The African Continental Free Trade Area - A beacon of free trade?

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Abstract:

The paper discusses the vision to achieve an African Economic Community (AEC) including through increased inter-REC harmonisation and convergence initiatives, such as the COMESA–EAC–SADC tripartite FTA. It argues that the low level of intra-African trade can be increased with the right political leadership. One that harnesses knowledge and skills for innovation in key areas and builds capacities for formulating, sequencing and implementing policy interventions that remove supply-side constraints, strengthen productive capacities especially in agriculture production, infrastructure and information networks that facilitate cross-border trade. At the micro level, it is important to map out SMEs and start-ups for nurturing and incubation within a framework of facilitating regional trade and accessing global markets.

Keywords: African integration, Development, Comesa, Trade.

Introduction

Low intra-Africa trade has been lamented for decades. A key objective for establishing the African Continental Free Trade Area (AfCFTA), launched on 21 March 2018 to cover all the 55 African countries, has therefore been to boost intra-Africa trade, with a target of doubling it to 22 percent of total trade by the year 2022 over a 2010 baseline of 10 per cent. All this has been discussed and agreed by Africa's leaders at the highest political level, and written into decisions taken at their summits since 2010. However, intra-Africa trade has since been rising and reached 18 per cent of total trade in 2017.[1]

With a population of more than a billion people and a median age of 19.3, a combined GDP of $3.4 trillion, 60 per cent of the world's arable land, consumer and business-to-business spending already at US$ 3.9 trillion and projected to reach US$ 5 trillion by 2025, highest returns on investment in the world, and some of the largest deposits of strategic minerals, Africa is a growth pole of the global economy and a player in global peace and security.[2]

The formation of AFTA is a clear message to the whole world that Africa means business. The AFTA will boost intra-Africa trade, creating jobs and incomes and improving welfare. At their recent ordinary summit on January 28, 2018, Africa's presidents launched the Single African Air Transport Market, with 23 countries participating, covering more than 70 per cent of air travel in Africa. They also concluded a protocol to facilitate free movement of people in Africa. Together with the AFTA, these three flagships programmes represent quick progress under Africa's long-term vision, Agenda 2063. It should now be difficult to doubt that Africa is serious about economic integration.

Integrating 55 independent States and disparate polities is the most significant integration project in the history of humankind. It is no mean task. It requires continuous sharpening of technical, diplomatic, mobilisation and organisational skills.[3]

The ethos of developmental integration in Africa

Brexit, now in full remorse, has been a test of the place of regional economic integration in the world. As right-wing populism recedes, following the reign of Trump in the West and the election of the pro-EU Emmanuel Macron in France, the developmental approach taken by the COMESA-EAC-SADC Tripartite Arrangement might well be a best practice for the whole world in pursuing regional economic integration.[4] The approach bases regional economic integration on at least three simultaneously critical pillars – building of large regional markets to support critical levels of investment, cross-border economic infrastructure including rural infrastructure, and industrialisation, with a focus on small to medium scale enterprises, for social, economic transformation.

Political economists such as Dani Rodrik and happiness economists such as Joseph Stiglitz and Jeffrey Sachs have long called for such an approach though only in sketches traceable in their overall narrative and specific suggestions for addressing inequality and other economic challenges from the current version of globalisation.[5] The upshot of the academic, political and economic turmoil surrounding globalisation for over 20 years, is that creation of decent jobs, economy-wide rather than for a privileged few, remains a core priority for governments and regional economic integration bodies, going to their very legitimacy.

There has been a perceived dichotomy between trade and industrialisation, and between manufacturing or goods and services; with the policy implication of focusing on manufacturing, away from trade or markets and away from services. This approach has been wrong to the extent that without markets, investment and production would not be forthcoming in the first place. Also, estimates are that services inputs make up 60 per cent of the value of manufactured products, many of which derive their efficacy from their services components – think of a mobile phone or an aircraft or a computer, and in the internet of things, practically about all items. This has been explained in the 2015 ECA Economic Report on Africa themed Industrialisation Through Trade, and in the World Bank publication by Grover Goswami and Dihel Carina on The Unexplored Potential of Trade in Services in Africa of 2016. Appropriate trade policies and instruments support industrialisation, and services in Africa will be part of the solution through facilitative policies in critical areas such as movement of skills, and creation of regional markets for financial, energy and transport services that support competitiveness.

In addition, it can no longer be argued that resources should move from the agricultural sector to the industrial sector and then to services, as the pre-ordained development trajectory.

Calestous Juma has over the years argued, for instance in his 2011 book The New Harvest with a second edition in 2015, as well as the joint WTO-World Bank publication of 2015 called The Role of Trade in Ending Poverty, that poverty in the rural areas will only be eradicated through agricultural modernisation and enhancement of agricultural productivity through innovation and the building of rural infrastructure. African Regional Economic Communities have programs in this area, and of course, governments, that include interventions for providing agricultural inputs and rural infrastructure as well as structured trading. The Common Market for Eastern and Southern Africa (COMESA) for instance, has established a specialised agency called the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), which supports small-scale farmers with inputs and extension services. Such interventions will be a basis for agro-based industrialisation, where agriculture is not equated to just farming, but construed broadly to encompass the regional and global value chains from seeds to final products on shelves in retail outlets.

