Africa Integration and Trade: Appraising the Continental Free Trade Zone and Protectionist policies

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Introduction

The quest for Africa's political, social and economic integration has always been a priority agenda of the emancipation of the continent from colonial and other forms of domination. Some, however, argue that economic integration as a process was actually mulled by Britain's master colonization agent, Cecil Rhodes who, more than 100 years ago, had a dream to build both a road and a railway from the Cape to Cairo.

It is not the intention and neither is the scope of this paper to retrace that historical path but rather to look at efforts and the measures taken by independent Africa to move more and more towards continental integration as well as the challenges in the way. Indeed, Africa is able today to talk about integration only because of the great sacrifice of the founding fathers who risked personal freedom and liberty to ensure the continent was liberated from the chains of colonialism.

Against all odds, Ghana's Dr. Kwame Nkrumah urged his people to "seek ye first the political kingdom and all else shall be added unto you." He was also the first to float the idea of a "united African government" in order to give the continent more strength and clout in the global arena. Speaking long before Tanganyika (now Tanzania) became independent, Mwalimu Julius Nyerere had this to say.

"We, the people of Tanganyika would like to light a candle and put it on the top of Mount Kilimanjaro which would shine beyond our borders giving hope where there was despair, love where there was hate and dignity where there was before only humiliation." When Mwalimu made that statement in the Legislative Council two years before Tanganyika became independent on December 9, 1961, there were only nine independent African countries. They were Ethiopia, Egypt, Ghana, Guinea, Liberia, Libya, Morocco, Sudan and Tunisia.

The rest of the continent was still under colonial rule with the more entrenched white minority racist regimes of southern Africa vowing to never ever let majority rule see the light of day in their respective countries. We are gathered here today proud and breathing the air of freedom in all Africa, save for The Sahrawi Arab Republic, a conflict that I believe lawyers can help resolve. We are also meeting in one of Africa's most illustrious nations and symbol of our collective strength and heritage. But, perhaps more than any other, this country too has gone through an extremely tortured past, which is both an object lesson and living history on the challenges of integrating independent Africa.

We have a saying back home that whenever you see ships floating at sea, then you should know that they did not simply issue from the bottom of the oceans but were built. Independent Africa is only slightly over half a century old. However, in that rather short and brief period, the continent has made commendable strides as to stand out tall and proud in the global comity of nations.

But it has done so by navigating through rough seas and hostile environment that threatened to undermine the infant gains that the people as a whole had toiled so had to garner. Africa aspired for integration at a time of heightened East-West rivalry, the so called Cold War between the communist east led by the then Union of Soviet Socialist Republic on the one hand and the capitalist west led by the United States.

There were also the upheavals in commodity prices, especially the oil price hikes of the early 1970s and more recently, the global meltdown of the financial markets. All those shocks on trade and production played out mainly in the more advanced nations of the world but it was the more vulnerable economies of Africa that bore the brunt of their global impact.

Also, the world currently lives through a period of global warming that threatens the very survival of our planet. Again, Africa has almost negligible contribution to carbon dioxide emissions that cause climate change. However, it is Africa again that bears the burden of environmental disruption. I believe we are all witnesses to distorted rainfall patterns in our respective areas upon which all economic activities depend.

Thus, perhaps more than any other period in memorable history, the world lives through very challenging times. The richer nations are getting richer and richer, often damaging the environment along the way and completely ignoring the interests and plight of the poor. As Africa's lawyers, you have both a moral obligation and professional duty to see to it that Africa does not emerge from all this seemingly hopeless scenario with a raw deal.

1. Africa's Trade and Consumption

Africa remains highly marginalized in global trade and consumption due to a number of factors including overdependence for exports on primary commodities, lack of industrialisation, poor infrastructure and a proliferation of small economies that do not allow for competitiveness.

The continent has a population of 1.1 billion people and a combined Gross Domestic Product (GDP) of dollars 3.3 trillion only (2013 Figures), which is about the combined wealth of some four small European countries. Historically, Africa traded more with Western Europe due to the continent's colonial past. For years, this relationship was lopsided and remains largely so due to a number of factors including the inability and incapacity to negotiate better trade terms in a world that never forgives the novice or be sympathetic to the incompetent.

Mwalimu Nyerere once explained that relationship aptly as Africa was the only continent that bought its imports according to prices set by the sellers and sold its exports on terms dictated by the buyers. Due to the fact that most countries produced similar primary commodities for export, there was very little intraregional trade save for cross border services for the continent's more than a dozen landlocked countries.

The continent's share of global trade has continued to decline steadily from about 8.8 per cent in 1948 to about three per cent only in 2010. Paradoxically too, revenue from exports has also continued to decline despite higher volumes in exports. That happened at a time of high population growth and more pressures on governments to provide education, health services, improved infrastructure, safety and security of their respective countries.

