PAPER

The African Continental Free Trade Area

Can it be Leveraged to Promote the Multilateral Trading System?

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The African Continental Free Trade Area: Can it be leveraged to promote the Multilateral Trading System?

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Introduction

In Africa, the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union held in Addis Ababa, in January 2012, established a continental free trade agreement. Following negotiations amongst members, in March 2018, the *African Continental Free Trade Area* (CFTA) was launched. Its objectives include market liberalization, free movement of business persons and investments, laying the foundation for a customs union, expanding intra-African trade, enhancing competitiveness etc. Presently, the founding treaties have been signed by 44 out of 55 African Union members, however they need to be ratified by 22 states, but so far, by July 2018, only Niger, Rwanda, Kenya, Ghana, Chad, and eSwatini (former Swaziland) had ratified the consolidated version of the CFTA. This treaty is the focus of this paper. As a whole the Africa market covers roughly 1.2 billion people, with a combined gross domestic product of US$3.4 trillion. In all, the CFTA seeks to create a single continental free trade area, which has free movement of business persons and investments, to accelerate the production of the Customs Union.[1]

Meanwhile. the predecessor to the World Trade Organization (WTO), the General Agreement on Trade and Tariffs (GATT) was established after World War II and grew in the wake of other multilateral institutions such as the International Monetary Fund (IMF) and the World Bank, all part of the Bretton Woods Institutions. For 47 years, the GATT provided the base rules for world trade, and saw some of the highest growth rates in international commerce. Building on that progress, the biggest reforms of international trade took place on January 1st, 1995 with the birth of the WTO. For years, the GATT had been dealing with the trade of goods, and now the creation of the WTO saw the multilateral trading system expanding its coverage to include *inter alia* services and intellectual property.[2]

To take further the reform of the international trading system, the Doha Development Round (DDR) was launched, as a round of negotiations among the WTO member states, at the WTO's Fourth Ministerial Conference, in Qatar in November 2001.

The DDR, however, despite many years of negotiations has stagnated with no clear indication of whether or when it will be concluded. Developing countries are insisting on completion of the negotiations, given that a major objective of the round was to address significant issues of their interest hence being termed a "development round". The impasse in WTO negotiations has seemingly made it more attractive to negotiate other trade agreements, such as bilateral, regional or plurilateral agreements.[1]

Irrespective of the complications, the multilateral trading system has its merits, especially for the developing countries in Africa, as it is comprised of commerce treaties between numerous nations, with agreements requiring the reduction of tariffs and the easing of imports and exports. As multilateral trade agreements involve several countries, the impact on economic growth is more prevalent when compared to bilateral or similar trade agreements, which only associate with a few countries.

[1] https://www.tralac.org/resources/by-region/cfta.html

[2] https://www.wto.org/english/thewto_e/history_e/history_e.htm

The multilateral trading system also aims to generate a level playing field, which is especially important for emerging market countries. This gives multilateral trading agreements an advantage over bilateral or regional trade agreements which typically favour countries with the better economy, putting weaker nations at a disadvantage. The multilateral trading system is also more likely to increase trade amongst every participant, as a result of low tariffs which make exports cheaper. Furthermore, commerce regulations in most areas are standardized for trading partners, which allows for more predictable trade. As developing countries progress, the population below the poverty line transitions to the middle class, creating a set of newly affluent customers for developed countries.[3]

However, the biggest disadvantage to multilateral trade agreements is that they are heavily complicated and time-consuming to negotiate.[2] The WTO DDR negotiations are a manifestation of the complexity involved in multilateral negotiations, which has to some extent resulted in other trade arrangements taking shape at a faster pace.[4]

Bilaterally, countries with large economies are unlikely to conclude trade agreements with small developing countries (such as those in Africa) that serve the interests of the smaller economies. However, in the multilateral trading system smaller countries can gain leverage by forming blocs and getting the support of larger economies.[2]

This paper ananylses the consolidated text of the CFTA in the context of the following issues: (i) How will Regional Economic Communities (RECs) integrate into the CFTA?; (ii) What are the opportunities and challenges for trade under the CFTA?; and (iii) How can the CFTA complement and/or revamp the multilateral trading system?

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[3] https://www.thebalance.com/multilateral-trade-agreements-pros-cons-and-examples-3305949

[4] https://ecampus.wto.org/admin/files/Course_622/CourseContents/MTA-E-R3-Print.pdf

SECTION 1

The evolution of regional integration in Africa

1.1 Timeline for African Regional Integration

In 1980, the Lagos Plan of Action set forth the commitment to establish an African Economic Community (AEC) which would "foster the economic social and cultural integration of [the] continent." This was followed by the Abuja Treaty in 1991 which set a timeline of economic integration on the continent through the six stages of economic development. The end goal is to establish the AEC over the course of these stages and a transitional period of no more than thirty-four years.[5] This indicates that the African Union has had a goal of continental integration for over thirty years.

The first stage of the plan set forth in the Abuja Treaty was to strengthen the existing Regional Economic Communities (RECs) in Africa and create them in regions where they do not exist. Pursuant to this, the Common Market for Eastern and Southern Africa (COMESA), the Community of Sahel-Saharan States (CEN-SAD) and the Intergovernmental Authority on Development (IGAD) were established. The remaining five RECs acknowledged by the African Union undertook measures to strengthen their integration. As a whole, the RECs are prime examples of the first stage of economic integration: preferential trade agreements (PTAs). PTAs are when a group of countries in a specific region agree upon a set of tariff reductions on a set of imported goods from countries in the same region.[6]

The second stage of the Abuja Treaty was to strengthen sectoral integration and the "harmonization of activities among the existing and future economic communities."[7] There is some debate over whether this has been completed, as some RECs (such as the Economic Community of West African States and the Arab Maghreb Union) state that they are currently in negotiations to finalize their integration, specifically because members are part of more than one overlapping trade agreement. However, the Abuja Treaty clearly states that countries cannot move to the next stage of development until the Assembly confirms that the objectives of a stage have been completed[8] and since work on stage three has already commenced, the African Union agreed that the second stage has been completed.

The third stage set forth in the Abuja Treaty is a plan to establish an African Free Trade Area and later a Customs Union by adopting a common external tariff. The CFTA is part of the third stage

[5]https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/Deepening%20Regional%20Integration%20in%20Africa%20A%20Computable%20General%20Equilibrium%20Assessment%20of%20the%20Establishment%20of%20a%20Continental%20Free%20Trade%20Area%20followed%20by%20a%20Continental%20Customs%20Union.pdf

[6] http://www.economicsonline.co.uk/Global_economics/Economic_integration.html

[7] AFDB Deepening Regional Integration in Africa

[8] http://www.wipo.int/wipolex/en/regeco_treaties/text.jsp?file_id=173333

of regional integration since it seeks to establish a free trade area on the continent, even though the term "CFTA" was not explicitly mentioned in the Abuja Treaty. As such, it is considered a stepping-stone towards the establishment of the AEC.[9] Once it is completed, it will mean that the continent has achieved the second level of regional economic integration: a free trade area (FTA).

FTAs are created when "two or more countries in an area or region agree to reduce or eliminate tariffs on all goods imported from other members of the same region,"[10]. Such arrangements are meant to ease future economic integration which indicates that the CFTA is merely a stepping stone towards continental economic integration.

Following the implementation of the CFTA, the Abuja Treaty sets forth a plan to adopt a common external tariff and thus the third level of economic integration: a customs union over the period of two years.[11] This will solidify the economic unity of the continent and fashion the continent into a formidable force in the multilateral trading system, as countries wishing to Export to Africa will face a common external tariff.

