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THE POTENTIAL IMPACT OF THE AFRICAN CONTINENTAL FREE TRADE AREA (AFCFTA) ON MULTINATIONAL COMPANIES IN SOUTH AFRICA

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Abstract:
The world is currently going through the intensified stage of globalisation and socio-economic interdependence characterised by different policies, processes, rules, propositions and regulations. In Africa, in 2018, the African Free Trade Area (AfCTA) was established encompassing most of Africa. The purpose of this study was to assess the potential impact of the African Continental Free Trade Agreement (AfCFTA) on South African multinational corporations (MNCs). The study examined the theories of Functionalism and Transactionalism to highlight country interdependence and how the terms of free trade agreements, such as those provided by the AfCFTA, may help nations harness AfCFTA advantages for mutual gain. An examination of multinational companies' operations in the context of trade based on the AfCFTA revealed that South African MNCs gain from such an agreement in both the short and long run. This conclusion was reached using primary data gathered from purposively sampled individuals knowledgeable about the MNCs in the Gauteng Province, policymakers, and a trade research think tank. Based on the sample size of 12, gathered data was analysed qualitatively using thematic analysis approach. It was further discovered that, while MNCs operating within the scope of the AfCFTA may potentially experience some short-term and long-term benefits, they may also face some challenges, such as exposure to intense local competition, intellectual property theft through product imitations, and poor infrastructure. As a result, it was proposed that some structural changes be made to the AfCFTA and that infrastructure investment be raised in order to boost the performance of MNCs in South Africa and enhance their benefit from the AfCFTA.

Key words: African Continental Free Trade Area; AfCFTA; Free Trade Areas; Multinational Companies, Africa; South Africa.

JEL classification: F10, F23, P45.

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1. INTRODUCTION

The world is currently going through the intensified stage of globalisation and socio-economic interdependence characterised by different policies, processes, rules, propositions and regulations (Murray, 2020). Since the goal of each and every country is to achieve growth and development, bilateral and multilateral treaties and agreements have been the order of the day to ensure this development prospect. Amongst these international development policies is the idea of free trade anchored on principles of free market, market liberalisation and non-tariff (Attiat, 2019). Many regional organisations have put efforts to establish tree trade areas in their regions; among them are North American Free Trade Agreement (NAFTA) of the United States of America, Mexico and Canada; and the European Free Trade Association (EFTA) of Iceland, Liechtenstein, Norway and Switzerland. In 2018 the African Union made a milestone by establishing the world's largest free trade agreement in terms of the members participating in it, dubbed the African Continental Free Trade Area (AfCFTA).

There have been reports, policies and conferences within countries such as South Africa on the impact of the AfCFTA on organisations. It is the focus of the paper to investigate the potential impact of the (AfCFTA) to multinational companies (MNCs) in South Africa. In this study, MNCs to all the MNCs that operate in South Africa regardless of where their parent companies are located. The MNCs play an important role in the economy because they channel physical and financial capital to countries with capital shortages. In addition to that, new tax revenues arise from MNC generated income, allowing developing countries to improve their infrastructures and to strengthen their human capital as posited by Murray (2020).

Multinational companies in South Africa, over the past few years, have been increasing in scope and structure and contributing immensely to the economic development of the country (Moran, 2014). Great uncertainty, however, now exists as it is not yet quite clear how the AfCFTA will work (Munzhedzi, 2020). Therefore, there is need to conduct the study on the impact of AfCFTA on MNCs which play a significant part towards the socio-economic development of South Africa. There is need to consider the vast contributions which multinational companies have been perceived to contribute towards the socioeconomic terrain in South Africa. According to Moran (2014), multinational companies have been especially instrumental in driving social transformation through addressing the triple challenges of unemployment, poverty and inequality. Important to note, multinational corporations typically control vast resources and have comparatively greater financial capabilities than other private players and this uniquely positions these firms to make immense impact in the communities within which they operate (Demirbag&Yaprak, 2015). According to Rottig (2016), multinational firms contribute relatively so much per annum to the economy and stand as responsible for a considerable proportion of the nation’s GDP.

Agenda 2063 of the African Union is framed on the need to ensure that Africa becomes developed and achieve sustainable development (African Union, 2015). The establishment of AfCFTA in 2018 and coming into effect on July 7, 2019 was meant as a strategy to ensure free trade within the continent. As noted by Ndzendze (2019), the major objectives of AfCFTA are the creation of a single market; the need to deepen the economic integration within Africa; the establishment of a liberalised market through multiple rounds of negotiations and aid in the movement of capital and people; and facilitating investment amongst others

Although it is generally believed that there is potential future for AfCFTA in reference to MNCs in South Africa (IMF, 2018; Munzhedzi, 2020), augments to the contrary also exist (Cazares, 2018). Other schools of thought argue that the AfCFTA has come with increased competition which is challenging the operations of multinational corporations (Cazares, 2018). Therefore, this study seeks to investigate the potential impact of AfCFTA to multinational companies in South Africa. The study seeks to achieve the following specific objectives: to investigate the potential short- and long-term impact of AfCFTA to MNCs in South Africa; to identify the potential challenges posed by AfCFTA to the operations of MNCs in South Africa; and to establish interventions of enhancing the effectiveness AfCFTA in driving the performance of MNCs in South Africa.

The study is important due to both its theoretical and practical significance. The study adds literature towards the impact of AfCFTA to multinational companies which is an area that has not yet been researched effectively. The study adds knowledge in terms of the short- and long-term potential impacts of AfCFTA to MNCs. Moreover, the study contributes knowledge on the potential challenges of the AfCFTA and the interventions that can be adopted in order to enhance the effectiveness of AfCFTA in driving the performance of MNCs in South Africa. Because of the importance of both trade and MNCs to the economy of South Africa, and that of Africa, this study adds immense value to national, regional, continental and even global growth, facilitation of trade, growth and development of MNC, which might have spill-over effects on resolving the triple challenges – inequality, poverty, and unemployment – that have held the study country at ransom for too long a time.

The study is organised into six sections. Section 2 reviews literature. Section 3 covers the methodology, whereas Section 4 discusses the findings of the study. Section 5 concludes the study.

2. LITERATURE REVIEW

2.1 THE DYNAMICS OF MNCS, TRADE BLOCKS AND THE ECONOMY IN SOUTH AFRICA

The MNCs landscape in South Africa

Almost all types and forms of multinational corporations exist within the borders of South Africa. The South African economy has seen all forms of multinational corporations ranging from international companies to transnational companies, as well as centralized multinational corporations. According to Malcom (2013), the growth rate of the South African economy has been a major incentive for these multinational corporations seeking a safe home for their investments.

It is imperative to look into these forms of multinational corporations as they operate in South Africa. A notable mention are the centralized multinational corporations. These are controlled from the headquarters and only have subsidiaries or appendages available or operational in South Africa (Blackwell, 2020). Moran (2014) observes that there are, however, fewer centrally controlled multinational corporations in South Africa. The vast majority of MNCs which are in the country are decentralized in nature and have decentralized structures with management and personnel having sufficient levels of autonomy to improvise and innovate (Moran, 2014). This has the advantage of allowing them to adapt to the South African business terrain, and oftentimes they can perform better than their centralized counterparts. According to Motohashi (2015), decentralized companies have many manifestations and variations which include among them transnational companies. In a transnational company, the parent company abroad only guides the foreign operations of the foreign companies but does not give directives to try and chart out their destiny (Motohashi, 2015).

