

# How a post-Covid-19 revival could kickstart Africa's free trade area

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The African Continental Free Trade Area was launched two years ago at an African Union (AU) summit in Kigali. It was scheduled to be [implemented from 1 July 2020](#). But this has been pushed out until 2021 because of the impact of Covid-19 and the need for leaders to focus on saving lives.



Africa's dependency on commodity exports, including oil, makes it more vulnerable to the impact of Covid-19. Getty Images

Studies by the [International Monetary Fund](#) (IMF), the [United Nations Economic Commission for Africa](#) and others state that the free trade area has the potential to increase growth, raise welfare and stimulate industrial development on the continent. But there are concerns. Some countries, particularly smaller and more vulnerable states, could be hurt. For example, they could suffer revenue losses and other negative effects from premature liberalisation.

The impact of -19 will only worsen these structural weaknesses. The Economic Commission for Africa has [reported](#) that between 300,000 and 3.3 million people could lose their lives if appropriate measures are not taken. There are several reasons for this level of high risk. These include the fact that 56% of urban dwellings are in overcrowded slums, 71% of Africa's workforce is informally employed and cannot work from home and 40% of children on the continent are undernourished.

Africa is also more vulnerable to the impact of Covid-19 because it is highly dependent on imports for its medicinal and pharmaceutical products and on commodity exports. The latter include oil, which has [suffered a severe collapse in price](#).

Other contributing factors are high public debt due to higher interest rate payments than Organisation for Economic Co-operation and Development (OECD) countries, a weak fiscal tax base, and the [negative impact on Africa's currencies](#) due to huge stimulus measures taken by OECD countries.

The Covid-19 crisis has brought these weaknesses into sharp relief. But it also provides an opportunity for African countries to address them. For example, they could accelerate intra-regional trade by focusing on the products of greatest need during the health crisis. Countries could also start building regional value chains to advance industrialisation, improve infrastructure and strengthen good governance and ethical leadership.

These are all vital to guiding African countries through the current crisis.

These goals can be achieved if African states adopt [a “developmental regionalism” approach](#) to trade integration. This would include fair trade, building regional value chains, cross-border investment in infrastructure and strengthening democratic governance.

## Fair trade

A number of conditions need to be met for a free trade area to succeed.

Firstly, African states vary widely in size and economic development. As a result some may warrant special attention and specific treatment. In particular, among Africa’s 55 states 34 are classified by the United Nations as least developed countries. These are low income countries that have severe structural problems impeding their development.

Building trade agreements in favour of small and less developed economies will contribute to fairer outcomes of the free trade deal.

Secondly, African governments should include their stakeholders – businesses (both big and small), trade unions and civil society organisations – in the national consultation process. This will require effective institutions that enable the fullest participation.

Additional steps countries should take to cope with the fallout from Covid-19:

- Reduce tariffs on vital pharmaceutical products (such as ventilators), personal protective equipment and food products;
- Stimulate intra-regional trade by prioritising these products for an immediate or early phase down in the free trade area.

## Building regional value chains

African countries are increasingly connected to the global economy, but tend to operate at the lowest rung of the ladder. They are mainly supplying raw materials and other low-value manufactured outputs.

Cooperation is needed between Africa’s emerging entrepreneurs and industries to improve their competitiveness in global markets. This would have a number of positive outcomes including:

- triggering industrialisation, which will transform economies
- helping African countries obtain a fairer share of the value derived from African commodities and labour, and
- improving the lives of people on the continent.

The current crisis creates an opportunity for African countries to build value chains on medical equipment, pharmaceuticals and personal protective equipment.

The clothing and textile sector could also be restructured to meet the needs of the health sector while taking advantage of the [breakdown in supply chains from China and Europe](#).

As more countries lock down their economies and apply movement controls, agricultural and processed food supply chains are disrupted. This creates opportunities to build regional supply chains and partner with retailers.

There are also opportunities to build infrastructure to support the health response: hospitals, water and sanitation, schools, low-cost housing and alternative energy.

African countries can also benefit from the growing interest in environmental tourism.

## **Cross-border infrastructure investment**

Since most African countries are less developed, and many are small, intra-regional trade will require them to cooperate to improve their infrastructure. This includes physical ports, roads and railways as well as customs procedures, port efficiency and reduction of roadblocks.

Progress is already being made. Examples include the Mombasa-Nairobi Corridor; the Addis to Djibouti road, rail and port connection; and the Abidjan-Lagos Corridor, which handles more than two-thirds of West African trade.

Increased investment in these types of cross-border infrastructure projects will benefit regional integration.

## **Democracy and governance**

Most African states have started accepting multi-party systems of governance. Many have also embraced a culture of constitutionalism, rule of law and human rights.

Democratic governance supported by active citizenship will create an environment of transparency and predictability that encourages domestic and foreign investment. Both are vital for growth and industrialisation. The process is also essential for the sustainability of regional economic integration and democracy in Africa.

Countries are becoming better at fulfilling their democratic obligations. For example, 40 African countries, including the Seychelles and Zimbabwe, voluntarily joined the [African Peer Review Mechanism](#). The mechanism is a remarkable achievement that the free trade area agreement must build on.

## **The way forward**

The free trade area could become a landmark in Africa's journey towards peace, prosperity and integration. The covid-19 pandemic, notwithstanding its devastating impact on the health and economies of Africa, could be an opportunity to advance the free trade area in a more developmental, inclusive and mutually beneficial way for African countries.

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