Preferably, all these elements (trade, innovation, infrastructure, and manufacturing) are part and parcel of the same holistic interventions for industrialisation.

The emphasis on value addition and diversification, while in order, has mostly been implemented upside down without the desired industrialisation results. Interventions have sought to achieve value addition and diversification usually through investment incentives into mainly the natural resources or extractive sector. Yet what should be done first, or at least simultaneously, is building the technological and innovation capabilities at the national and regional levels, through dedicated interventions. It is when such capabilities exist in critical amounts that value addition and diversification will follow.

There are many good practices on how to harness technology, skills, creativity and innovation from around the world, or how to restructure our education systems along the lines of entrepreneurial universities (Strathmore University in Nairobi for instance), and how to put in place partnerships between universities and researchers, banks and other financing institutions and industry especially SMEs, with a view to identifying ideas that can be commercialised into whole new industries, getting patient or angel capital/ investors for the ideas, and twinning fledgling entrepreneurs with seasoned entrepreneurial or tutoring networks around the world.

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Another dimension of value addition is that interventions have focused on value addition in the very same extractive sectors, getting trapped into vicious cycles, as Sir Paul Collier explained in his little book called The Bottom Billion. Instead, dedicated interventions to go beyond the existing product range should be prioritised to achieve a repertoire of high value and high technology content products for regional and global export markets. This has usually been called regional or global value chains, an expression that can easily miss the point of the absolute criticality of wholly new product ranges. As an example, Taiwan's major export in the 1960s was mushrooms. However, Taiwan did not get to be a global producer and exporter of microchips and computer parts that it is now, through adding value to mushrooms. Rather, deliberate government policy was put in place to move into a learning economy and innovation-driven mode, beginning with the rehabilitation of four dilapidated research institutes left behind by colonial Japan. Other examples can be drawn from South Korea, and Finland; as well Mauritius in the 1980s and to some limited extent Kenya lately.

Quite some noise has been made about the re-balancing of China and how Africa can strategise to tap the 85 million jobs or so that will move from China with the industries that are being relocated away. Justin Lin has advanced Helen Haiyu, a Chinese entrepreneur who has successfully pursued her African dream in Ethiopia and elsewhere, as an exhibit of how this can happen. Justin, however, has famously downplayed regional integration as quite a waste of resources, recommending instead, the building of colonial style railways and roads to seaports to facilitate exports from Africa to China and some developed countries. This is the model that Ethiopia is following. As alleged proof that regional markets are not that important to support industrialisation (Ethiopia seems to prefer the preferential schemes such as the European Union's Everything-but-Arms Initiative (EBA) and the Africa Growth and Opportunity Act (AGOA) of the United States as channels of export markets, to the immense potential in intra-Africa trade estimated by Mckinsey Global Institute's Lions on the Move 2.0 of October 2016 at about 4$ trillion already in consumer products and business-to-business inputs). Justin Lin and Celestin Monga, the new Chief Economist of the African Development Bank, have published a book entitled Beating the Odds, where this argument is reinforced, that even without the oft-touted pre-requisites like infrastructure, African countries could focus on special economic zones and industrial parks, and building routes, for exportation to global markets.

This, therefore, is a policy area that needs to be looked into carefully. In questioning the worth of regional integration, Justin Lin stabs at the entire architecture of African continental integration and its Agenda 2063, the blueprint and template for the social, economic transformation of Africa. His views can, therefore, be written off as unfortunate, given that much soul searching and exquisite analytical work has gone into the development of these overarching continental development strategies encapsulated in African regional economic integration. However, Justin Lin and his team have operations Africa-wide and have won medals from presidents in recognition of their work and contribution. The mostly false narratives they purvey around need to be addressed, to always have the most appropriate ways forward on strategic and existential issues concerning Africa. Trade for Africa is a developmental tool, and therefore not limited to foreign exchange earnings, but is part of the process of strengthening regional value chains for structural transformation, and creating regional markets to support cross-border economic infrastructure for regional connectivity that facilitates resource flows and competitiveness.

Political leadership is required and there is a need for a careful selection of the sort of high growth strategic investment to bring back home. The role of the developmental state cannot be over-emphasised.