It should also be stated that MNCs in South Africa have been a great contributing factor to the development of the nation. Over 50% of jobs that have been generated since the year 2000 in South Africa can be attributed to the operations of MNCs (Motohashi, 2015). Rogerson and Tucker (2019) also note that they have been a major contributing factor to social development as well. Corporate social responsibility activities have been largely undertaken by multinational corporations as opposed to domestic private players. Multinational corporations do this for purposes of evading government intervention while also trying to foster corporate citizenship and make the local population accept their brand. Rogerson and Tucker (2019) state that multinational corporations are also involved in charitable work.

The multinational corporations that have operations in South Africa vary in fields and products. These range from financial service providers, and retailers to insurance firms. The extent of their span across the South African economy, therefore, goes to show exactly the greater extent to which MNCs have been a cornerstone in the development and economic growth of South Africa.

The potential impact of AfCFTA on MNCs in South Africa

The AfCFTA is expected to deliver qualitative benefits for multinational corporations that are operating in South Africa. The free trade area will open up numerous and unlimited opportunities for multinational corporations that have operations in South Africa. According to Pasara and Diko (2020), multinational corporations are most likely going to realise increased levels of prospects of operational sustainability. This is due to some of the following factors when the free trade area becomes fully operational.

A free trade area allows companies to trade without customs or tariffs applicable to the cross-border movement of goods and capital (Murray, 2020). Of note, multinational corporations rely on cross border movement of goods and materials. Reducing the cost of international business, therefore, serves as a great boost to their operational sustainability. As a result, multinational corporations will experience greater margins of operational income. The increased profit margins would therefore capacitate these multinational corporations to form operations elsewhere and grow at an astounding growth. In this regard, the AfCFTA will make Continental Africa an investment haven for most multinational corporations. This is especially true of multinational corporations that can enjoy economies of scale and control vast amounts of financial resources (Vijileon, 2019).

Potential challenges posed by AfCFTA to multinational companies in SA

Even though there are positive potential effects of AfCFTA on MNCs, there are however some challenges faced by multinational companies in reference to the terms, processes and contents of AfCFTA. According to Cazares (2018), trade liberalisation affects the potential benefits of multinational companies as they are now entering into a competitive phase with other organisations, Small and Medium Enterprises (SMEs) included. This is because trade liberalisation has ensured that there is open access to markets where competition is the order of the day. This may benefit SMEs rather than multinational organisations because the former import smaller amounts of goods and products and their prices may be cheaper as compared to corporates who have to follow a systematic supply chain system (Murray, 2020). The opening up of trade, trade facilitation, and increased movement of people and goods therefore may pose a challenge towards the operations of multinational companies. Other challenges faced by MNCs in respect to AfCFTA include poor transport infrastructure and poor trade logistics (IMF, 2022); and enormous threat to intellectual property concerning MNCs (Wit, 2020). According to Wit (2020), the real danger is not in the imitation of products and business models by the domestic producers, but in the loss of extensive investment in market development through advertisements, product development and related costs carried by the MNCs only for domestic producers to reap the benefits of these efforts.

Possible interventions to enhance AfCFTA effectiveness in stimulating MNC performance in South Africa

AfCFTA is still limited in operation because member countries are still prioritising trade with their Regional Economic Partners (RECs) over the entire African continent (Blackwell, 2020). This is the major challenge facing multinational companies in South Africa as trade is more focused on the Southern African region than the African continent. To adjust to this deficit, there is a need for organisations to facilitate trade across the entire continent and not only focus on RECs. As noted by Murray (2020), when organisations fully exhaust the market options within the African continent, there is a possibility to explore new markets and new avenues that improve their capabilities and profit margins.

Another potential future for the development of multinational organisations in the era of AfCFTA is to ensure the development of value creation and differentiation strategies to achieve new markets. Karl and Moid (2021) argue that multinational companies show a significant lack in managing supply and demand (mismatch and lack of diversification) which impacts tier development. Murray (2020) argues that a differentiation strategy ensures that there is attraction of customers, satisfying customers and retaining customers. Therefore, multinational companies have to adopt differentiation strategies aimed at value addition. Leshoele (2020) also suggests the consideration of the development of alternative transport systems and routes such as air and sea in an attempt to foster business and trade in a manner imagined by the AfCFTA. An intervention that aims to develop transport networks and routes is bound to see the increased participation of MNCs in the AfCFTA arrangement and the enjoyment of qualitative benefits by both the MNCs and the economies concerned (Wit, 2020).

2.2 THE MNCS, INTERNATIONAL TRADE BLOCKS AND ECONOMIES: A REVIEW OF THEORETICAL LITERATURE

Theoretical framework

A theoretical framework entails the key theories, models and constructs that underpin a study (Knopf, 2006). It involves the theories from which a study borrows. According to Knopf (2006), the theoretical framework is important for giving a study a strong theoretical foundation which validates the problem the research is investigating and further gives grounding to the findings of the study. This study largely borrows from two theories, functionalism and transactionalism.

Within the context of international relations, functionalism explores the obsolescence of the state as a social organisation in the globalised world (Mulkay, 2014). According to proponents of functionalism, the state was founded on the principle of territorialism and thus, redundant in the globalized world. Functionalism holds that people have come to rely on transnational bodies for the meeting of their most crucial needs (Lang & Moleski, 2016). It is critical to note that functionalists accept developments such as globalization as a welcome development. This is because functionalists perceive the state as inadequate in wholly catering to the needs of citizens (Webber, 2014). In this regard, external actors to the study, mostly in the form of transnational bodies, therefore, step in to address a multitude of the needs of private citizens. The importance of functionalism concerns how regional blocs are essential for uncapped development (Webber, 2014). Regional bodies which span across several states are understood as unaffected by territorial interests which can sometimes undermine development (Webber, 2006). Functionalists, therefore, place their faith in international organizations to engender development through facilitating trade and presenting businesses with unlimited market avenues for expansion which in turn has positive implications for both the businesses and the environment within which the business operates (Webber, 2014).Context specific to this study, functionalism is relevant considering how the AfCFTA is an economic policy of a transnational body in the form of the Africa Union, towards facilitating trade and development across African communities.

Transactionalism, on the other hand, as a theory underpinning the AfCFTA, perceives social exchange as the fundamental condition of human interaction (Schimmelfennig, 2018). Transactionalism understands politics and trade as social exchanges which serve to the benefit of all the parties involved (Schimmelfennig, 2018). An understanding of transactionalism in the context of FTAs in general, and more specifically the AfCFTA, therefore, concerns the need to create conditions for fair, equitable and mutually beneficial trade relations (Fofack, 2020). Kuhn (2019) describes transactionalism as one of the most vital theories to regional and economic development. Unlike functionalism, transactionalism does not believe in the establishment of institutions for serving functions such as development (Schimmelfennig, 2018). Instead, transactionalism is more concerned with the need to establish communities between people in different states (Schimmelfennig, 2018). Transactionalism understands integration as composed of two stages. The first stage entails social integration which involves increased communication between the peoples of the nations involved through movement and association as well as diplomacy (Kuhn, 2019). With regards to the AfCFTA, this level of integration has been ensuing arguably through deliberations on the provisions of the AfCFTA by leaders of the respective states and through a marked increase of cross-border travel by natural persons resident in the African continent. The second level is political integration which involves the development and establishment of political structures around the social bases and consensus reached between the people (Kuhn, 2019). In the case of the AfCFTA, this was the culmination of the AfCFTA as an agreement that came into force on January 1st, 2021.

