2. The AfCFTA and regional trade

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Trade is central to Africa's development but it underperforms, mainly because of what Africa trades and the inherent limitations of commodity concentration. However, in the relative diversification of intra-African trade can be found some promising green shoots that point to a viable route for realising Africa's aspirations towards industrialisation and economic transformation. Trade policy has been described as the principal driver of the vehicle that can be used to travel along this route. Africa's regional economic communities (RECs) are the uncelebrated heroes of the effort to establish and utilise common arrangements for cross-border trade and related regional initiatives to overcome mutual supply-side constraints. Changing metaphors, if this book were a camera, it would employ its zoom lens to begin by focusing in on regional topics close to home, including the status of the African Continental Free Trade Area (AfCFTA) and the RECs before scanning out to consider other trade relationships. Accordingly, this chapter begins with a focus on the AfCFTA before turning the spotlight on the intriguing role of the RECs as enablers of Africa's integration, not only in relation to trade but through ambitious regional plans and policies that encompass energy, infrastructure, transport corridors and sectoral value chains.

2.1 Why has the AfCFTA assumed such importance in African trade policy?

The AfCFTA has succeeded in crafting an explanatory narrative that is strong and communicable. It can be seen repeatedly in the words chosen by heads of state, ministers and negotiators, and representatives of the African Union, whenever they speak on the subject. Rarely does such a speech fail to reference the size of the AfCFTA marketplace (around 1.3 billion people with a combined GDP of around $3 trillion, depending on sources). This is seen as a vehicle for 'creating a market large enough to attract investors from across the world' and reflecting the importance of 'industrial value in Africa', in the

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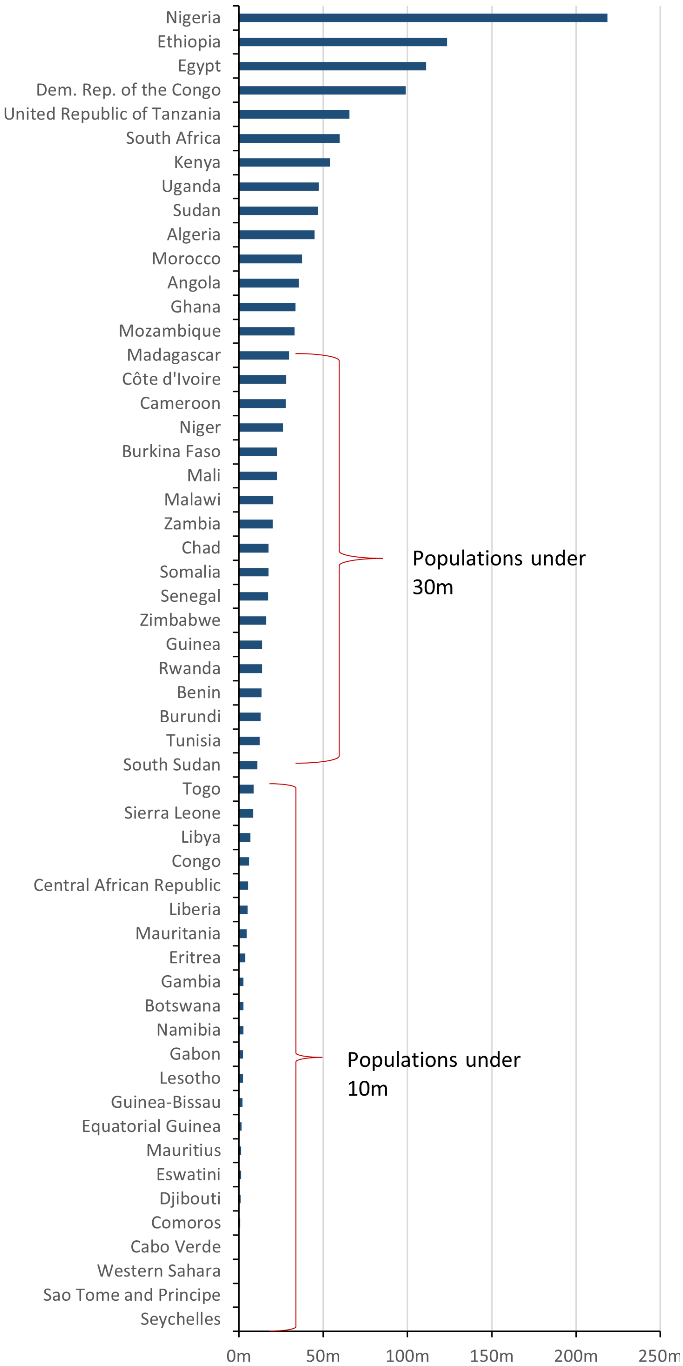
words of South African President Ramaphosa at the opening session of the 2021 Intra-Africa Trade Fair. 'A large part of the growth and prosperity that we seek on the continent will come from us trading more among ourselves', according to Ghana President Nana Akufo-Addo, in his address at the commissioning of the AfCFTA Secretariat in August 2020.

The policy rationale behind the AfCFTA project might be thought to have five core parts. The first of these is that the AfCFTA represents a large and attractive marketplace. Most individual African countries are small (Figure 2.1). Twenty-two have populations under 10 million and a further 22 have populations under 30 million. The annual GDP of the median African country is just $16 billion, roughly equivalent to the output of a British city like Bristol. To the extent that it reflects a consolidated market, the AfCFTA by comparison comprises 1.3 billion people and an annual output of $3 trillion, like India and equivalent to about the seventh or eighth largest economy in the world. The enormous size of the collective African market is seen to be valuable in attracting investors and achieving competitive economies of scale. While large today, what is perhaps more enticing is how the African marketplace is expected to grow further. This is the second part of the rationale. In his statement at the July 2019 summit of the AU, which launched the operational phase of the AfCFTA, AU Commission Chairperson Moussa Faki Mahamat reminded heads of state that 'the growth of the African economy should be twice as fast as that of the developed world'. Ten of the top 20 fasting growing economies are expected to be African in 2023, according to IMF estimates as of April 2022. Over the longer term, the African population is expected to grow to 2.75 billion by 2060, with an increasing middle-class market and a combined annual output of $16 trillion (Figure 2.2).

The third part of the AfCFTA rationale is its perceived potential to contribute to the long-overdue industrialisation and economic diversification of African countries. Many economic policymakers see manufacturing-based industrialisation as a critical step in their countries' development, and as a means of reducing their dependencies on primary commodities. Yet trade outside the continent – dominated by primary products like fuels and metals – has struggled to drive such industrialisation. Conversely, the intra-African trade that would be stimulated by the AfCFTA is seen as a more conducive vehicle for industrialisation. It comprises a far greater share of manufactures, as well as agricultural goods (Figure 2.3), and embodies a higher technology content (Saygili, Peters and Knebel 2018). While only 20 per cent of Africa's exports outside the continent are manufactured goods, 45 per cent of trade within the continent, between African countries, comprise manufactured goods.