One point Justin Lin is right about, is that political leadership is required and there is a need for a careful selection of the sort of high growth strategic investment to bring back home. This strategy was successfully followed by the statesman Lee Kuan Yew, the father of Singapore, and is well articulated in his international bestseller called From Third World to First. As a case study, the prime ministers of Ethiopia have not left investment selection and attraction to statute books containing incentives and to market forces. They have physically and aggressively gone out into the world to screen, select and bring home investors that share the national developmental goals and objectives. Lee Kuan Yew was prepared and did go back to school a number of times, and sent cohorts of young civil servants into top-notch schools around the world, to harness knowledge and innovation, for deployment into the national development effort. Such political leadership is indispensable, along with the lines that President Kagame of Rwanda is consistently following.

As a first step but also a regular ongoing exercise, governments and institutions with strategic roles in the national economies and the RECs need to be mapping out SMEs with a view to developing and maintaining inventories of start-ups and new ideas that need nurturing and incubation, and aggressively supporting them with patient capital, entrepreneurial tutoring, and market and investment information, within a framework of facilitating trade into regional and global markets. The entrepreneurial university and other training initiatives, short-term re-tooling and skills development, are required to continuously build business skills in the private sector and improve employability. Also, innovation reports and awards around Africa and the world should be paid close attention to for new ideas that generate whole new economies, and high-value high technology content products.

The role of the developmental state cannot be over-emphasised. Many publications on this abound, recently as part of the backlash against runaway globalisation. Within the mess, a lot of good analytical work has emerged, notably by Dani Rodrik, espousing a political economy that should have provided the development path for developing countries over the years. A number of case studies are available for good practices; such as the Botswana requirement for cutting and polishing of diamonds before exportation, as well as broadly the developmental approach to regional integration in Africa taken by the COMESA-EAC-SADC Tripartite and the African Union at large where the trade-industrialisation-infrastructure nexus provides the joint pillars for integration programs.

When all is said and done, Government has a role as a buyer (government procurement, which is a sizeable market and can assist SMEs, a Kenyan law requiring that 30 percent of government procurement should be from youth, women, and disadvantaged and other marginalised groups has been a huge factor for inclusive growth), as a financier (through development banks and corporations), as a regulator (through putting in place the required policy framework and overseeing the proper functioning of trade and investment markets as well as enforcing investor rights and obligations through appropriately persuasive initiatives, for instance South Africa's guidelines for its investors into Africa), and as facilitator (through sorting out and promoting strategic and high growth investment, especially into high growth but presently risky areas, including public goods – this is supposed to be the secret of China's rapid economic growth and transformation).

Governments are better advised, building on best practices from China, for instance, to embed training components into their large-scale procurement projects such as infrastructure building in transportation, energy, irrigation, and other public utilities and goods. A requirement for service suppliers to work incredible partnership with local universities, research institutions and staff in government departments, can provide learning opportunities for sustainability and maintenance of these public goods after initial propagation or construction. At the same time, large-scale infrastructure projects are part and parcel of and indeed a motor for industrialisation. The training component should at the same time allow for local ownership of knock-on inventions and innovations, through enabling clauses on the intellectual property in the creative ideas that can emerge.

The fourth industrial revolution is said to be here, and Africa is awash with warnings not to be left behind again as happened in the past. Scenario setting is on – and Africa is being reminded, for instance by a group of 60 researchers in their report on Knowledge and Innovation in Africa – Scenarios for the Future, that it lost out on the industrial revolution mainly because it was marginalised out of the knowledge networks of the time, and due to intellectual property laws that monopolised skills and innovations into a few hands in the UK, and subsequently Europe and the US through these other countries fought the UK laws in openly using initial inventions that spurred the industrial revolution. The report calls for open, collaborative innovation, pointing out that knowledge networks support entrepreneurship and economic growth. The message is that Africa must ensure it is networked into the global knowledge networks and systems in an organic manner that doesn't leave outcomes to chance or blind market forces. The recent G20 summit held on 7-8 July 2017 called for follow up on the World Information Summits that were the in-thing at the beginning of the millennium, seeking to avoid a digital divide between developed and developing countries. Momentum towards this direction will be very much a priority.

Industrialisation requires well-known interventions, according to rich discourses on economic development over the years. However, formulating, sequencing and implementing the interventions needs careful thinking. For instance, should technology and innovation, as well as a national or regional intervention for harnessing knowledge and skills from around the world, be a stand-alone intervention in the plethora of interventions usually written into national and regional industrialisation policies and strategies? Good practice would suggest that acquisition and deployment of technology, building a sound technological base, harnessing innovations together with knowledge and skills from around the world, should be an overarching goal and strategy that informs the entire industrialisation and structural transformation policy; it should be the organising logic that infuses all the interventions, and all sectoral initiatives. This is not quite as simple as building fibre-optic cables to enable internet access for chats and apps. It is prioritising the knowledge economy as a national and regional ethos, on which to anchor human resource development, financial markets, private sector development, systems and institutional strengthening, long and medium-term development strategies, annual planning and budgeting cycles, and all else that supports social, economic transformation, including songs and poems.