Conceptual framework

According to Knopf (2006), the conceptual framework entails the concepts that underpin a study. These are concepts that form the foundation of the study, and the conceptual framework presents the interrelations that prevail amongst these concepts. Figure 1 is illustrative of the conceptual framework for this study.

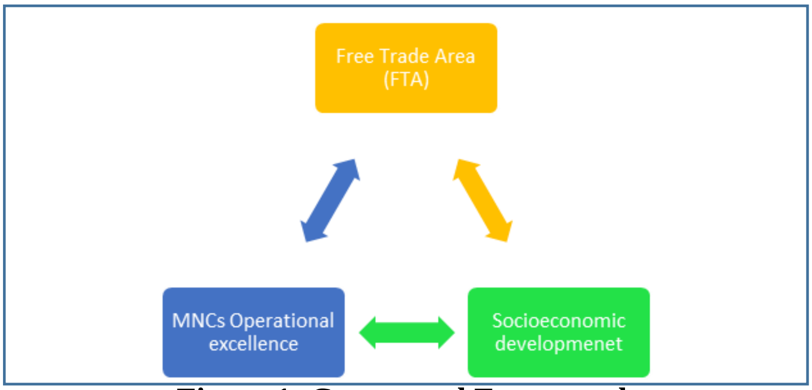


Figure 1: Conceptual Framework

As Figure 1 illustrates, the establishment of a Free Trade Area (FTA) through a Free Trade Agreement has subsequent implications on the operational performance of MNCs and also on socioeconomic development. Pasaraand Diko (2020) describes a Free Trade Area involving the suspension of customs and tariffs between nations during cross-border trade activities. The establishment of an FTA positively impacts the performance of MNCs which then enjoy operational excellence. Pasara and Diko (2020) understands operational excellence as involving an upward trajectory in the operational performance of a firm through increased revenue and operating income. Notably, the soundly performing MNCs in turn deliver benefits to their surrounding communities through the provision of employment opportunities, and corporate social responsibility (CSR) works among other benefits which entail socioeconomic development.

The MNCs and their importance to economies

Murray (2020) argues that a multinational company (MNC) is an entity that has business operations in two or more countries. These organisations are often managed by the headquarters that is within the home country of the organisation but has offices that are worldwide. These organisations are also called transnational companies as they have operations within one or more countries and in reference to South Africa, MNCs include companies such as Shoprite, Nestle, Toyota, Nissan, Ford, and Samsung to mention just but a few. There is a need to consider the vast contributions which multinational companies have been perceived to contribute towards the socioeconomic terrain of countries. According to Moran (2014), multinational companies have been especially instrumental in driving social transformation by addressing the triple challenges of unemployment, poverty and inequality.

According to Hansen (2014), external capital injection through multinational corporations extends an opportunity to the economically marginalized to gain access to reliable streams of income, make savings and investments and in the longterm, bridging the rift that currently ensues between the classes. As stipulated by the Organization for Economic Cooperation and Development "OECD"(2020), MNCs are important towards the development of economies. Since developing countries are characterized by a lack of capital markets to access development projects, MNCs can be an important source of external capital for developing countries, which can lead to economic development (OECD, 2020).

The MNCs are also important in economies as they enhance income generation (World Bank, 2015). Multinational corporations are also important towards the development of economies as they ensure the development of new industries (Malcom, 2013). The host country gets to establish new industries and markets. For instance, the South African economy has seen an increase in the development of MNCs in healthcare facilities, technology, finance, and the food industry. This has widened employment capabilities as industries are developing and goods and services within the country have become readily available.

Another important advantage of MNCs is that they lead to increased sources of valuable technology. According to Alfaro (2013), with the coming of the Fourth Industrial Revolution and all technological advancements, there is a need for the developing world to associate with these technologies through interaction with developed countries. This can be achieved through increased direct investment flows as MNCs can invest in technology in developing countries.

The impact of trading blocs on multinational companies

As noted by Viljeon (2019), trading blocs impact positively on multinational companies because they have provisions that promote the free movement of people and goods, and the elimination of tariffs and non-tariff barriers, thus improving the GDP of Africa through trade facilitation (Attiat, 2019). This is confirmed by Nerd (2019) who argues that a trade bloc positively impacts the operations of multinational companies because they have access to markets, raw materials and labour from the continent which expands their portfolio. The establishment of a trade bloc offers a critical juncture for channelling greater efforts to support business, creating new regional markets for organisations and multinational companies, climbing business value chains and replacing the need for imports.

In addition, Maree (2019) argues that a trade bloc impacts positively on multinational companies because it provides the framework for manufacturers, exporters and other stakeholders in a value chain to leverage the existence of the treaty to trade effectively with counterparts in other countries and have access to international markets. The positive impact of trade blocson multinational companies also entails the significant growth of these entities. Viljeon (2019) argues that the elimination of import duties is ideal because it opens up the trading activities of these organisations in regional markets. Murray (2020) argues that trade blocs increase the market share of multinational corporationsand expand the scope of their supply chains. Another notable development concerning the trade blocs and multinational companies pertains to the improvement of operational sustainability and the prospects of it (Leshoele, 2020). Leshoele (2020) notes that, unlike small and medium-sized businesses, MNCs tend to have the robust internal capacity and effective business processes as well as adequate capitalisation which allows for their market expansion across borders and nations.

A significant drawback for MNCs, however, is often always traced to the operating environment. According to Wit (2020), such dynamics in the operating environment may include an inflationary environment, a degree of political instability breeding uncertainty and so on. Despite this drawback, trade blocs present MNCs with multilateral ties with numerous countries and expanding market bases which in turn, increases prospects of increased revenue and operating income and guaranteed operational sustainability of these MNCs.

Challenges posed by trading blocs to MNCs

Trading blocs in general have a fair share of advantages, but also maintain strong drawbacks to the operations of private players, including multinational corporations. According to Mulkay (2014), in as much as trading blocs facilitate and allow for regional economic development, there is a need to also consider the negative side of these trading blocks. Malcom (2013) notes that trading blocs create silos of development. The creation of silos in any developmental effort is almost always never a welcome dynamic. Oramah (2021) notes that the main preoccupation of any trading bloc is itself and it does not give much regard to other players and entities that operate within the trading block, such as private companies which include multinational corporations. It should be specified that the importation or exportation of goods to countries beyond the trading bloc is often expensive.

Unfortunately, not all the materials and markets that a multinational corporation needs are confined within a trading bloc. Therefore, as opposed to creating ease of doing business for multinational corporations, one notes that these trading blocs are often found in the way and impede the smooth operation of multinational corporations (Pasara& Diko, 2020). Mulkay (2020) further postulates that the geographical nature of trading blocs, therefore, serves to limit countries to only one trading bloc, and this can be a major disadvantage to multinational corporations and all private players that exist within the specific trading bloc.

Interventions to enhance the effectiveness of trade blocs in the performance of multinational companies

Trade blocs were put in place to ensure that trade between nations is effectively facilitated as means of fostering regional economic development (Joshua, 2017). However, the fitness for purpose of most trade blocs has been held in question because, despite the presence of trade blocs in some regions, the operations of business remain largely constrained and regional economic development is limited to a large degree (Joshua, 2017). It, therefore, becomes imperative to propose certain interventions which can be put in place as means of helping these trade blocs become fit for purpose and contribute towards the performance of a business in general. Notably, most businesses that are operational in regional trade and development fall under the multinational category which calls for the need for interventions which are oriented towards the structural adjustments of trade blocs to make them fit to improve the performance of multinational companies (Ghosh, 2018).