In most African countries too agriculture employed up to 70 per cent of the labour force but that figure according to various studies has now dropped to about 20 per cent only creating even bigger pressures on the national food basket of many countries and the all near pandemic problem now of unemployment especially among the youth. Kenya could be a good example. It is often cited as the strongest economy in East Africa but it is currently a food basket case despite the relatively higher level of industrialization and an expanding services sector, which together have pulled the productive workforce away from agriculture.

There is currently a lot of talk in Africa about industrialization as the only and appropriate way to add value to primary commodities and for import substitution. However, generation of sufficient electricity to run factories is a major challenge. Tanzania, for instance has installed capacity for 1,358 Megawatts (MW) to serve a population of 51 million people. However, some of the plants run at less than half their capacity. Generally, power generation meets less than 15 per cent of annual demand while more than 70 per cent of the population remains unconnected to the national Grid.

Yet of the six member countries of the East African Community (EAC), Tanzania has the highest economic growth rate at 7.2 per cent per annum while Kenya's economy grows at only 6.0 per cent. In order to become an industrialised country, Tanzania plans to increase power generation to 10,000 MW by 2025, largely by tapping its huge hydroelectric potential.

Since the trade liberalization policies of the mid 1980s, there has also been notable growth in the min-grid and off grid subsectors especially wind, gas and coal fired generators, which are viewed as the solution for supplying power to at least half of the population. Arguably, Tanzania has one of the best rural electrification initiatives in Africa under the Rural Electrification Agency (REA), which also encourages the construction of under 10 MW projects as the most cost effective way to light up the country.

At least parts of western Tanzania get power from Uganda while some southern Uganda villages also get power from Tanzania, depending on the most cost effective way to do so without being hampered by national borders.

2. **Nigeria becomes Africa's largest economy.**

In 2013, Nigeria became Africa's largest economy ahead of South Africa after it recalculated its data to include earnings from telecommunication and films sectors. The country's GDP shot to dollars 503bn well ahead of South Africa at around dollars 350bn. Egypt on the other hand, has a GDP of around dollars 331bn/-. In other words, what these figures mean is that three countries, Nigeria, South Africa and Egypt account for nearly a third of Africa's total production of goods and services, leaving the other 51 countries to share the remaining about dollars 2.3 trillion at various degrees of efficiency and competitiveness.

I think the Seychelles is Africa's smallest country both by population and size. The tiny Indian Ocean Island nation has a population of only 92,000 people compared to oil-rich Nigeria, which has more than 200 million people. The Seychelles, which is a member of the Southern Africa Development Community (SADC) relies mostly on tourism. The country has a GDP of around dollars 1.5 bn, which gives it a per capita GDP of around dollars 16,000.

Nigeria on the other hand, has a per capita GDP of only around dollars 3,000. Setting income inequalities aside, it would appear that an average citizen of the Seychelles is richer than an average Nigerian. It is that kind of data that makes doing business with any country in Africa potentially viable. Nigeria has a bigger population but the Seychelles has bigger per capita purchasing power.

Nigeria's business volume and therefore its overall economy, is larger than that of Argentina, Austria, and fellow oil producer, Iran. Nigeria's trade volume equals that of

Poland and former colonial master of the Congo, Belgium. Looking at Nigeria's data on sectoral contribution to GDP almost underpins Africa's problem. God created Africa technically as a very big peninsula but fishing hardly features as a major business undertaking for most countries. According to 2013 data, fishing contributed only 0.46 per cent to GDP. I believe Nigeria has very rich fishing waters but the fish do not contribute much to the country's wealth or nutritional status. It is the same story even for my country, Tanzania and both our coastal neighbours, Kenya and Mozambique.

There has been notable overall contribution of the industrial sector to GDP in Nigeria but a sector by sector review produces very thought provoking scenarios. Even in oil rich Nigeria, Agriculture is still the backbone of the economy, contributing almost 22 per cent to GDP compared to the oil sector's 14 per cent.

But, the textiles, garments and footwear subsector contributes a paltry 0.47 per cent only to GDP. However, the livestock sub-sector contributes 1.75 per cent to GDP. The inference from those figures is that either Nigeria's hides and skins are thrown away to rot or are exported raw to countries like Spain where they are processed and cut into trendy leather jackets, which are again re-exported to the country to be won largely by the youth as the most fashionable wear!

Africa needs to get out of the colonial box and start playing the world stage. In 1949, Japan was not an industrialised country but emerging from the ashes of World War ll, the Japanese embarked on a rapid industrialisation programme that saw the country industrialised in just short 15 years, contrary to Western assessment that the country would need 50 years to become an industrial nation.

Japanese industrialisation and foreign trade had a clear pattern. In the 1960s, the Japanese exported textiles, steel in the 1970s, automobiles in the 1980s and electronics in the 1990s. Part of the problem with Africa's trade is that it has failed to evolve from the purposes set by colonialists to turn Africans into primary producers of raw materials for their industrial needs.