After establishing a customs union, the treaty sets forth a plan to adopt a common agriculture, transport, industry and scientific research policy, to harmonise monetary, financial and fiscal policies, and apply the free movement of persons principle to establish an African Common Market over the course of four years.[12] A common market is the fourth level of regional economic integration, and entails the elimination of barriers to trade across a common area.[13] There is no doubt that achieving this level of integration will take a lot of work, never the less, attaining that level of integration promises much more economic empowerment for the region.

The sixth and final stage set forth in the Abuja Treaty calls for the establishment of a "Pan-African Economic and Monetary Union," the further consolidation and strengthening of the Common Market, the creation of a single African Currency and the implementation of a Pan-African Parliament.[14] This is the fifth level of economic integration which the European Union has already achieved.

The potential benefits of this plan of action include, but are not limited to: "balanced development among Member States,"[15] increasing intra-African trade, and increased job growth. Pan-Africanism is thought to be the driving force behind the CFTA and indeed, continental economic integration. There are, of course, many obstacles which must be overcome in order to realize the potential in this plan of action, but the fact that the CFTA is in the process of being ratified, that negotiations are ongoing, and that the plan of action detailed above is being followed is a clear indication that this is a priority and that the African Union as a whole is committed to economic integration. Of paramount importance to achieving this aim is the consolidation of RECs into the CFTA.

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[9] Ibid
[10] http://www.economicsonline.co.uk/Global_economics/Economic_integration.html
[11] http://www.wipo.int/wipolex/en/regeco_treaties/text.jsp?file_id=173333
[12] Ibid
[13] Economic Integration *Economics Online*
[14] Abuja Treaty
[15] Ibid

1.2 Economic Integration between RECs and the CFTA

Under Article 19.2 of the Consolidated CFTA, RECs which include states party to the CFTA and which have a higher level of economic integration than the CFTA will take precedence over the CFTA. As such, any REC which establishes a customs union, common market, monetary union or political union is more integrated than the CFTA and thus will take precedence in cases where the two conflict and maintain its higher level of integration. Indeed, the REC's within the CFTA are at different levels of integration as highlighted in the following sections.

Arab Maghreb Union (AMU)

Source: UNECA
Members*: *Morocco*, *Tunisia*, **Libya**, Algeria, *Mauritania*.
* Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

Founded in 1988, the AMU was established with a view to institute an economic union, the progressive achievement of free movement of people for trade in services, goods and capital, as well as the adoption of a common policy across all sectors and a common policy to insure industrial, agricultural, commercial and social development.

Additionally, the treaty establishing the AMU outlined three stages towards establishing a Maghreb economic union: (i) the institution of a free trade area while decreasing tariff barriers and non-tariff barriers (NTBs) to trade between member states; (ii) the free movement of people within this region as well as a common external tariff (and thus a customs union); and (iii) a common market.

While there is no secretariat per se, there are six AMU institutions including: General secretary of UMA, The Advisory Council, the Judicial Instance and the Maghreb Bank for Investment and Trade.[16] Information on this REC is rather lacking, even though there is a website. This is could be an indication that implementation of the proposed measures of integration has not happened. However, the proposed plan suggests some progress has been made towards boosting Intra-African Trade. In 2014 AMU Ministers of Trade formed a committee to fast-track the Boosting Intra-Africa Trade (BIAT) initiative. The African Union (AU) endorsed this action plan at the same time as it decided to establish the CFTA, during the 18th session of the Assembly of the Heads of State and Government of the African Union. This shows how the AMU was always intended to be a part of continental integration.[17]

The practical implementation of this agenda, however, is slow as the free trade area is not yet operational among member states. They are still

[16] http://www.umaghrebarabe.org/?q=fr/Objectifs_et_t%C3%A2ches (translated by: Francine Brownell)

[17] https://www.uneca.org/pages/action-plan-boosting-intra-africa-trade

finalizing the provisions on the rules of origin. In fact, in 2012, intra-regional trade was as low as 4.8% of total regional trade. Additionally, since Algeria, Libya, Morocco and Tunisia are members of the Greater Arab Free Trade Area of the Arab League they already benefit from the removal of intra-regional tariffs, and overlap with the AMU which poses a challenge to the implementation of the AMU objectives. Political instability in the region has also played a role in limiting the progress of regional political and economic integration.[18]

While the proposed plan towards creating a common market and fast-tracking the BIAT shows a definite interest in pursuing economic integration, the fact that some members are part of FTAs which overlap with the AMU, and political instability in the region means that regional economic integration is not as high as the founding treaty intended. As such, there is definitively a lack of substantial integration in the AMU. On paper and under article 19 of the consolidated CFTA, the CFTA trade rules would take precedence.[19] This would enable the region to benefit from increased integration without focusing on overcoming the problems presented by the AMU.

Common Market for Eastern and Southern Africa (COMESA)

Source: UNECA

Members*: **Burundi, Democratic Republic of the Congo, Djibouti**, *Egypt*, **Eritrea**, *eSwatini*, Ethiopia, **Kenya, Libya**, *Madagascar, Malawi, Mauritius, Rwanda, Seychelles*, **Sudan**, *The Comoros*, **Uganda**, *Zambia, Zimbabwe*.

* Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

COMESA was established in 1994 as a replacement of the Preferential Trade Agreement (PTA) which existed from 1981. Its vision is "economic prosperity through regional integration." The REC is constituted by twenty members, eleven of which have already eliminated tariffs on products originating within the region (these are underlined in the table above.) The REC is coordinated by a secretariat based in Zambia.[20]

In terms of decision-making and the role of member states, there is the Authority of the Heads of State and Government from the members, "a Council of Ministers responsible for policy

[18] https://www.uneca.org/oria/pages/amu-trade-and-market-integration

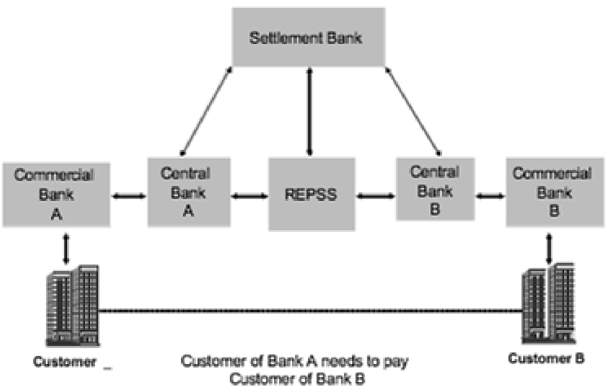
[19] Ibid.

[20] http://www.comesa.int/overview-of-comesa/

making, 12 technical committees and a series of other advisory bodies." [21] This comprehensive system indicates the possibility of a high level of regional integration.

The evolution from a PTA to an FTA is a rather lofty achievement on its own, but COMESA has achieved other goals. For instance, from 2000 to 2012, intra-regional trade increased from $3.1 billion USD to $19.3 billion USD, it is the largest FTA in Africa and has realised several developments that can be considered best practices in the efforts towards implementing the CFTA. One such practice is the Regional Payment and Settlement System (REPSS) established through the Clearing House. [22] This system facilitates cross border payment and settlement by providing several scenarios which the various central banks can choose from.[23] REPSS has a set of mandatory requirements which it must follow during every scenario including *inter alia*: be complaint with international standards, speed up overall payment process, reduce transaction costs, reduce risks, provide monitoring facilities for all central banks and commercial banks. The scenarios are based upon a common scheme, shown below.

