POLICY CENTER FOR THE NEW SOUTH

THINK • STIMULATE • BRIDGE

POLICY PAPER

March 2020

AFRICA'S INTEGRATION Not an Option, but an Imperative

—

Len Ishmael

PP-20/04

About Policy Center for the New South

The Policy Center for the New South (PCNS) is a Moroccan think tank aiming to contribute to the improvement of economic and social public policies that challenge Morocco and the rest of the Africa as integral parts of the global South.

The PCNS pleads for an open, accountable and enterprising «new South» that defines its own narratives and mental maps around the Mediterranean and South Atlantic basins, as part of a forward-looking relationship with the rest of the world. Through its analytical endeavours, the think tank aims to support the development of public policies in Africa and to give the floor to experts from the South. This stance is focused on dialogue and partnership, and aims to cultivate African expertise and excellence needed for the accurate analysis of African and global challenges and the suggestion of appropriate solutions.

As such, the PCNS brings together researchers, publishes their work and capitalizes on a network of renowned partners, representative of different regions of the world. The PCNS hosts a series of gatherings of different formats and scales throughout the year, the most important being the annual international conferences «The Atlantic Dialogues» and «African Peace and Security Annual Conference» (APSACO).

Finally, the think tank is developing a community of young leaders through the Atlantic Dialogues Emerging Leaders program (ADEL) a space for cooperation and networking between a new generation of decision-makers and entrepreneurs from the government, business and social sectors. Through this initiative, which already counts more than 300 members, the Policy Center for the New South contributes to intergenerational dialogue and the emergence of tomorrow's leaders.

Policy Center for the New South

Suncity Complex, Building C, Av. Addolb, Albortokal Street, Hay Riad, Rabat, Morocco.
Email : contact@policycenter.ma
Phone : +212 5 37 54 04 04 / Fax : +212 5 37 71 31 54
Website : www.policycenter.ma

AFRICA'S INTEGRATION
Not an Option, but an Imperative

Len Ishmael

About the Author, Len Ishmael

Dr. Len Ishmael is the former Ambassador of the Eastern Caribbean States to the Kingdom of Belgium and European Union, and past President of the seventy-nine-member African, Caribbean & Pacific (ACP) Committee of Ambassadors in Brussels. She is a former Director for the United Nations Economic Commission for Latin America & the Caribbean; Director General for the Organization of Eastern Caribbean States, Alternate Governor for the World Bank and Director for the Foundation - Leadership for Environment & Development of the Rockefeller Foundation in New York City. She is a German Marshall Fund Fellow (GMF) and Distinguished Visiting Scholar, and a Senior Fellow at the Policy Center for the New South (Morocco). Dr. Ishmael is also The Fletcher School Tufts University GMAP Endowment Fellow and is a member of The Fletcher School of Law and Diplomacy GMAP Advisory Council. She was an expert witness for the House of Lord's inquiry into Commonwealth efforts post Brexit to lift countries out of poverty through trade. She is also the Special Advisor (Europe) to the Vice Chancellor of the University of the West Indies. Dr. Ishmael was conferred a Doctoral Degree in Development Planning/Development Economics from the University of Pennsylvania, in 1988 and Global Master of Arts from the Fletcher School of Law and Diplomacy, Tufts University in 2018. Her other degrees include a Master's in Urban Planning from City University, New York City, and a Bachelor's Degree in Economics & Geography from the University of the West Indies, Jamaica. Dr. Ishmael operates her practice from Brussels specializing in European affairs, the EU-ACP partnership, EU-Africa relations, EU-USA Trans-Atlantic relations, China in Europe, Latin America and the Caribbean, political and corporate diplomacy, and international development corporation. Her latest publication: Soft Power & Global Ambition: The Case of China's Growing Reach in Europe was published by the Fletcher Forum's World Affairs Vol.34:1 Winter 2019 print edition.

"The African Continental Free Trade Area represents the new Africa—an Africa of economic pan-Africanism. We cannot have an Africa that produces the raw materials for renewable energy, but stays in the dark."

Africa's Integration:
Not an Option, but an Imperative

"The AfCFTA represents the new Africa—an Africa of Economic Pan-Africanism. We cannot have an Africa that produces the raw materials for renewable energy, but stays in the dark."[1]

1. Regional Integration - The Concept

The United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC) defines regional integration as a "multidimensional process which may take the form of coordination, cooperation, convergence and deep integration initiatives and whose scope extends not only to economic and trade issues, but to political, social, cultural and environmental ones as well."[2]

As an organizing principle, the concept of regional integration has been around for some time in various configurations, each with different aims and objectives. As early as 1664, for example, France proposed a customs union (CU) to unite various provinces. Free trade agreements (FTAs) were also signed by Austria and several of its neighbors in the eighteenth and nineteenth centuries.[3] These actions effectively led to the emergence of the concept of the nation state[4] associated with the rise of the modern system of states, commonly referred to as the 'Westphalian system' established by the Treaty of Westphalia,1648.[5]

The process of integrating into wider areas as a means of increasing the sphere of influence of nation states through trade and commerce, as well as through other measures, had another underlying objective, given the widely-held assumption that integration was a way to bring peace and stability to conflict areas, since countries "which traded with each other did not go to war."[6]

Models of regional integration have since evolved into various categories to include not only FTAs and CUs, but also preferential trading areas (PTAs), common markets (CMs), economic unions (EUs), economic and monetary unions, and economic and political unions, each conferring differing obligations and binding measures on their members.

