

Information Brief on the AfCFTA

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Transforming African Economies, Building SMEs Capacities: Fundamental to AfCFTA success

The Senegalese capital, Dakar, witnessed a range of stakeholders from across Africa for a consultative workshop on Africa's Continental Free Trade (AfCFTA) from 5-9th November 2018. Participants discussed and raised number of concerns fundamental to the success of the AfCFTA. Key concerns centred on the imperative of transforming Africa's weak economies, building the capacities of Africa's small and medium enterprises (SMEs), enhancing participation of diverse stakeholders at all levels and elevating the role of technology in Africa's industrial development. Others included challenges likely to emerge in the implementation of the AfCFTA as well as the threats of external agreements that could undermine the AfCFTA as a pillar of Africa's economic integration.

Convened by the African Union Commission (AUC) and hosted by ENDA Cacid, the consultative forum brought together leading private sector players such as the Pan-African Chamber of Commerce, non-governmental organisations, women groups, youth groups, labour movement, leading policy institutions such as the United Nations Economic Commission (UNECA), academia and traditional authorities. Regional Economic Communities (RECs) such as the Economic Community of West Africa States (ECOWAS) and Economic community of Central African states (ECCAS) were represented.

One of the critical issues raised in the deliberations was the potency of the AfCFTA to transform African economies which continue to depend heavily on primary commodities. Evolving from this over dependence on primary commodities to prosperous, inclusive and strong manufacturing-based economies is fundamental in measuring the success of the AfCFTA in relation to the aspirations of Africa's peoples. Making a presentation, Dr Halima Noor, Senior Expert on Trade in Goods at the African Union Commission, said unless the productive capacities of African economies are boosted, as spelt out in [Boosting Intra-Africa Trade](#), (BIAT) Programme, the AfCFTA would not yield much for Africa.

Fundamental to the economic transformation of African economies is the role that African small and medium enterprises can play. SMEs create about 80 percent of employment in sub-Saharan Africa. Thus, the consultative forum underscored the need to identify, elevate and build the capacities-skills, finance, technology etc-of African SMEs as that would be an important part of making a difference in boosting intra-Africa trade. This is especially true at a time when about 10 to 12 million graduates enter the job market every year in Africa. Unlike the SMEs, big companies and transnational corporations operating in Africa already have the financial muscle, technology, skills and the connections to do business in Africa.

The importance of the SMEs as well as other small but numerous players cannot be over emphasized in the AfCFTA discussions. At this year's Africa Trade Forum held in Lagos, Nigeria, from the 2nd to 3rd of

November 2018, Stephen Karingi of the Economic Commission for Africa's Regional Integration and Trade Division Director, as part of the take home message for participants, stated that 'In implementing the AfCFTA, we must also make sure not to forget Micro, Small and Medium Enterprises (MSMEs), women traders, smallholder farmers and informal cross border traders, who represent the majority of Africa's trading community, and are crucial to driving poverty reduction efforts,"

Again, stakeholders in the Dakar consultation were concerned about the role of technology and the overall digital economy with its potential benefits and challenges. The meeting further acknowledged that the digital economy in all its forms is central to the future of Africa's economy and hence the imperative for Africa to develop its own space for trading without an external intermediary. The meeting also acknowledged that data is the fuel that drives the digital economy and hence African data is highly valuable, and should be kept, and exploited on the continent and therefore urged the African Union Commission to lead on this.

Participants also raised the need for continuous enhancement of participation of all relevant stakeholders at the national, regional and the continental levels. The Africa Union Commission was commended for taking steps to improve inclusivity at the continental level. However, much improvement was required at the national level also. Elevating the participation of the RECs informed by wider and broader participation at the national level was underscored as central in raising the legitimacy and ownership of the AfCFTA.

Still on the issue of consultation, a key model for enhancing participation was shared by the Nigerian Office for Trade Negotiation. The Nigerian Office for Trade Negotiations had to hold much broader consultations, in terms of the geography and actors in Nigeria, following concerns raised by the Manufacturers Associations of Nigeria (MAN) and the Nigeria Labour Congress (NLC) with regards to the process and content of the AfCFTA at the national level. This led to President Buhari of the Federal Republic of Nigeria to hold off the signing of the AfCFTA Agreement in March this year till date. Presenting the experiences of extensive consultations in Nigeria, Ambassador Chiedu Osakwe, Chief Negotiator of Nigeria on the AfCFTA, underscored the importance of proper consultation among all stakeholders in a country.

Participants also raised issue with the Africa Business Council (ABC). The Africa Union through the formal architecture for negotiations and implementation of the AfCFTA has created an African Business Council and this attracted concerns from stakeholders. For instance, the Executive Director of the Pan-African Chamber of Commerce, Kebour Ghenna, making an intervention at the workshop, called for a cautionary approach to the creation of structures which could undermine already established and functional structures in Africa. He noted that the Chamber of Commerce in most countries, regions and at the pan-African level, can play an effective role in terms of putting forward the concerns of the private sector within the context of the AfCFTA.

Finally, the Dakar consultative workshop also discussed imminent challenges and threats to the AfCFTA. Participants were concerned with the possible uneven distribution of costs and benefits. Countries with large productive capacities such as South Africa, Kenya, Egypt and Nigeria, in manufacturing may experience significant economic growth and welfare gains while small economies and least developed

countries (LDCs) may face substantial fiscal revenue losses and threats to local industries. Shrinkage of some sectors may result in unemployment. Consequently, substantial fall in budget revenues may adversely affect governments' capacity to invest in infrastructure, education and social programs which are crucial for attaining sustainable development.

Key threats that came up during the discussions were the Economic Partnership Agreements (EPAs) and Bilateral Investment Treaties that African governments have signed. Now there is an even development among African countries regarding the EPAs. Also, African countries have signed several Bilateral Investment Treaties that expose them to International arbitration in relation to investment issues.