Figure 1: Payment Exchange Scheme



Source: CMA Small Systems AB. www.cma.se

One option which is available through the REPSS is money going from Customer _ to Bank A, to Central Bank A to REPSS to central Bank B to Commercial Bank B to customer B, with the Settlement Bank providing money to Central Bank A, REPSS and/or Central Bank B or vice versa as is necessary.

Additionally, COMESA signed on to a tripartite agreement between itself, the EAC and the Southern African Development Community (SADC). This agreement is discussed further in the section detailing the EAC, but is an important part of the functioning of COMESA.

Despite the various successes and best practices of the REC, there are some issues facing the REC. The overarching challenges is that COMESA legal instruments are not part of domestic law in Member States. Additionally, members do not have integration instruments in their long-, medium-, and annual plans, and it is not adequately mainstreamed into national decision-making processes.

Additionally, the fact that several members are party to other, overlapping, RECs (for example Libya which is party to the AMU, COMESA, and CEN-SAD) makes it difficult to pass policy across all members. For example, eSwatini (former Swaziland) has a derogation from the FTA as it is part of SACU.[24] Furthermore, while the customs union was launched in 2009, it has yet to become functional. As such, the proposed common market is yet to be attained.

These issues make it difficult for COMESA to achieve an advanced form of regional integration. Should article 19 be based upon the level of regional integration in name, COMESA has a customs union and thus it will take precedence in the case of conflict between the two treaties.

[21] Ibid
[22] http://www.comesa.int/wp-content/uploads/2016/06/Key-Issues-on-intergration-III.pdf
[23] http://www.cma.se/sites/all/cma/gui/pdf/COMESA_paper.pdf
[24] Ibid

However, if the implementation of article 19 is based upon *achieved* levels of integration, both the CFTA and COMESA are at the same level, so it is unclear which would take precedence.

Community of Sahel – Sahara States (CEN – SAD)

Source: UNECA
Members*: *Benin, Burkina Faso, Central African Republic, Chad, Côte d'Ivoire*, **Djibouti**, *Egypt*, **Eritrea**, *Ghana, Guinea-Bissau*, **Libya**, *Mali, Mauritania, Morocco*, Niger, Nigeria, *Senegal, Sierra Leone, Somalia, The Comoros, The Gambia*, **The Sudan**, *Togo, Tunisia*. * Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

Established in 1998 in Tripoli during the 36th Ordinary Session of the Conference of Heads of State and Government of the Organization of African Unity, CEN-SAD became an observer state to the UN General Assembly. Like many of the other RECs, its main objectives are to ensure the free movement of capital and persons, right of establishment and exercise of economic activity, and the free trade and movement of goods, commodities and services amongst member states. These are in line with the plan laid forth in the Abuja Treaty.[25] However, all except for two members of CEN-SAD are party to several other RECs with significantly higher levels of trade integration (such as the EAC) so the incentives to increase integration in this region are very low. [26]

In fact, the community had to be revived in 2013 when the old treaty was revised to emphasize regional security and sustainable development. The focus on security is due to the fact that most intra-African conflicts happen in this region and the proposed protocols are in line with UN protocols and the Peace and Security Council of the AU.[27] The revised treaty will enter into force after fifteen ratifications which, as of 2016, are in the process of being obtained. Under the revised treaty there are eight institutions: The Conference of Heads of State/Government, the Executive Council, the permanent Peace and Security Council, the permanent Council in charge of Sustainable Development, the Committee of Ambassadors and Permanent Representatives, the General Secretariat, the Economic Social and Cultural Council and the Sahel-Saharan Bank for Investment and Trade. The proposed FTA is delayed as a result of current regional political instability and technical reasons. Additionally, more than half of the members are unwilling to pay the requisite membership contribution.[28]

According to the UN Economic Commission on Africa, there are a few areas where CEN-SAD has made progress towards regional integration such as macroeconomic policy convergence and the free movement of persons. However, they give the overlapping membership with ECOWAS as a reason for this progress, in that ECOWAS has made more progress than CEN-SAD, and states

[25] https://au.int/en/recs/censad
[26] https://www.uneca.org/oria/pages/cen-sad-trade-and-market-integration
[27] https://www.uneca.org/oria/pages/cen-sad-peace-security-stability-and-governance
[28] Ibid

with overlapping memberships have benefited from this progress.[29]

There is not much information on this REC that is available at the time of writing. While the AU website provides a link to a site for this REC, it is not functional. This suggests a low level of regional economic integration, or at the very least, a low level of transparency. Since CEN-SAD clearly has lower levels of economic integration than the CFTA, the CFTA would take precedence on paper over the CEN-SAD level of economic integration.

East African Community (EAC)

Source: UNECA
Members*: *Burundi,* **Kenya,** *Rwanda, South Sudan, Tanzania,* **Uganda**. * Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

The Treaty establishing the EAC entered into force in 2000 with three partner states: Kenya, Tanzania and Uganda. These three founding members have had a history of cooperation through various regional integration agreements starting in 1917. This culminated in the first EAC which was created in 1967 and dissolved in 1977. It was revived, however, with the Agreement for the Establishment of the Permanent Tripartite Commission for East African Cooperation in 1993. This Agreement was upgraded into a treaty between 1997 and 1999 and became the EAC we know today.[30] Rwanda, Burundi, and South Sudan joined later. The main objective is to create an East African Federation through increased regional integration. Their mission is to "widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments."[31]

There are seven organs of the EAC including the Summit which is comprised of Heads of Government and "gives strategic direction towards the realization of the goal and objectives of the Community." Another organ is the Council of Ministers which meets twice a year to maintain a link between day-to-day operations and the political decisions made at the summits. There is also the Coordinating Committee, the Sectoral Committees, the East African Court of Justice, the East African Legislative Assembly (EALA) and the Secretariat.[32]

This REC is one of the most highly integrated communities, as it has an FTA, customs union, common market and has taken steps to achieve a monetary union and thus a single currency. According to the ECA, African Union Commission and the AfDB, the EAC has made the most progress towards completing the stages set forth

[29] https://www.uneca.org/pages/cen-sad-free-movement-persons
[30] https://www.eac.int/eac-history
[31] https://www.eac.int/integration-pillars
[32] https://www.eac.int/eac-organs

in the Abuja treaty.[33] The protocol to move forward with an East African Monetary Union (EAMU) was adopted in 2013. The EALA is increasing efforts to realize the single currency and is preparing laws to set up the requisite institutions, as of 2018.[34] In terms of the common market, it has been in force since 2010 with fifteen sectors, including: trade, tourism and wildlife management, immigration and labor, health and energy among others.[35]

In cases where the CFTA comes into conflict with the EAC, this REC would take precedence since it has an overall higher level of regional economic integration than the CFTA. During the 2017 WTO Enhanced Integration Framework Forum on Least Developed Countries, Tanzania mentioned that they were worried about a loss of revenue which came from import duties with the implementation of the EAC, but they experienced the opposite of what they expected and saw that opening markets within the EAC region created more opportunities for investment. They indicated that they expect a similar outcome with the CFTA, in terms of a high potential for gains.[36]

Additionally, the EAC is part of a tripartite FTA (TFTA) with COMESA and SADC. As of 2017, the Tripartite is still awaiting full ratification from at least 14 state parties.[37] It comprises 26 countries and a GDP of roughly $1.0 trillion USD. Its main objective is to strengthen economic integration across southern and eastern Africa. There are three main pillars of this agreement: market integration, infrastructure development, and industrial development which will be achieved through the reduction of tariff and non-tariff barriers to trade, the harmonization of trade and transport measures and increased infrastructure development to support trade. Additionally, "Tripartite Coordination Units have been established in each of the three RECs,"[38] which enable communication and decrease the incidences of miscommunication which can slow down economic integration. SACU and the EAC are negotiating tariff reductions under this tripartite agreement, but it is not clear how the CFTA or the TFTA will relate to each other.[39] As with all RECs, the overarching aim of the TFTA is to be a building block towards continental economic integration so when the relationship is being negotiated, this will likely be the guiding principle.

