences, no transport costs, constant returns to scale and perfect mobility, among others.

In linking trade and the distribution of income, within the context of the Hecksher-Ohlin theory and the convergence of relative prices, Krugman, Obstfeld and Melitz (2018, 122) assert that, 'compared with the rest of the world, the United States is abundantly endowed with highly skilled labor while low-skilled labour is correspondingly scarce.' They then inferred that international trade therefore has the 'potential to make low-skilled workers in the United States worse-off; not just temporarily, but on a sustained basis,' hence worsening inequality. If this assertion is to be snowballed to the world at large, considering it as one global economy as it is often described, then Africa who seem to be endowed with labour than capital, and also have more of low-skilled labour than high skilled labour, will be considerably disadvantaged in a digital *global* economy.

MODERN FIRM-BASED THEORIES

The classical theories discussed above have one thing in common; they are all country based. Modern firm-based theories explain international trade from the firm perspective, that is how firms can expand into another country and produce goods more efficiently than other firms.

Country Similarity Theory

Linder (1961) propounded the country similarity theory to explain the idea of intra-industry and global trade. He empirically analysed the Leontief paradox of factor abundance and cost and showed that trade is driven more by similar demand structures and not the differences in the supply side of production factors, as implied by Heckscher-Ohlin (Verter 2015). The country similarity theory therefore posits that countries with similar demand structures (such as location, culture, technological capability, developmental stage, political orientations and/or economic interests) can establish related industries and can therefore exchange differentiated products as trade. Assumptions of the country similarity theory are that countries who have same tastes and similar economic prosperity (per-capita income) can consume products with similar quality levels.

This seem to be a paradigm shift from the classical traditional theories who perceive trade to be between countries with different absolute cost advantage, comparative cost advantage or factor intensities. However, the evidence of trade between countries with dissimilar religion, taste, cultures, technological capacity as well as politico-economic interests abound. A glaring example is that of the China–Africa trade that differ in all these qualities and also have different economic interests for trade. This is trade that is largely based on the necessity of capital goods such as technological appliances, for example. Not because China and Africa have similar technological level but because Africa *needs* this technology.

Product Life Cycle Theory

Five years after Linder's country similarity theory, Vernon, in 1966, propounded the product life cycle theory to explain firm-based international trade. In response to the criticism of the H-O model, Vernon proposed five stages of the life cycle, as explained by Verter (2015):

1. The introduction of a new product into the market.

2. Invention of product by other industrial countries as technology transfers from the innovating country.
3. Maturity induces a fall in exports from the innovating country.
4. Saturation occurs when sales or distribution of product(s) reach the peak position.
5. Production declines in the innovator country and, therefore, innovating countries become net-importers of some products they formerly innovated and introduced to the market.

Summarily, once a good is produced and introduced into the market, it is only a matter of time before other countries understand the mechanism and start producing the same, at probably cheaper and larger quantities, that the originating country of the product will have to now import from these countries. The idea of comparative advantage may change the dynamics of production in favour of other countries. The theory explains the product life cycle of the personal computer, telephones, printers and so on. It is, however, criticised for not being able to describe present trade patterns across the globe and the exception of luxury products, products from special skills and branded/differentiated products.

Global Strategic Rivalry

The global strategic rivalry theory's origin is credited to Paul Krugman and Kelvin Lancaster for their publications in the 1980s. This theory illuminates how multinational companies strategically rival global competitors in the industry by gaining competitive advantage. Sustainable competitive advantage is gotten by instituting obstacles that prevent new entries into the market. Multinational companies prevent new entries into the market based on the following:

1. Investing in research and development.
2. Ownership of intellectual property rights.
3. Specialised production and marketing processes (thanks to experience).
4. Control of downstream sectors (raw materials and other inputs).
5. Economies of scale and scope.

Krugman and Lancaster proved that the production life cycle theory, as proposed by Vernon in 1966, may not hold if the firm upholds the strategies listed above to prevent new entries into the market.

Porter's National Competitive Advantage

Porter (1990) contributed to the debate of trade theories by stating that innovation and upgrade are the key determinants for sustainable competitive advantage of companies. The theory proposes country- and firm-specific elements that sustain competitive advantage.

