



tralac Annual Conference 2018

The African Continental Free Trade Area (AfCFTA) –

Opportunity for Africa

This year's Annual Conference takes place 22-23 March, in Kigali, Rwanda, following the Extraordinary Summit of the African Union Assembly on 21 March 2018, at which the African Continental Free Trade Agreement is to be signed. The Conference will provide an opportunity to reflect on, and appraise this important milestone. The AfCFTA will also be considered in a broader global governance context.

The AfCFTA is Africa's opportunity to fundamentally recalibrate its integration paradigm. To date, the primary preoccupation has been with tariffs and tariff-related issues, while empirical evidence indicates that it is in fact non-tariff barriers that are the primary impediments to integration and competitiveness. The irony is however, that despite the central focus on the import tariff, member states are proving increasingly reluctant to reduce tariffs. And there is also strong resistance in certain quarters to the adoption of simplified rules of origin which are the access key to lower tariffs. This trend is part of a broader shift to more protection and inward looking policy stances, that is evident not only in Africa, but globally.

So what can the AfCFTA contribute to change the trajectory of African integration? The agenda is ambitious; spanning the full range of disciplines governing trade in goods, trade in services, movement of business persons, and also investment, competition and intellectual property matters. It has the makings of a modern trade agreement; which can bring not only the first round benefits of increased intra-regional trade, but more importantly, the dynamic benefits of a larger, integrated economic space, attracting investment and entrepreneurship to expand and diversify the productive foundation of Africa's economies. Are Africa's member states seizing this opportunity? Will the AfCFTA assist Africa to build its capacity to produce tradeable goods and services competitively, to reduce the transactions costs of doing business and trading across borders? These are important questions, noting the shift in focus to industrial development in Africa's regional economic communities.

While supporting intra-Africa trade, the AfCFTA should not become a large import substitution project. It should provide a foundation to support Africa's effective integration into the global economy; trading on terms that contribute to employment creation in Africa's economies. Finding an acceptable balance among the 55 member states in the AfCFTA is not easy. Integrating unequal partners will require compromises, especially by the larger economies. We hope that they will make these choices, after all the AfCFTA is a long term collective endeavour and prosperity of neighbours not only offers commercial opportunities, but is essential for regional stability.

The Conference will provide an opportunity to appraise what has been achieved in the negotiations thus far on trade in goods and trade in services, the plans to conclude outstanding negotiating business and then to proceed to the second phase of the negotiations. An important question is whether the potential synergies of simultaneous negotiation of trade in goods and services matters will be achieved. For example, will the import tariffs on goods essential to key infrastructure service sector development (e.g. communication, transport) be reduced in the AfCFTA. What happens after the Summit of 21 March? Signing the agreement is an important signal, but only a first step in the process towards ratification and implementation of a new trade regime. When can firms expect to trade under AfCFTA rules? When will service providers be able to gain access, under the AfCFTA, to new market opportunities in other African member states?

Important issues such as the relationship between the AfCFTA and the existing regional economic communities, as well as the Tripartite Free Trade Area (with negotiations on tariffs and rules of origin still underway), will be examined. We have noted that the Tripartite Free Trade Area will not resolve the problem of overlapping membership of regional economic communities in east and southern Africa. What will the AfCFTA tariff regime (and tariff related disciplines - rules of origin, trade remedies and safeguards) contribute to integrating Africa's markets? Will the pernicious non-tariff barriers that Africa's businesses face, be dealt with decisively? Will the AfCFTA be truly rules-based, with an effective dispute resolution arrangement?

It is also important to situate the AfCFTA in the global trade governance context. The 11th Ministerial Conference of the World Trade Organisation (WTO) delivered very little, but the

challenges run deeper. The WTO remains the anchor for multilateral rules-based governance, but it is facing an existential crisis. Trying to revive the Doha Development Agenda is a futile exercise, and there is resistance to moving to new areas of governance. Member states cannot leave the WTO in limbo. Real debate and decisive leadership are required. Where will it come from? At this stage, traditional leaders such as the United States and the European Union, are preoccupied with their own domestic and regional agenda's. It may be time for new leadership, and it may well be that China and other emerging economies are now gearing up to claim this policy space. Trade policy has to be reinvented. Distributional and broader development concerns are critical in the evolution of a new trade policy story line. Trade policy is not simply commercial policy. Who wins and who loses matters. Inequality and exclusion are still important markers of international trade outcomes, just as they are markers of regional integration outcomes in Africa. This is not sustainable, and it is not ethical. A new trade policy and regional integration story line has to be written. New architects of trade and integration policy are needed, both within governments and also among non-state actors. The voices of women, youth, micro, small and medium enterprises are essential to this process. Putting development back into trade policy, and back into Africa's integration is important. The AfCFTA provides Africa with this opportunity.