Southern African Development Community (SADC)

Source: UNECA
Members*: *Angola*, Botswana, **Democratic Republic of Congo**, *eSwatini*, Lesotho, *Madagascar*, *Malawi*, *Mauritius*, Mozambique, Namibia, *Seychelles*, South Africa, *Tanzania*, *Zambia*, *Zimbabwe*. * Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

[33] https://www.tralac.org/news/article/12366-assessing-regional-integration-in-africa-viii-bringing-the-continental-free-trade-area-about.html
[34] https://www.kenyans.co.ke/news/28582-details-new-east-african-single-currency-revealed
[35] https://www.eac.int/common-market
[36] EIF LDC Trade Forum 2018
[37] https://www.tralac.org/resources/by-region/comesa-eac-sadc-tripartite-fta.html
[38] https://www.sadc.int/about-sadc/continental-interregional-integration/tripartite-cooperation/
[39] https://www.tralac.org/documents/resources/african-union/2019-african-continental-free-trade-area-faqs-june-2018-1/file.html

SADC was established in 1992 when the SADC Treaty was adopted. Its main objectives are to "achieve development, peace and security, and economic growth, to alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa, and support the socially disadvantaged through regional integration, built on democratic principles and equitable and sustainable development."[40]

There is a secretariat which is the Principle Executive Institution of this REC and is responsible for coordination of all programs and strategic planning. It is structured to facilitate member state policies such that they contribute towards poverty alleviation and regional integration. There is an executive secretary and two deputy executive secretaries, one for regional integration and one for finance and administration.[41]

In 2005, SADC launched their 15-year Regional Indicative Strategic Development Plan (RISDP). Under the RISDP, the SADC developed several integration milestones with a view to move the region through the stages of regional economic integration, up to becoming an Economic Union and adopting a single currency. The FTA was part of this plan and launched in 2008. Currently, thirteen out of fifteen states are members.[42] While the original deadline for the final step of economic integration (an economic union) was 2018, the region does not have a customs union yet so they will not make the original deadline.[43] Additionally, the most recent information on their level of economic integration available is from 2015, when a customs union had yet to be implemented.

In order to move towards higher integration, SADC has a working relationship with the AU and the New Partnership for Africa's Development (NEPAD) since many of their aims and objectives overlap. In fact, SADC is considered part of NEPAD as per their RISDP so their projects are harmonized with NEPAD.[44] As part of this move towards integration, SADC is part of the TFTA with the EAC and COMESA, as previously discussed. Overall, these undertakings indicate that members of the SADC are committed to regional economic integration and have made progress towards achieving that end.

There are several challenges which must be overcome in order to reach the maximum level of regional economic integration. Some of these problems are that many states are part of overlapping regional trade agreements, and with the capacity constraints in the SADC Secretariat, implementation of integration has been slow. The establishment of a single tariff is a challenge as it requires the convergence of eleven individual tariff policies.[45] Additionally, moving to a common market poses two major challenges: (i) developing policies which support vulnerable groups and (ii) addressing conflicts from "attempting to service obligations from membership in multiple regional and international bodies,"[46]

In terms of the CFTA, it is unclear whether the SADC or the CFTA would take precedence as they both have achieved the same level of regional integration: an FTA. However, since the CFTA is expected to achieve a higher level of integration than most FTAs through its annexes on services and goods, it should take precedence in cases of conflict.

[40] https://www.sadc.int/about-sadc/overview/
[41] https://www.sadc.int/sadc-secretariat/
[42] https://www.uneca.org/oria/pages/sadc-trade-and-market-integration
[43] https://www.tralac.org/news/article/7880-sadc-to-set-new-customs-union-deadline.html
[44] https://www.sadc.int/about-sadc/continental-interregional-integration/sadc-african-union/
[45] https://www.sadc.int/about-sadc/integration-milestones/customs-union/
[46] https://www.sadc.int/about-sadc/integration-milestones/common-market/

Economic Community of Central African States (ECCAS)

Source: UNECA
Members*: *Angola*, **Burundi**, Cameroon, *Central African Republic*, *Chad*, Congo, **Democratic Republic of the Congo**, Equatorial Guinea, Gabon, Sao Tome and Principe. * Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

ECCAS was founded in 1983 and its General Secretariat entered into force in 1985. Its vision is to promote, reinforce and self-maintain cooperation and balanced development across multiple sectors, including: industry, transport and communication, energy and agriculture among others. This is in line with the Abuja Treaty, as the treaty founding ECCAS mentioned that an additional goal was to contribute to the progress and development of the African continent.[47]

In terms of specific goals, the founding treaty stipulates that the community will strive for: (i) the elimination of customs duties and tariffs; (ii) the removal of quantitative trade restrictions; (iii) the establishment of a common external tariff; (iv) the progressive elimination of barriers to the free movement of persons, goods, services and capital; (v) the harmonization of national policies with a view of promoting community activities; and (vi) the creation of a fund for cooperation and development.[48]

Additionally, integration was to be developed in three stages. The first stage was to stabilize a fiscal and customs regime and continue studies to fix a timeline for the progressive removal of inter-community NTBs and tariff barriers to trade. The second stage was the creation of an FTA alongside the application of the timeline for the removal of barriers to trade. This stage is currently being implemented, as there is an FTA and barriers to trade are gradually being eliminated. The third stage has yet to happen, but the vision of the founding states was to establish a customs union with a common external tariff.[49]

However, the community was inactive from 1992 to 1998 due to sociopolitical problems and armed conflicts in the region. Additionally, many members experienced breaches of the peace which led to a focus on peace and security when the community was revived in 1999. During the revival, members emphasized economic and monetary integration. In order to maximize efficiency, progress has developed slowly.[50] Additionally, from 1999-2009 the regional economy grew at a rate of 6.2% largely because of oil production and mining. The income from these activities enabled the financing of non-oil activities. However, the region is still heavily reliant on oil which makes it vulnerable to external shocks.[51] This growth indicates the success of the

[47] http://www.ceeac-eccas.org/index.php/en/a-propos-de-la-ceeac/presentation translated by: Francine Brownell
[48] http://www.ceeac-eccas.org/images/traites/trt_eccas.pdf Translated by: Francine Brownell
[49] Ibid
[50] Ibid
[51] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/RISP%20CENTRAL%20AFRICA-ECCAS%20English%20FINAL.pdf

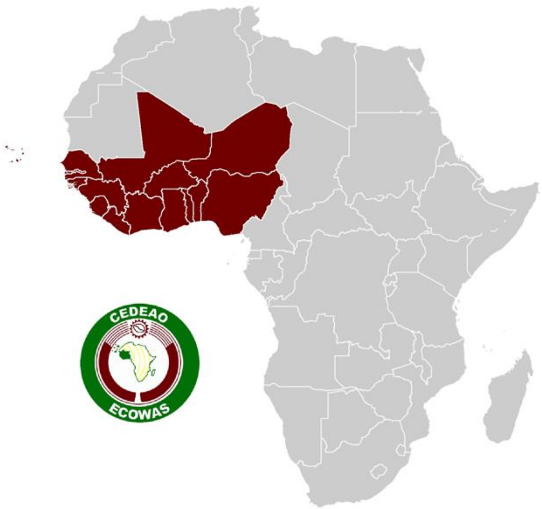
revival of the economic integration program, but the vulnerability suggests that the program has much further to go.

