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The Africa Continental Free Trade Area

Introduction: The History of African Continental Integration

Since the advent and rise of Pan-Africanism there has existed an idea of African Continental Integration. African unity has been a cherished concept but remained elusive for many years. In 1963 the Organization of African Unity (OAU) was created and given the impetus by the presidents of 32 African States to promote solidarity between African nations and eliminate colonialism in Africa. The founders of the OAU believed that Africa's political and economic integration were inextricably linked. The OAU also had the mandate to ensure that all Africans enjoyed human rights, raise the living standards of all Africans and settle arguments and settle disputes between members. (Source: <https://www.un.org/africarenewal/magazine/september-002/making-african-integration-reality>)

The organisation had some great successes, especially in respect to colonialism and the pursuit for African unity. However, the organization was largely divided with different ideologies namely the capitalist/pro-socialist split and the Casablanca bloc and Monrovia bloc. The OAU was disbanded on 9th July 2002 and succeeded by the African Union. (Source: https://unctad.org/en/Publications_Library/webditc2016d7_en.pdf)

In 1980 the Lagos Plan for Action was created as a response to the World Bank's Berg Report. The Action Plan was backed by the OAU. It aimed at increasing Africa's self-sufficiency by building a self-reliant economy, as well as establishing an African Economic Community by the beginning of the twenty first century. The plan for Action also called for the removal of trade barriers between African States in the measures to build up and strengthen economic and technical cooperation among states. The Plan was successful in some developmental areas but its greatest challenge was the lack of an effective monitoring and follow up

mechanism. (Source: [http:// repository .uneca.org/ handle/10855/14129](http://repository.uneca.org/handle/10855/14129))

On 3 June 1991 the Treaty Establishing the African Economic Community (Abuja Treaty) entered into force. The Abuja Treaty provided for the creation of the African Economic Community (AEC). The aim of the AEC was to promote economic, social and cultural development as well as African economic integration, hence increasing self-sufficiency and endogenous development further creating a framework for development, mobilisation of human resources and material. The aims of the AEC were to be realised by the coordination, harmonisation and progressive integration of regional economic communities. (Source: <https://au.int/en/treaties/treaty-establishing-african-economic-community>)

The Regional Economic Communities (REC) are the first regional integrated communities in Africa, they are: Arab Maghreb Union (AMU); Economic Community of Central African States (ECCAS), Common Market of Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and Economic Community of West African States (ECOWAS). (Source: <https://au.int/en/treaties/treaty-establishing-african-economic-community>).

The Abuja Treaty is a process that shall be undertaken in six stages over 34 years and to be completed by 2028. The REC's are now pillars of the African Economic Community, they are also the building blocks of the African Union founded in 2001, it is the successor to the Organization of African Unity. Today, the REC's have developed individually and have diverse roles and structures. Their general purpose is to facilitate regional economic integration (trade blocks) between the members and between the wider African Economic Community. (Source: <https://au.int/en/organs/recs>)

The Continental Free Trade Area

The dream of African continental integration was finally realised on the 30th January 2012 in Addis Ababa , Ethiopia at the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union adopted a

decision to establish a Continental Free Trade Area (CFTA) (Source: <https://au.int/en/ti/cfta/about>)

The CFTA will bring together 55 African countries with a combined population of over one billion people and a combined gross domestic product of US \$3.4 trillion as of 2019. This will be the world's largest free trade area in terms of parties since the formation of the World Trade Organization. The African Union has stated that the objectives of the CFTA will be to create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.

Additionally, the other aims are expanding intra-African trade across Africa in general as well as resolving the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes. This will enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

The CFTA will offer a means to open new markets for African producers thereby promoting economic diversification; unlocking firm productivity through greater scale economies, agglomeration effects, increased competition and trade reforms in regulations, services and trade facilitation. The CFTA also boosts regional value chains which can assist value added producers to enter export markets. (Source: <https://www.ictsd.org/bridges-news/bridges-africa/news/how-can-the-cfta-help-africa-respond-to-its-economic-transformation>)

African governments must also take a comprehensive approach to the CFTA. This can be done by introducing policy recommendations to ensure that the CFTA promotes regional value chains and economic transformation. The Action Plan on Boosting Intra African Trade (BIAT) (2012-2022) was also endorsed in the 2011 African Union Summit. The plan identifies seven clusters: trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information, and factor market integration. This Action plan acts as a guide for governments on the steps to be taken to ensure effective economic policy transformation (Source: <https://au.int/en/ti/cfta/about>).