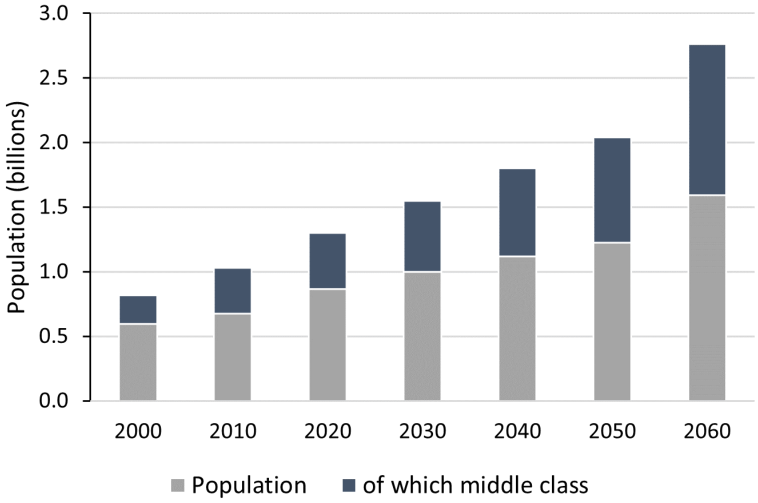
Attempts to model the expected impact of the AfCFTA by the World Bank (2020), IMF (Abrego 2019), UNECA (2021) and UNCTAD (2017) all expect Africa's manufacturing sector to be a major beneficiary. The World Bank (2020) estimated manufacturing output to rise by $56 billion, compared to a $17 billion increase for the natural resources sector (though less than an anticipated $147 billion increase in services). The IMF (2019) forecast that '60 percent of the increase in overall income comes from higher manufacturing

Figure 2.1: A giant fragmented market: African countries by population



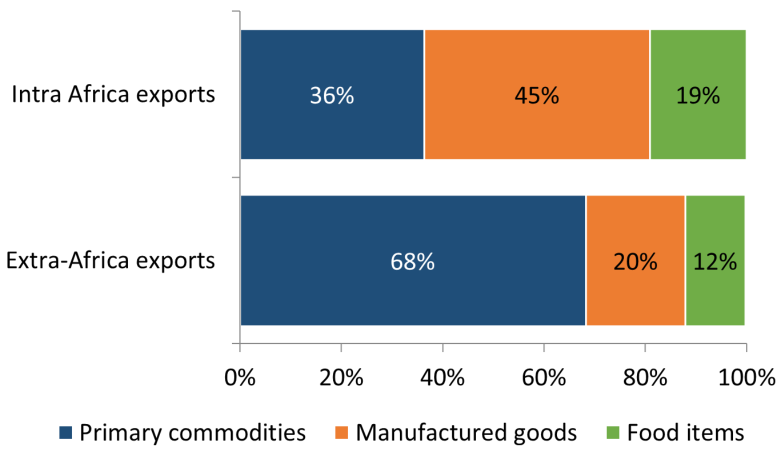
Source: Authors' calculations based on UN Department of Economics and Social Affairs (2019).

Figure 2.2: A growing, and maturing, market: African population and middle-class share, 2000–2060



Source: AfDB (2011).

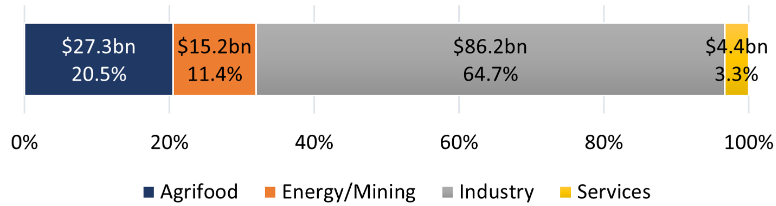
Figure 2.3: Exports within the continent are more conducive to development: intra- and extra-African exports, composition, 2018–2020



Source: Authors' calculations based on UNCTAD (2022).[1]

output'. The Economic Commission for Africa (ECA 2021) found that 'approximately two-thirds of the intra-African trade gains would be realized in the manufacturing sector' (Figure 2.4), while UNCTAD (2017) reported that 'the largest employment growth rates are found in manufacturing industry'. This is a significant finding in view of the demographic pressure for jobs.

Figure 2.4: Industry to gain most: distribution of absolute gains in intra-African trade, by main sectors, with AfCFTA, implemented as compared to baseline (i.e. without AfCFTA) – US$ billions and % – 2045



Source: ECA and the Centre for International Research and Economic Modelling (CIREM) of the Centre d'Etudes Prospectives et d'Information Internationales (CEPII) calculations based on MIRAGE CGE model, as cited in ECA (2021).[2]

Table 2.1: The importance of looking beyond tariffs: AfCFTA benefits by impact channels in different models (percentages)

	World Bank (real income)	IMF (welfare)
Tariffs	0.22%	0.07%
Tariffs + NTBs	2.4%	2.6%
Tariffs + NTBs + trade facilitation	7%	

Source: Extracted from World Bank (2020) and IMF (2019).

The fourth part of the rationale for the AfCFTA speaks to its form. The AfCFTA is a deep trade agreement, extending beyond merely tariff reductions that might amount to a traditional free trade agreement. Instead, the AfCFTA includes provisions on trade facilitation, non-tariff barriers, trade in services, and behind-the-border regulatory issues such as competition policy, investment and intellectual property rights.

While the average tariff encountered on intra-African exports amounts to about 6.1 per cent, the ad valorem equivalent for non-tariff barriers is much larger, at an estimated 14.3 per cent (ECA, UNCTAD, AUC and AfDB 2019). It is unsurprising, therefore, that most of the models that estimate the impact of the AfCFTA attribute relatively more importance to trade facilitation and addressing non-tariff barriers than to tariff reductions. The World Bank (2020) expects the combined effect of a reduction in tariffs and non-tariff barriers to amount to more than 10 times the increase in real income that would be expected by a reduction in tariffs alone. Approaching the question in a different way methodologically, the IMF (2019) estimates the effect of reducing tariffs and non-tariff barriers to be 37 times the increase in welfare that would result from a reduction in tariffs alone (Table 2.1). Not all aspects of the AfCFTA can be easily or reliably modelled. Yet, as the modelled estimates suggest, the agreement is about far more than a reduction in tariffs. While some of the issues that extend beyond tariffs may take longer to negotiate and implement, dealing with them amounts to core parts of the AfCFTA offering.

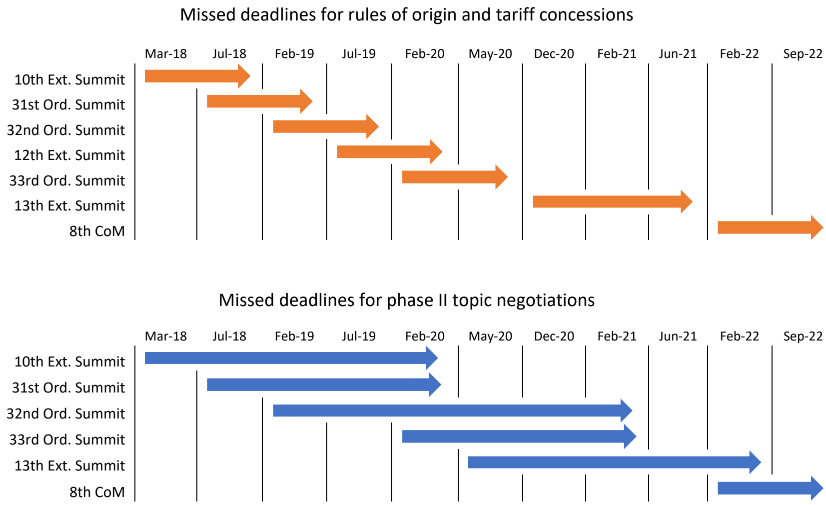
The fifth and final part of the rationale for the AfCFTA is that it can be a tool for cohering Africa trade policy. As the economic significance of the African continent has grown, third parties have increasingly looked to formalise their economic engagements with African countries through trade and other arrangements. Notable examples include the EU's economic partnership agreements, the United States' bilateral negotiations with Kenya, and a free trade agreement between Mauritius and China and Mauritius and India. To use the language of the AU's Agenda 2063, in pursuit of 'the Africa we want', it is argued that Africa can achieve more if it will 'speak with one voice and act collectively to promote our common interests and positions in the international arena'. With a single voice, Africa has the economic heft and pooled technical capacities to negotiate trade deals better than individual countries alone can. An example can be drawn from the ASEAN group of 10 Southeast Asian countries. As a group, it found itself more attractive to partners seeking trade agreements, providing the impetus for negotiating various ASEAN+1 agreements (Mikic and Shang 2019). The consolidated economic size of a country grouping in negotiations makes it more attractive to partners, giving it clout with which to press for more preferential negotiated outcomes.