Trading blocs have been observed to be leading efforts towards the confinement of the operations of a multinational company to a specific region (Anderer et al., 2020). A sound intervention would therefore be structural changes to the operations of trading blocks to allow multinational corporations significant freedoms with respect to countries, they may trade with where the resources or markets needed are not available within the specific trade bloc (Anderer et al., 2020).

Further, the creation of incentive systems and structures which seek to attract and present better terms and conditions for multinational corporations would serve as a welcome intervention that could lead towards the increase in performances of multinational corporations as well as an influx of foreign direct investment and the establishment of many multinational corporations within the context of trade blocs (Anderer et al., 2020).

2.4 CASE STUDY REVIEW

To better understand the impact of a free trade area on multinational corporations, there is a need to look into empirical literature concerning the subject. Toward this end, this section explores and reviews how free trade areas in Europe affected multinational corporations. Due to limited empirical literature on the subject, this section focuses on the review of a relevant case study on the trade liberalisation associated with the European Union concerning the automotive industry in Europe. The case study explores how companies such as Volkswagen, which are multinational corporations, were impacted by the formation and the trade liberalization policy associated with the European Union.

European automotive industry case study

The formation of the European Union in 1993 had an immense impact on many industries (Stolfa et al., 2020). Among the affected spheres were multinational corporations that had operations (Bernaciak, 2010). A cross-sectional study of multinational corporations in the automotive industry in Europe, in the period stretching from 1993 up to 2000, revealed that there were significant changes to the operations, structure and form of these organizations during the period in context (Stolfa et al., 2020).

The study, through purposive sampling, selected the biggest names in automotive vehicle production in Europe with operations beyond one nation. In a period of almost 7 years, these companies were closely monitored and observed for development trends as well as structure (Stolfa et al., 2020). As the study came to learn, the automotive industry went through several ups and downs and unpredictable growth patterns during the time of the formation of the European Union and its cementing across European societies.

Further, as the study gathered, the growth rates of these automotive multinational corporations, namely Volkswagen and Mercedes among others, saw sharp declines during the first five years due to decreasing sales (Stolfa et al., 2020). Bernaciak (2010) points out that this was due to the administrative barriers which had been set up in the period of the formation of the European Union and the need for customs authorities to acclimatize to their new administrative order. Sales for Volkswagen fell by almost 33% during these five years (Stolfa et al., 2020). In addition, as Europe tried to accommodate poorer nations in the European Union, the impact was carried over to the private sector, including multinational corporations.

However, after year five, significant changes began to take shape. With most of Europe now fully integrated into the economic and political union, it was now time to rebuild on the lost ground during the five years of formation and attempt to find stability (Stolfa et al., 2020). The automotive industry saw a sudden upwards trajectory in sales and operating income. As time progressed, Volkswagen could easily and conveniently trade across all of the nations that formed the European Union (Bernaciak, 2010). Car parts were easily exported from Germany to many European nations. The company also managed to establish many assembly lines in European nations during the period in context.

The operations of these automotive giants were, however, not met without any resistance or competition. New players immediately began to form and establish operations in Europe because of the increased convenience and ease of international business, which the European Union had created within the trading bloc (Bernaciak, 2010). Approximately 23 new automotive brands were established and made operational in Europe in the period ranging from 1990 up to 2000 (Bernaciak, 2010). The vast majority of these automotive brands were either of American origin or Asian origin. Therefore, as opposed to having transnational European companies dominating the automotive industry in Europe, new competition emerged from America and Asia.

In the long run, the automotive industry has reported and shown signs of challenges concerning operating in a trading bloc. Importation of raw materials for production from America, Africa, and Asia and beyond has been observed to be especially tight and restrained (Stolfa et al., 2020). While exportation is relatively more convenient, it still has several limitations that are placed upon it. The study came to learn that exporting to the Pacific region was especially more challenging for the automotive industry of the European Union, including multinational corporations that had resolved to establish operations in the trading bloc (Stolfa et al., 2020).

3. RESEARCH METHODOLOGY

3.1 RESEARCH PHILOSOPHY, DESIGN AND APPROACH

The study utilized the phenomenological philosophy which argues that the best way to understand a concept or problem is to engage with those that are part of the problem or those that are experiencing the phenomenon (Flick, 2016). This philosophy was used because it ensures that there is an understanding of the concept from the experiences and perceptions of those understanding the potential impact of the AfCFTA to multinational companies in South Africa.

The exploratory research design was used in this study. Creswell (2014) defines exploratory research design as that design conducted when there is little or minimum knowledge about the research problem being investigated. This research design was used in this research because it presents a base of knowledge where future studies can be conducted. In addition, this research design was used because it explores the matter under investigation effectively by engaging with participants who will offer deep insight towards the matter being investigated. The exploratory research design, therefore, ensured an effective and comprehensive understanding of the potential impact of the AfCFTA to multinational companies in South Africa.

The study utilised the qualitative approach to enquiry. Creswell (2014) argues that the qualitative research approach is when the researcher uses the perceptions, attitudes, opinions and experiences of participants to have a deep and insightful perception of the research problem. This is confirmed by Babbie (2010) who argues that the qualitative approach to enquiry is when the researcher uses the opinions and experiences of participants in their natural setting to have a comprehensive understanding of the research problem. This approach was utilised in the study because it builds the theory that ensures an effective understanding of the research problem (Flick, 2014). This ensures an effective understanding of the potential impact of the AfCFTA to multinational companies in South Africa. Qualitative research was also utilised in the study because it helps capture human attitude and perception towards the phenomenon under study. Human perception gives value to the research which ensures that the findings can be related to the situation on the ground.

3.2. DATA

The study collected primary data to understand the research problem. The target population includes MNCs in the manufacturing industry of South Africa that are headquartered in the Gauteng province. According to the DTIC (2021), there are 16 MNCs in the manufacturing industry of South Africa that are headquartered in the Gauteng Province. The study sample consisted of the officials from the Department of Industry Trade and Competition (DTIC) in Pretoria South Africa, trade research think tanks and MNCs in South Africa.

This study utilised non-probability sampling within the three identified strata. There are various non-probability sampling techniques such as convenience sampling, judgmental sampling, quota sampling or snowball sampling. The study utilised judgmental sampling because the units of analysis are the individuals that have comprehensive knowledge and understanding of the impact of AfCFTA on MNCs in South Africa. A sample size of 15 participants was used in the study because, in qualitative studies, a sample size between 8 and 15 participants ensures that there is an understanding of the research problem and that the study reaches data saturation (Creswell, 2014). The sample was in three (3) strata –10 participants were from MNCs, two (2) participants were from policymakers (the DTIC) and the last three (3) were from trade research think tanks. Thus, in this sampling process, a stratified strategy was adopted to consider the knowledge and expertise of the MNCs, policymakers from the government and the think tanks and strategic thinkers on trade matters.