The AfCFTA

The Agreement establishing the African Continental Free Trade Area (AfCFTA) came into force on May 30th, 2019 with the ratification by 24 member states. The Agreement operationalises the Continental Free Trade Area by creating a single continental market for goods and services with free movement of business persons and investments, hence accelerating the establishment of the Customs Union.

The parties to the AfCFTA commit to progressively eliminate tariffs on intra-African trade up to 90 percent. It is projected that through the sole removal of tariffs on goods, there will be an increase in the value on intra-African trade by 25 percent (70 billion). In summary, the share of intra-African exports as a percentage of total African exports has increased from 10 percent in 1995 to around 17 percent in 2017; however, this is still low compared to Europe's (69 percent), Asia (59 percent) and North America (31 percent) (Source: <https://www.brookings.edu/research/intra-african-trade-a-path-to-economic-diversification-and-inclusion/>).

African governments must also take measures to coordinate trade liberalisation and facilitate regional economic communities across Africa. This ensures that business across the continent is made much simpler, faster and cheaper.

Though the main selling point of the AfCFTA was boosting intra-African trade by reducing trade barriers, there still lies opportunities for Sino-Africa, Euro-Africa and US-Africa trade. The AfCFTA is expected to create a huge market, increasing domestic demand and creating market space and more trade opportunities.

Economists believe that tariff free access to a huge and unified market will encourage manufacturers and service providers to leverage economics of scale, increase industries and, hence, propelling job and wealth creation. Europe, Asia and the America's have a part to play as, with the expansion of markets, there is a rise in the demand of expertise, namely labour intensive and technology driven enterprises. The AfCFTA also provides a unified block in which Europe, Asia and the America's can negotiate for the trade of goods regionally vis-à-vis bilateral

trade agreements.

In an effort to meet the rising tide, the European Union has various initiatives in support of the AfCFTA. Through the Pan-African Programme, the EU has earmarked EUR 62.5 million to support the AfCFTA with the negotiation-ratification process and architecture and the implementation of the agreement. (Source : <https://www.africa-eu-partnership.org/en/afcfta>)

The EU Aid for Trade, has supported the goals of the AfCFTA in West Africa through a EUR 92 million programme which seeks to increase competitiveness by promoting regional trade opportunities and creating a safe trading environment for small-scale traders. (Source: <https://www.africa-eu-partnership.org/en/afcfta>). Additionally, the EU External Investment Plan aims to increase investment and job creation, hence supporting the objectives of the AfCFTA.

The success of the AfCFTA relies on both governments and private sector working together. A report by the United States Economic Commission for Africa states that businesses will need to be fully sensitised on the potential of AfCFTA so as to establish new trade linkages or push their governments to negotiate for these opportunities. There are still negotiations underway that the private sector can contribute to, mainly focused on competition, provisions relating to investment, intellectual property and e-commerce.

However Africa has many hurdles to conquer, investments will need to be spearheaded into infrastructure and strengthening the rule of law and governance.

Conclusion

The AfCFTA is expected to increase intra-Africa trade from 13 percent to 25 percent through better harmonisation and coordination of trade liberalisation. There also exists opportunities for Africa to build new bridges, in the words of President Abdel Fattah el-Sisi the current chairperson of the African Union, “the eyes of the world are turned towards Africa”. As it stands Africa’s largest trading partner is China, the AfCFTA is set to open up African markets to the new trading possibilities.

The reference to China forces us also to re-think the economic growth which is based not only on industries and trades.

As a matter of fact, the experience of these current days is teaching all of us that, in order to be attractive, a region as well a country needs to have a good healthcare system, able to counter epidemic risks. The entire world has such strong interconnections that a problem in region becomes a problem worldwide: the creation of a good health care system is becoming more and more a stone for the creation of a virtuous economic development.

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