AfCFTA: failure to launch?

For several years since its inception in 2018, AfCFTA has been stuck somewhat between the 'negotiations' and 'implementation' phases of the trade policy cycle (Figure 2.5). At several points, AU summits have celebrated the *near* completion of the AfCFTA, yet effective implementation has been elusive. In March 2018, African leaders from 44 countries signed the Agreement Establishing the African Continental Free Trade Area and declared the 'launch' of the AfCFTA at the 10th Extraordinary Session of the AU Summit. In May 2019, the threshold of 22 depositions of ratification of the AfCFTA was reached, allowing the agreement to 'enter into force', followed by a 12th Extraordinary Session of the AU Summit, which launched the 'operational phase' of the AfCFTA in July 2019, while a 13th Extraordinary Session held virtually in Johannesburg in December 2020 announced that the 'commencement of trading' under the AfCFTA would start in January 2021.

Despite a small number of publicity consignments aligned with the formal commencement of trading (Kwofi 2021), trade under the AfCFTA has yet to start substantively (as of early 2023). Negotiators repeatedly failed to keep apace, and live up to, the timelines aspired to by their leaders. The culprit blocking the finalisation of the negotiations, and the effective commencement of trading under the AfCFTA, has been the long-delayed conclusion of a small number of vital technical components of the agreement. The main blockage has been the rules of origin. In the March 2018 summit that launched the AfCFTA, a deadline was given to conclude the remaining unfinished rules of

Figure 2.5: Missed deadlines: is the AfCFTA stuck between negotiations and implementation?



origin within a 'built-in agenda' by the next AU summit in July 2018. Consecutive AU summits granted six-month extensions to this deadline (or those for the submission of tariff schedules of concessions that depended upon the rules of origin) until May 2020, at which point the focus of the continent was on Covid-19. The December 2020 summit, which announced the commencement of trading under the AfCFTA, further reissued another six-month deadline for the finalisation of the rules of origin by May 2021, which was again missed. In February 2022, the AfCFTA Council of Ministers granted another deadline extension – the seventh in four years – until September 2022 for the conclusion of the rules of origin.

Given the persistence of delays to finalise the remaining rules of origin, efforts have been made to circumvent them. The December 2020 AU summit, which intended to launch the start of trading under the AfCFTA, aimed to do so based on only the 'agreed rules of origin' at the time, which amounted to around 81 per cent of tariff lines. The February 2022 AU summit reiterated that decision, endorsing the 'Provisional Application of Rules of Origin'. But this circumvention approach – to move ahead with implementation with incomplete rules of origin – makes it difficult for countries to submit tariff offers that comply fully with the modalities for tariff liberalisation that require countries to liberalise 90 per cent of tariff lines. Negotiators are hesitant to submit schedules for tariff lines for which they do not yet know the rules of origin that will govern all the products covered by those offers.

It is mainly for this reason that only 29 countries, as of December 2022, had been able to submit tariff offers that complied fully with the modalities for tariff liberalisation. The relatively low number of tariff offers implied that many countries had been hesitant to commit fully in the absence of clarity on what the rules of origin would entail for the remaining products. In turn, the 29 countries that had submitted compliant tariff offers at that point were hesitant to progress towards the implementation of those offers until they were matched by the remaining countries. At least some of the countries that were yet to ratify the AfCFTA Agreement were hesitant to do so until they knew the concluded rules of origin. As policy attention remained on these technical components of the phase I negotiations, the focus shifted during 2022 to the phase II negotiating issues. By the end of the year, protocols on intellectual property rights, investment and competition policy were in the final stages of completion.

Why have these rules of origin issues proven so problematic to conclude? The breadth of pre-existing rules of origin governing intra-African trade within different regional economic communities already varied considerably prior to the commencement of the AfCFTA negotiations, indicating a divergence in 'starting positions'. In 2018, negotiators also opted to negotiate product-specific rules of origin rather than general ones. Such specific rules were always going to prove more 'time consuming to negotiate, potentially adding several years to the time taken to negotiate the [Af]CFTA]' (ECA, AUC and AfDB 2017). Negotiators also decided against the approach of using 'temporary' general rules of origin until more detailed product-specific rules could be determined, as would have followed the approach used in the negotiations for the Greater Arab Free Trade Area that involved several North African countries that were also negotiating the AfCFTA. In theory, 'hybrid' transitional rules of origin were permitted in the language of the agreement (Protocol on Trade in Goods, Annex II, Article 42I), though they were never substantively operationalised in practice.

Negotiators knew of the complexity and time-consuming process required to negotiate product-specific rules of origin. They would also have been aware that such rules can be more protective and complex to implement. Many would have decided that these costs were outweighed by the opportunity for greater nuance in designing rules that would cover particularly sensitive products. In many instances, we can identify exactly where these sensitivities have been by where the rules of origin negotiations have dragged on longest. Negotiations have persisted over specific rules of origin for a notably small number of highly sensitive sectors, including textiles and apparel, automobiles, sugar and edible oils. Tariffs on these products tend to be higher (Gourdon et al 2021), meaning that there is more that negotiators may be sensitive about protecting. Even with product-specific rules of origin, the sensitivity of these sectors has made compromise difficult. Negotiators, struggling to make concessions in these areas, have instead erred towards brinkmanship – holding fast to entrenched positions. Yet the risk of this approach, as shown in Figure 2.5, has been continual slippages in implementation, and the erosion of the momentum behind the AfCFTA.

Unlocking regional leadership could offer a solution. In their regional economic communities, economic powers such as Kenya and South Africa liberalised more rapidly or fully than their neighbours, emphasising their leadership roles and corresponding responsibilities. For instance, Kenya immediately allowed duty-free imports into its market from its neighbours when the East African Community customs union was established in 2005, while permitting its own exports to be progressively liberalised over a longer five-year period. If Africa's regional powers could again show greater leadership, creativity and ultimately compromise in realising the start of trade under the AfCFTA, it could help to generate the momentum needed to get trade flowing across and transforming the continent.

Eventually, even once the rules of origin and the tariff schedules are concluded, countries will also need to take practical steps to put the agreement into operation within their customs administrations, including through the gazetting of new tariff structures, notification of specimen stamps and signatures, and in some instances training for customs officers. The AfCFTA Secretariat is aware of the gatekeeper role played by Africa's customs administrations and has hosted several meetings of the heads of customs authorities across the state parties to the AfCFTA. These have sought to identify bottlenecks and solutions to the practical start of trading under the AfCFTA. The World Customs Organization was supporting through the provision of technical support for the digitalisation of the new AfCFTA tariff schedules to enhance transparency and the accessibility of economic operators.

Agenda-shifting to create pockets of progress

In lieu of progress in concluding the remaining technical aspects of the AfCFTA negotiations, a well of pressure has spilled over into other areas where advancements with the AfCFTA can be made. First, attention has turned to institution-building. Principally, this has included the establishment of the AfCFTA Secretariat as the central institution driving the AfCFTA, as envisaged by Article 13 of the Agreement Establishing the AfCFTA. In February 2020, Wamkele Mene, the former chief AfCFTA negotiator of South Africa, was appointed as the secretary-general of the AfCFTA Secretariat by the 33rd Ordinary Session of the Assembly of the Heads of States and Government of the African Union. The AfCFTA Secretariat building was officially opened in Accra, Ghana, in August 2020. As of early 2022, reportedly 60 per cent of the 31 positions comprising the first phase of recruitments at the AfCFTA Secretariat had been filled. A second phase of recruitment aims to bring the staff complement of the Secretariat to 296 at an estimated staff annual cost of $29 million.