3. African integration

There is an underlying view in Africa that national boundaries are artificial and Africans are one. Yet, the people live with the reality of the many nation states and the boundaries that divide them into sovereign states that lock out "foreigners" even if it is members of the same ethnic community or even the same family.

Economic imperatives aside, integration in Africa is a hot political issue, which is both embraced but at times shunned because of the powers inherent in every country for self-determination and protection of national interests. As mentioned above, Dr. Nkrumah had wanted a United States of Africa "now" while Mwalimu Nyerere was ready to delay the independence of Tanganyika so that the then three East African countries, Kenya, Uganda and Tanganyika could negotiate independence as one country.

Mwalimu's idea was given a cold shoulder in both Kenya and Uganda and the three countries pursued independence separately. Nyerere had reasoned that it would be very difficult to unite the three countries at a later stage after independence than if they became independent as one country. No doubt time has proved him right.

Somehow, the idea of a united Africa never died and it provided the rationale for the adoption of the Lagos Plan of Action (LPA) by the Heads of State of the then Organisation of African Unity (OAU) in April 1980. The document was also keenly supported by the United Nations Economic Commission for Africa (ECA).

The LPA was followed by the Abuja Treaty in 1991 that emphasized solidarity, self-reliance and embarking on an industrialisation road for import substitution. ECA supported the division of the continent into three major integration areas under the Economic Community for West African States (ECOWAS) for West Africa, The Preferential Trade Area (PTA) covering East and Southern Africa and the Economic Community of Central African States (ECCAS).

PTA later became the Common Market for East and Southern Africa (COMESA), largely with overlapping membership by East African Community (EAC) countries and the Southern Africa Development Community (SADC) states.

The Arab Maghreb Union (AMU) joined in 1989 and thus completed the integration plan by regions, which would later form the African Economic Community (AEC). However, progress was very slow.

At a meeting on June 10, 2015, in Egypt some 27 countries, several with overlapping membership in COMESA, SADC and EAC signed an agreement to establish a Tripartite Free Trade Area (TFTA). Five days later at an African Union (AU) Summit in Johannesburg, South Africa, negotiations were launched to create an African Continental Free Trade Area (CFTA) by 2017 to include all the 54 members of the African Union (AU).

Africa has opted for the linear integration model starting with a customs union, a common market, monetary union and eventually political federation. So far, the EAC appears to be the most vibrant. It has both a customs union and a common market but appears to have stonewalled on the touchier issue of a common currency, the one stage before political union.

4. Protectionist Policies

Protectionist policies are measures aimed at restraining trade between countries in order to protect the producers of an importing country from foreign competitors. They are usually in the form of tariffs but even where these are harmonised, there could still be Non-Tariff Barriers (NTBs) to discourage free trade.

At some point, Kenya and Tanzania became notorious for NTBs even though they had signed protocols for a customs union and common market. Those included Traffic Police road blocks, deliberate delays in cross border procedures and failure to convey for export goods from one country deemed to offer undue competition to similar businesses in a partner country.

A case in point was the export flowers business. Tanzanian truckers using Nairobi International Airport to ship flowers to markets in Europe reported a number of official activities intended to frustrate them from accessing their markets because Kenya too has a lucrative flower export business which Tanzanian producers were deemed to encroach on.

Matters were finally ironed out but the damage had already been done. Mutual mistrust became entrenched again despite the intention by the EAC member states to integrate their economies. Tanzania also locked out imports of toilet paper from Kenya because as the government said, the tissues did not meet the criteria for the strict rules of origin.

Apparently, Kenya had bought cheap toilet paper from China and wanted to re-export to Tanzania to capitalise on the common market in violation, according to officials in Dar es Salaam, of the rules of origin, which require exports to have substantial local input from the partner state.

There are many protectionist measures, including but not limited to import quotas and standards and safety regulations clearly intended to protect the home market.

5. Conclusion

Africa has been rather over ambitious in its integration agenda, something that has made some of the goals and targets to appear unrealistic. Granted, no country wants to end up with a raw deal. However, there is need for the continent to re-examine critically its position and come up with a more home grown model for its integration that guarantees a win-win scenario. Industrialisation per se will not see the end of poverty without the continent investing also in its human resource to ensure indigenous ownership of technologies and world class competence to handle imported know-how.

A major shortcoming in the integration agenda so far has been a feeling of a lack of ownership of the whole process by the people. The EAC touts “people-centred” co-operation but if you ask even those expected to know what they know about the community, few can hazard an informed answer. Integration is the very foundation of economic liberation. And, like the way the people were mobilised to unite during the liberation struggle, it should be the same way also for the new wave for economic liberation.

I end my presentation with a challenge to all of us here gathered to continue the debate rather than consider it done with.

Thank you very much for lending me your attention.