1. Factor conditions: there exist basic and advanced factors necessary for the production of certain goods and services that could influence international trade outcome. Basic factors include natural resources, climate, geographical condition, land availability and quality, and so on. While, advanced factors include: research and development, skilled workers, ICT and market dynamics.
2. Demand conditions: this refers to the size of the market in terms of the volume of demand a product gets. In agreement with the product life cycle, when a product is introduced into the market, there is need for a large and buoyant domestic market to boost income, expertise and capacity so as to facilitate exports, without which international competition will be slow.
3. Related and supporting industries: collaboration is required between related or supporting countries across borders due to difficulty in mastering all aspects of the industry. Such collaboration will translate to increased exports with favourable competitive advantage.
4. Firm strategy, structure and rivalry: refers to those features in a country that explains how companies are established, run and regulated. Porter opines that the ability to compete with local rivals could set companies on a path to attain same at the international scene. This could be through trainings, research and development, value addition, product differentiation and so on.

In Porters postulation, government has a role to play in enabling the country-specific elements to favour companies in becoming exporters and not importers. Companies with a favourable disposition in these countries and firm specific-elements will have competitive advantage to export, while those without will import. Goyal (2020) opines that, other factors such as governments and legal actions can significantly drive competition and profitability, besides industry structure as proposed by Porter, and that the model is more deeply rooted in the industry-based view of modern-day strategic theory than the sustainability of competitive advantage.

TRADE THEORIES IN THE AFRICAN CONTEXT

Both classical (country-based) and modern (firm-based) theories were informed and formulated based on the economic realities at the time. The mercantilist theory was informed by the gold standards of the 1600s. Absolute cost advantage, comparative cost advantage and H-O theories defined the emergence of constituent countries or economies with the desire to define principles that guided trade between countries. Emergence of multinational companies set the pace for the theorisation of its functionality, cycle and enablers, now referred to as the firm-based theories. It is therefore evident that the assumptions, modus operandi and features explained in these theories were those of the advanced economies or multinational firms that constituted the trade-economics of the time. These multilateral firms were largely in developed countries, and so the theories had very little or no consideration for developing countries in Africa. We therefore examine some of the fundamental issues that may cause these theories not to be currently applicable in Africa and propose an African trade design to build intra-African trade and economic prosperity.

Infrastructural Conditions

It is an established fact that infrastructure related to production and trade is relatively low in African countries (UNCTD 2019; OECD and ACET 2020). This includes farm to market roads, production rail routes, industrial clusters/sites, structured water ways and ports. Infrastructural conditions constitute one of the major enablers that give a country or economy comparative advantage in one way or another. However, when all countries seem to have very low infrastructural levels, they tend to produce similar goods—primary products. No doubt, the Office of the United States Trade Representative posits that trade is least within Africa (United States Trade Representative 2021). Firm-based theories are formulated with the assumption that there is some level of infrastructure countries are expected to have—that is, expansion to other countries by a firm is predicated on certain minimal infrastructure. Cross-country road or rail networks or water ways facilitate movement of goods and people at a cheap rate, thereby giving them global competitive advantage. This is, however, not the case with most African countries.

Temperature and Soils

The fact that most African countries share similar climatic and atmospheric conditions, plus the predominantly primary level of production being

practiced, makes it even more difficult to have comparative advantage. About half of all African countries lie between ten degrees north and twenty degrees south of the equator; and about 80 per cent of African countries lie between twenty degrees north and twenty degrees south of the equator. This means that in agriculture, which is the mainstay of production in Africa, these countries share similar temperatures and to some extent can produce similar agricultural goods. Though African soils range widely from hard to soft, they are generally characterised as old (lacking volcanic rejuvenation), inappropriate for land-use and suffering from soil erosion (Eni 2012; Mitiku, Herweg and Stillhardt 2006). Empirical agricultural works across African countries share this as constraints to agricultural production and most governments are yet to have a robust approach to break out of this nest. The implication, however is that as long as African countries depend mostly on primary production such as agriculture, and share similar fate in agricultural indicators, then the power of comparative advantage is weakened and makes intra-African trade difficult.

Institutional Frameworks

Most African countries are plagued with poor institutional frameworks that make production or doing business in general extremely difficult. For indigenous firms to grow to multinationals, there is need for extra-ordinary institutional facilities and most importantly government support and patronage that sustains competition and increase market control. There are very few of such multinationals in Africa, with notable examples such as Dangote Cement and Zenith Bank. Most major African companies/industries forge their way through the challenges of doing business within Africa with little institutional enablers. Some of the challenges include: poor energy systems (World Economic Forum 2020 shows that, no SSA country scores up to 60 per cent in the Energy Transition Index results for system performance), lack of access to finance, high taxes, poor infrastructure, sub-optimal legal structures, unfavourable land tenancy policies, inefficient custom controls and so on.