Institution-building has also entailed the creation of a committee structure for implementation – and continued negotiations, where relevant. Each protocol under the AfCFTA has had a committee established for it. There is, for instance, a committee for trade in goods and for trade in services. Under each committee have been established sub-committees governing the annexes of the protocols. Under the committee on trade in goods, sub-committees exist covering trade facilitation, customs cooperation, trade transit, non-tariff barriers, technical barriers to trade and rules of origin. Typically, such sub-committees identify work programmes to implement the commitments relevant to them under the AfCFTA. The sub-committee on non-tariff barriers, for instance, has set out a work programme involving capacity-building, promotion of the online non-tariff barrier mechanism, and facilitation of the resolution of reported non-tariff barriers.

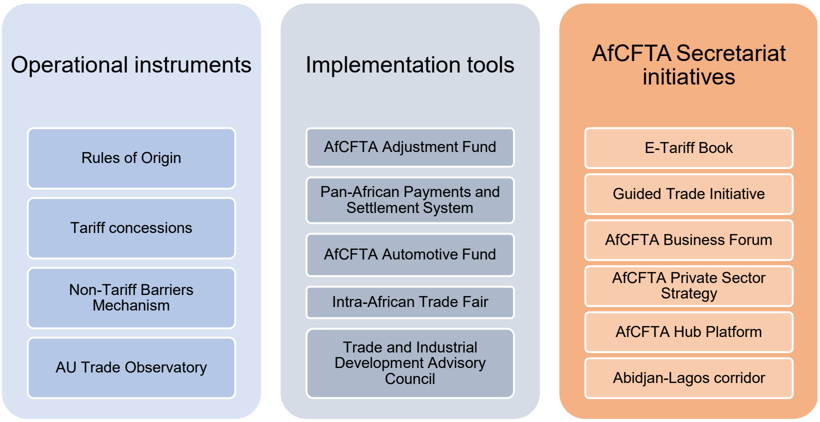
One area of AfCFTA institution-building to have received a large amount of effort has been the creation of the AfCFTA dispute settlement body. Five meetings of the dispute settlement body were held between April 2021 and February 2022. For comparison, in this period, the committee on trade in goods met just four times. These dispute settlement committee meetings focused on constituting the dispute settlement mechanism and its Appellate Body. This would suggest that there is an appetite from negotiators to establish the AfCFTA as a relatively strict rules-based system, in contrast to experiences at the regional level that have often involved more ad hoc derogations and dispensations negotiated between ministers (ECA, AUC and AfDB 2017).

The second area of agenda-shifting has been in the creation of new areas of the negotiations. There are two major new areas of the negotiations that were not previously envisaged at the launch of the AfCFTA negotiations. The first of these followed the decision by the AU heads of state and government at their assembly in February 2020 to create a mandate for negotiations on e-commerce. A subsequent decision in January 2021 endorsed the (missed) deadline of December 2021 for the conclusion of those negotiations, effectively bringing the negotiations on e-commerce alongside the timeline for the other phase II negotiations on competition policy, intellectual property rights and investment. In April 2021, the AfCFTA Secretariat announced it was considering a further additional protocol under the AfCFTA on women and youth. A committee on women and youth was established to drive these negotiations in June 2021 before the February 2022 summit formally decided to adopt such a protocol within the scope of the AfCFTA.

Notable by their absence have been efforts to include equivalent areas of negotiations on trade and the environment or labour within the AfCFTA. The AfCFTA still retains only minimal references to the environment (van der Ven and Signe 2021), being overshadowed by significant trade policy momentum in this area in the multilateral arena, in which progress is being on topics such as plastics pollution and the Trade and Environmental Sustainability Structured Discussions. Labour remains a further area untouched by negotiators (beyond the agreement preamble) (MacLeod 2022). Despite the importance of agriculture for the continent, the agreement contains no specific provisions on this critical sector.

The third area of agenda-shifting has been the creation of new instruments in the wider AfCFTA orbit (Figure 2.6). What might be considered the ‘first set’ of these were the ‘operational instruments’ promoted by the AU in the launch of the ‘operational phase’ of the AfCFTA at the summit of July 2019.

Figure 2.6: AfCFTA ecosystem of projects, programmes and activities



Source: Elaboration based on Assembly Decision Assembly Decision Assembly/AU/4(XXXIII) of 10 February 2020, Assembly/AU/Dec. 831(XXXV) of 6 February 2022, and the AU-AfCFTA website.[3]

These include the AU Trade Observatory (ATO) and the Pan-African Payment Settlement System (PAPSS). A beta version of the ATO was made operational in December 2020, while the PAPSS was commercially launched in January 2022.

This wider orbit of tools was expanded in the February 2022 AU summit with the 'AfCFTA Implementation Tools', which additionally include an AfCFTA Adjustment Facility, AfCFTA Automotive Fund, Intra-African Trade Fair, and Trade and Industrial Development Advisory Council. The AfCFTA Adjustment Facility, designed and financed by the African Export–Import Bank (Afreximbank), was launched in February 2022 to help countries to implement the AfCFTA and adjust to trade under it. The AfCFTA Automotive Fund, which was originally proposed to unlock concessions in the negotiations for rules of origin for automobiles, involves an Afreximbank-sponsored $1 billion sector-specific fund. The Intra-African Trade Fair, in its third iteration, has established a business trade show platform. The Trade and Industrial Development Advisory Council provides technical advice to the AfCFTA Secretariat.

The AfCFTA Secretariat itself also manages its own growing set of projects and initiatives. These include an E-Tariff Book, showing verified tariffs for products under the AfCFTA, an AfCFTA Business Forum, an AfCFTA Private Sector Strategy, an AfCFTA Hub Platform, and efforts to support trade specifically on the Lagos–Abidjan corridor. The most notable addition to the AfCFTA Secretariat's toolkit of initiatives was the Guided Trade Initiative, announced by the AfCFTA Secretariat in July 2022. Covering Ghana, Kenya, Cameroon, Tanzania, Mauritius, Rwanda, Tunisia and Egypt, and notably no Southern African countries, it seeks to provide hands-on support to businesses to get trade flowing under the AfCFTA. Its stated objectives include 'demonstrat[ing] that the AfCFTA is functioning' and to 'giv[ing] hope to the continent that trading under the AfCFTA is achievable' (AfCFTA Secretariat 2022a). It amounts to a deliberate 'solutions-based approach' to unblock the lack of trade under the AfCFTA through 'matchmaking businesses and products for export and import between interested State Parties in coordination with their national AfCFTA Implementation Committees' (AfCFTA Secretariat 2022b).

The Guided Trade Initiative officially launched on 7 October 2022 (though the first consignments under it were shipped in the preceding weeks). The first goods to be traded under the Guided Trade Initiative were coffee, from Rwanda to Ghana, and batteries, from Kenya to Ghana (AfCFTA Secretariat 2022b). The expressed intention of the AfCFTA Secretariat with the Guided Trade Initiative has been to 'prompt' and provide a 'gateway' for official trade under the AfCFTA using the formal AfCFTA trading documents, such as certificates of origin and import–export declaration forms (AfCFTA Secretariat 2022b). It also aims to be a learning device for 'feedback on the effectiveness of the legal and institutional national systems in the participating countries', to 'test the readiness of the private sector to participate in trade under the AfCFTA' and to 'identify possible future interventions' (AfCFTA Secretariat 2022c).