The Tripartite and AFTA

The AFTA comes on the heels of yet another African milestone, that is, the COMESA-EAC-SADC Tripartite Free Trade Area, concluded on 10 June 2015 covering 27 countries. It makes up half of the African continent; which has supported the negotiation and conclusion of the AFTA, through inspiration and motivation, experience and documentation. About half of the AFTA negotiators had negotiated the Tripartite FTA, and brought with them text and insights. A number of AFTA Annexes were drawn from the Tripartite instruments and were concluded relatively quickly in the negotiations, especially those on non-tariff barriers, technical and health standards, customs, trade remedies, and dispute settlement.

What had been negotiated in the Tripartite was, however, in some cases, re-opened and modified. This was part of the experimental learning and subsequent improvement as would be expected when something is done a second-time around. This was indeed in keeping with the long-term strategy for gradual African continental integration. Under this strategy, RECs are the building blocs for the

African Economic Community to be achieved by 2028 and provide valuable experience and lessons that are consolidated at the continental level. The implications, though, could be that a lot of money and time can be wasted in negotiating regional and inter-REC instruments, while the continental process lags. Where the continental frameworks begin to take shape, inter-REC frameworks need not be commenced, as they are likely to be reopened and changed.

The challenge though is in the guessing involved about whether and when the African Union would develop useful instruments in given areas. Practical application of regional integration reveals areas for creativity and innovation, which continuously results in new pathways at REC levels. Realism would, therefore, suggest that REC policy formulation and programmes should continue full blast, for it is unlikely that continental frameworks would move as fast as those of smaller coherent RECs.

It is critical to ensure that the AFTA is not designed in a manner that, through too many exceptions and high tariffs on key exports, reduces even further the paltry existing intra-Africa trade, which would be a self-inflicted tragedy.

The AFTA long transition periods of 10 to 15 years and lower thresholds for market opening of around 90 per cent of total product lines, mean that the Tripartite and the RECs, which are more ambitious, have the responsibility of keeping the continental market integration agenda functional; for it will be long before the AFTA regime fully kicks in.

The new grand consolidation at the Tripartite and now the continental levels, however, means that RECs are coalescing and having a positive impact on continental integration.

However, it is critical to ensure that the AFTA is not designed in a manner that, through too many exceptions and high tariffs on key exports, reduces even further the paltry existing intra-Africa trade, which would be a self-inflicted tragedy. A whole raft of exceptions could end up in the Continental FTA Agreement, based on a fear of imports from other African countries.

A standard trade agreement must, of course, be balanced between liberalisation and safety-valves to address possible adverse developments such as destruction of the environment or existing and planned industries, to ensure peace and security, and to recognise the policy space for governmental interventions to assist social, economic transformation. There are therefore standard general and security exceptions as well as trade remedies.

In addition, a number of trade agreements have provision for the protection of the balance of payments and external reserves and infant industries.

Sensitive and excluded products could in some cases cover up to 600 tariff lines, as indeed proposed for the Continental FTA; yet most African countries export to each other on less than 300 tariff lines.

These exceptions should, however, be designed to be used sparingly, so that domestic industries can have access to significant regional and global markets required for their growth.

Large markets that support more trade in goods, services and assets produced by job-creating enterprises, including small-to-medium-scale-enterprises, assist in employment and income generation, thus meeting the public policy objectives of jobs- and wealth-creation.

Large open markets support value chains, specialisation and efficiency through sharing of tasks in modern production lines and processes. This calls for creating a large, open Continental FTA as a rule of thumb in the negotiations.

On the basis that the bulk of imports into Africa, upwards of 88 per cent of the total, are from outside Africa, the fear of an avalanche of imports from other African countries needs to be adequately assessed.

A starting point is that with respect to the sources of those imports, which are from outside Africa, as may be deemed appropriate should be addressed under other frameworks such as the World Trade Organisation but not the Continental FTA.

However, should there be an increase in imports from other African countries resulting from the Continental FTA, then that should be a welcome development as the objective of boosting intra-Africa trade would be seeing the light of day.

The fear should not be of imports from other African countries. The issue to focus on is how to boost exports through scaling up production, especially of goods that can find niche markets through product differentiation or wholly new products and industries, within the overall framework of industrialisation, agricultural productivity, and infrastructure development.

There are more specific interventions to focus on in the negotiations. Regarding trade policy instruments, while tariff protection can be considered but bearing in mind that high tariffs negate the very idea of building a Continental FTA, the more appropriate interventions should seek to grow industries. These include market intelligence, elimination of non-tariff barriers and subsidies, quality infrastructure and capacity building for familiarity with the AFTA trade rules. But the more core interventions must seek to grow the domestic industries through addressing the well-known constraints faced by small and medium enterprises.

High tariffs and protected markets are a development fallacy, for without sizeable markets one can hardly expect critical levels of investment that generate industries and infrastructure. Instead, the Continental FTA should seek to be a substantial regional open market.

