How Africa can negotiate an effective continental free trade area agreement

By Calestous Juma

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African countries are forging ahead to complete negotiations for a continental free trade area between 55 countries by early next year. The idea, adopted by the African Union in 2012, is to create a single market which includes the free movement of goods, services and people. The integrated African market covers 1.2 billion people and a combined GDP of over $3.5 trillion.

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Large markets are job-creating as they support more trade in goods, services and assets. It is expected that a well-designed agreement would help Africa boost industrial development, promote economic transformation and create new wealth. The benefits won't be automatic but will require continuous national, regional and continental efforts.

Large regional markets are also essential for industrialisation. This is because they attract investment into firms that can diversify their product lines and stimulate the creation of related industries. This includes the supply of spare parts, distribution of goods and provision of advisory services. Some of these may start as their supplies but they may also grow into independent enterprises.

Viewed against the odds of success in getting 55 countries to foster meaningful regional integration, Africa has made commendable progress in crafting its own creative approach. But reports from recent talks and a slowdown of regional integration efforts suggest a disturbing trend.

Some government delegates are likely to seek to include protection for existing products and industries. This would be detrimental to the process if these lists ended up shaping the final agreement given the 2018 signing deadline. Such a retreat would run counter to recent advances in Africa's trade integration efforts. In 2015 for example, three regional trading blocs, covering 650 million people in 26 countries, signed the landmark Tripartite Free Trade Area with a combined GDP of over $1.5 trillion.

Agreement challenges

The trade agreement nevertheless needs to be carefully thought out, particularly given that Africa is starting with a low intraregional trade of 15% compared to 19% in Latin America, 51% in Asia and 72% for Europe.

There is the risk that rushed negotiations could result in an agreement with too many exceptions to cover protected industries. This could include using non-tariff barriers – like safety measures – to protect local industries. A range of African countries use non-tariff barriers to curb imports of goods such as maize, milk, sugar, food oil products, and steel and iron.

Sensitive and excluded products – like sugar and dairy products – might in some cases cover up to 600 tariff lines (product codes used at the national level). But these exceptions should be used sparingly to enable domestic industries to access the larger regional and global markets needed for their growth.

In addition, the trade agreement needs to address the effects it may have on existing industries, environment, peace and security. It also needs to provide the policy space needed for governments to promote social policies such as job creation that could provide new performance standard for industries. Such policies should also balance between social goals and the need to be competitive on the global market.

Concerns over the expansion of foreign imports, rather than regional trade integration, also needs to be carefully assessed to avoid the free trade area becoming a conduit for imports. This could undermine Africa's goals to increase its industrial and trade capacity. At present, nearly 85% of the goods traded in Africa come from outside the continent. Only 15% of the goods traded in Africa are produced locally, leading to an annual food import bill of over $35 billion.

But the focus of the negotiations should not be the fear of imports. Rather the focus should be on scaling up export production in existing niche markets through the creation of new industries. Examples of growing industries include the supply of semi-processed processed foods that are turned into final products by importers. African firms such as the Agro Chemical and Food Company in Kenya are also producing speciality chemicals which are used in a variety of medical and manufacturing industries.

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Moving away from protectionism

The alternative to protection is therefore market growth. This involves having deeper knowledge of markets through the collection of key information market, eliminating trade barriers, reducing subsidies and upgrading the quality of infrastructure. It also involves building capacity to manage the rules of origin of products to avoid illegal dumping of goods, customs and trade procedures and reporting and resolution of trade barriers.

The negotiations need to shift their focus from protectionism to greater regional trade integration. One way to do this is to set up a high-level expert committee or panel – drawn from government, private sector, academia and civil society – to include other relevant perspectives on issues such as infrastructure, technological capacity, and industrial growth. This would help to broaden discussions to reflect Africa's current needs of trade as an instrument for economic transformation.

This committee would be guided by evidence-based research as well as by Africa's own regional trade experiences. There are many examples that show how quickly Africa is learning about the risks of using bans and exemptions to restrict regional trade. For example, Zambia's positive decision to reverse a ban on fruit and vegetable imports.

The committee would also need to draw on lessons from other regions of the world. As I set out in Emergent Africa: Evolution of Regional Integration, Africa has a lot to learn from regional trade integration, especially the Association of Southeast Asian Nations.

The bloc' approach to integration transcends the traditional focus on the free movement of goods. It includes measures such as the creation of industrial parks to foster industrial development. The region also uses technology-based agreements covering key fields such as information and telecommunications technologies. This is particularly important because of the role of engineering and technology in all aspects of trade covering product design, production and distribution through international logistics chains.

The future is open

The challenges facing African trade negotiators are not easy. Africa's regional integration efforts are the most complex ever undertaken. They are not just about emulating trading rules used in other regions of the world. They are about remaking the continent to create new networked interactions between sovereign states in a flexible way. This makes for a more open future with expanding possibilities to use regional trade integration to spread prosperity.

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