In the United States, for example, the Department of Agriculture's Foreign Agriculture Service offers a variety of export marketing services to assist US agricultural exporters with finding customers overseas (United States Department of Agriculture 2021). Meanwhile, in China and most European countries, they have fully or partly state-owned firms that are politically/diplomatically supported across borders to give access to new markets, raw materials, increased capital and tax wavers among other things. Such firms rise up to be major players in international trade, but this is hardly the case with firms in Africa.

Low Capacity to Compete beyond the Continent

The first three issues mentioned affect more of intra-African trade. Intra-African trade seems to be even more feasible despite the challenges. For African countries to break into intercontinental trade markets and compete with major trading nations like China, America, Germany, the Netherlands and Japan (five top exporting countries of 2019, according to World Trade Statistical Review 2020), they must first of all be able to compete favourably with other African countries. In fact, most African countries even struggle to sustain local production due to competition from the above-mentioned major trading nations. This is because major exporting countries enjoy economies of scale, advanced technology, high infrastructural capacity, advanced research and development, among other factors that makes it very difficult to compete with them.

AFRICA TRADE DESIGN

Mindful of the relatively low infrastructural capacity and inefficient institutional setup that limits comparative advantage between countries in terms of natural endowments and recognising the tendency to produce similar products at the same primary level of production, there is need for a conscious, strategic and systematic trade design for export products in Africa. This is based on the premise laid down by Adam Smith that, prosperity is triggered by trade. Porter (1990) further posits that, 'National prosperity is created, not inherited. It does not grow out of a country's natural endowments, labour pool, interest rates, or its currency's value, as classical economics insists. . . . Companies gain advantage against the world's best competitors because of pressure and challenge.'

For there to be intra-Africa trade and, consequently, intercontinental trade, there is need for African countries to come together and map out export-product priorities for each country or region, in a bid to consciously create some sort of comparative advantage among the countries and use the limited resources to build infrastructures and institutions along specific value chain products per country/region in order to trigger intra-African trade. This is justified by the fact that, 'in a world of increasing global competition, nations have become more, not less, important. As the basis of competition has shifted more and more to the creation and assimilation of knowledge, the role of the nation has grown' (Porter 1990, n.p.).

In addition, African governments must support promising industries based on merits (not founded on nepotism, ethnicity or favouritism—ills that plague most African countries) in terms of finance, infrastructure and even

negotiating diplomatic deals that facilitate access to production inputs and markets for propelled growth.

There has been several regional and world trade policies, programmes and agreements in the past. Some of them giving advantage to advanced countries, however, the Trade Facilitation Agreement of 2017 proposes to facilitate movement, clearance and release of goods across borders, as well as other measures for developing members. Nevertheless, there is need for an African trade design that positions African countries to align themselves properly within the global institutional framework of international trade. This trade design will determine what countries at subregional and regional levels produce for exports so as to build up huge economies of scale around streamlined value chains. This will be a way out of the vicious cycle of primary product export that currently obtains in most African countries.

CONCLUSION

Most African countries have enacted and implemented several policies/programmes to improve trade since the trade liberalisation era of the 1980s. However, that appears to be the crux of the problem because there is no coordination at subregional or regional levels for what to produce, which value chains to follow or which trade market routes to exploit. A number of trade theories exist, which could be largely grouped into the orthodox or classical country-based theories and the new or modern firm-based theories. The orthodox theories include the mercantilists, absolute cost advantage, comparative cost advantage and the Heckscher-Ohlin theory. On the other hand, modern firm-based theories that were reviewed include: country similarity theory, product life cycle theory, global strategic rivalry and Porter's national competitive advantage.

These theories explain international trade from a Western perspective and seldom perceive it from the African perspective. Four key factors that impede the functionality of these in Africa include: infrastructural conditions, temperature and soils, institutional frameworks and low capacity to compete beyond the continent. This study therefore proposes that African countries come together and assign export-product priorities for each country or region in a bid to consciously create some sort of comparative advantage among the countries and channel the limited resources to streamlined products, while extending the market across country borders. The African Continental Free Trade Area agreement is no doubt a viable instrument to boost intra-African trade, however, it will perform suboptimally if such a trade design is not strategically built and implemented.

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