

# **Africa's Continental Free Trade Area is a mistake!**

Wednesday 28 March 2018, by [Emergent Maghreb](#), [SYLLA Ndongo Samba](#) (Date first published: 1 June 2017).

**The economist Ndongo Samba Sylla is a former advisor to the President of the Republic of Senegal and the author of books including “The Fair Trade Scandal: Marketing Poverty to Benefit the Rich” and “La démocratie contre la République: l'autre histoire du gouvernement du peuple”. He tells Emergent Maghreb why the CFTA is “suicide for African countries.”**

**In 2015, African Union formally adopted the idea of creating a continental free trade area. The 28<sup>th</sup> summit of the AU provided a venue for discussion of this initiative. Bring us up to speed: is the CFTA in the process of being implemented?**

To understand the CFTA, we need to go back to the Abuja Treaty of 1991, which aims for continental integration by 2035. Abuja calls for the creation of the African Economic Community in four stages: (1) strengthening the regional economic communities (REC); (2) establishing a continental customs union; (3) implementing common sectoral policies, and (4) establishing a common market.

For the time being, we are still at the first stage. In January 2012, the Summit of Heads of State and Government approved the BIAT (Boosting Intra-African Trade) action plan, and negotiations around the CFTA officially got underway in June 2015 at the 25<sup>th</sup> Ordinary Session of the Assembly of the African Union in Johannesburg. Four documents came out of this, including a road map. Two negotiating forums followed, in February and May 2016.

The AU's goal is to finalize the draft CFTA by the end of the year, and it must then be ratified by each of the member states.

But before that stage is reached, (i) the tripartite free trade agreement has to be finalised; (ii) the four RECs have to negotiate parallel free trade agreements as a prerequisite for directly joining the CFTA; (iii) all these free trade agreements have to be consolidated.

Mahamadou Issoufou, the President of Niger, is slated to submit a report on the CFTA at the next UA summit in June 2017.

## **What can a free trade area do for Africa?**

In my view, given the configuration of the continent and the level of economic development of most African countries, a continental free trade area has no economic justification at this historical juncture.

Proponents of the CFTA generally say that this project is a pan-African response to the declining role of the World Trade Organization as a framework for multilateral negotiation and the concomitant emergence of “mega-regional trade agreements” (large trade agreements like the TTIP, the TPP, CETA, and so on), whose effect will be to erode the trade preferences granted to African countries

and to impose new standards on them. With that as their starting point, these analysts argue that the CFTA is an alternative to inaction, which would be detrimental to the African countries. They claim that the agreement would significantly bolster intra-African trade and ultimately stimulate economic growth.

And it's true that Africa must not sit idly by while the mega-regionals are put in place. It must put forward a model of globalization that corresponds to its own interests. But the CFTA is the wrong answer.

This project takes off from the postulate that the economic partnership agreements (EPA) negotiated by each individual REC with the European Union are a good thing for the continent. From 29 February to 1 March 2016, I took part in an international symposium on the CFTA in Accra. I was astounded to hear African Union representatives tell us that the CFTA is intended to build on the solid foundation of the EPAs! The remark is all the more shocking when you know that the social movements and certain African governments have done everything they could since the early 2000s to block the signing and ratification of these agreements. And studies commissioned by the European Union and some African Union members have found that these EPAs seriously threaten to induce deindustrialisation and deterioration of the agricultural situation across the whole continent. "If African countries, taken individually, are willing to do free trade with the European Union, why wouldn't they do the same thing with the other African countries?" Such is the substance of the extraordinary reasoning heard from certain partisans of this initiative.

It also needs to be said that the CFTA initiative derives from an erroneous interpretation of the reasons why intra-African trade is weak. If African countries conduct little trade among themselves, this is not mainly because of tariff and non-tariff barriers. The fundamental reason is that these countries are poor and economically undiversified, a legacy of colonialism exacerbated by the application of structural adjustment plans in the early 1980s and by protectionism on the part of the rich countries. It is a fact well known in economic research that a country's international trade relations increase with its level of economic development. The rich countries trade more with other rich countries than they do with poor countries.

So the prime challenge is for the majority of African countries to emerge from their resource-dependency, their concentration on raw material exports, by implementing vigorous trade and industrial policies that are both selective and strategic. This is what all the rich countries did in the process of becoming rich.

The second fundamental reason for weak intra-African trade is the absence, or at any rate the terrible condition, of transportation infrastructure on the continent. This explains why it is often cheaper for a Central African country to import goods from China than from its next-door neighbour.

In short, what the CFTA proponents are doing is putting the cart (free trade) before the horse (industrialisation, increased production capacity, pan-African road, rail, air, sea, and computer infrastructure development).

And another thing: if the CFTA were actually to be implemented, it would benefit international capital more than the African countries, which often — as in the case of the Franc Zone countries — have no control over their monetary and exchange rate policies. In a context where banks do little local lending and are largely controlled by foreign capital, there will be no leverage with which to stimulate local production at a level of quality that can compete with foreign goods.