Principally the initiative helps to show that (at least some heavily assisted) trade can begin to flow in some form under the AfCFTA. In the words of the AfCFTA Secretariat, 'the Guided Trade Initiative has proven that AfCFTA is truly operational' (AfCFTA Secretariat 2022c). Yet the Guided Trade Initiative is not the AfCFTA regime provided for in the AfCFTA Agreement (Tralac 2022). The AfCFTA cannot substantively operate at scale until the remaining technical parts of the agreement are concluded (Tralac 2022).

The negotiations on the remaining technical aspects of the AfCFTA phase I negotiations must be finished for substantial volumes of trade to flow under the AfCFTA, and for it to contribute to transformative development. The Guided Trade Initiative can benefit by providing a 'demonstrative effect' to show that the AfCFTA can work that there is appetite for trade under it. It can also help to take pressure away from negotiators and the AfCFTA Secretariat in the slightly embarrassing situation in which heads of state had announced the commencement of trade under the AfCFTA on 1 January 2021, only for that trade not to flow. Care should be taken, however, that, by giving negotiators space to breathe, the Guided Trade Initiative does not allow them to further procrastinate. Care must also be taken to ensure that the Guided Trade Initiative does not become the new reality for continent-wide trade in goods in place of the more substantial actual AfCFTA regime (Tralac 2022).

Beyond these initiatives launched at AU summits, the AfCFTA continues to be the centre of an expanding range of other complementary initiatives. An African Collaborative Transit Guarantee Scheme was launched by Afreximbank in March 2021 to help mitigate cross-border transport frictions. The

AfCFTA Secretariat has been involved in a consultative study of the Lagos–Abidjan corridor, with a view towards improving border management and logistics along this important West African artery. The range of initiatives now included under the umbrella of the AfCFTA suggests a growing understanding of the AfCFTA not merely as a traditional trade agreement but as an ecosystem of programmes and activities to support trade in Africa. The necessity for this is long understood. The decision by the 18th Ordinary Session of the AU Assembly in January 2012 to endorse the establishment of the AfCFTA, effectively launching the negotiations for the AfCFTA, was made within a broader decision that endorsed the Boosting Intra-African Trade (BIAT) Action Plan. Though the BIAT has achieved less attention, the approach to the AfCFTA has entailed a broader ecosystem of trade support.

Partners' role in getting the AfCFTA going

Negotiations entail sensitivities over fundamental economic decisions that can make countries cautious about donor influence, and more hesitant towards support that might directly affect the negotiations. This is not unmerited: when donors offer bilateral 'capacity-building' workshops and training they often draw from the experiences and ideological approaches of their countries. Negotiators understand this and apportion caution and trust accordingly.

Policymakers have relied upon several 'trusted' technical institutions during the negotiations. In the June 2015 AU summit decision that launched the AfCFTA negotiations, African heads of state explicitly called for technical assistance and capacity-building from the Economic Commission for Africa (ECA), the African Development Bank (AfDB) and the African Export-Import Bank (Afreximbank). The ECA and AfDB were further included in the AfCFTA Continental Task Force, established by the first meeting of the African Ministers of Trade in May 2016 to support the AfCFTA through analysis, studies and preparatory documentation. In this role, these partners have been privileged with observer status within the AfCFTA negotiations and the responsibility to respond to specific requests from negotiators, including technical notes and presentations on issues within the negotiations. The AUC also signed a memorandum of understanding with the International Trade Centre on 15 July 2015 to provide a framework for cooperation on trade issues, though this was broader in scope than the AfCFTA (African Union 2015). It has been through these established international organisation relationships that donors have often sought to provide arms-length support to the AfCFTA. The European Commission, UK Aid, GIZ and Global Affairs Canada have each channelled considerable development assistance in support of the AfCFTA through these partners, as well as directly with the AUC.

The establishment of the AfCFTA Secretariat has shifted the focus of partners' attention as this new institution has sought to garner donor resources and cement its own relationships. In March 2021, the United Nations Development Programme (UNDP) and the AfCFTA Secretariat signed a new partnership to bring in UNDP expertise to support implementation of the AfCFTA (UNDP 2021). The AfCFTA Secretariat has since signed additional agreements with the UK on 16 September 2021, the China Ministry of Commerce on 25 October 2021, the African Regional Standards Organisation on 30 November 2021, the World Customs Organization on 22 February 2022, and the International Trade Centre on 25 May 2022. This expansion of formal partners with the AfCFTA Secretariat reflects growing trust in, and popularity of, the AfCFTA among donors and the organisations they work through. It is also demonstrative of a clear shift away from the AUC towards the AfCFTA Secretariat as the central node in the expanding AfCFTA-related universe of projects, initiatives and programmes.

The inherently sensitive nature of trade negotiations makes it difficult for development partners to support the AfCFTA negotiations directly, other than through arm's length support provided via technical partners or the Secretariat to the negotiations. Where donors can provide more direct and visible support is at the country level. The AfCFTA is ultimately an agreement between states, each of which must contend with national-level implementation challenges alongside specific actions to take advantage of the agreement. Nevertheless, and despite the recent growth of interested donors and partners, the mandate of the AfCFTA Secretariat is large. Substantively more support will be required to achieve all that the AfCFTA promises to offer. As is always the case in issues that attract a breadth of supportive partners, coordination among and between partners will become an increasingly important job for the AfCFTA Secretariat to manage. Donors should take care to not make this more difficult than needs be, including by acceding to the direction of the AfCFTA Secretariat rather than by enforcing donor priorities that can unduly distract scarce coordinating resources.

According to trade modelling, the AfCFTA offers opportunities to all African countries – including those that are less developed or in more fragile economic contexts (Songwe, MacLeod and Karingi 2021; World Bank 2020). What those models cannot reflect, however, is that many of African's lesser-developed countries will face bigger challenges in utilising these opportunities. Africa's development partners have a continuing role to play in supporting the lesser-developed countries of the continent to design, and more crucially implement, strategies to seize market opportunities created by the AfCFTA.

Commitment to the AfCFTA not yet translating into trade

The ideological battle for the AfCFTA has already been won. More importantly, it has also weathered the threats and distractions of the severe crisis of Covid-19 (see Chapter 6) and the emergence of the Ukraine crisis in 2022. Much of the narrative that sustained policy interest in the AfCFTA through Covid-19 was framed as it forming part of African countries' pandemic recovery strategy. However, slippages to the deadlines for the conclusion of the AfCFTA negotiations, and cascading implementation delays, have in practice meant that the AfCFTA is not yet operating to enable this.

So far, efforts have been made to ‘go around’ the problem of the persisting unconcluded technical parts of the negotiations. This has included AfCFTA institution-building, the expansion of negotiations into new areas (such as e-commerce and women and youth in trade), and complementary programmes, projects and initiatives. Perhaps notably, this approach has also involved the creation of an AfCFTA Guided Trade Initiative to hand-hold trade in a few initial consignments between participating countries. This ‘circumvention’ approach is understandable: the AfCFTA and its stakeholders need to show progress to those that have been investing political capital in the project. Yet such an approach can only persist for so long before an existential crisis emerges in the substantive implementation of the AfCFTA.

Meaningful trade under the AfCFTA remains the Rubicon to be crossed. All stakeholders in the AfCFTA can help by focusing on this goal. This includes development partners, the priorities of which can at times serve as distractions. The AfCFTA Guided Trade Initiative is a welcome and innovative start. Yet possibly the most potent solution lies with the regional hegemons of the continent (including South Africa, Kenya, Nigeria and Egypt). These critical central stakeholders have the most important role to play in brokering – and offering – compromises to get the final technical parts of the AfCFTA Agreement finished and substantive trade flowing.

