



49 Countries Have Agreed to Free Trade Deal

Alexander Hammond

July 12, 2018

More countries are joining in the continental deal expected to remove taxes from up to 90% of the 200 items traded on the continent, making them cheaper for consumers. South Africa, Sierra Leone, Namibia, Lesotho, and Burundi are among the countries that signed the deal during a recent AU meeting in Mauritania bringing the number of countries that have inked the deal to 49.

Africa's revolutionary new free trade area could lift millions out of poverty

In recent months, African nations have been in the process of creating, signing and ratifying the African Continental Free Trade Area (AfCFTA). The agreement is one of the largest trade liberalisation efforts since the founding of the World Trade Organization in 1995.

Last Sunday, at the 31st African Union (AU) Summit in Nouakchott, Mauritania; the total number of AfCFTA's signatories reached 49 out of 55 African Union (AU) member states. So is free trade becoming mainstream in African politics?

If all 55 AU nations ratified the proposed agreement, AfCFTA would create a trading area with 1.2 billion people and a cumulative GDP of \$2.5 trillion. It aims to improve trade within the continent by immediately removing tariffs on 90 per cent of goods, with the remaining 10 per cent of tariffs on "sensitive goods" phasing out over time.

Being able to trade freely with one's neighbours is vital for economic growth. In 2016, just 18 per cent of Africa's total exports were traded within the African continent. In Europe and Asia, intra-regional trade accounted for 69 per cent and 59 per cent of total exports respectively.

Under the AfCFTA, the UN Economic Commission on Africa estimates, intra-African trade could increase 52.3 per cent by 2022. It could double again, after the final 10 per cent of tariffs are removed. If adopted, the AfCFTA has the potential to revolutionise African trade and add billions to the continent's GDP.

Quality of government could also improve through competition to create welcoming and stable business environments.

For the AfCFTA to be implemented, 22 countries must ratify the agreement. So far, six have done so. Unfortunately, prior to last weekend, the AfCFTA did not have the support of the continent's two richest nations. Whilst Nigeria remains reluctant to cooperate, South Africa, the continent's largest economy, has finally signed the agreement.

Admittedly, the AU has a long history of failed promises and meaningless acts. If AfCTFA succeeds, it will signify an important shift away from the socialist policies of Africa's past. As Professor George Ayittey, the president of the Free Africa Foundation, explains:

“Most African nations took the socialist route after independence... In many places in Africa, capitalism was identified with colonialism, and since the latter was evil and exploitative, so too was the former. Socialism, the antithesis of capitalism, was advocated as the only road to Africa's prosperity... and in its wake followed economic atrophy, repression and dictatorship.”

Africa's socialist experience started in Ghana, the first African colony to gain independence in 1957. Kwame Nkrumah, the man many consider to be the “Father of African socialism”, pursued “complete ownership of the economy by the state”. Nkrumah encouraged Africans to “not rest content until we demolish this miserable structure of colonialism and erect in its place veritable paradise”.

Ahmed Sekou Touré of Guinea in 1958, Modibo Keita of Mali and Leopold Sedar Senghor of Senegal in 1960, Kenneth Kaunda of Zambia in 1964 and Agostinho Neto of Angola in 1975 were just some of the leaders who followed Nkrumah's example.

“Predictably, in one country after another, economic ruin, dictatorship and oppression followed with deadly consistency... In Africa, socialism was implemented through the one-party state apparatus. The state would own everything and direct economic activity,” explains Ayittey.

Compare Africa's past with its present. The AfCTFA is championed by Paul Kagame, the AU's Chairman and President of Rwanda. Kagame describes himself as an avid free-trader and a disciple of Lee Kuan Yew, the first leader of the independent free-trading nation of Singapore. He is not alone: Mahamadou Issoufou, the President of Niger, noted that mobilising his peers to sign the agreement was easy as “most leaders already wanted to create a free-trade area in Africa”. The AfCTFA will mean “more integration (and) more growth for the whole continent,” Issoufou has declared.

Beyond the AfCFTA, overall trends across the continent indicate shifting attitudes towards free enterprise.

As Marian L. Tupy of the Cato Institute notes, “Africa's love affair with socialism persisted until the 1990s, when, at long last, Africa started to reintegrate into the global economy”. According to the Economic Freedom of World report, Africa's economy is becoming freer – its economic freedom score is now equal to the world average in 1996.

Tupy continues: “Trade relations with the rest of the world were somewhat liberalised (after 1990), and African nations started to deregulate their economies, thus climbing up the rankings in the World Bank's Ease of Doing Business report.”

Despite this trend towards liberalisation, many African nations continue to be rife with corruption, ruled by dictators and face persistent poverty. But the AfCTFA and the desire of 49 nations to pursue intra-African free trade is a symbol that attitudes in what was once described as “The Hopeless Continent” are changing.

From socialist dictatorships to free trade, the prospects for African growth are looking better than ever. Let's hope this deal adds billions of dollars to the continent's economy, lifting millions out of poverty.