Implementation steps

"The best is the enemy of the good" is an expression associated with Voltaire. It just might have critical relevance for the relation between the African Continental Free Trade Area (AfCFTA), the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA) and the regional economic communities (RECs) in Africa. However, on 8 June 2018, Kenya deposited with COMESA Secretariat in Lusaka, the instrument of ratification of the TFTA, having ratified AAFTA as well and deposited the instrument with the African Union Commission. Both South Africa and Uganda were also taking the same approach of ratifying both.

Just a year ago, it all looked impossible to many around the world that Africa could have a Continental Free Trade Area. But for some, this was deja vu, for it was the same trepidation in 2015 just before the TFTA was launched on 10 June in Egypt. The TFTA was an African revelation, for it demonstrated the obvious possibility of and spurred strategists towards a continental equivalent.

Having missed the deadline of December 2017, AFTA was duly launched a mere three months later on 21 March 2018 in Kigali, with 44 out of the 55 African countries signing the Agreement on the spot. World history was made, despite entrenched scepticism rooted in pessimistic narratives about Africa but delighting and vindicating optimists around the world. By July 2018, the number of signatories had increased to 49, with six ratifications.

There was some pending work though. Precise time frames were duly set. Annexes (with detailed regulations) to the Protocol on Trade in Goods were to be cleaned up by lawyers (scrubbed) and adopted at the July 2018 summit in Mauritania. This was accomplished a month before the summit. The African Trade Ministers meeting in Dakar in Senegal, in the first week of June 2018, adopted the Annexes, which the African Union Summit endorsed in July in Mauritania.

The African Ministers went further and agreed on five sectors for trade in services, namely, transport, communication and banking as well as tourism and business services. The next step was to negotiate and agree on the levels of market opening in those services sectors, which meant Africa could have an integrated services market covering those areas. This was a priority for Africa because services contributed on average to over 50 per cent of national outputs and more than 60 per cent of value addition on raw materials, created three other jobs for every one job, constituted essential social services, and equipped enterprises and economies to benefit from the fourth industrial revolution.

Having put in place a robust continent-wide trade regime through the AFTA, it is now time for implementation. Fortunately, tested national and regional institutions and instruments can now be mobilised for the effort.

National Tariff Books will now require an additional column indicating the rates of customs duties to be charged on imports from other countries in AAFTA. Customs experts can quickly accomplish this once policy ministries provide the liberalisation program. Countries in existing regional FTAs such as EAC, COMESA, SADC and ECOWAS have sufficient experience in this.

Once tariff books are brought up to date, the bread and butter of a functioning FTA are identifying or reporting and addressing non-tariff barriers (NTBs). Experience in existing FTAs shows that NTBs will keep appearing in various areas such lengthy customs procedures, technical and health standards unsupported by science or risk assessment, claims that this product doesn't meet rules of origin requirements, multiple inspections and documentation, introduction of permits and licensing requirements, or even mundane issues such as traffic flows and border gate opening hours.

The online system for reporting and addressing NTBs in the COMESA, EAC, and SADC region (at www.tradebarriers.org) has been particularly useful. As of July 2018, out of 609 NTBs reported since 2008 in the three RECs, 531 have been resolved, leaving a total of 78 as outstanding at the moment. For COMESA, out of 204 reported over that period, 199 have been resolved, with only five remaining. This mechanism can be replicated across Africa.

At a systemic level, technical committees of the regional economic communities can now be seized with matters that arise under AAFTA. If this is not done to facilitate coherence between AAFTA and the existing regimes of the regional economic communities, the apparent multiplicity will be daunting.

The more significant point though is that the technical committees at the regional level have tested experience through which the implementation and functioning of AAFTA can be channelled. In addition to AAFTA, regional technical committees made up of regional FTA member states will continue to operationalise the much higher levels of integration achieved at the regional level.

The EAC, for instance, will continue trail-blazing on its single customs territory and common market; COMESA on its Digital FTA, electronic trade facilitation instruments and research and innovation programs; and ECOWAS with its advanced free movement for traders and other persons.

…… instruments currently used for trade in regional bodies can now be converted into continental instruments, especially customs, trade facilitation and standards documents.

COMESA and the EAC will press on with the Simplified Trade Regime, designed to facilitate small-scale trade for the poorest of the poor and border communities, especially women, as a tangible empowerment tool. Small Scale Trade is significant, amounting to 40 per cent of total trade, and SMEs account for over 90 per cent of businesses and provide more than 50 per cent of employment in Africa, generating incomes, and assisting in regional value chains including in agro-industry and extractive sectors.

Another systemic point is that instruments currently used for trade in regional bodies can now be converted into continental instruments, especially customs, trade facilitation and standards documents. There can be room for adjustments and improvements with a view, for instance, to further simplification and digitisation. The COMESA Single Administrative Document for instance already collapsed 27 separate documents and 13 regimes into one document.

The contribution of the Tripartite

Just fresh from Dakar where they adopted the complete AFTA instruments on trade in goods, trade ministers headed to Cape Town in South Africa for a COMESA-EAC-SADC Tripartite meeting on 18 June 2018.