The study on the potential impacts of the AfCFTA on multinational corporations in South Africa was a qualitative study and, as a result, made use of qualitative data collection techniques in the form of in-depth interviews. The purpose of the interviews is to gather insights and also record the opinions, perspectives, aspirations, attitudes, and viewpoints of study participants (Sekaran & Bougie, 2016). This study made use of a semi-structured interview. Although an interview schedule was designed for use, the researcher was allowed room to probe for clarity and further insight. The interview schedule comprised both open-ended and closed-ended questions. Data analysis entailed that the information gathered from the respondents is transcribed into meaning and detail in relation to the broader study. Thematic analysis was utilised as it is a convenient method of data analysis because it allows for the generation of broad themes from raw data that is procured from a study.

The study also applied issues of trustworthiness - credibility confirmability, dependability and transferability. For purposes of ensuring dependability, this study made use of data source triangulation. To guarantee credibility, the researcher resolved to have prolonged engagement with the study and also make use of data source triangulation. To ensure confirmability, the researcher designed and documented procedures for the checking and rechecking of data and the research process. To enhance transferability, the researcher made attempts at describing the research context and its central assumptions. The study, also ensured an ethical clearance is granted and the following ethical considerations were adhered to – informed consent, confidentiality and beneficence.

4. EMPIRICAL RESULTS AND DISCUSSION OF FINDINGS

4.1 RESPONSE RATE, VALIDITY AND RELIABILITY

Out of a sample of 15, 12 respondents partook in the study, representing an 80% response rate, which according to Baruch &Holtom (2008), is enough to result in valid and reliable results. This study used data sources and theory triangulation to ensure validity, which, according to Patton (1999), is necessary for developing a comprehensive understanding of phenomena. To establish reliability, the researcher followed the approach by Stokes and Wall (2017) and ensured that the research methods and methodology used in the study were adequately recorded for external members to audit the research process and the research findings.

4.2 DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Tables 1a and 1b summarises the demographics of the respondents.

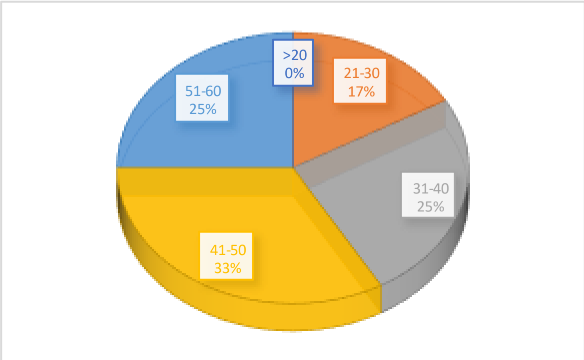
Table 1a. A Summary of the Demographical Information of Participants

Participant	Participant group/stratum	Age	Gender	Ethnic Background	Functional Area	Level of Experience (years)	Educational Background
1	Policymaker	28	Female	Black	Trade & Investment	5	Bachelor's Degree
2	Gauteng-based MNC	53	Male	Black	Trade Policy	25	Post-Grad Degree/Diploma
3	Trade research think tank	38	Male	Indian	Finance	7	Post-Grad Degree/Diploma
4	Policymaker	42	Female	Indian	Finance	12	Post-Grad Degree/Diploma
5	Policymaker	48	Male	Black	Operations	20	Post-Grad Degree/Diploma
6	Trade research think tank	29	Male	Black	Logistics	8	Bachelor's Degree
7	Gauteng-based MNC	51	Female	White	Finance	22	Post-Grad Degree/Diploma t
8	Gauteng-based MNC	45	Female	Indian	HR	13	Post-Grad Degree/Diploma
9	Gauteng-based MNC	50	Male	Coloured	Finance	25	Post-Grad Degree/Diploma
10	Policymaker	38	Male	Black	Trade & Investment	10	Post-Grad Degree/Diploma
11	Gauteng-based MNC	57	Male	White	Trade Policy	20	Post-Grad Degree/Diploma
12	Trade research think tank	35	Female	Indian	HR	7	Bachelor's Degree