---

1. Tweeted by Dr. Vera Songwe, ECA Official, at a Parliamentary Symposium on UK-Africa Trade and Brexit. January 21, 2020.
2. UNECLAC. Regional Integration. Towards an Inclusive Value Chain Strategy. May 2014. Santiago, Chile. https://repositorio.cepal.org/bitstream/handle/11362/36734/1/S2014217_en.pdf
3. Maurice Schiff and L. Alan Winters. Regional Integration and Development. The World Bank. 2003. http://siteresources.worldbank.org/BRAZILINPOREXTN/Resources/3817166-1185895645304/4044168-1186324101142/12RegionalIntegrationFull.pdf
4. The nation state was said to be one defined by "geography, culture and politics." Introduction to Nation States/Western Civilization. https://courses.lumenlearning.com/suny-hccc-worldhistory/chapter/introduction-to-nation-states/
5. Ibid.
6. Len Ishmael. The Rise of China. Soft Power & Global Ambition. The Case of China's Growing Reach in Europe. The Fletcher Forum World Affairs. Winter (January) 2019. VOL.43:1

2. Why Integrate?

Regional integration based on the principles of cooperation and coordination has been a tool used by countries and groups of countries to accomplish a wide range of objectives. These range from accessing lucrative markets and investments, securing objectives linked to peace and security, integrating into global value chains, promoting democracy and human rights, enabling economic growth and prosperity, and deepening policy convergence in critical areas.

For developing countries, regional integration is an important tool of development.[7] For some, it is not merely a matter of choice. States seeking to overcome systemic constraints such as those associated with small size, which result in small domestic markets, high production costs and insufficient skill sets, use integration to secure a number of important objectives. Such is the case of the Organization of Eastern Caribbean States (OECS), a nine-member grouping of micro states that established an economic union on June 18, 2010.[8] An archipelago of islands with a total population of 600,000 located in the eastern Caribbean,[9] these small island developing states (SIDS) have pooled sovereignty to create a system of regional and extra-regional institutional architecture as a means of providing and sharing critical services, at reduced cost.

The OECS model of integration has allowed these micro-states to overcome the constraints of their size by systematically sharing the costs and provision of services to their populations. The regional grouping shares a common currency, a central bank, a judiciary, an authority for telecommunication, another for civil aviation, a Regional Parliamentary Assembly, a technical mission to the World Trade Organization (WTO) in Geneva, and diplomatic missions in Brussels and Rabat. The OECS Economic Union also provides negotiating leverage in wider regional groupings composed of larger countries, such as the Caribbean Community (CARICOM), of which the OECS is a part. In the late 2000s the World Bank commended the regional grouping as a model for other SIDS.[10]

In Europe, regional integration has resulted in the production of a world-class model comprising 27 member states that make up the European Union. The EU's foundational objectives were to bring peace, security and stability to a continent long ravaged by war.[11] Though tensions exist within the grouping, with fissures over the structure of their economies apparent along a historic east-west divide and around a north-south axis, the union has also created conditions for prosperity and wealth, making the European Union an economic superpower in its own right. Unlike the OECS, which constructed regional institutions including a common currency[12] and a central bank prior to the creation of an economic union, the EU launched the euro as a single currency, created the eurozone, and established the European Central Bank,[13] after the creation of the EU.[14]

7.Maurice Schiff and L. Alan Winters. Regional Integration and Development. The World Bank. 2003. http://siteresources.worldbank.org/BRAZILINPOREXTN/Resources/3817166-1185895645304/4044168-1186324101142/12RegionalIntegrationFull.pdf

8. The author was Director General of the OECS from 2003-2013 and presided over Secretariat arrangements leading to the establishment of the economic union.

9. The OECS are all SIDS. The grouping comprises the islands of Grenada, St Vincent & the Grenadines, St Lucia, Dominica, Antigua & Barbuda, St Kitts and Nevis, Montserrat, Anguilla, and the British Virgin Islands. The French overseas territories of Martinique and Guadeloupe are recent entrants as Associate Members.

10. Author, personal records.

11. On January 31, 2020, the United Kingdom formally left the EU, of which it had been an important member for 47 years.

12. The Eastern Caribbean dollar (EC$) has been in existence since the 1960s, and the Central Bank was established in October 1983.

13. The European Central Bank was launched in 1998, and the euro as the single currency in 1999.

14. Indeed, EU officials visited the OECS Central Bank in St Kitts and Nevis prior to the launching of the euro to discuss the operations of the Eastern Caribbean dollar (EC$) and monetary union of the Eastern Caribbean States (ECS).