As attention to the broader and more complementary parts of the AfCFTA ecosystem has grown, the AfCFTA Secretariat has established itself as the central coordinating node within this system. A critical demarcation of the responsibilities of the AfCFTA Secretariat is yet to emerge with respect to the role of the AUC Department of Trade and Industry, which traditionally served as a coordinating platform for trade policy between African countries; however, the AfCFTA Secretariat is increasingly absorbing donor attention and support. In theory, at least, the AUC might be expected to remain an important home of broader trade and industrial policy initiatives in alignment with the AfCFTA. Yet such initiatives can easily overlap with the growing remit of the AfCFTA Secretariat and the AfCFTA appears to be taking over as the most important and exciting institution for trade development on the continent. An example can be drawn from the continental e-commerce strategy under development at the AUC but involving policy directions that would be broached by negotiators under the ambit of the AfCFTA negotiations on e-commerce.

It is also unclear how the responsibilities of the AfCFTA Secretariat will align with, or overlap, those of Africa’s pre-existing regional economic communities. While the 2008 Protocol on Relations between the RECs and the AU governs this relationship at the AU level, whether that extends to the AfCFTA Secretariat or whether an equivalent legal framework is required is still being clarified. In September 2021, the AfCFTA Secretariat held its first Coordination

Meeting of the Heads of Regional Economic Communities on the Implementation of the AfCFTA, seeking to identify a mechanism for collaboration between the AfCFTA Secretariat and the regional economic commissions.

When starting an automobile in cold weather, the ignition sometimes requires a few attempts before the engine roars to life. That needn't necessitate throwing away a good car. When the AfCFTA gets going – which it will – it will contribute to transforming trade in the African continent and driving long-overdue African industrialisation. The wait will be worth it. In the meantime, Africa's regional economic powers have a leadership role to play in getting the AfCFTA moving without further delay. The collective size of the leading economies in each of Africa's five regions accounts for more than half of the continent's GDP. If they can show the leadership required to make compromises in the rules of origin and get trade flowing, the AfCFTA will have the impetus it needs to truly take off.

2.2 The regional economic communities (RECs) as building blocks of trade integration

For more than 60 years – and since the late 19th century, in the case of SACU, which is one of the oldest customs unions in the world – African countries have set up various institutional arrangements to guide and support trade integration and economic cooperation between them. These span the spectrum from free trade areas to customs and monetary unions. They are collectively referred to as regional economic communities (RECs). Each REC has its specific historical origin, institutional structure, and political and economic rationale. Their operations are necessarily confined to relatively small economies with relatively small volumes of cross-border trade, if also increasingly diversified, as noted in the previous section. They are constrained by institutional capacities, resources, overlapping mandates and, in some contexts, challenging border management facilities and practices. Yet the RECs have been persistent enablers of trade integration in Africa.

Table 2.2 gives a breakdown of shares in both intra-REC trade and REC trade in African trade. Only SADC, SACU and EAC come close to attaining a quarter of intra-community or intra-African trade shares. However, the literature suggests that the overall effect of the regional trade agreements on African trade is positive (Candau, Guepie and Schlick 2019). But a trade liberalisation programme alone is not enough to boost trade flows. It must be accompanied by complementary measures and supply-side measures, along with political stability and reduced political risk (Mayer and Thoenig 2016; Ngepah and Udeagha 2018). In their regional planning and long-term vision frameworks, the RECs to their credit have long recognised the broad multisectoral orientation of their mission. This section begins with a categorisation of the RECS to pin down their main roles before turning to how they have functioned as enablers of trade integration, concluding with an overall

Table 2.2: African RECs' performance in continental and global trade (average 2018–2020), percentage

RECs	Intra-REC trade as percentage share of total REC trade	REC trade with Africa as percentage share of REC total trade
Arab Maghreb Union (UMA)	3.66	9.08
Common Market for Eastern and Southern Africa (COMESA)	7.15	15.71
Community of Sahel–Saharan States (CEN-SAD)	6.58	10.27
Economic Community of Central African States (ECCAS)	2.47	13.56
East African Community (EAC)	12.56	23.57
Economic Community of West African States (ECOWAS)	9.09	14.27
Intergovernmental Authority on Development (IGAD)	8.94	17.58
Southern African Development Community (SADC)	20.37	23.76
Southern African Customs Union (SACU)	13.71	24.56

Source: Authors calculation with UNCTAD trade[4] data downloaded 29 March 2022.

assessment of the RECs in relation to the framework for trade policy analysis outlined in the previous chapter.

Towards a categorisation of the RECs

Africa is littered with a variety of economic cooperation arrangements that have a broad range of objectives. Some, like the Mano River Union, encompassing Guinea, Côte d'Ivoire, Liberia and Sierra Leone, aspire to coordinate development planning and consolidate peace and security among countries that have been plagued by violence and instability. The Mano River Union also leads cross-border projects, including some that cover trade facilitation, but otherwise has little role in trade policy. The Lake Chad Basin Commission, with Cameroon, Chad, Central African Republic, Niger and Nigeria as the members, manages a shared water body resource and coordinates sustainability initiatives against the treat of climate change and desertification.

Table 2.3: Categorisation of the status of the 11 RECS

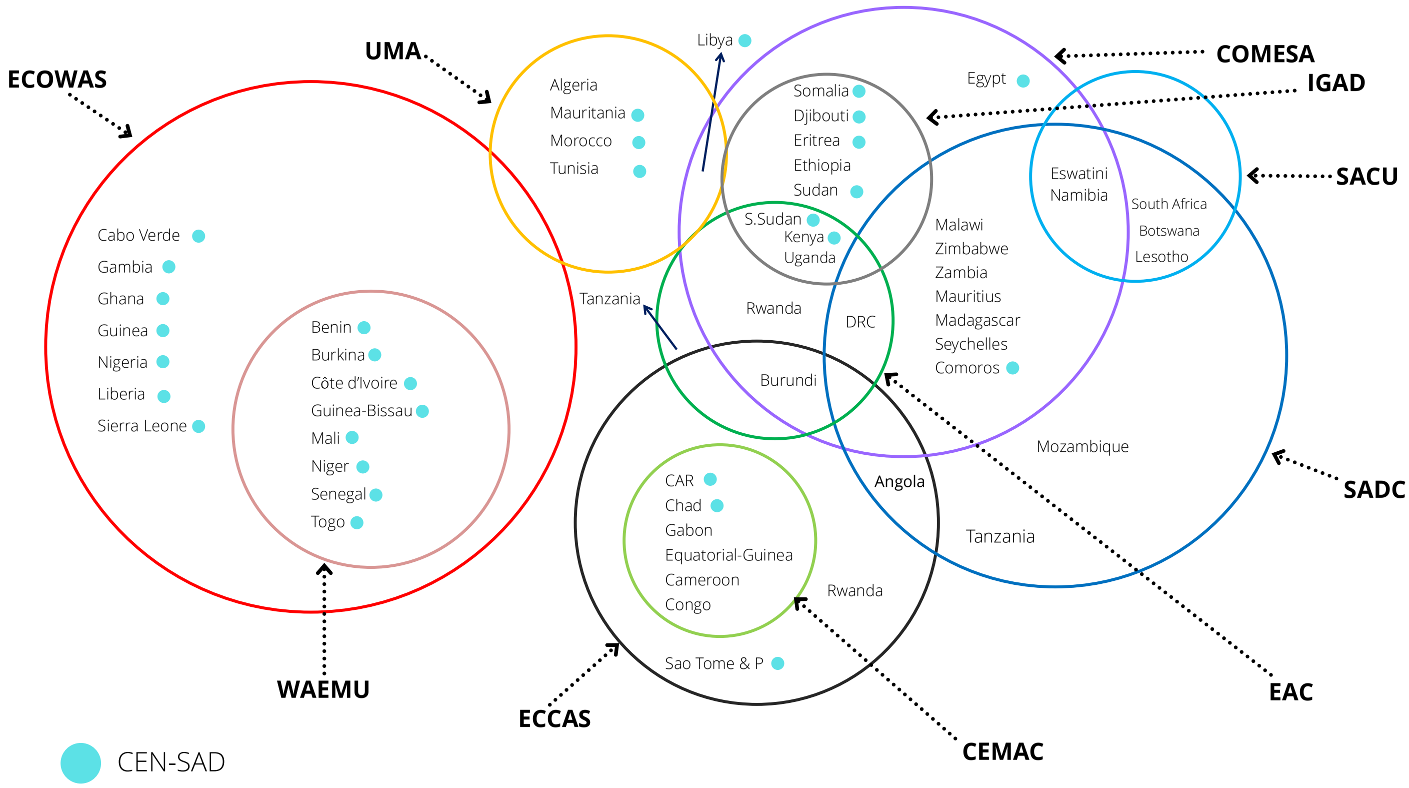
REC	Legacy	Customs and monetary union	Customs union	Free trade area	General economic cooperation
AMU					X
CEMAC	X	X			X
CEN-SAD					X
COMESA			X		X
EAC			X		X
ECCAS				X	X
ECOWAS			X		X
IGAD					X
SACU	X	X	X		X
SADC				X	X
WAEMU	X	X			X