The Tripartite as the tipping point for the recent high momentum in continental integration is not adequately recognised in some circles. What is more, is that negotiating the Tripartite for three years and a half imbued a large number of the very same negotiators with practical experience and insight on issues that came up for AAFTA. Most of the AAFTA instruments, notably the annexes, were derived from the Tripartite versions; the similarities are there for everyone to see.

This backdrop meant that the COMESA-EAC-SADC Tripartite Ministers envisaged the Tripartite as a fast-track for the AAFTA. The Tripartite has started formulating tools and instruments for trading under the FTA and continues to use existing mechanisms on addressing NTBs. The Tripartite RECs have already negotiated four priority services sectors, namely, transport, communication, finance and tourism, which could be early harvest for them . And the robust technical committees and trade facilitation instruments of the Tripartite RECs could provide institutional frameworks for implementing at the regional levels.

The trade regime in Africa has changed beyond recognition for the better regarding regional seamless regulatory frameworks, which will ease the doing of business and create jobs through investment and growth. A prudent thing now is to harness existing regional practices, tools and institutions, and fully deploy them to support the implementation and utilisation of the AFTA.

To slightly modify Voltaire, there is no need for making AFTA, which is the good, the enemy of the best, that is, the tested regional institutions and tools for running FTAs. By proceeding to ratify both AFTA and TFTA, Kenya, South Africa and Uganda have shown the clear way forward.

The political will to establish AFTA was never in doubt, as the presidents reiterated literally at every summit the determination to meet the December 2017 timeframe. Optimism kept rising at the deadline came closer. The apparent grounds for this optimism were that modalities for negotiating goods and services were agreed and adopted, and a draft text for the AFTA Agreement produced and put on the table for negotiation. With these modalities and draft text, some believed the job was more or less done, and with two or three negotiation sessions, the AFTA could be launched.

Stakes were high. If the AFTA was not launched, Africa would be the laughing stock of the world, for failing to meet the deadline of 2017 set in 2012. There is a sense of pride and duty. This self-imposed burden was quite heavy but not insurmountable. The challenge seemed to be that the pride and duty required some brains and strategy as well. It was this quad that could deliver the AFTA.

For starters, an FTA should have an Agreement covering the essential elements, namely, establishment, principles and objectives, non-discrimination, tariff elimination, customs and trade facilitation, standards, transparency and notification, institutions, disputes, and the usual final provisions. Outstanding work if any, details of trade remedies, for instance, could be put into a built-in agenda for continuing work afterwards. It was in this sense possible to have a AFTA Agreement. A good strategy for quick progress was to construct the AFTA Agreement using the provisions already available in the Agreements of the African regional economic communities (RECs), which African countries had already been using over the years. A provision-by-provision comparison in a matrix would assist, to graphically demonstrate that the text or at least the essence was the same, or at least a clear and convincing presentation on sources of, and process of producing, the draft text for the AFTA Agreement.

To supplement this, instruments on customs and trade facilitation, and health and technical standards could be constructed on good practices from the World Customs Organisation and international standards-setting bodies, respectively, as African administrations and regulatory agencies, as well as the RECs, happily use instruments and documents from these organisations.

There were areas of difference among RECs; settlement of trade disputes, for instance. This was a critical area where rules were required for peaceful and speedy settlement, so trade was not unnecessarily impeded due to confusion, lack of clarity, or drawn-out procedures. A simple provision for consultations and binding arbitration could start off the Agreement, but with a built-in agenda for elaborating a comprehensive trade-dedicated court or panel process that was suitable for Africa and eschewed the pitfalls of the World Trade Organisation dispute settlement system. In the end, though, the Tripartite Annex on Dispute Settlement Mechanism was used as the working document for the negotiations, which were then concluded in a two-week session.

Best practices from the RECs demonstrated that an easy digital system for addressing non-tariff barriers could be handy and appropriate for trade disputes. The COMESA-EAC-SADC Tripartite Online System for Reporting Monitoring and Eliminating Non-Tariff Barriers, at www.tradebarriers.org, is a best practice par excellence. Trade problems can be reported through the system using the internet or SMS on mobile phones. Since 2008 when the system was established, 581 NTBs have been reported, out of which 506 have been eliminated using the system, leaving 75 currently outstanding. In COMESA, this system is supplemented with bilateral consultations and a standing agenda item on NTBs at the technical and ministerial-level meetings. Out of 204 NTBs reported among COMESA countries since 2008, only five remain unresolved today, showing a very high level of success. The EAC supplements the online tripartite system with its own action plan called a time-bound matrix for eliminating specific reported NTBs. Moreover, a few years ago, the EAC Parliament adopted a law providing for penalties for imposing NTBs.