Other integration groupings such as the Canada-United States Free Trade Area of 1988 were predominantly mechanisms to promote trade as a means of creating larger markets, creating economies of scale and value chains, and lowering production costs, across contiguous countries. In the process, they created conditions for stronger economic growth. In 1994, the Canada-US FTA was extended across the entirety of the northern half of the western hemisphere with the inclusion of Mexico and the creation of the North America Free Trade Area (NAFTA).[15] The effects of the dismantling of trade tariffs and the bloc's market of 490 million resulted in a quadrupling of trade between the three countries in less than 20 years.[16] Intra-regional trade grew from $290 billion in 1993 to more than $1.1 trillion in 2016, consumer prices reduced, and the three countries shared a boom in growth and prosperity.[17]

Other examples of significant regional groupings include the ten-member Association of Southeast Asian Nations (ASEAN)[18] headquartered in Jakarta, Indonesia. A plethora of regional groupings, some more formal than others, exist in other parts of the world, including in Latin America which is home to several, some with overlapping membership. These include the Pacific Alliance, the Southern Common Market of MERCOSUR, the Central American Integration System (SICA), and the Community of Latin America and the Caribbean (CELAC). At the core of all integration groupings is the desire to create conditions across a broad spectrum of areas that are superior to those that would exist if states undertook all activities on their own.

3. Backlash Against Globalization

In recent times the principles of free trade, open markets, and the processes associated with globalization and global value chains have come under attack. Some governments, among them those located within mature democracies such as the USA, are marked by a retreat from the concept of free trade and multilateralism and engagement in increasingly anti-competitive and protectionist behaviors. The EU is contemplating supporting 'European champions' as a means of hedging against the threat of Chinese state-supported companies as well as Washington based competitors.[19] Technology has been put on the front lines of superpower rivalry, as demonstrated by the intense pressure exerted by the USA on allies across Europe and elsewhere to preclude incorporation of China's technology giant Huawei in their roll-outs of 5G technology. The WTO is being undermined as an institution and its future is in question. Trade and economic policies have been weaponized in the tit-for-tat trade war between China and the USA in a manner which has negatively impacted the world economy.

The International Monetary Fund (IMF) twice cut its forecast for global output in the 12 months to January 2020. At time of writing, world growth is forecast to attain levels of 3.3 percent for 2020, and has been cut from 3.6 to 3.4 percent for 2021.[20] The retreat, in some quarters, from one of liberalism's core principles, that of multilateralism, stands in complete contrast to the past three decades in which globalization and its contribution to the lifting of billions out of poverty seemed to have been a precursor for the future.

15. The nearly 25-year old NAFTA has been renamed the United States-Mexico-Canada Agreement, following its renegotiation.
16. James McBride and Mohammed Aly Sergie. Council of Foreign Relations. NAFTA's Economic Impact. 01 October 2018. https://www.cfr.org/background/naftas-economic-impact.
17. Ibid.
18. ASEAN members are: Thailand, Indonesia, Singapore, Malaysia, Vietnam, Philippines, Cambodia, Brunei, Laos, and Myanmar.
19. BjarkeSmith-Meyer,Lili Bayer and Jakob Hanke Vela. EU officials Float €100B boost for European Companies. Politico. 22 August 2019.
20. Chris Giles. Downbeat IMF outlook diverts Davos focus from climate goals. Financial Times. 21 January 2020.

Though the January 2020 Phase 1 trade agreement between the USA and China is expected to result in a stabilization of relations between the two superpowers (though tariffs remain on billions of dollars of Chinese imports), International Monetary Fund (IMF) Chief Economist Gita Gopinath speaking in Davos in January 2020, appealed for "stronger multilateral co-operation to support a sustained recovery."[21] An annual survey of 1,600 chief executives of firms in 83 countries published to coincide with Davos by PricewaterhouseCoopers (PwC), showed that over half of those whose views were canvassed expected a reduction in the profitability of their firms in 2020, contrasting with results from the same survey in 2019 and 2018, when expectations regarding contraction were limited to 2 and 5 percent respectively.[22]

With significant tension and uncertainty in the current global geopolitical and geo-economic arenas, regional integration groupings such as the EU are being tested, and once-buried old tensions are making unwelcome appearances. These are demonstrated in the current debates within the European Union around important matters pertaining to the creation of a eurozone fiscal union, EU expansion, the EU budget, migration, and the movement of labor. The continent is experiencing growing waves of nativism and populism, particularly, though not in all cases, among populations in eastern Europe, which feel that they have not benefited equally from Europe's prosperity.

Perhaps such tensions within a regional grouping should not be totally unexpected. There is a tendency for states to focus more on national realities and imperatives during times which are uncertain or turbulent, in the process retreating from more ambitious regional political and other initiatives. Immediately following the collapse of international financial markets in 2007/08, several of the larger countries of the Caribbean Community demonstrated less appetite for deepening political engagement on the regional front. The exceptions were the small countries of the OECS, who used this period of turbulence to deepen the bonds of integration between them. They accelerated the process of creating an economic union, sensing that smaller countries needed more, not less, support from each other in times of upheaval and change.

In this context of much uncertainty and upheaval coupled with the gloomy outlook for the world economy, the African Union's announcement of March 2018 of Africa's intention to establish the African Continental Free Trade Area (AfCFTA) was received as a ray of hope and light in the otherwise dark landscape of regional integration efforts and world trade.