Source: Authors' elaboration.

Eleven RECs can be identified and categorised into monetary unions, customs unions, free trade areas, and general economic cooperation arrangements (see Table 2.3). Two of the 11, ECCAS and SADC, are FTAs and three, COMESA, ECOWAS and EAC, have evolved over time into customs unions. Three, CEN-SAD, IGAD and UMA, are general economic cooperation arrangements that incorporate trade integration among their objectives. Some also serve as forums for coordinating political and diplomatic objectives such as regional peace and security. In three cases, the monetary and customs unions are coterminous. These are the West African Economic and Monetary Union (WAEMU), the Economic and Monetary Union of Central Africa (CEMAC) and the Southern Africa Customs Union (SACU). WAEMU and CEMAC are legacy arrangements and operate among the former French colonies in West and Central Africa. SACU is also a legacy arrangement of Apartheid South Africa's regional sphere of influence. However, one of its members, Botswana, does not participate in the monetary union.

Under a 2008 Protocol on the Relations between the African Union and the Regional Economic Communities, eight of the 11 were officially recognised by the African Union as building blocks of economic integration. These are AMU, COMESA, CEN-SAD, EAC, ECCAS, ECOWAS, IGAD and SADC. (African Union 2008). A close reading of the protocol and its 2021 revision (African Union 2021) suggests that conferment of this recognition was aimed at establishing a representative group of the RECs with which the AU could engage on a range of policy matters. To be sure, the eight that were

Figure 2.7: Overlapping REC memberships and mandates



Source: Authors' elaboration.

recognised are representative of the regions. But they still exhibit a 'spaghetti bowl' (Bhagwati 1995) or perhaps 'rice bowl' effect, with overlapping REC memberships and mandates, as shown in Figure 2.7.

The enabling role of the RECs

Covering some 30.2 million square kilometres, Africa is the world's second largest and second most populous continent, after Asia on both counts. It is a massive continent, intensely Balkanised, with 54 countries and over 107 land borders. It has a complex history and legacy and equally complex development challenges. Inevitably, political interest will drive countries with common problems to band together to find common solutions. Evidence in the literature suggests that the benefits from trade integration arrangements are derived not only from reduced transaction costs that arise from the provisions of trade agreements but also from collateral advantages. This may include institutional quality, enhanced productivity and productive capacities. From this perspective, trade integration strategies may be said to be driven by endogenous factors that are integral to the design of trade agreements and exogenous factors that include the wider requirements for successful integration (Baier, Bergstrand and Egger 2007; Kohl et al. 2016). Understood as such, the RECs play a wide-ranging enabling role as reflected in the breadth of policy issues they seek to address.

The Africa Regional Integration Index (ARII),[5] which measures the level of economic integration within the RECs and their member states on five dimensions (trade integration, productive integration, macroeconomic integration, infrastructural integration and free movement of peoples), provides clarity on where the gaps are deepest. Of the five dimensions that are analysed, productive and infrastructural dimensions are those in which African countries and RECs are the least integrated. On a 0–1 scale, the 'RECs' productive integration scores are all below 0.5, with ECOWAS (0.22) being the least productively integrated region. This is compounded by infrastructure and logistics deficits that limit the growth and spread of regional value chains. Another index that measures progress in infrastructure development found that more than three-quarters of the African countries have a composite infrastructure index[6] below 0.5 (African Development Bank Group 2020). Specifically, regarding transport infrastructure, only Egypt (0.55) and the Seychelles (0.52) have a transport index above 0.5.

The RECs have not been oblivious to these gaps. Their strategic planning frameworks, which are generally aligned to national planning programmes and the African Union's Agenda 2063, provide well-thought-out roadmaps for responding to the deficiencies. The unavailability of resources and implementation capacity challenges mean that these plans are effectively wish lists. The African Development Bank (AfDB) estimated Africa's infrastructure needs to be $130–170 billion a year, with a financing gap (infrastructure needs minus the total financing available from all sources) in the range of \$68–\$108 billion. The shortfall extends across energy, transportation, and water and sanitation infrastructure (Economic Commission for Africa 2021). Despite that, the plans provide insights into the RECs' prioritisation of the challenges they face. The EAC's Vision 2050, for example, identifies:

> the development pillars and enablers that would create jobs to absorb the expected expansion of workforce in the next decades … They include infrastructure and transport network that is easy, fast and cheap means both for people and goods for regional competitiveness; energy and information technology that are accessible to citizens; and industrialization that is built on structural transformation of the industrial and manufacturing sector through high value addition and product diversification based on comparative and competitive advantages of the region. (EAC 2015)

As shown in Table 2.4, the SADC, ECOWAS and EAC vision documents have almost identical architectures with prominent pillars on interconnectivity and infrastructure, sustainable development and industrialisation.

On some projects and sectors, progress is being achieved. The Economic Commission for Africa (ECA), for example, reports that the roads in the Trans-African Highway – a network with nine highways amounting to 56,683 kilometres connecting all regions of the continent – are about 60 per cent complete, and the remaining 40 per cent comprises missing links. Africa's transport corridors are mainly road-based, although recent years have seen an increase in the rehabilitation and development of railways. The ECA estimates

Table 2.4: Main pillars in RECs vision frameworks

ECOWAS Vision 2050	SADC Vision 2050	EAC Vision 2050
A secure, stable, and peaceful region	Industrial development and market integration	Infrastructure development
Governance and rule of law	Infrastructure development in support of regional integration	Industrialisation
Economic integration and interconnectivity	Social and human capital development	Agriculture, food security and rural economy
Transformation and inclusive and sustainable development		Natural resources and environment management
Social inclusion		Tourism, trade, and services development

Africa's entire railway network at about 75,000 kilometres on a surface of 30.2 million square kilometres, translating to a density of about 2.5 kilometres per 1,000 square kilometres. This is far below the density in other regions or the world average of 23 kilometres per 1,000 square kilometres (Economic Commission for Africa 2021).

