

Africa's free trade area: the journey begins

In July 2019, the African Union launched the operational phase of the African Continental Free Trade Area (AfCFTA) at a summit in Niger. Countries had signed the framework agreement for the AfCFTA on 21 March 2018; and last April, 22 countries (the number required for the agreement to come into force) had deposited their instruments of ratification.



Vera Songwe.

With a combined market of over 1.2 billion people and a GDP of \$2.5 trillion, AfCFTA could potentially make Africa the largest free trade area in the world. The United Nations support for the African Union during negotiations and ratifications was led by Vera Songwe, the Executive Secretary of the UN Economic Commission for Africa (ECA).

For *Africa Renewal*, **Christabel Ligami** interviewed Songwe about AfCFTA's implementation phase, empowering African women and her vision for the ECA. The following are the excerpts.

Africa Renewal: Now that AfCFTA is in force, do you think countries will fully implement the agreement and within the set timelines?

Vera Songwe: It's a good thing that some countries are moving a step ahead. It shows how trade is important to African countries and that countries are ready to open their borders. So yes, we are hopeful countries will fully implement the agreement. Countries are realising they need to trade more with others because of an expected increase in revenues and jobs creation, especially for the youth. Intra-African trade is expected to rise to 53.3 %, meaning that revenues will increase.

How can member states ensure that the agreement is fully implemented?

Ministers of finance of member states signing on to AfCFTA have an important role to play to help countries implement the agreement. Tax and customs, for example, which are key components of AfCFTA, are matters under the ministry of finance. It's up to the finance ministers to evaluate if, how and when revenues will increase for their countries and how these revenues will be expended. Once countries ratify the document, they have 10 years, some have 13 years, to put key policies in place to fully take advantage of AfCFTA.

We expect countries to carry out a review of their macroeconomic policies, focusing on fiscal policies that are fit for purpose, and to help us not only to adapt to, and make the most of, AfCFTA, but more broadly to achieve Agenda 2063 and

the 2030 Agenda for Sustainable Development. The urgent action is to create the enabling fiscal space to foster both public and private investment while ensuring economic diversification.

Some negotiations are yet to be concluded. Are there contentious issues that countries have yet to agree on?

The remaining issues for discussion are matters regarding competition, provisions relating to investment, intellectual property, e-commerce and so on. Countries agreed to take more time to negotiate those issues. The issues are being discussed and will be finalised in the second phase of the negotiations. This is the same process even for other global trade agreements. Negotiations are never concluded at once; discussions on trade issues are broad and take time to be concluded. We want to avoid a situation where AfCFTA opens countries to unfair competition. Africa is leapfrogging in technology, which is why we are already discussing e-commerce. This is very important for countries that are well developed in technology. For those that are not so developed in technology, we must ensure they better understand matters around e-commerce.

The AU and African ministers of trade, having finalized the necessary instruments, formally launched the operational phase of the AfCFTA during an extraordinary summit of heads of state and government on 7 July 2019.

Digital trade in Africa is growing at an estimated annual rate of 40%. What advice would you give to countries digitalising their economies?

If fully embraced, digital applications will help fill credit gaps, empowering women to be entrepreneurs, providing real-time market data for rural and remote farmers as well as data analytics for climate-related information. The advantage of digitalisation is that it transforms the economy by reducing barriers to entry and expanding market reach for businesses, creating jobs and boosting both domestic and foreign trade in goods and services. There is also an opportunity for African countries to capitalize on these developments to positively impact public service delivery, including the efficiency and reach of social safety nets, education and health outcomes.

Already some countries are gradually embracing digital solutions for tax and expenditure policy, public financial management and public service delivery. Digital transactions could potentially reduce leakages in public spending and tax collection amounting to billions of dollars. That is money that can help fill a sizable gap in Africa's annual financing requirements.

What is your vision for ECA?

My idea is to see ECA provide ideas to transform the continent and create the conditions for economic growth and prosperity for the people. We want to be the think tank of Africa, through actions and results.

What strategy will you employ to see this happen?

My focus will be on transboundary regional issues like water sustainability, and political issues such as the dispute between the Sahrawi Arab Democratic Republic and Morocco. Globally, I will do more advocacy for Africa on taxation, migration, climate change, peace and security and trade.

I am restructuring ECA by introducing specialized divisions on a range of issues. We now have the private sector, macroeconomic and finance, and poverty alleviation divisions.

What is your plan for women?

Despite various studies finding that women are central to the economic growth of any country or region, African women are still underrepresented in most sectors, including technology. Starting in-house, I plan to match the number of men staffers with equally qualified women. I intend to seek women's ideas in crafting policy recommendations. Our studies have

established that too few women are involved in policy discussions and decision making. We are now working on the African Women Leadership Fund that will empower African women economically.

How will you mobilise resources for ECA?

We are looking to mobilise resources from traditional partners and build new partnerships with the private sector. Also, we will deepen our involvement with nongovernmental organisations. We hope to build bridges to the universities and other institutions for their valuable input, research and other matters.

Source: [Africa Renewal](#).

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