4. Africa's Integration: RECs and AfCFTA

Africa's use of regional integration in the establishment of several regional groupings has long been viewed as an important tool in the continent's development. Africa is home to a number of regional economic communities (RECs) which came into being as a result of the Abuja Treaty of 1991. Some of these had in fact been in existence previously in different formulations. As early as 1981, for example, the Preferential Trade Area (PTA) for Eastern and Southern Africa existed as a creature of the Organization of African Unity's (OAU's) Lagos Plan of Action,[23] transforming into the Common Market for Eastern and Southern Africa (COMESA), in 1994. From inception, RECs have been viewed

21. Chris Giles. Downbeat IMF outlook diverts Davos focus from climate goals. Financial Times. 21 January 2020..
22. Ibid.
23. UNECA: African Trade Policy Center. Inquiry into Africa's Free Trade Initiative. 2016. https://www.tralac.org/images/docs/9546/afti-inquiry-written-evidence-by-united-nations-economic-commission-for-africa-2016.

as providing the building blocks of Africa's integration efforts,[24] and while they have each met some of their various objectives, overall success has been uneven.

The African Union recognizes eight RECs: the Southern African Development Community (SADC), the Eastern African Community (EAC), the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), the Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD), the Intergovernmental Authority on Development (IGAD), and the Economic Community of Central African States (ECCAS).[25] Evaluations conducted by the United Nations Economic Commission for Africa (UNECA)[26] identified the EAC as being among the most successful, demonstrating the deepest level of integration including a free trade area, customs union, and single market.

5. The AfCFTA

The 10th Extraordinary Summit of the AU Heads of State and Government on 21 March 2018 in Kigali, Rwanda, marked a historic moment for the African continent with the signing by most Heads of Government who were present of the African Continental Free Trade Area (AfCFTA), the Kigali Declaration, and the Free Movement Protocol.[27] In so doing AU member states undertook to launch a continental-wide free trade area with the possibility to negotiate trade agreements as a single entity rather than as a grouping of different countries.[28] Citing the significance of this new development, almost two years later, at a Parliamentary symposium in London to discuss future trade relations between the UK and Africa post Brexit, EAC's official twitter account noted, "we can use Brexit to negotiate balanced trade agreements with Africa, building on AfCFTA, and not prolonging asymmetrical agreements."[29]

The overarching vision for the creation of the AfCFTA was planted some forty years previously when African leaders ratified the Lagos Plan of Action (1980), which gave birth to the Abuja Treaty (1991) and, ultimately, the creation of the African Economic Community. Presiding over the AU Summit of Heads in March 2018, AU Chairman, the President of Rwanda, credited both treaties as being the "model and the engine for Africa's integration."[30] Similar sentiments were expressed in the address delivered by the AU Commission Chair who noted further, that "integration was not an option, but an imperative."[31]

The news of plans to formally create a new element of Pan-African institutional architecture was

24. The intention of positioning the RECs as building blocks for a future continent-wide integration project has been a long-standing ambition for the continent, having been reflected in early treaties, including the Final Act of Lagos of 1980, the 1991 Abuja Treaty to establish the African Economic Community, and the Lomé Treaty of 2000.
25. UNECA: African Trade Policy Center. Inquiry into Africa's Free Trade Initiative. 2016. https://www.tralac.org/images/docs/9546/afti-inquiry-written-evidence-by-united-nations-economic-commission-for-africa-2016.
26. UNECA: African Trade Policy Center. Inquiry into Africa's Free Trade Initiative. 2016. https://www.tralac.org/images/docs/9546/afti-inquiry-written-evidence-by-united-nations-economic-commission-for-africa-2016.
27. The African Union (AU) has 55 member states.
28. African Development Bank: Importance of regional and continental integration for Africa's development. Press Release. December 3, 2018. https://www.afdb.org/en/news-and-events/importance-of-regional-and-continental-integration-for-africas-development-18773.
29. Twitter Account: @ECA Official Tweet. January 23, 2020.
30. H.E. Paul Kagame President of Rwanda & Chairperson of the African Union. AU Press Release. March 21, 2018. https://au.int/en/pressreleases/20180321/au-member-countries-create-history-massively-signing-afcfta-agreement-kigali.
31. H.E. Moussa Faki Mahamat. Chairperson, African Union Commission. AU Press Release. March 21, 2018. https://au.int/en/pressreleases/20180321/au-member-countries-create-history-massively-signing-afcfta-agreement-kigali.

received with a mixture of applause and skepticism. Some Brussels-based observers in various think tanks and amongst the diplomatic corps privately expressed the view that the launching of the AfCFTA initiative was timed to give momentum and leverage to another AU announcement, from the same Summit, of Africa's intention to engage in upcoming negotiations on the post-Cotonou relationship between the EU and the 79-country Africa, Caribbean and Pacific Group (ACP) as a single entity, outside of the ACP framework.[32] Had this bid been successful, it would ultimately have challenged the remit and role of the ACP in the future partnership between the EU and the various regions which the former represents.

Though this initiative failed to materialize, having not received the full support of the AU membership, AfCFTA nonetheless speaks to the political resolve across the continent towards its implementation and provides reason to be hopeful about the continent's future. Having been ratified by all countries, including in July 2019, Nigeria, AfCFTA entered into force on May 30, 2019.[33] The complex and ambitious work of constructing and integrating a continental-wide African market now begins in earnest.

6. The AfCFTA: Purpose and Potential

Africa's Agenda 2063, launched in 2013, identifies as its overarching purpose the goal of building "an integrated, prosperous and peaceful Africa, driven and managed by its own citizens and representing a dynamic force in the international arena."[34] The AfCFTA is a key component in this agenda and in the creation of a Pan-African Economic Community by 2063. It has the potential to pull together one of the largest grouping of countries in an FTA with a youthful population projected to reach 1.7 billion by 2030, of whom 600 million are expected to be middle class.[35] While AfCFTA promises to transform prospects for the future development of the continent, implementation will not be without its challenges.