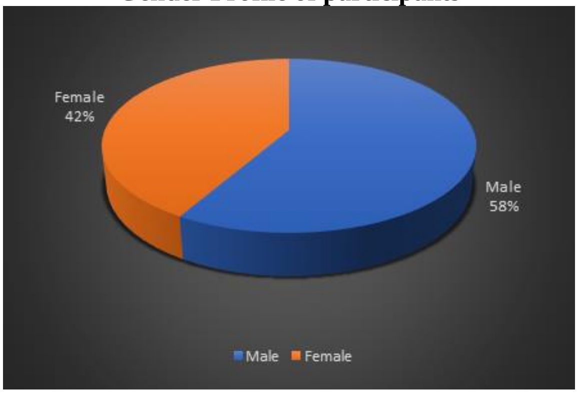
Source: Interview data

Table 1b. A Summary of the Demographical Information of Participants - Itemised

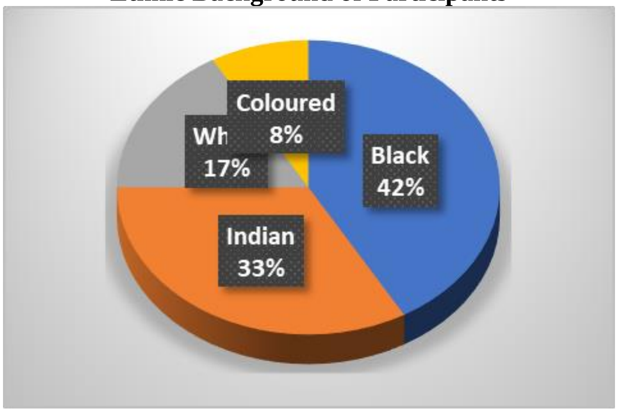
Age distribution of participant



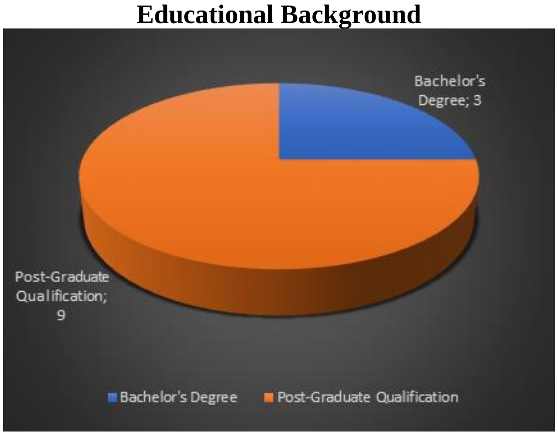
Gender Profile of participants



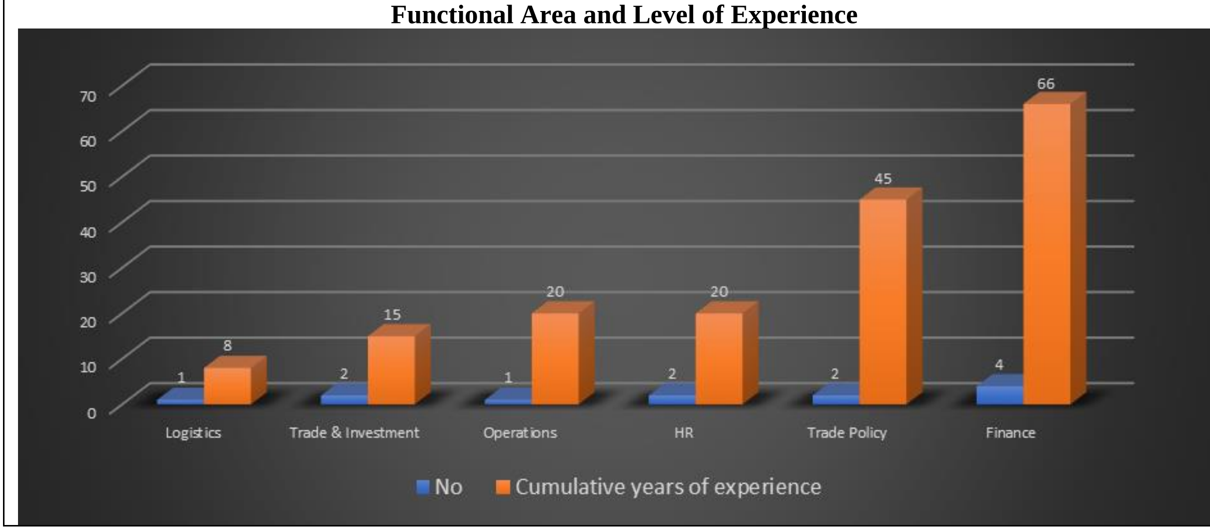
Ethnic Background of Participants



Educational Background



Functional Area and Level of Experience



As revealed in Table 1a, the age of participants ranged from 28 to 57, which reflects a multigenerational sample of participants, highly likely to provide a balanced perception of the potential impact of free trade within Africa on MNCs. The age group 41-50 had the most participants (33%) compared to the other age groups. Five (42%) of the 12 participants were female, while 7 (58%) were male – consistent with Galal (2022) who pointed out that the South African workforce is dominated by male employees. The participants represented diverse ethnicity – 42% (5 participants) of the participants were black, 33% (4 participants) were Indian, 17% (2 participants) were white, and 8% (1 participant) were coloured.

Table 1a further demonstrates that the sample of participants was chosen from a variety of functional areas, implying that there was a wide range of perceptions concerning the impact of free trade within Africa on multinationals in the Gauteng province. Their experience ranged from five to 25 years. Thus, the participants had sufficient expertise to provide trustworthy and reliable perceptions of the impact of free trade agreements on multinational corporations in South Africa. All of the participants held a formal post-matric qualification, with three holding Bachelor's degrees and nine holding post-graduate qualifications. As a result, it was determined that the participants were sufficiently educated to understand and accurately interpret the interview questions. Furthermore, because of their education level, it was considered that they had a solid understanding of free trade agreements and how they affect multinational corporations and their commercial operations.

4.3 RESEARCH RESULTS

The research results discuss the information that was gathered from the interviews. The interview results were organised according to the objectives of the study.

Objective 1: To investigate the potential short-term impact of AfCFTA on MNCs in South Africa

The study's first objective aims to investigate the potential short-term impact of AfCFTA on MNCs in South Africa. The responses are grouped into three themes and summarised in Table 2.

Table 2. Summary of Results: The potential short-term impact of AfCFTA on MNCs in South Africa

Theme code number	Theme Code Description	(Sub)Categories	Emerging Themes
1.1	Tariff benefits on exported goods	Reduced finance costs	Increased margins of operational income
	Tariff benefits on imported goods		
1.2	Increase in the volume of products exported.	The increased flow of goods and services to international markets	Increased market reach
	Increase in the volume of products imported		
1.3	Reduced cost of production	Economies of scale	Low product costs

The empirical results indicated that increased margins of operational income, increased market reach and low product costs are the potential short term impact of of AfCFTA on MNCs in South Africa.

i) Reduction in import and export tariffs leading to increased profits

According to the findings shown in Table 2 (see annexure), the African Continental Free Trade Area agreement is likely to result in lower tariffs on both exported and imported commodities for multinational corporations, leading to increased profits. The participants agreed that free trade within African content gives some financial relief to multinational corporations in the form of reduced tariffs in South Africa, with Participant 8 stating that:

"Multinationals operating in South Africa benefit from lower tariffs when they import or export goods to AfCFTA-member nations, allowing them to increase revenues."

This view was substantiated by Participant 6 who further suggested that:

"Most multinational corporations operating in South Africa save money and report increased profits because they are not subject to tariffs when importing or exporting goods within the AfCFTA zone."

These views were echoed by Participants 2, 4, 9, and 12 who argued that the most prominent short-term benefit enjoyed by multinationals in zones affected by the AfCFTA agreement is the financial benefit.

These findings are consistent with theoretical assumptions made in the transactionalism literature that agreements such as AfCFTA can be extremely gratifying and beneficial for the parties involved (Fofack, 2020;Schimmelfennig, 2018). Based on this, it can be concluded that one of the primary short-term potential benefits of AfCFTA for multinationals is the possibility for improved profits because of financial gains from decreased tariff charges when exporting and importing commodities.

ii) Increased volume of goods imported and exported

Further to the above, it was also found that another short-term benefit of agreements such as the AfCFTA on multinational companies is the increased volume of imported and exported goods by those companies. This can then lead to an increased flow of goods into international markets, leading to an increased market reach for multinational companies. This was evident from the information provided by Participant 3 that:

"Multinational companies that operate within South Africa and trade with other African countries under the AfCFTA agreement end up importing and exporting more goods to international markets, resulting in new African markets."

Participant 6 substantiated the above by suggesting that:

"The AfCFTA agreement bestows benefits to MNCs in South Africa, which can lower the cost of importing and exporting prompting them to reach new African markets."

The above position that AfCFTA can lead to enhanced market reach was also supported by Participants 1, 5, 8, 9, and 12, whom all stated that most multinational corporations have a strong presence in most African nations due to the benefits that they receive from trade agreements such as AfCFTA.

The above is in line with the viewpoints expressed by Murray (2020), Viljeon (2019) and Nerd (2019) that free trade agreements not only promote the free movement of commodities but also increase access to markets, raw materials, and labour from the continent, resulting in increased market reach.

iii)Reduced cost of production and economies of scale

It was also discovered that one of the short-term potential effects of AfCFTA on multinational corporations in South Africa was lower production costs, which were largely ascribed to tariff benefits and increased volumes imported and exported. This is reflected in the findings of Participant 7, who stated:

"The AfCFTA agreement leads to increased volumes, which leads to lower per unit manufacturing costs."

Linking the above benefit to reduced tariffs, Participant 1 further suggested that:

"Trade agreements such as AfCFTA allow multinational corporations in South Africa to enjoy tariff benefits, lowering their prices of goods produced."

Participant 5 confirmed the foregoing by tying lower costs to the higher market share obtained by most multinational corporations asserting that:

"Multinational corporations that benefit from tariff cuts reach a large number of African markets and produce more items due to economies of scale, lowering their production costs dramatically."

Participants 3, 4, 8, and 9 agreed with the aforementioned position that trade agreements like the AfCFTA assist multinational corporations to reach more markets and manufacture more goods, resulting in lower production costs due to economies of scale. Furthermore, the viewpoints align with the theoretical assertions on both the theory of functionalism and the theory of transactionalism, which all suggest that organisations such as South African MNCs rely on agreements such as AfCFTA to not only meet their critical needs but also to enjoy some of the benefits created by such agreements (Fofack, 2020; Kuhn, 2019; Lang & Moleski, 2016).

Objective 2: To investigate the potential long-term impact of AfCFTA to multinational companies in South Africa.