There are several institutions of the ECCAS: The Conference of the Heads of State/Government, the Council of Ministers, the Court of Justice (which is not yet operational), the General Secretariat (the executive organ of the community), the Consultative Commission and several specialized technical committees. In order to maintain peace and security in the region, the Central African Council on Peace and Security was created in 2000. The Secretariat also developed an institutional framework to stimulate regional cooperation to incentivize members to exploit the potential benefits from regional integration.[52]

In 2004 ECCAS launched an FTA with the goal of establishing a customs union four years later. Due to the weak domestication of agreed procedures by member states establishment of the FTA was postponed and member states, on average, reduced 34% of intra-ECCAS trade to zero. This contributes to the fact that the ECCAS has the lowest trade of intra-regional trade compared to Africa's five sub-regions in terms of GDP.[53] Despite these challenges, the FTA is currently operational, and negotiations are in progress to establish a customs union with a common external tariff.[54]

By 2017, the ECCAS was implementing many trade facilitation programs, conducting studies on the competition policy and intellectual property rights.[55] However, the highest level of regional economic integration that it has achieved is an FTA which means that it has the same level of economic integration as the CFTA and it is thus unclear which one will take precedence. However, as with other RECs, the CFTA will most likely take precedence as it will have a higher level of regional integration than most FTAs.

Economic Community of West African States (ECOWAS)



Source: UNECA
Members*: *Benin*, *Burkina Faso*, Cabo Verde, *Côte d'Ivoire*, *Ghana*, Guinea, *Guinea Bissau*, Liberia, Mali, Niger, Nigeria, *Senegal*, *Sierra Leone*, *The Gambia*, *Togo*. * Those listed in italic are also members of one other REC (two RECs total).

The Treaty of Lagos established ECOWAS in 1975 and expanded to include cooperation in 1993. Trade and market integration are at the heart of ECOWAS' aims.[56] Its vision was to create a borderless region with access to resources and the creation of opportunities with a sustainable environment.[57] There are three governmental branches of ECOWAS: the judiciary, the legislature, and the executive. The legislative is the Community Parliament, the judicial is the Community Court of Justice and the executive was originally a secretariat but through

[52] http://www.ceeac-eccas.org/images/traites/trt_eccas.pdf Translated by: Francine Brownell
[53] https://www.uneca.org/oria/pages/eccas-trade-and-market-integration
[54] CEECA Website: Translated by Francine Brownell
[55] https://www.uneca.org/oria/pages/eccas-trade-and-market-integration
[56] https://www.uneca.org/oria/pages/ecowas-trade-and-market-integration
[57] http://www.ecowas.int/about-ecowas/basic-information/

administrative machinery became a commission.[58]

In 1979 ECOWAS adopted the Trade Liberalization Scheme (ETLS) as the framework for integration. Its objectives are to promote social, cultural, and economic integration and cooperation, with the end goal of establishing an economic and monetary union.[59] At the time of writing, members are working on consolidating the Customs Union.[60] It has an integrated region with the free movement of persons. It is implementing strategic programs to "deepen cohesion and progressively eliminate barriers to full integration."[61] This is part of the ECOWAS Vision 2020 which was adopted in 2007. One of the five themes of this vision is economic and monetary integration, with the goal of adopting a common currency by 2020. They aim to achieve this through the creation of regional infrastructure networks to enhance the movement of persons and facilitate regional trade.[62]

The community is currently taking several projects to increase integration such as quality management training, youth development, drug control, sports development, child development, supporting the participation of civil society organizations in promoting regional integration and gender development among others.[63] The European Union and ECOWAS + Mauritania have developed an Economic Partnership Agreement (EPA) to integrate states into the world economy with the progressive removal of trade restrictions.[64] These activities indicate that regional economic integration is a priority for member states and that there is significant work being done towards increasing ECOWAS' level of said integration. In fact, the Revised Treaty of ECOWAS (1993) clearly states the goal of establishing a common market.[65] This shows the historical commitment towards increasing regional integration.

Despite taking significant steps towards regional economic integration, ECOWAS is facing several challenges, including infrastructure development as well as corruption and management. Some infrastructural challenges are the lack of postal addresses, poor quality roads and the cost of energy infrastructure.[66] In 2016, member states submitted approval applications for the ETLS[67] which indicates an increased interest of companies in the regional market. As of the end of 2016, ten member-states started implementation of a common external tariff, and the commission took policy action to assist the member states who have not made progress in implementing a common external tariff.[68] All of these measures indicate that significant progress is being made towards furthering the objectives outlined in the Abuja Treaty within the West Africa region.

ECOWAS currently has only an FTA and is in the process of implementing a customs union. As such, should the CFTA be implemented before all ECOWAS member states have installed a common external tariff it is unclear which will take precedence in cases of conflict. On the other hand, if all member states of ECOWAS implement a common external tariff before the CFTA, the regional agreement will take precedence as a customs union is a higher level of regional economic integration than an FTA.

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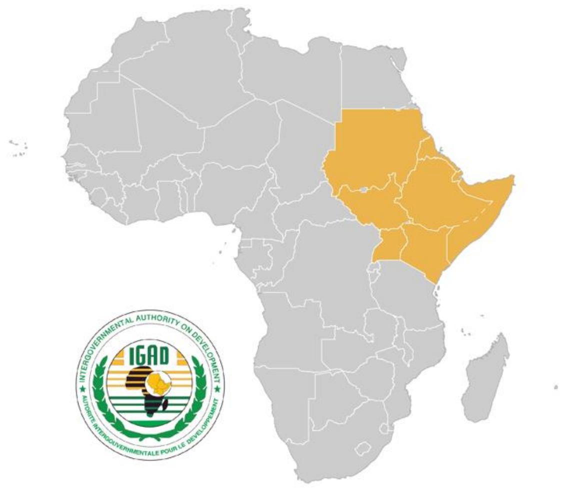
[58] http://www.ecowas.int/about-ecowas/governance-structure/
[59] https://www.uneca.org/publications/progress-towards-regional-integration-west-africa
[60] http://www.ecowas.int/experts-examine-the-management-of-the-ecowas-customs-union/
[61] http://www.ecowas.int/about-ecowas/basic-information/
[62] http://www.spu.ecowas.int/wp-content/uploads/2010/03/ECOWAS-VISION-2020-THEMATICTIC-PAMPHLETS-in-English.pdf
[63] http://www.ecowas.int/doing-business-in-ecowas/projects/
[64] http://www.ecowas.int/doing-business-in-ecowas/epa/
[65] http://www.ecowas.int/wp-content/uploads/2015/01/Revised-treaty.pdf
[66] https://www.uneca.org/oria/pages/ecowas-trade-and-market-integration
[67] http://www.ecowas.int/wp-content/uploads/2017/11/2016-Convergence-report_Clean-final-final.pdf
[68] Ibid

Intergovernmental Authority on Development (IGAD)



Source: UNECA
Members*: **Djibouti**, **Eritrea**, *Ethiopia*, **Kenya**, *Somalia*, *South Sudan*, **The Sudan**, **Uganda**. * Those listed in italic are also members of one other REC (two RECs total), those in bold are a member of two other RECs (three RECs total).