Like the Caribbean, which shares a similar colonial history with Africa, intra-regional trade remains a small component of overall African trade. African Development Bank (AfDB) figures show that trade across Africa's internal markets represents a mere 15 percent of total trade, compared to 60 percent in Asia, 70 percent in the European Union, and 54 percent within the group represented by the United States-Mexico-Canada Agreement.[36] One of AfCFTA's objectives is to build the continent's internal market and double intra-African trade by 2022, an objective which is expected to be supported by the continental-wide customs union established under the Abuja Treaty.[37] Intra-regional trade is projected to expand by 52.3 percent by 2022, a target which is considered to be ambitious.[38]

32. The Cotonou Agreement of June 2000 articulates the terms and conditions of the Partnership Agreement between the EU and the ACP group of countries and is set to expire in February 2020.
33. The AfCFTA required ratification by 22 countries to enter into force. On April 2, Gambia was the 22nd country to ratify the Agreement which came into force in May 2019. https://au.int/en/treaties/agreement-establishing-african-continental-free-trade-area
34. AU Press Release. March 21, 2018. https://au.int/en/pressreleases/20180321/au-member-countries-create-history-massively-signing-afcfta-agreement-kigali.
35. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018. https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
36. Ibid. The renegotiated agreement is also referred to as the New NAFTA or NAFTA 2, in deference to the original treaty: The North American Free Trade Area, which came into effect on January 1, 1994.
37. African Development Bank: Importance of regional and continental integration for Africa's development. Press Release. December 3, 2018. https://www.afdb.org/en/news-and-events/importance-of-regional-and-continental-integration-for-africas-development-18773.
38. Ajay Kumar Bramdeo. The AfCFTA. Its Potential benefits and Impact. Building African Economic Resilience. https://unctad.org/meetings/en/Presentation/tdb65_2d_pres_AUBramdeo_en.pdf.

The AfCFTA contains the modalities for the creation of an African single market for goods and services, with a planned reduction of 90% in the tariffs on goods. Services form an important and growing component of Africa's economy, accounting for upwards of 50% of GDP for many African countries and more in others, including Djibouti, Seychelles and São Tomé and Príncipe.[39] Intra-African trade in services, like goods, is low, and five service areas including tourism, transport, business, professional, communication, and financial services have been tapped for early liberalization under AfCFTA.[40]

Africa's Free Trade Area provides for the free movement of factors of production (labor and capital), a mechanism for dispute settlement, and an institutional architecture for implementation. To be successful, however, economic integration also requires political and social integration and policy harmonization across a number of different areas. The Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment, adopted in Addis Ababa on January 29, 2018, provides important legislative and policy support to the ambitions framed in the AfCFTA.[41]

The principle of free movement of people across borders is one of the most important elements of regional integration. Free movement supports the creation of economic dynamism and assists in building a sense of regional or, in this case, continental identity, among citizens. The European Union is an example. It reflects the political, social, and economic benefits that accrue when citizens are able to move freely across borders to conduct business, and engage in educational pursuits, tourism, and cultural experiences. It is through such endeavors that a sense of European identity has been forged over the years.

For optimum results, an array of other policies is also required to underpin the principle of the free movement of persons. Again, reflecting on the example of the EU, open-skies civil aviation agreements, for example, have supported the proliferation of low-cost carriers, which makes air travel across Europe affordable. Policies that have resulted in the seamless integration of transportation schedules across different modes of travel allow people to explore the continent, not only across borders, within the Schengen space, but also via different modes of transport, moving by air, ferry, train, bus, and ski lift to reach most areas with minimum fuss.[42]

The EU experience stands in contrast with that of the OECS Economic Union and CARICOM's single market, both of which are far less successful, for many reasons, including the exorbitant cost of air travel between the islands, the lack of real alternatives, and the bureaucracy and red tape which still exists.[43] While OECS citizens have the right to move under the treaty that established the economic union, after a decade the potential of free movement remains largely untapped, given the constraints.

The African Investment Code is an important element of the institutional foundations being laid for the building of the AfCFTA. The creation of continent-wide agreements on investment are exceptionally

39. World Bank Development Indicators 2018.
40. Ajay Kumar Bramdeo. The AfCFTA. Its Potential benefits and Impact. Building African Economic Resilience. https://unctad.org/meetings/en/Presentation/tdb65_2d_pres_AUBramdeo_en.pdf.
41. African Union. Protocol to the Treaty relating to the Free Movement of Persons, Right of Residence and Right of Establishment. https:/au.int/sites/default/files/treaties/34244-treaty-protocol-on-free-movement-of-persons-in-Africa-e.
42. The author was struck by the high degree of integration across different modes of travel in the mountainous country of Switzerland (which is not an EU country but is part of the Schengen free movement area), for example, which makes virtually all parts of the country accessible by one mode of transportation or another.
43. It is quite often cheaper to travel from one of the island states to Miami, in the USA, for example, than to travel to and from neighboring islands.