In addition to analysing the potential short-term impact of AfCFTA on multinational corporations in South Africa, the study intended to determine whether AfCFTA had any potential long-term implications on MNCs in South Africa. Table 3 summarises the themes observed while analysing the probable long-term impact of AfCFTA on multinational corporations in South Africa – which are increased operations, increased chances of product and business success, and improved competitive edge.

Table 3. Summary of Results: The potential long-term impact of AfCFTA on MNCs in South Africa

Theme code number	Theme Code Description	(Sub) Categories	Emerging Themes
2.1	Access to new markets	Increased expansion & Investment opportunities	increased operations
	Increased growth opportunities		
2.2	Improved operational sustainability	Reduced overall operational costs	Increased chances of product and business success
	Increased chances of survival		
2.3	Increased access to strategic trade partners	Access to value-adding inputs Establishment of strategic relationships	Improved competitive edge

i) *Increased* growth opportunities through access to new markets

According to the evidence shown in Table 3 (see annexure), one of the potential long-term effects of the AfCFTA agreement on multinational corporations operating in South Africa is an increase in growth opportunities created by access to new markets. This is evident from the comments of Participants 2, 4, 5, 7, 8, and 12 who stated that most multinationals in South Africa are expanding and investing in their businesses. Participant 5 specifically argued in support of this narrative saying:

"*South African multinational corporations are benefiting from the AfCFTA and taking advantage of the potential to expand their operations further into the country and other African markets.*"

This was further corroborated by Participant 3 who pointed out that:

'Most multinational corporations have the financial wherewithal to expand their operations in new markets.'

The preceding arguments support Murray's (2020) observation that trade agreements boost multinational businesses' market share and broaden the extent of their supply networks. Viljeon (2019) supports this narrative by pointing out that the abolition of import taxes provides an opportunity for multinational companies to expand their business operations in regional markets.

ii) Increased chances of operational sustainability

The results of the study also suggests that one of the likely long-term impacts of the AfCFTA agreement is the increased chance of operational sustainability, which according to Participant 9 is:

"A *result of the reduced overall operational costs due to the reduced or removed tariffs on imports and exports*."

This viewpoint was supported by Participants 2, 3, 5, 7, 11, and 12; with Participant 7 asserting that:

"*Multinational corporations gain from decreased operational expenses as a result of cheap tariffs, as well as the opportunity to serve more clients, increasing their prospects of sustainability and financial success*."

The evidence presented above is consistent with the literature reviewed earlier in the study, where it was established that MNCs have the robust internal capacity to serve increased markets, effective business processes, and adequate capitalisation, which is advanced by tariff benefits, allowing their businesses to be more sustainable, leading to both product and business success (Leshoele, 2020).

iii)Increased access to trade partners leading to an improved competitive edge

In the long run, the results further show that MNCs create strategic connections with major trade partners, giving them access to value-adding inputs and, as a result, a competitive advantage. This was established by Participant 11, who stated that:

"*Multinational companies operating in the zone where the AfCFTA is applicable establish important relationships that strengthen their operations and give them a competitive edge*"

Moreover, Participant 9 supported the above, indicating that:

"*MNCs that operate in the AfCFTA zone develop and foster strategic relationships that give them access to value-adding inputs*."

This was further substantiated by Participants 1, 3, 6, 7, and 12.

A consideration of the above assertions supports Maree's (2019) argument that a trade agreement provides a platform for MNCs to capitalise on the existence of the treaty to trade effectively with counterparts in other countries and create strategic ties in international marketplaces. These strategic alliances can then result in a competitive advantage, positioning the MNC for success (Maree, 2019).

Objective 3: The potential challenges posed by AfCFTA to the operations of multinational companies in South Africa

The findings presented in Table showcase the potential challenges posed by AfCFTA to the operations of multinational companies in South Africa. These emerged in the form of three themes – restrictive supply chain systems, ineffective delivery systems, and lowered revenues and profits margins.

Table 4. Summary of Results: The potential challenges posed by AfCFTA to the operations of MNCs in South Africa

Theme code number	Theme Code Description	(Sub) Categories	Emerging Themes
3.1	Exposure to intense competition due to access to new markets	Intense competitive trade due to trade facilitation	Restrictive supply chain systems
	Stringent supply chain structures to serve new markets		
3.2	Inadequate industrialisation	Inefficiencies in outbound and inbound logistics and service delivery	Ineffective delivery systems
	Lack of infrastructure development		
3.3	Increased risk of theft of intellectual property through product imitations	loss of substantial investment in market development through advertisements, and product development	Lowered revenues and profits margins

i) Increased competition and restrictive supply chain structures

According to the findings presented in Table 4, one of the potential challenges posed by AfCFTA to multinational companies' operations in South Africa is the risk of exposure to intense competition from local companies, which can be exacerbated by MNCs' inability to quickly adapt due to their stringent supply chain structures.

Commenting on this, Participant 1 pointed out that:

"*Tariff and trade barrier elimination exposes MNCs to competition, particularly from smaller enterprises that are nimble and fast to adjust to satisfy demand and service markets.*"

Commenting further on MNCs' responses to competition, Participant 7 stated that:

"*Most MNCs adhere to highly rigid supply chain protocols, which slows their response to competition from local competitors.*"

Moreover, Participant 6 added that:

"*The restrictive supply chain structures limit the MNCs' capacity to effectively respond to and counter competition*."

These viewpoints were supported by Participants 3, 5, 8, 9, 11, and 12 and mirror the assertions made by Murray (2020) and Cazares (2018) that the trade liberalisation brought forth by free trade agreements such as the AfCFTA exposes multinational corporations to intense competition. Furthermore, due to their restrictive supply chain processes, most MNCs may be unable to successfully respond to such competition. As a result, while the AfCFTA offers South African MNCs access to new markets, such markets may be too competitive for South African MNCs.

ii) Inadequate industrialisation and infrastructural development

The empirical results further reveal that another major potential challenge confronting South African MNCs is a lack of significant industrialisation and infrastructure development in most African nations. This point of view was expressed by Participants 2, 3, 8, 7, 9, and 10; with Participant 10 asserting that:

"*Most African countries are not highly developed infrastructurally and that affects the delivery of materials to MNCs and goods to customers*"

The above was corroborated by Participant 8, who pointed out that:

"*The lack of infrastructure, particularly roads, has a significant impact on the business operations of multinational corporations operating in African markets.*"

According to Participant 3,

'*The lack of infrastructure leads to disrupted delivery schedules for both inputs and outputs.*"

These findings support the assertions made in the literature that most African countries rely on road transport to move goods from one point to another, yet these roads are underdeveloped, which compromises the delivery schedules of MNCs (International Monetary Fund, 2022; Hayes, 2021). Moreover, these findings are similar to those reported by Albert (2019) that most MNCs face challenges when operating in Africa because of the region's lack of infrastructure development.

iii)Increased risk of theft of intellectual property through product imitations

The study also found that MNCs in South Africa are in imminent danger of having their products imitated, leading to losses, in not only potential revenue, but in the cost of research and development and product advertising. To outline this viewpoint, Participant 12 indicated that:

"In most African countries, the sale of imitation products is common, which leaves most MNCs with little to no profits since most consumers do not mind buying imitation products".

This was corroborated by Participant 8 who further suggested that:

"*Smaller companies tend to take product ideas from MNCs and repackage them as theirs, reducing the profitability of MNCs*."