On trade disputes then, the AFTA could build on the tripartite online system, putting it together with the ECOWAS one, to agree on and operationalise a continent-wide digital system, to start off with. Also, in the meantime, the African Union Trade Ministers' meetings can regularly look into any matters requiring attention.

A free trade area must have rules of origin, that is, criteria for sorting out which products are actually produced within the region and should, therefore, be given FTA treatment such as not paying customs duties. It was feasible to have AFTA rules of origin by December 2017 if the negotiations took the approach of across-the-board thresholds or general rules for conferring origin. In COMESA, EAC, West Africa and Central Africa, for instance, any good can qualify for FTA treatment if the value of inputs from within the region reaches a set percentage of the total value of the good – 35 percent in COMESA; or the value of inputs from outside the region does not exceed a set percentage of the total value of the good – 60 percent in COMESA.

Goods considered wholly obtained are fairly standard, mostly agricultural products and minerals in chapters 1 to 25 of the Harmonised System for Commodity Coding and Description. It is possible as well for goods to qualify for FTA treatment if processing it results in a change in its classification at the heading or sub-heading level in the Tariff Book. In COMESA, there is another criterion for qualifying for FTA treatment – if a product has been placed on the agreed list of goods that are considered to be of particular economic importance, then the value addition required is only 25 per cent.

However, the rules of origin negotiations took the approach of producing product-specific or list rules, that is, specifying a working and processing required for every single product for it to qualify for FTA treatment. The sheer scale of the task, covering more than 6000 products, was monumental and could only be done over an extended period. In the tripartite negotiations, after five years including a year or so of trying to agree on the approach, only about 60 per cent to total tariff lines or products have been done. In COMESA, it took 11 years to complete the change in tariff heading exercise, but fortunately, trade could happen under the other criteria for qualifying for FTA treatment, such as wholly obtained, material content or value addition. A decision on approach to rules of origin was therefore fundamental, and Africa would be best advised to have flexible rules. There is a substantial body of analysis on the restrictiveness of different systems of rules of origin.

A related issue was that there had been cases where rules of origin for intra-Africa trade had been more restrictive than those for trade with third countries, for instance, those under AGOA or trade schemes with the European Union. This bizarre lapse was to be watched and avoided.

Another related matter was that provisions on the administration of rules of origin have over the years become relatively standard in the context of facilitating trade and customs. The digitisation of customs operations including the certificate of origin itself deserves some close attention.

Corruption costs Africa at least $100 billion a year, and illicit financial flows amount to over $50 billion a year.

The AFTA will require every African country to eliminate customs duties on at least 90 per cent of its total products lines, leaving out 10 per cent. On the 10 per cent, every country may designate some as sensitive, meaning that customs duties can be only reduced and over a more extended period; and may designate others as excluded products, on which no tariff reductions are expected.

It was possible to have tariff schedules for the AFTA by December 2017 at least from a critical and sufficient number of countries, especially those that have embedded trade liberalisation and export strategies in their national development programs, if the tariff negotiations were done in plenary meetings in terms of every country presenting its tariff schedule for comment, requests for improvement, and finalisation as an initial package or outcome from this first round of negotiations, subject to subsequent regular rounds in future.
However, if tariff negotiations were conducted on a bilateral basis, it would be impossible to complete the tariff negotiations by December 2017 or even December 2018. The permutations or groups of bilateral negotiations to be conducted among close to 55 countries or customs territories would be multifarious and overwhelming.

A much better approach would be to adopt a simple continent-wide schedule of tariff elimination, setting out percentages for annual reductions over a five-year period. Each country would then be required to start undertaking annual reductions to reach zero per cent duty on 90 per cent of its tariff lines. There would then be annual reporting and assessment of the reductions. Countries with sensitive products would produce an additional tariff reduction schedule covering those products. For excluded products, anti-concentration clauses would set out the criteria, using which countries would be required to notify their schedules of excluded products, subject to consultations and regular review.

What would even be better was if those countries in REC FTAs maintained that FTA treatment among themselves, in the context of AFTA; and then extended that FTA treatment to the rest of Africa but on condition of reciprocity to avoid free riding.

Actual intra-Africa trade happens on only a few tariff lines. The idea would be to focus on these tariff lines and get a commercially meaningful AFTA. Less attention for the time being need to be given to idle tariff lines, many of which due to geographical or cultural or economic conditions might never have products traded among African countries in the foreseeable future.

In addition, tariff lines with applied MFN rates currently at zero per cent could be harvested reasonably quickly if agreed upfront as a principle, on the understanding that applied tariff rates are the starting point for elimination and reduction in FTAs, according to some WTO rules.
However, what was agreed to elaborate product-specific rules, while endeavouring to have chapter-level rules where agreeable. On tariff elimination, it was agreed to adopt a linear approach for the 90 per cent of the tariff lines, while negotiations would be on the 10 per cent comprising sensitive and excluded. This is where the crux of the matter is, as most trade is on the few tariff lines likely to be covered by the 10 per cent.