IGAD was founded in 1996 when it replaced the Intergovernmental Authority on Drought and Development. Their vision is to “be the premier REC for achieving peace and sustainable development in the region,” and their mission is to promote cooperation and integration in the region so that members can achieve peace, security and prosperity.[69] They have several aims and objectives which are outlined in Article 7 of the Agreement Establishing IGAD. Some of these are to “create an enabling environment for foreign, cross-border and domestic trade and investment,” and “harmonize policies with regard to trade, customs, transport, communications, agriculture, and natural resources and environment,” among others.[70] These are rather similar to the mission and objectives of other RECs, and in line with the Abuja Treaty.

In 2013, “IGAD held a meeting to validate the study on “how to strengthen the IGAD Business Forum (IBF),” whose mission is to bridge the gap between the private sector and the discussion about regional integration. This effort is geared towards boosting intra-African trade “in tandem with the aspirations of the Abuja treaty and the CFTA” which IGAD is engaged in as one of the eight RECs working with the AU and other development partners.[71] As one of the RECs, it’s representatives were present at the CFTA Negotiating Forums (CFTA-NFs), including the 6th CFTA-NF where relevant stakeholders, including representatives from the RECs and the CFTA Continental Task Force *inter alia*, met “to conclude the draft Modalities for Tariff Liberalization and Trade in Services negotiations.”[72] As such, IGAD is considered a REC for the purposes of the evolvement towards the CFTA.

Their programs are all developed under four pillars of cooperation identified in the founding treaty. They are: (i) agriculture, natural resources and environment; (ii) economic cooperation, integration and social development; (iii) peace and security and humanitarian affairs; and (iv) corporate development services. IGAD partners with several actors with similar mandates to achieve sustainable development in the region such as the EU, Sweden, Germany, AfDB, the World Bank, and Finland, among others.[73] It has four organs: (i) the Assembly of Heads of State and Government which determines objectives, guidelines and programs; (ii) the Council of Ministers which formulates policy; (iii) the Committee of Ambassadors which advises the executive secretary; and (iv) The Secretariat

[69] https://igad.int/about-us/what-we-do
[70] https://igad.int/about-us/what-we-do?showall=&start=1
[71] https://igad.int/divisions/economic-cooperation-and-social-development/629-strengthening-the-igad-business-forum
[72] https://au.int/en/newsevents/20170605/conference-african-union-ministers-trade-amot-continental-free-trade-area-cfta
[73] https://igad.int/about-us/what-we-do?showall=&start=2

which assists member states in formulating regional projects.[74]

This region faces many issues as most member states are LDCs, 70% of the region is comprised of Arid and Semi-Arid Lands and experiences a high degree of variability in rainfall.[75] These problems are especially pronounced since the regional economy relies on agriculture. In order to combat these challenges, the REC plans on developing regional infrastructure and harmonizing trade policies to liberalize trade and eventually create a single market.

The process towards establishing an FTA is progressing slowly as there is a lack of incentives to move quickly since every member of IGAD is party to at least one other REC. However, it does have a plan for tourism development which was launched in 2013 and is in the process of being implemented.[76] At the time of writing there is not much more information provided either on IGAD's website or on the UN Economic Commission for Africa's website.

IGAD is behind the Abuja treaty in terms of a timetable to create a customs union and does not have an FTA.[77] Thus, the CFTA would take precedence in cases of conflict.

Summary of REC Integration

As is clear by the tables of members of each REC, there is significant overlap between them. For instance, every single member state of IGAD, COMESA and the EAC is party to at least one other REC. Additionally, every community has at least one member state which is a part of another REC. This presents a challenge when it comes to integration and the implementation of economic measures, such as the reduction on tariffs, as it is very costly to implement.

In spite of the complexity of overlap, some RECs have made significant progress towards realizing total economic integration. Of note are the EAC and COMESA. The EAC has made the furthest progress out of all the communities, which will simplify the process of implementing the CFTA in this region. In fact, as was previously noted, in cases where EAC policy conflicts with CFTA policy, the EAC will take precedence. The EACs progress, despite the challenges of overlapping memberships, indicates that other RECs which also include overlapping members should be able to achieve a similarly high level of integration.

In terms of the CFTA and how RECs will be integrated into this agreement, the Rules of Origin annex (which is in the process of being negotiated) will provide more information than what is detailed in Article 19. Presently, Article 19 does not specify what will happen when an REC has the *same* level of regional integration as the CFTA. Thus, there is no action plan to resolve problems of overlap, despite an overwhelming need. The closest thing to an action plan the CFTA has, is a stated aim to resolve these challenges.[78]

[74] https://igad.int/about-us/what-we-do?showall=&start=3
[75] https://igad.int/about-us/the-igad-region
[76] https://www.uneca.org/oria/pages/igad-trade-and-market-integration
[77] https://au.int/en/ea/ric/mip
[78] https://www.tralac.org/publications/article/13135-what-will-happen-to-the-regional-economic-communities-and-other-african-trade-arrangements-once-the-CFTA-is-operational.html

1.3 Africa Regional Integration Index

Agenda 2063 lays out a clear path for furthering African integration, including the establishment of the CFTA. In order to effectively implement this plan of action, there needs to be constant monitoring and evaluating of progress, which is where the African Regional Integration Index comes into play.

In 2016, the African Development Bank (AfDB), the AUC, and the UN Economic Commission for Africa (ECA) released this index which is comprised of five dimensions and sixteen indicators. Regional infrastructure, trade integration, productive integration, free movement of people, and financial and macroeconomic integration are the dimensions. The index measures individual countries and compares them amongst RECs and inter-RECs. It also provides information about the continent as a whole. Continentally, the dimension with the highest level of integration is trade and the dimension with the lowest level of integration is financial and macroeconomic.[79]

This index was created to track progress in implementing various commitments to regional integration.[80] It is also a valuable tool which may be used by various stakeholders outside of governments who would like to know more about African regional integration. It is, therefore, a useful resource to draw upon when analyzing which REC would take precedence over the CFTA and when monitoring the progress of regional integration.

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[79] https://www.integrate-africa.org/

[80] https://www.tralac.org/news/article/12366-assessing-regional-integration-in-africa-viii-bringing-the-continental-free-trade-area-about.html

SECTION 2

Impacts of RECs and the CFTA on the Multilateral Trading System

2.1 Opportunities

There is a general consensus among economists that FTAs are likely to boost trade as investment is effective at responding to market supply and demand which leads to efficient resource allocation.[81] The CFTA, once fully implemented, can provide a multitude of opportunities along these lines including, but not limited to: increasing intra-African trade, Africa becoming an interesting destination on international markets, and Africa strengthening its position in the multilateral trading system by becoming one voice. In fact, UNCTAD states that employment could increase by 12% and result in USD 16 billion in welfare gains. This agreement may also “stimulate structural transformation in African countries.” [82] These opportunities can help strengthen and solidify Africa’s position in the international trading system. In fact, Uganda’s Prime Minister Rt. Hon. Dr. Ruhakana Ruganda stated that the CFTA would likely increase prosperity for 1.2 billion Africans.[83] Additionally, greater market integration could generate higher incomes and economies of scale as well as reduce the continent’s vulnerability to external trade shocks.[84]