Both of the aforementioned opinions were corroborated by Participants 1, 3, 7, 9, and 10, and they also consistent with the findings published by Yang, Sonmez, and Bosworth (2004) that most MNCs are confronted by the urgent threat of theft of their product ideas and intellectual property. Furthermore, these findings support the argument made by Pasara and Diko (2020) and Wit (2020) that for MNCs, particularly those in African regions, there is a high likelihood that their business models and products will be copied, implying that they will not benefit from investments in Research and Development, advertising, and related costs.

Objective 4: Interventions that can be adopted to enhance the effectiveness of AfCFTA in driving the performance of multinational companies in South Africa

Table 5 summarises the findings related to the fourth research objective, which attempted to establish measures that may be used to improve the efficacy of AfCFTA in driving the performance of multinational corporations in South Africa.

Table 5. Summary of Results: Interventions that can be adopted to enhance the effectiveness of AfCFTA in driving the performance of MNCs in South Africa

Theme code number	Theme Code Description	(Sub) Categories	Emerging Themes
4.1	Structural changes to AfCFTA to promote business beyond regional trade	Policies that enhance interaction	Interrelated systems promoting access to resources and markets
4.2	Increased investment in infrastructure	Improved development strategies	Improved transport systems
	Improved connections among market players		
4.3	Increased incentive systems to promote MNC activity	Favourable terms to promote trade	Adjusted terms and conditions to attract MNCs

Key themes that emerged were interrelated systems promoting access to resources and markets, improved transport systems, and adjusted terms and conditions to attract MNCs.

i) Structural changes to AfCFTA to promote business beyond regional trade

One of the important interventions that may be implemented to improve the efficacy of AfCFTA in boosting the performance of multinational corporations in South Africa is to make structural modifications to AfCFTA that encourage business beyond regional commerce. This suggests that the AfCFTA should be appealing enough for MNCs to desire to interact with trade partners outside of Southern Africa. Participant 3 agreed, arguing that:

"*For most South African MNCs, the AfCFTA is not attractive enough to prompt them to trade with partners outside of the Southern Africa Region*".

Participant 12 supported the above arguing that:

"*For most South African-based MNCs, FTAs such as the Customs Union (SACU) and the Southern African Development Community (SADC) free trade agreements offer greater benefits than trading beyond the region*."

The above views were not only supported by Participants 1, 8, 9, 10 and 11 but also support the observations made by Andereret al. (2020) that most MNCs are confined to a specific region. Thus, AfCFTA must have some systems that provide a certain extent of freedom for MNCs that engage in business with partners beyond their trading blocs. This viewpoint was echoed by Participant 7 who suggested that:

"*Governments need to make the provisions of AfCFTA more attractive to encourage MNCs in South Africa to engage with trading partners beyond the neighbouring countries*."

Participant 9 substantiated this and asserted that:

"*AfCFTA conditions must be more appealing in order to encourage commerce outside Southern Africa.*"

These views were supported by a majority of the Participants (1, 2, 4, 5, 6, 8, 10, 11 and 12), leading to the conclusion that structural changes to the terms of AfCFTA may be necessary to drive the performance of multinational companies in South Africa beyond their current comfort zones.

ii) Increased infrastructure investment and improved connections among market players

The results of the study further revealed that one of the key interventions that can be implemented to improve the effectiveness of AfCFTA in driving the performance of multinational companies in South Africa is to increase the infrastructure investment budget, thereby establishing trade links among market players and making it easier for MNCs to move goods between markets. Participant 1 agreed, stating that:

"*If the performance of MNCs in South Africa is to increase beyond the region through AfCFTA, then African governments need to invest in transport infrastructure to improve the flow of goods in Africa*."

The above view was corroborated by Participant 12 who pointed out that:

"MNCs in South Africa have the capacity to engage in markets beyond Southern Africa but are discouraged by the poor transport structures to move goods into markets beyond Southern Africa."

Based on the foregoing discussion, it was concluded that improving transport networks is one of the main interventions that may be implemented to guarantee that AfCFTA can improve the performance of South African MNCs, a point supported by Tsowou and Davis (2021) and Leshoele (2020).

iii)Increased incentive systems to promote MNC activity

To enhance the effectiveness of AfCFTA in driving the performance of multinational companies in South Africa, it was also suggested that the systems and terms of the AfCFTA agreement need to be adjusted to promote trade in Africa. This was supported by Participant 5 who pointed out that:

"*MNCs require improved conditions that are favourable enough for them to conduct business outside of regions bound by regional FTAs*."

Participants 1, 3, 4, 7, 8, 10 and 12 substantiated the above; with Participant 4 arguing that:

"*If the terms for AfCFTA are similar to those in regional FTAs, South African MNCs will not feel incentivised to engage in trade beyond Southern Africa*."

The above was supported by Karl and Moid (2021), who argued that such trade in Africa can be promoted through value creation and differentiation strategies that give MNCs access to new markets or access to offer differentiated products, increasing their chances of profitability and success.

5. CONCLUSION

The focus of this study was to assess the potential impact of the AfCFTA on multinational companies in South Africa. In realising this objective, the four specific objectives were pursued. These were to: (i) investigate the potential short-term impact of AfCFTA to multinational companies in South Africa; (ii) investigate the potential long-term impact of AfCFTA to multinational companies in South Africa; (iii) identify the potential challenges posed by AfCFTA to the operations of multinational companies in South Africa; (iv) establish interventions of enhancing the effectiveness AfCFTA in driving the performance of multinational companies in South Africa. The study was motivated the appreciation of the role MNCs play in the growth of the South African economy, on the one hand, and the uncertainty around what AfCFTA could offer to MNCs in South Africa, on the other hand.

To achieve the above objectives, the study was built on the theoretical underpinnings of functionalism and transactionalism. Using primary data gathered from 12 participant and qualitative and thematic approach to data analysis, shaped by the phenomenological philosophy, which contends that the best way to understand a concept or problem is through engagement with those who are experience the phenomenon (Flick, 2016), the results of the study revealed increased margins of operational income; increased market reach; and low product costs are potential short-term benefits of AfCFTA to the MNCs operating in South Africa. Given these benefits, policymakers should ensure that their domestic industrial policies and international trade policies are crafted around the AfCFTA to ensure enhanced extraction of the benefits and value presented by the AfCFTA for the benefit of MNCs in particular, and the rest of the economy in general.

In the long run, the AfCFTA has the potential to improve the growth prospects of MNCs through access to new markets, which boosts operational sustainability and leads to a competitive advantage. Given this, it is recommended that African country leaders make certain structural adjustments to the conditions of AfCFTA to promote the involvement of MNCs so that they are sustainable, which boosts the African economy through better GDP, employment, and access to low-cost commodities.

Although the AfCFTA has been found to have potential to provide both short-term and long-term advantages, it may also result in greater competition due to trade liberalisation, which is exacerbated by competition from local small and medium firms that may mimic some of the product concepts of MNCs. Thus, it may be inferred that AfCFTA might contribute to reduced profitability, especially in areas where MNCs fail to capitalise on the market reach due to weak infrastructure. In light of this, it is advised that local policymakers and governments enact rigorous rules to safeguard MNCs' intellectual property while also increasing infrastructure investment to assist MNCs in expanding their reach and profitability. In addition to the foregoing, African leaders are recommended to consider revising the conditions of the AfCFTA to make it more appealing in comparison to other regional trade agreements. This improves trade within the whole of Africa as opposed to being confined to regional markets.

DECLARATIONS OF INTEREST

None

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