difficult to negotiate at a continental or regional level, given the important aspects of national policy and sovereignty which are at stake, and the tendency for states to engage in competitive behavior, even within their own regional groupings. Efforts within mature unions, such as the EU, aimed at creating EU-wide policy instruments on investments flows from third parties have quite often been stymied by some member states. This is the case in relation to Chinese investment in the EU, with resistance to any limitations coming especially from eastern and southern European countries, who view Chinese investment as vital to their economic stability and ability to attain national developmental objectives.[44]

While the African Investment Code has an indisputably important role to play in AfCFTA implementation, it has been criticized as deficient in several important areas, especially in the realm of investor-state disputes, raising questions about its overall effectiveness.[45] The instrument nonetheless provides an important platform on which to build, and deficiencies reflect perhaps the inherent tensions that exist in reconciling national interests with those that are regional or continental, in scope and in the process of opening systems of governance at the national level to wider scrutiny. Importantly, Africa's attempt at integration at this scale is still at a very early stage and much has yet to be built.

7. Challenges of Implementation

Integral to implementation of the AfCFTA is the understanding that mechanisms will be found to increase harmonization of the binding obligations among the various RECs.[46] Best practices from the RECs are expected to be scaled up, providing models for adoption across the Continental Free Trade Area. Initiatives such as COMESA's Digital FTA, ECOWAS's initiatives on the free movement of persons, and EAC's approach to integration, including the single market and customs union, are among some of the model practices which have been singled out for commendation and replication.[47]

AfCFTA implementation will of necessity be required to address a number of issues including internal tariff and non-tariff barriers to trade and huge deficits in capital infrastructure requirements, which the African Development Bank (AfDB) has estimated at $130-$170 billion per year, with a financing gap of $67-$107 billion annually.[48] Challenges that need to be faced and resolved include the lack of an overall framework for facilitating intra-continental trade, the high cost of doing business on the continent, inadequate engagement of the business sector, restrictions on labor mobility, and insufficient data flows on which to ground empirically-based policies and monitoring systems, vital to the success of implementation.

Though there are compelling reasons to view the RECs as building blocks for implementation of the AfCFTA, a number of hurdles must be overcome in the process of their integration. Chief among these are the following:

44. Len Ishmael. The Rise of China. Soft Power & Global Ambition. The Case of China's Growing Reach in Europe. The Fletcher Forum World Affairs. Winter (January) 2019. VOL.43:1
45. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018.https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
46. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018. https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
47. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018.https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
48. African Development Bank: Importance of regional and continental integration for Africa's development. Press Release. December 3, 2018. https://www.afdb.org/en/news-and-events/importance-of-regional-and-continental-integration-for-africas-development-18773.

- The protection of regional goods has become entrenched and barriers have been erected by each REC with respect of goods coming into the regional grouping .[49] These barriers will have to be dismantled systematically.

- While actual levels of liberalization still need to be determined and lists of sensitive items finalized, the political, economic, and social costs of dismantling systems of tariffs at borders will result in the reduction of taxes available to governments in the short and medium terms, and should not be underestimated. Though in many cases, consumer prices of certain products will fall, states will look for other means of compensating for the reduction in revenue streams. This is sometimes accommodated by measures including increases in personal income taxes, and the introduction of specialized taxes such as value added tax (VAT), which result in costs to citizens. As trade liberalization progressed in the OECS countries in response to the regional grouping's (CARICOM's) negotiation of PTAs with third countries in the mid 2000s, one of the biggest challenges for governments was to find alternative sources of revenue (in some cases exceeding 50 % of government revenues)[50] without triggering political backlash from voters.

- RECs have varying degrees of capabilities and competences. While some, such as EAC, have done much to deepen integration and remove obstacles to trade within their grouping, others have not been as efficient. This could result in parallel but different tracks and speeds of implementation and the creation of different tiers within AfCFTA, with the potential for bottlenecks in the implementation process, and tensions between member countries, especially among those that want to move faster.

- In addition, the RECs are not all integrated to the same degree. Some are integrated at the level of common market (EAC), others are free trade areas (SADC, COMESA), economic communities (ECOWAS, ECCAS), regional cooperations (IGAD), economic and social unions (CEN-SAD) or free trade areas and customs unions (UMA).[51] While ECOWAS and EAC have achieved a high degree of freedom of movement within their groupings, for others, such as ECCAS, this objective is still to be achieved. For SADC and COMESA, ratification of existing protocols to facilitate free movement is still required.[52]

- Differing levels of technical and institutional capacity will require access to significant external sources of technical support and assistance.

8. Europe's Support for AfCFTA

Europe has been one of Africa's most enthusiastic partners in supporting AfCFTA implementation as a key component of Africa's development. There are several reasons for this. First, Europe wants to put its relationship with Africa on a different footing, go beyond the relationship of the post-colonial era to a partnership of equals. In his State of the Union Address of September 12, 2018, former European Commission President Jean-Claude Junker said, "Africa does not need charity. It needs true and fair

49. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018. https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
50. Author's records as former Director General of the OECS.
51. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018. https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
52. Ibid.

partnership. And we, Europeans need this partnership just as much."[53] He spoke of a new partnership between the "twin continents."[54] In addition, the EU is itself a model of the benefits of integration and is a strong advocate for this in its various partnership agreements.