Increase in Intra-African Trade

Intra-African trade has been a focus of policy negotiators on the continent for over fifty years. It can have a variety of benefits, including improving the livelihoods of Africans especially if there are more jobs in the trade sector. However, there are several challenges which are facing the increase of this type of trade. As of 2014 intra-African trade only accounts for roughly 16% of trade in Africa.[85] Most of this trade is in the manufacturing sector which poses a problem in as much as low manufacturing and processing capacity is a limiting factor. In fact, intra-African trade in manufacturing declined by three percent from 2005 to 2010-2015.[86] This demonstrates how a lack of infrastructure in the manufacturing sector can impact this type of trade. This decrease also suggest a decrease in the amount of jobs in this sector. Additionally, “intra-Africa aggregate trade and share in total African trade is low when compared to other parts of the world and relative to Africa’s trade potential.”[87]

[81]https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Assessing%20Regional%20Integration%20in%20Africa%20-%20Towards%20an%20African%20Continental%20Free%20Trade%20Area.pdf
[82] EIF Forum 2018 Geneva
[83] https://www.eac.int/press-releases/1040-intra-african-trade-extremely-low
[84] https://au.int/sites/default/files/newsevents/workingdocuments/27216-wd-synthesis_paper_on_boosting_intra-african_trade_jan_2012_0.pdf
[85] https://www.afdb.org/en/news-and-events/intra-african-trade-is-key-to-sustainable-development-african-economic-outlook-17022/
[86] https://www.afdb.org/en/news-and-events/intra-african-trade-is-key-to-sustainable-development-african-economic-outlook-17022/
[87] http://unctad.org/en/PublicationsLibrary/ditc2015misc1_en.pdf

This goes to show that the low level of this type of trade is not a natural phenomenon and indicates that traders are not realizing their full potential. Intra-African trade also "displays high concentrations of value-added products (and services) and has contributed to 57% of the growth in Africa's exports of capital goods, 51% of processed food and beverages, 46% of consumer goods,"[88] which gives an indication of its value to Africa's development. Should this type of trade be expanded, as it is thought to do under the CFTA, these growth rates should increase as well.

Additionally, countries with a wide array of resources can obtain supplies from countries with advanced agricultural productivity which shows how the heterogeneity of national exports helps intra-African trade. The continental consumer market comprises nearly one billion people which highlights the significant possibilities associated with increasing this type of trade.[89] According to the African Export-Import Bank (Afreximbank), lack of access to trade and market information is one of the main hindrances to this type of trade.[90] While intra-African trade clearly has untapped potential, its growth is facing serious challenges which can be overcome through the CFTA.

UNCTAD posits that the CFTA could increase intra-African trade by 33%, which gives a good indication of the value and importance of this trade agreement.[91] These gains are expected provided that "the full liberalization of trade in goods is backed by rules of origin compatible with African productive capacity," as well as "the improvement of trade facilitation measures, especially transportation linkages and customs clearance for intra-African trade."[92] In fact, trade facilitation through the reduction of high transaction and transport costs could reduce trade costs by 17%.[93] These are just some of the examples of potential benefits for intra-African trade which can be realized with the implementation of the CFTA.

The continued elimination or reduction of tariff and non-tariff barriers would enable trade to flow more freely across the continent. Additionally, the increased integration of national markets into regional markets should expand the industrial sector. This is especially important because increased industrialization will help mitigate the issue where manufactured goods are often imported into Africa since there is a low industrial capacity to provide these goods on the continent.[94]

Opportunities for regional trade are pronounced in the agricultural sector, since Africa has roughly two-thirds of the worlds' uncultivated/unused arable land and yet imports many "food and agricultural products from outside Africa."[95] This presents a challenge for policymakers which can be tackled through the CFTA's proposed elimination of intra-African tariffs to trade. Should intra-African trade increase as a result of the liberalization of continental trade, agro-industrial development could increase which would provide access to the vast resources available on the continent and undoubtedly lead to substantial economic growth.

The Services sector is another potential area for tapping intra-Africa Trade potential, more so in the areas of telecommunications, transport,

[88] https://www.tralac.org/news/article/12366-assessing-regional-integration-in-africa-viii-bringing-the-continental-free-trade-area-about.html
[89] https://www.afdb.org/en/news-and-events/intra-african-trade-is-key-to-sustainable-development-african-economic-outlook-17022/
[90] https://www.intrafricantradefair.com/home/intra-african-trade-fair-2018
[91] EIF Forum 2018 Geneva
[92] http://unctad.org/en/PublicationsLibrary/presspb2015d18_en.pdf
[93] https://www.afdb.org/en/news-and-events/intra-african-trade-is-key-to-sustainable-development-african-economic-outlook-17022/
[94] Ibid
[95] http://unctad.org/en/PublicationsLibrary/ditc2015misc1_en.pdf

education and finance, which would provide opportunities from reliance on commodities, intra-African trade. This would call for increased investments in infrastructure, on top of reducing NTBs to trade.[96] Much of this can be accomplished through the implementation of the CFTA which in turn will lead to continental economic growth and development.

Since the RECs are considered building blocks of the CFTA, their importance to intra-African trade cannot be overlooked. In fact, "80% of all intra-African trade flows through RECs."[97] As such, the increased integration of these communities is of paramount importance to intra-African trade as it will affect the trade flows.

Overall, the CFTA is providing a large opportunity for boosting intra-African trade as reducing barriers to trade (technical, tariff, and non-tariff) will incentivize African countries to trade amongst themselves. It will also simplify trade processes which will then lead to increased efficiency. As such, implementing the CFTA will increase intra-African trade and thus boost the economic well-being of the continent.

Leveraging a Unified Voice in the Multilateral Trading System

According to the Secretary General of UNCTAD, the agreement can help combat the issues threatening the multilateral trading system, such as populism, so long as policy makers maintain and increase transparency.[98] The apparent consensus between negotiators is that this agreement will reinvigorate African trade negotiations as countries would be able to use the WTO to further trade agreements in their interest since they will have stronger leverage, particularly if they get developed countries or trade blocs such as the EU on their side. Should this occur, and more political interest be given to the Multilateral Trading System, the protectionist side of populism around international trade could decrease which would enable the benefits of the multilateral trading system to be realized.

Further Continental Economic Integration

The scope of the agreement is much broader than a traditional free trade area since it includes trade in goods and services, investment, IP rights, and competition policy. This breadth is expected to ameliorate the later processes of African regional economic integration.[99] It will enable the increase of many more benefits than most FTAs, as it will liberalize trade across multiple sectors. In order to realize trade, experts believe that there is a need to create regional value chains in agriculture and agro-processing.[100] This is especially true because of the large agriculture potential on the continent as previously discussed. In fact, it provides up to 60% on average of all jobs in Africa[101], which means that further developing this sector could increase the amount of well-paying jobs which are available and thus boost the livelihood of Africans.

2.2 Challenges

Challenges to the implementation of the CFTA abound, these include: infrastructure development, productive capacity, finance, impacts on local businesses. Additionally, the fact that a lack of infrastructure and supporting

[96] https://www.un.org/africarenewal/magazine/august-2014/intra-africa-trade-going-beyond-political-commitments
[97] http://unctad.org/en/PublicationsLibrary/webditc2017d1_en.pdf
[98] EIF Forum 2018 Geneva
[99] https://www.tralac.org/news/article/12366-assessing-regional-integration-in-africa-viii-bringing-the-continental-free-trade-area-about.html
[100] https://www.weforum.org/agenda/2016/05/this-african-trade-deal-could-improve-lives-across-the-whole-continent/
[101] http://unctad.org/en/PublicationsLibrary/webditc2017d1_en.pdf

processes make imported products cheaper than local products is a challenge which infrastructure development could address. Rules of origin are another critical area that would have to be aligned to the objectives of the CFTA.[102]

Uneven Benefits and LDC Integration

There is concern that a larger portion of benefits would accrue to LDCs with various levels of supply capacity and competitiveness, especially since "seven African countries account for roughly sixty per cent of total intra-merchandize exports while the majority account for the remaining 40 per cent."[103] This is indicative of the large development gaps between countries.