Various corridor organisations work closely with the RECs to manage the trade and transport corridors. For example, in West Africa, the Abidjan–Lagos Corridor Organization oversees the 1028-kilometre route between Abidjan, Accra, Lomé, Cotonou and Lagos. In East Africa, the Northern Corridor Transit and Transportation Coordination Authority presides over a multimodal trade route that runs from Kenya's Mombasa port on its Indian Ocean coast to Burundi, the eastern DRC, Rwanda, South Sudan and Uganda in the interior. In Southern Africa, the Walvis Bay Corridor Group is responsible for three corridors operating from Namibia's port at Walvis Bay on the Atlantic Ocean. These are the Trans-Kalahari Corridor that links Walvis Bay to Botswana's capital, Gaborone, and beyond to South Africa's Gauteng Province, which is the country's industrial heartland, and Zimbabwe; the Walvis Bay–Ndola–Lubumbashi Development Corridor encompasses the transport hubs of Livingstone, Lusaka and Ndola in Zambia, Lubumbashi in the southern DRC, and Zimbabwe; and the Trans-Cunene Corridor links Walvis Bay to southern Angola via Tsumeb and Ondangwa to Oshikango in Namibia and the Santa Clara border post in Angola. These organisations plan, coordinate and advocate for business opportunities and competitive transportation and promote health and safety standards. The latter emerged as an important necessity during the Covid-19 pandemic. Notable results have been achieved. In East Africa, for example, TradeMark Africa, a consortium of development partners that works closely with the EAC, reported that, through its support programmes and related interventions, border crossing and transit time decreased significantly between Mombasa and the entry points to Burundi, the eastern DRC, Rwanda and Uganda.[7]

Assessing the RECs

In relation to the framework for trade policy analysis, the legacy RECs, the FTAs and customs unions have progressed well beyond the design phase, having established programmes that are both endogenous and exogenous to trade integration which continue to evolve. Innovations have also been introduced in COMESA, EAC, SADC and ECOWAS, such as simplified trading regimes that enable small-scale traders to move their wares across borders under regulations that require minimum paperwork. As noted in the previous chapter, informal cross-border trade, while difficult to estimate, accounts for a significant part of cross-border trade flows. As will be seen in Chapter 6, during the Covid-19 pandemic the RECs were proactive in taking measures to ensure safe trade.

However, on services, which are a dominant driver of growth and development, the evidence suggests that the RECs have been less focused on them than on trade in goods, which has been prioritised in the trade liberalisation agenda of the RECs (Economic Commission for Africa 2021). SADC and EAC have negotiated deeper commitments on services, the latter building upon an agreement that allows free movement of persons. ECOWAS maintains a long-standing regime on free movement of persons that facilitates cross-border services flows. Transport and travel services are on average (2017–2019) the most traded services on the continent, accounting for over three-quarters of services exported and imported between African countries.[8] The approach to services liberalisation under the AfCFTA will build upon progress that has been made by the RECs.

Resources and capacities remain perennial concerns. The massive financing gap on infrastructure was noted. The RECs are further challenged by overlapping commitments of some members to different trade agreements. As Asche (2021, pp. 39–40) has observed:

> [M]ultiple memberships are technically feasible [if] the overlapping RECs in question do not exceed the stage of preferential or free trade areas. Already at the FTA stage, overlaps become inconvenient as they necessitate continuous controls at the internal borders for certificates of origin and customs duties for goods that entered the community at ports with different external tariffs. Otherwise, internal border controls could be abolished for goods traded among members. When a regional community strives to become a customs union, overlapping trade arrangements become technically impossible as there can only be one common external tariff and export regime.

WAEMU and ECOWAS in West Africa are examples where the former's common external tariff has been aligned with that of the latter to ensure the coherence of the ECOWAS customs union. However, Burundi and Rwanda in EAC and ECCAS, which are respectively a customs union and an FTA (with negotiations for a common external tariff at an advanced stage in ECCAS, which will make it a customs union), are examples of the challenges to the coherence of customs unions arising out of overlapping memberships. The FTAs and customs unions are also littered with carve-outs for sensitive products that challenge the expected norms. As will be discussed in Chapters 3 and 4, bilateral partners are sometimes complicit in compounding the policy and regulatory difficulties faced by the RECs by pursuing trade deals that result in picking regional arrangements apart.

However, while the legacy RECs, FTAs and customs unions have reached an advanced stage in trade policy cooperation, CEN-SAD, IGAD and UMA can be located at the design stage. With political momentum behind the AfCFTA, it is not clear what added value CEN-SAD can offer its member states since the original vision was to create a preferential trade area encompassing countries north and south of the Sahara.[9] IGAD has veered towards a broad economic cooperation agenda. UMA remains stunted by a long-running diplomatic stand-off between Algeria and Morocco over the status of the Western Sahara.

Summary

Intra-African trade and integration are long held objectives of policy leaders on the African continent. Though the inaugural summit of the Organisation of African Unity in 1963 spoke about 'the possibility of establishing a free trade area' (OAU 1963), the AfCFTA, which was established 55 years later, marks the greatest practical effort towards this goal. The AfCFTA is a flagship project of the AU Agenda 2063, to boost intra-African trade and through doing so diversify African economies, while contributing to their long-overdue industrialisation. It amounts to the crystallisation of decades of policy deliberation into an actionable and legally enforceable instrument.

As we have seen, the RECs have a practical function in enabling trade integration and connecting a continent that is as vast in size as Africa. They are massively under-resourced, but they help to find and apply common solutions to mutual supply constraints. In the preamble to the AfCFTA Treaty, and again in Article 5 of the AfCFTA Framework Agreement, the eight AU-recognised RECs are designated as the AfCFTA's 'building blocks', meaning that their best practices and achievements are to be followed and incorporated into AfCFTA implementation. Article 12 confers an advisory role on them in AfCFTA deliberations. This complements the role accorded to the RECs as partners in the implementation of AU programmes.

However, the ignition of the AfCFTA project is stutter-starting. Several 'launch' attempts and an increasing breadth of complementary projects, tools and initiatives within the growing AfCFTA ecosystem conceal the fact that trade is yet to substantively flow under the arrangement. The Guided Trade Initiative is to be welcomed as a gateway for formal trade under the AfCFTA but is not a substitute. The real risk of this is to the remarkable political momentum behind the AfCFTA, which, having weathered the Covid-19 storm, remains strong.

Notes

1. Primary commodities is SITC 2 + 3 + 4 + 68 + 667+ 971, food items is SITC 0 + 1 + 22 + 4 and manufactured goods is SITC 5 to 8, less 667 and 68.

2. The choice to present the results in 2045 is justified by the fact that the AfCFTA reform is implemented over time between 2021 and 2035 but also to give enough time for all the variables to adjust following full implementation of the AfCFTA reforms in the model.

[3] The distinction between 'operational instruments' and 'implementation tools' is not always clear. The African Union Assembly Decision Assembly/AU/Dec. 831(XXXV) of 6 February 2022 identifies four 'Implementation Tools': (1) the AfCFTA Adjustment Fund, (2) the Pan-African Payments and Settlement System, (3) the AfCFTA Automotive Fund and (4) the Inter-African Trade Fair. The African Union Assembly Decision Assembly/AU/4(XXXIII) of 10 February 2020 identifies five 'operational tools': (1) rules of origin, (2) the AU Trade Observatory, (3) the Trade in Goods Password Protected Dashboard, (4) the Pan-African Payments and Settlements System and (5) the NTB Monitoring, Reporting and Elimination Mechanism. The AU-AfCFTA website lists four 'operational Instruments': (1) the Pan-African Payments and Settlement System, (2) non-tariff barriers tools, (3) the AfCFTA Adjustment Fund and (4) the Automotive Fund.

[4] Trade = imports + exports.

[5] See https://www.integrate-africa.org for more details.

[6] The composite infrastructure index is an African Development Bank Index, which is a composite index of nine indicators grouped within four pillars (transport, electricity, ICT, water and sanitation).

[7] See www.trademarkafrica.com

[8] Calculation based on WTO-OECD Balanced Trade in Services Dataset (BaTiS) – BPM6.

[9] This point also applies to the Tripartite Free Trade Area initiative between COMESA, ECA and SADC.

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