There is, in addition, the troubling issue of migration. The European refugee crisis of 2015 challenged Europe's capabilities to deal with the major influx of refugees and migrants. Today, Europe is seeing a wave of populism and nativism, and negative perceptions of migrants. Migration has become a fractious political issue—even as Europe continues to age rapidly.[55] Europe is also very conscious of the demographic bulge in the making in Africa and the multiple push factors, including the lack of jobs, armed conflicts, poverty, and the effects of climate change, which combine to drive thousands to seek a better life outside Africa, especially in Europe. On multiple fronts, the EU sees the development of Africa, its closest continental neighbor, as being inextricably linked to Europe's own future political, economic, and social security, and stability.

Together with the WTO/United Nations agency the International Trade Centre, the EU in February 2019 announced the creation of the African Union Trade Observatory, an important institution to improve data on Africa. Funded by an allocation of €4 million from the EU Pan-African Program, the trade observatory will collect and analyze trade data from African countries and regions to support evidence-based policy-making, and to help the monitoring of the implementation and impacts of the AfCFTA.[56] EU support for AfCFTA implementation is an element of its wider Africa-Europe Alliance for Sustainable Investment and Jobs, announced in 2018 by former Commission President Juncker, which included an allocation of €50 million over the period 2018-2020.

The EU works in partnership not only with the International Trade Centre but with other multilateral organizations including the World Customs Union and UNECA, to provide much needed technical support to AfCFTA implementation at several levels, including the national and AU levels.[57] The goal is to boost African "continental integration as well as EU-Africa economic integration."[58]

53. In his State of the Union speech of September 12, 2018, President of the European Commission Jean Claude Juncker proposed a new 'Africa-Europe Alliance for Sustainable Investment and jobs. The Africa-EU Partnership.' EU News. September 12, 2018. State of the Union address. https://www.africa.eu-partnership.org/en/stay-informed/news/european-commission-unveils-new-africa-europe-alliance-sustainable-investmentAt.
54. Jean-Claude Juncker was President of the European Commission from 2014-2019.
55. Len Ishmael. Africa & Europe: Different Demographic Trends. Seeds of a Smart Partnership. Policy Center for the New South. September 2019.
56. EU Press Release. Africa- Europe Alliance: EU supports the new African Union Trade Observatory. February 9, 2019. Https://ec.europa.eu/commission/presscorner/detail/en/IP_19_890.
57. Ibid
58. EC.europa.eu. international cooperation & development. https://ec.europa.eu/europeaid/news-and-events/africa-europe-alliance-eu-supports-african-continental-free-trade-area-eu50-million_en.

9. Conclusion

Implementation of AfCFTA brings with it prospects of freer trade within the continent, and the development of Africa's internal markets. AfCFTA has the potential to generate jobs, lift wages, spur innovation, increase competition, create wealth, generate wider options for consumer choice, and sustain social and economic growth and development across the continent. It represents the aspiration of a continent and its people in keeping with Africa's own vision for itself, enshrined in the AU's Agenda 2063.

The International Trade Centre has identified the business sector as the main beneficiary of a successful FTA in Africa. In its assessment, opportunities and challenges have been identified for the sector resulting from AfCFTA implementation, which is sure to result in both winners and losers. Trade liberalization can lead to lower production costs, enhanced value chains and a wider array of goods and services. However, greater competition can also result in loss of viability for some companies as systems of protection are lifted, and production and demand can move from higher to lower cost centers.[59]

Pan-African organizations such as the Chamber of Commerce and Industry, representing fifty national chambers, have important roles to play in ensuring that the views of the business sector are well integrated into the design and implementation of AfCFTA. But entities such as these need to ensure they are included in the discussions regarding the sector. In a review of the implementation of the Cotonou Partnership Agreement, the business sectors of both Europe and Africa claimed they were insufficiently represented in the design of programs and policies which aimed to put the sector at the heart of the partnership agreement.[60] Given the vital role the business sector must play in Africa's development, it is imperative that the sector acts to ensure that its views are well represented in all decisions and that it has an active role in implementation.

Africa has a high degree of dependency on extractive industries. Progressive policies will be required to ensure that these industries, especially when geared to export markets, are aligned with the development needs and goals of each country. This may require a break with the traditional way of doing business. There is a tendency for companies in Africa, many of which are multinational corporations, to provide their own utility services and infrastructures, a process that invariably leads to the development of enclaves distinct from the surrounding countryside, in terms of the standards and delivery of services and infrastructure provided. These enclaves are quite often not integrated into the wider network of national infrastructure and future planning requirements. Ultimately, such practices constrain opportunities for strengthening infrastructural linkages across countries, and the continent.[61]

While much has been written about China's Belt and Road Initiative (BRI), highlighting some negative consequences associated with its deployment in poor countries, the fact remains that the BRI has played an important role in deepening African integration through the delivery of capital infrastructure