Towards ownership of Africa's integration goals

Agenda 2063 seeks to achieve 'The Africa We Want' that is integrated, prosperous and peaceful, and also democratic and efficacious in international relations. But we will not get this Africa we want until we have 'The Africans We Want' who can create and achieve it. Targeted social-political processes need to be deployed to generate a critical mass of the Africans we want in order to quickly reach a tipping point for transformation into the Africa we want. Role models will help to inspire young people to grow up to be like them. Such role models should be forthcoming and widely known. There already is a good catchment area, but which needs refinement of criteria to avoid ridiculous cases, namely, Nobel laureates and lists of innovators, game-changers and most influential Africans.

Laudable initiatives by the likes of Tony Elumelu to instil entrepreneurship in young people and Chief Obasanjo on leadership training could also support this process. However, coherent continental and regional systems for achieving "The Africans We Want" as an evidence-based strategic objective are still lacking.

We need, but must go beyond, curriculum reforms designed to put our youths and mid-career professionals through growth and preparatory phases that build and equip them with intellectual and social faculties. This will help them to thrive in the fourth industrial revolution that has earnestly arrived, and to be proactive citizens of the world without the apathy and sloth that kills life. We need but must go beyond, moral exhortations for good character built on courage, motivation, prudence, fair play, moderation, and care for the lot of humankind. We know that what is ingrained in children up to the age of 12 years by parents can be permanent, but that dramatic conversion can happen and overhaul lifestyles, belief systems and life values. The one thing that is much missed is a coherent philosophy and world outlook that provides a bedrock for the social-political fabric that produces the African we want – young, middle-aged and old.

Designing such a system would take a multi-disciplinary approach. Agenda 2063 is implemented progressively through 10-year action plans and flagship projects. The Sustainable Development Goals under the United Nations Agenda 2030 reflect a new pact between humankind and nature, and what humankind has learnt over the millennia as documented in philosophy and science. Namely, humankind is family through similarity, enlightened self-interest and regional and global interconnectivity; that we care for one another as inherently wired in our DNA and as a matter of right and wrong, and that our planet is a unique phenomenon and for now is our beautiful and only viable home.

Through effective diplomatic agency, Africa proactively assisted the formulation of the SDGs, based on Agenda 2063. The African missions in New York deserve a pat on the back for defending humankind. Threats to Agenda 2063 and Agenda 2030 include corruption as well as a host of other matters such as climate change, wars and conflict, non-implementation of instruments and programmes, and inadequate financial and human resources – all of which need priority attention. Africa has rightly identified corruption as a priority area that deserves urgent and targeted attention – and adopted it as the African theme for 2018. Corruption costs Africa at least $100 billion a year, and illicit financial flows amount to over $50 billion a year.

Cape Verde, Namibia and Rwanda have undertaken effective reforms and measures that also provide lessons and ethical practices. These countries are now less corrupt than Hungary, Greece and Italy.

In light of resource gaps, such as $45 billion annually for infrastructure, tackling corruption is critical. We know what works in fighting corruption. Botswana and Seychelles, which are less corrupt than Spain, have some good practices. Cape Verde, Namibia and Rwanda have undertaken effective reforms and measures that also provide lessons and ethical practices.

These countries are now less corrupt than Hungary, Greece and Italy. Critical success factors include determined political leadership, anti-corruption laws and dedicated institutions, dedicated courts, due implementation of laws and policies, compliance with international instruments such as the Extractives Industry Transparency Initiative, enforcement of leadership codes and mainstreaming anti-corruption across the public sector. However, the actual implementation of such good practices and lessons remains a considerable challenge. However, it is already possible, with some due diligence, to identify persons of integrity who could fittingly hold certain public offices. Surveys by the Common Market for Eastern and Southern Africa have established that governments face some of the following constraints in their efforts to implement their obligations and agreed programmes: limited political leadership and ownership, human and financial resource constraints, incoherence and disconnects between relevant government ministries and departments, limited ownership and understanding by relevant stakeholders and users, ad hoc and on-and-off approaches that undermine continuity and momentum required for sustainability, and so on. These factors require attention.

Government, industry, academia and grass-roots and civil society organisations should equally own these programmes, through continuous education and mobilisation.

Africa is not short of visions and understands what it wants. The existential question is: how come we do not do that which we know we ought to do for our own good? For instance, we know of the malaise of corruption, yet it is prevalent in our midst. Let there be specific methods, tools and institutions for generating 'The African We Want.'

Conclusion

The last decade in Africa has been full of excitement and ups and downs; but with the upshot that the Tripartite and Continental FTAs were concluded, changing the economic geography of Africa. What has been achieved was unthinkable, but it demonstrated what Africa was capable of achieving. It should be an inspiration to carry forward the economic integration programs, with a view to addressing critical public policy challenges including those relating to wealth creation and poverty reduction, and to achieving Agenda 2063 and the Sustainable Development Goals by 2030.

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