

Africa has phenomenal potential for intra-continental trade

Forty-nine of Africa's 55 countries have signed the framework for the African Continental Free Trade Agreement (AfCFTA) to create a single continental market for goods and services, with free and unfettered movement of businesspeople and investments. When at least 22 countries ratify it, the AfCFTA will officially come into force, potentially making the continent the largest trading bloc in the world.

By Zipporah Musau^{30 Aug 2018}



Dr Mukhisa Kituyi, UNCTAD Secretary-General.

Dr Mukhisa Kituyi, the secretary-general of the United Nations Conference on Trade and Development (UNCTAD), explains what countries stand to gain and what challenges to expect [excerpts]:

AFRICA RENEWAL: What do you say about Africa's push for a free trade area at a time when some countries in the West are becoming increasingly protectionist?

DR MUKHISA KITUYI: For Africa, a clear determination to expand trade among ourselves is an important step. Uncertainty in international trade increases the premium on regional intra-African trade. Secondly, what we have learned from the rest of the world is that even if there is populist protectionism, it is a short-term phase that we'll ride out. But for Africa to learn from the experience of East Asia and Latin America even as we wait for protectionism to end, we must build productive trading capacities through regional value chains.

Africa trading among its component states strengthens its ability to trade. The experiences gained from that will deliver a greater market share internationally. Africa needs to build the capacity and structural transformation necessary to be a competitive international player.

The creation of a continent with a free trade area is therefore an important step towards building, collectively, the competitiveness of African labour and African products internally and internationally.

What are the three most immediate gains for an African country in a free trade area?

All studies show that what Africa sells within Africa has more value added than what Africa sells to the rest of the world, which is mostly raw materials. That means intra-African trade creates more employment in the source country than Africa trading with the rest of the world. We look to gain more industrial and value-added jobs in Africa because of intra-African trade. Secondly, it will build competitiveness, which you can then unleash onto the rest of the world. Thirdly, we will be removing domestic market distortions, which have been adding a burden to domestic consumers because of too much protectionism.

One of the main challenges to intra-African trade is the nontariff barriers. When there is a deficit of political goodwill, excuses are made to slow down trade.



MARKETING

Africa's massive free trade area a "gamechanger"

Kingsley Ighobor 29 Aug 2018



Will AfCFTA influence UNCTAD's approach in its operations in Africa? Will you, for example, deal with the continent as a single entity as opposed to individual countries?

At a personal level, I was involved in designing the architecture for AfCFTA, so I've been working with this from day one. / an organisation, UNCTAD has not only encouraged the AU to create a free trade area, but we have also been training negotiators for the regions and the countries.

“ All studies show that what Africa sells within Africa has more value added than what Africa sells to the rest of the world, which is mostly raw materials.

”

For example, we have been training the regional technical officers from ECOWAS [Economic Community of West African States] and SADC [Southern African Development Community] on service negotiations. What are the offers? What are the implications? What can you do? What should you not do? What are the remedial actions in case of a flood on certain services?

This technical support to national negotiators has been a role we played before the AfCFTA, and we are intensifying it now as we prepare for the next phase, which is more attention to trade in services beyond goods, for building a continental common marketplace for electronic commerce. So we are working with AU member states and organs to build capacity to translate the promise of the AfCFTA into actual economic gains.

Tariffs alone are not the biggest impediment to intra-Africa trade. Poor infrastructure and the low level of manufacturing in some countries mean they don't produce a significant amount of finished goods to export. What is your take?

Tariffs are not the only problem, that's a mainstream truth. There is a lot standing in the way of realizing the potential of intra-African trade. But the claim that we are producing similar goods is not true. Even neighbouring villages trade with each other. I come from a place near the border between Kenya and Uganda and I know from my early days that we traded with our neighbours.

Africa trades quite a lot across borders. For example, there's a large market in West Africa for East African tea and coffee. There's a large market in East Africa for plantains and specialised nostalgia products out of West Africa. There's a large market for the creative industry, for example, Nigerian movies and music, in the rest of Africa.

Africans have a phenomenal potential for intra-continental trade. Similarly, trade is not static. There is no law that says that a country like Tanzania, for example, must only trade in a certain set of products. Countries will always build capacities and opportunities, and innovators will bring in new products that you add into the marketplace. So diversification is taken in stride as trade deepens economic interaction.

What about infrastructure challenges?

True, we have a colonial extractive infrastructure, where you find a railway line from Kasere in Uganda to the Indian Ocean port to transport copper for export. Integrative infrastructure is a critical consideration for intra-African trade, and I'm glad something is being done about that. Currently we have the Cape Town to Cairo road, which has been tarmacked up to Addis Ababa. There are other initiatives, like the Northern Corridor, and the Chinese are encouraging investments to build the road from Kampala to the Atlantic Ocean. I see the importance of the railway line from Dar es Salaam to Rwanda, and

others. So the integrative infrastructure already being built today is going to be ready for the test of infrastructure challenge tomorrow.

What then are the main challenges to intra-Africa trade?

One of the main challenges to intra-African trade is the nontariff barriers. When there is a deficit of political goodwill, excuses are made to slow down trade. Many times, traders will reach the border and be told, “This product looks too old to sell to us” or “The quality doesn’t seem to be right,” or “We cannot ascertain that this was made in your country.” The absence of goodwill leads to the use of too many nontariff measures as excuses to slow down trade. Cultivating goodwill requires that nontariff barriers are rolled back and trade is increased between African countries.

Doesn’t this affect women traders more?

Last month I released a just-completed study in Nairobi on gender and trade in East Africa. It is true women have more than the usual challenges of cross-border trade. Sometimes they are victims of sexual abuse and harassment. Sometimes they are victims of the typical problems of small traders, because the architecture of East Africa integration defines a 40-foot container being transported from Dar es Salaam to Nairobi as regional trade, but a 20-kilo sack of maize is seen as “smuggled goods.”

“ We look to gain more industrial and value-added jobs in Africa because of intra-African trade.

”

Because the framers were catering to the interests of big business in the cities, they did not pay attention to the right of border communities and small-scale traders to cross the border. The inordinate trouble that women traders go through is basically because they are not a politically strong constituency that gets responses from the policymakers about regional trade. One of the things we have been pushing for is facilitating simplified procedures for cross-border trade and destigmatising small-scale trade. These represent a major inhibition to the potential of regional trade and integration in Africa.

What should be done?

Agreements have always been there, but there has not been sufficient mobilisation of political goodwill to protect the interests of small-scale traders, specifically artisanal traders and women traders, in cross-border trade. It is not that they are breaking any law, but they are frustrated by officials behaving arbitrarily and acting with impunity.

Trade agreements can take years for the impact to be felt. When, realistically, can all countries be expected to be on board and begin to implement the AfCFTA?

If there is sufficient political goodwill, it can be done overnight. There is no reason why we would repeat the mistakes that have been done in other countries. We have to learn these processes within existing regional integration mechanisms and then scale them up. Scale up best practices.

Are there any benchmarks to assess progress?

We must ask, what are the areas of improvement? What are the issues being talked about on policy and operations? For example, I hope there will be more gender studies on integration and trade which can unlock the potential of women traders. Most small-scale traders in Africa are women, yet the structure of regional trade caters more to men than women. So we are holding back one of our most important facilitators.

Source: Africa Renewal.