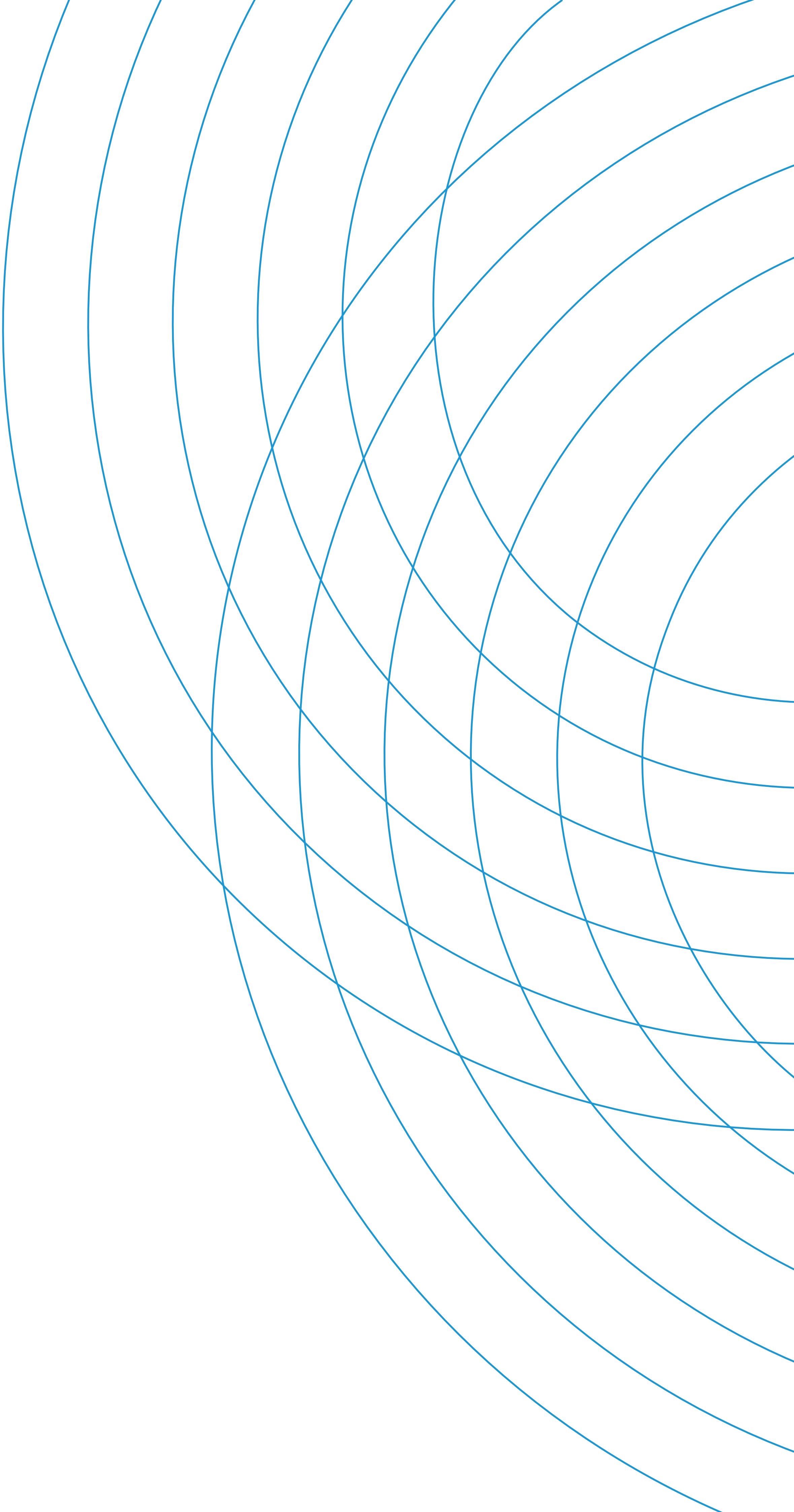
59. International Trade Center. A Business Guide to the African Continental Free Trade Area Agreement. September 2018. https://www.intracen.org/publications/A-Business-Guide-to-the-African-Continental-Free-Trade-Area-Agreement-en/.
60. Len Ishmael EU-Africa Relations Post Cotonou: Carving Space for the Business Sector in the Future Relationship. Konrad Adenauer Stiftung. April 2019.
61. Gozde Isik. Why regional integration is so important for resource-driven diversification in Africa. World Bank Blogs. March 15, 2016. http://blogs.worldbank.org/trade/why-regional-integration-so-important-resource-driven-diversification.

projects. These have enabled landlocked countries to bring their goods to ports, reducing the time and cost of freight, and have helped them integrate into global value chains and open up new areas for development. Over time, infrastructure projects such as these will play an even greater role in Africa's integration and realization of the goals of the AfCFTA.

A tweet from an ECA official participating in a parliamentary symposium on 'UK-Africa Trade and Brexit', at the UK parliament in London, read: "the AfCFTA represents the new Africa—an Africa of Economic Pan-Africanism. We cannot have an Africa that produces the raw materials for renewable energy, but stays in the dark."[62]

There is every reason to be hopeful about Africa's future. While many ingredients are needed to secure positive developments—not least healthy doses of political will and resolve—the AfCFTA successfully implemented can provide the spark that unlocks the promise of the continent's untapped development potential, for the benefit of future generations.

62. Tweeted by Dr. Vera Songwe, ECA Official, at a Parliamentary Symposium on UK-Africa Trade and Brexit. January 21, 2020.



Policy Center for the New South

Complexe Suncity, Immeuble C,
Angle Boulevard Addolb et rue Albortokal,
Hay Riad, Rabat - Maroc.

Email : contact@ocppc.ma
Phone : +212 5 37 27 08 08
Fax : +212 5 37 71 31 54
Website : www.policycenter.ma