Also, in 2015 there were five countries which played key roles in this type of trade: Algeria, Côte d'Ivoire, Egypt, Nigeria and South Africa. There were also four countries which played key roles in mobilizing this type of trade: South Africa, Côte d'Ivoire, Morocco and Kenya. As such, these seven countries will experience more benefits from the CFTA, and intra-African trade, than their neighbors.[104]

There are other costs and problems which make some countries less likely to benefit than the seven mentioned above. For one, transport costs in West Africa are three times higher than in other regions, and there are no trade preferences between RECs.[105] The heterogeneity of transport prices is due to the fact that some trucking companies operate in informal markets which enables them to operate with low prices and low transport quality. Additionally, transport prices in Central Africa are the highest and it has the lowest delivery speeds out of all the regions[106] despite the fact that it is a potentially preferred transit zone due to its strategic location.[107] This problem demonstrates a need to increase the transport infrastructure in these regions so that they can realize the same gains from the CFTA as countries in other regions. Transport infrastructure is also very important as it will enable intra-continental trade to flow more smoothly which, as previously discussed, can improve the livelihoods of Africans.

Another issue in terms of the uneven distribution of potential benefits often raised by LDCs, landlocked countries and small economies is the "negative effects of tariff cuts in terms of fiscal revenue loss and the destruction of local industries."[108] Most adjustment costs and losses in revenue are expected to be in the short term, however benefits are expected to accrue in the long-run.[109]

Additionally, since the manufacturing sector is expected to experience the most growth, as previously discussed, there could be uneven gains to countries with large manufacturing bases.[110]

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102 https://www.uneca.org/sites/default/files/PublicationFiles/aria4full.pdf

103 http://unctad.org/en/PublicationsLibrary/ditc2015misc1_en.pdf

104 http://unctad.org/en/PublicationsLibrary/webditc2017d1_en.pdf

105 https://www.swp-berlin.org/fileadmin/contents/products/projekt_papiere/Africas_Position_in_Global_Trade.pdf

106 https://openknowledge.worldbank.org/bitstream/handle/10986/6610/461810PUB0Box3101OFFICIAL0USE0ONLY1.pdf;sequence=1

107 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/RISP%20CENTRAL%20AFRICA-ECCAS%20English%20FINAL.pdf

108 http://unctad.org/en/PublicationsLibrary/presspb2015d18_en.pdf

109 http://unctad.org/en/PublicationsLibrary/ser-rp-2017d15_en.pdf

110 https://www.weforum.org/agenda/2016/05/this-african-trade-deal-could-improve-lives-across-the-whole-continent/

Local Businesses (large enterprises, SMEs, MSMEs)

The main reason why Nigeria was not a ratifying member, and indeed did not attend the session in Addis Ababa due to the concerns raised by small, local businesses. They argued that their interests were not being taken into consideration and that they needed more time to review the consolidated CFTA text.

These concerns were echoed by representatives in Namibia, specifically Labour Resource and Research Institute of Namibia director Mike Akuupa. He stated that "the government has not engaged stakeholders enough regarding the implications [of the CFTA] agreement on the country." [111] These issues will be addressed during the negotiations, specifically regarding the annexes on trade in goods and services which have not been completed and are not yet part of the consolidated CFTA.

2.3 The CFTA as a Stepping-Stone to take forward the Multilateral Trading System

Negotiations in the multilateral trading system are presently in a stagnated which "means that Africa's priority issues are unlikely to be addressed in the short-term at the multilateral level." Additionally, there is reluctance to conclude the DDA, which was specifically launched to address developing and more especially Least Developed Countries' issues.[112]

The CFTA can open new markets for African producers, promote diversification, and embed trade-related reforms across many sectors including services and regulations.[113] Once this is successfully achieved, members will likely gain the necessary confidence to implement the continental arrangement.

Measures in place to integrate the CFTA with RECs that have higher levels of regional integration

In the Minimum Integration Programme of 2009 (MIP), countries agreed that the convergence of RECs should be made compatible with the goals and timelines set for the CFTA. [114] This programme consists of different agreed-upon activities which will speed up and conclude the process of regional and continental integration. In fact there are "action plans for each community and RECs including a monitoring and evaluation mechanism."[115] The most recent data available about this program is from 2009, and it stipulates that COMESA and ECOWAS were on course to achieve a customs union in 2009, and ECCAS and SADC plan to launch theirs in 2010. [116] However, this information is incorrect since of the four aforementioned RECs, only COMESA is currently operating a customs union. This shows that despite its potential the MIP is not making much progress towards increasing integration amongst the RECs.

However, it is held that convergence between RECs "should be made compatible with the goals

[111] https://www.tralac.org/news/article/13286-namibia-misgivings-over-free-trade-agreement.html
[112] https://www.ictsd.org/bridges-news/bridges-africa/news/how-can-the-cfta-help-africa-respond-to-its-economic-transformation
[113] Ibid
[114] http://unctad.org/en/PublicationsLibrary/ditc2015misc1_en.pdf
[115] https://au.int/sites/default/files/pages/32825-file-minimumintegrationprogrammeeng.pdf
[116] https://au.int/en/ea/ric/mip

and timelines set for the CFTA," [117] which suggests that integrating the RECs will happen during the negotiations of the CFTA and they will stay operable until the CFTA is fully implemented. There is a substantial lack of literature on the measures in place to integrate RECs with the CFTA which implies that they are still being created at the time of writing.

Foreseen impacts of proposed integration measures on the multilateral trading system

The CFTA will be the largest trade agreement since the creation of the WTO and is thus expected to have significant impact on the multilateral trading system. Additionally, some member countries, such as Ghana, expressed that their participation and integration into the multilateral trading system is hampered by restrictive measures such as rules of origin, infrastructure deficits, lack of diversification and overly high standards, among others.[118] Due to the sheer size of the CFTA, it could give member countries a platform from which to negotiate in the multilateral trading system and enable them to negotiate deals in their favor.

On the other side, the CFTA may render the already stagnated multilateral trading system obsolete, as countries in Africa will turn towards the CFTA and other preferential or bilateral trade agreements as opposed to multilateral ones since the CFTA would strengthen the continent's trade position..

[117] http://unctad.org/en/PublicationsLibrary/presspb2015d18_en.pdf

[118] https://www.sol-asso.fr/wp-content/uploads/2017/01/The-folly-of-the-Africas-Continental-Free-Trade-Area-June-25-2017.pdf

SECTION 4

Conclusion

All in all, the CFTA is an important agreement with potential to provide many benefits for trade on the African continent, but only if it overcomes several challenges, including the expected uneven distribution of benefits. Additionally, it is not clear which RECs will take precedence over the CFTA as many of the communities are at the same level of regional integration as the continental agreement.[119] The CFTA will no doubt bring about benefits and as it is envisaged to be negotiated into a customs union and common market the RECs are indeed stepping-stones towards realisation of the CFTA.

Questions for further research

- What role does the opening of borders play in the increased economic integration of Africa, specifically the CFTA? Especially in terms of cross-border services.
- The importance of/progress made in implementing a dispute settlement mechanism as it can help with disputes between RECs as they integrate further.

[119] https://www.tralac.org/discussions/article/12868-how-will-the-CFTA-co-exist-with-other-african-trade-arrangements.html

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