**The AU's Agenda 2063 document says that the African Customs Union and the African Economic Community are to be put in place by 2022 and 2028, respectively, and that the**

**CFTA will, according to initial estimates, generate about \$35 billion a year in intra-African trade by 2022. Are these predictions optimistic; do they gibe with reality?**

The figures you are referring to were produced by the United Nations Economic Commission for Africa in June 2012. They were obtained from statistical data concerning only sixteen African countries (i.e., ignoring the other thirty-eight) and from tariff structure data dating back to 2004. Not to mention that the econometric model used to generate these figures relies on some rather astounding assumptions: total liberalisation of goods and services within five years, zero unemployment in all African countries... These figures have no validity — their only merit is that they exist. The agroeconomist Jacques Berthelot, who reviewed them, termed the CFTA a “suicidal folly.” What makes his characterization especially acute is that we are told of the gains to be derived from trade liberalisation, which have been modest in most recent experiences, without there being any mention of how these gains will be distributed. Who wins under the new rules? Who loses? Will compensation mechanisms be put in place for the losers at any point? These are crucial questions that have to be put on the table.

**Will the pre-existing regional economic communities (REC), particularly ECCAS and ECOWAS, pose an obstacle to the implementation of the CFTA, and later to the African Economic Community?**

In principle, the RECs are supposed to provide the foundation for the CFTA. In reality, what is likely to happen is that the RECs will implode under the pressure applied by the European Union, which is asking them to ratify the EPAs. In West Africa, certain countries (Ghana, Côte d’Ivoire) signed interim EPAs a few years ago, while Nigeria is not satisfied with the current version of the EPA. Since the ECOWAS countries have been working since 2015 within the framework of a Common External Tariff, it follows that this trading bloc is likely to split into two groups of countries: those that have ratified the EPAs and those that have refused to do so. In this configuration, countries in the second group will set up tariffs against products exported from Europe to countries in the first group. That will spell the end of the customs union and, a fortiori, any attempt to move towards a CFTA. East Africa is facing the same scenario, with Tanzania refusing to ratify its EPA. It should be said that Brexit makes the EPA less attractive for countries that do a lot of business with the United Kingdom.

Once again, they’re putting the cart before the horse. It is a colossal mistake on the part of certain African Union experts to try to base the CFTA on the putative gains associated with the EPAs. The consolidation of the RECs must be the priority objective.

In any case, I don’t think this draft is going to be finalised by the end of this year. The timeline is too tight and is not conducive to democratic transparency and input. And many African countries will be loath to give up a fairly large proportion of their customs revenues from one day to the next.

**Many observers present Africa as “the engine of world growth for years to come,” and this observation finds expression in the waves of foreign investors we’ve seen moving into the continent, from China, India, the United States, France, Iran, and so forth. Do African countries have the means to take on this role as the engine of world growth without being devoured by foreign capital?**

Africa has some definite advantages: a young population, abundant land, strategic natural resources, etc. In this respect, it constitutes a promising “market” for international investors. At the same time, this discourse about Africa as an “emerging” continent involves a lot of fantasizing. The growth observed on the continent in the last decade and a half can mostly be ascribed to favourable prices for raw materials and a degree of political peace. This is why the growth has yet to be associated, in

most countries, with a structural transformation that can lead them out of resource dependency and create millions of decent jobs.

During the 2000s, when the continent was witnessing economic growth on the order of 5% per annum, its average annual net revenue payments to the rest of the world stood at 5% of GDP. Which means that strong economic growth cannot necessarily be taken as a reliable indicator of economic health, especially for highly export-dependent countries.

What is needed, in my view, is for our governments to distance themselves from the World Bank-derived discourse of “doing business” and instead try to explore how foreign investment can contribute to the structural transformation of their economies and the expansion of domestic markets, which is something that foreign investment has yet to deliver. And for that to happen, capital controls and a selective, strategic approach will be needed; in other words, not all types of investment should be allowed in.

**Africa’s development must benefit Africans before anyone else. What, in your view, must the AU and the African countries do to ensure that the continent is not developed to the detriment of its inhabitants?**

The scarcest resource we have on the continent is creative, non-imitative imagination. Our governments and their advisors are seriously lacking in this attribute. They think the economic models that worked for others are bound to work for Africa as well: with more economic growth, all our problems will be solved. It’s an illusion that stands to deprive the young generations of the future they are dreaming of. Nowhere in a document like Agenda 2063 will you find discussion of an issue as decisive as that of demographic growth and the challenges it poses to economic and social policy at a time when technological upheavals are making human labour (but not human creativity) increasingly extraneous to the production of wealth. What economic and social model can meet the needs of a continent of four billion people at the 2100 horizon? Surprisingly, this question doesn’t interest many people, yet I think it’s where we have to start. And if we do, we will certainly come to the realization that a profound change is needed at the level of our civilisation.

**Environmental issues are coming to the fore as a major challenge for Africa. Do you think there’s a way to develop Africa without polluting it?**

It is possible to transform economic structures in Africa without following the same ecocidal path taken by development in the West, and more recently in China. But that will require a paradigm change — we have to leave capitalist logic behind. It is naive to believe that economic development can take place in ways that benefit African peoples and their environment within the strictures of an economic logic based on waste, a logic that destroys people and nature, which are the very basis of wealth. And so we must dare to envision a different future by mobilizing our creative energies in ways that do not simply replicate models imposed elsewhere.

**Emergent Maghreb**

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