Coronavirus hits Africa's mega trade deal plans

DOIS ABABA, Ethiopia - Wamkele Mene's first days at work were a huge anticlimax. Last week, as he was sworn in as Africa's new trade czar, the continent was becoming engulfed in the global fight against the coronavirus. Trade talks on launching the African Continental Free Trade Area (AfCFTA) on July 1 are now on hold. And Mene's move to Addis - the capital of Ethiopia, where the AfCFTA's new secretariat will be based - is postponed indefinitely.

As the world grapples with its biggest health crisis in living memory and small budgets, the weight of its needs is not seen since World War II to combat the economic impact of a pandemic that has caused more than 15,000 deaths, officials in Africa are now resigned to delaying the launch of what would become the world's largest free-trade bloc indefinitely.

"It would be unreasonable for any government to direct resources to meet the deadline when the public's health is so gravely at stake," Mene told POLITICO, adding that he expected heads of state to announce a delay in the coming weeks. "My view now is that the focus should be on saving lives."

The launch of the AfCFTA has risen to the top of the political agenda under South Africa's President Cyril Ramaphosa, whose country currently holds the rotating presidency of the 55-member African Union. The U.N. believes the accord could boost intra-African trade by 52 percent when duties on goods crossing borders are finally eliminated. And EU leaders are keeping a close eye. Before the coronavirus crisis hit, Commission President Ursula von der Leyen made two visits to the continent within her first 100 days in office.

"There is a nexus between peace and security and development, and trade is part of this," Stephen Karingi, director of the trade division at the U.N.'s Economic Commission for Africa.

Apart from the potential economic opportunities for European companies, the EU - which has poured $60 million into the project - sees Africa's continent-wide trade deal as an opportunity to bolster global commitments to multilateralism and rules-based trade. It is also as much about enabling peace and security on the continent as it is about giving those who live there a reason not to migrate northwards to Europe's shores.

"There is a nexus between peace and security and development, and trade is part of this," said Stephen Karingi, director of the trade division at the U.N.'s Economic Commission for Africa. "The stakes tend to rise. When you are in a free-trade area you cannot afford to have conflict." Karingi also said there is "definitely going to be a delay" to the July 1 launch date. "We are already out of the schedule."

African trade ministers first decided to press forward with forming an Africa-wide free-trade bloc in 2010, a decision that was endorsed by leaders in 2012. Concrete trade talks have been underway since 2015.

Coronavirus permitting, the intention is still for AfCFTA to launch this year, with officials looking to resume talks toward the end of May.

Quite apart from the practical difficulties of negotiating remotely, the pandemic is set to ravage African economies. The U.N. has scaled back its projection of Africa's GDP growth from 3.2 percent to 1.8 percent this year.

Even without the interference of a pandemic, achieving a deal looked challenging - despite the progress so far. The current text proposes countries having five years to drop tariffs to zero on 90 percent of their goods. They then have seven years to drop tariffs on 7 percent of their tariff lines, while the remaining 3 percent can be protected. In reality, it could take much longer.

"In terms of bringing down the non-subsidized and the sensitive items, give it 13 years," said Karingi, adding that 30 countries in Africa had so far ratified the deal. Ethiopia, Zimbabwe, Sudan, Mozambique and Zambia, meanwhile, all agreed earlier this year to drop tariffs on 90 percent of their goods.

Countries have almost concluded negotiations on rules of origin - products that can take advantage of the free-trade bloc must be made in Africa - though they still have a long way to go before agreeing on intellectual property rights, trade in services and competition policy.

What's more, there is no guarantee that free trade really means free trade. Last year, Nigerian President Muhammadu Buhari partially closed his country's border with Benin in an attempt to halt the smuggling of rice and other commodities. And tensions often flare between Tanzania, Kenya and Uganda over commodities such as sugar, carrots, beans and maize.

There is also massive infrastructure deficit in Africa and a large amount of investment is still needed for roads, train linkages and air connections.

AfCFTA secretary-general urges Africa to seize trade opportunity

The Secretary-General of the African Continental Free Trade Area (AfCFTA) Wamkele Mene urged Africa not to be discouraged by disruptive effects of the coronavirus pandemic from a trade perspective.

Mene instead urged Africans to view the current situation which has negatively affected global trade, capital markets, supply chains and public health as an opportunity rather than a crisis.

Mene spoke after a swearing in ceremony of the AfCFTA Secretariat General at the African Union headquarters in Addis Ababa, Ethiopia, on Thursday.

"through the AfCFTA we have an opportunity to reconfigure our supply chains, to reduce reliance on others and to expedite the establishment of regional value chains that will boost intra-Africa trade," Mene told delegates.

Mene said that the AfCFTA offers Africa an opportunity to confront significant trade and economic development challenges which have resulted in a very low percentage of intra-Africa trade of just 18%.

"In the next few weeks, I will initiate discussions on this issue with the Commissioner for Trade & Industry and our technical partners UN ECA and UNTCAD," he added.

So far, 39 African countries have registered a total of more than 900 positive cases of the coronavirus.

On Wednesday, World Health Organisation Director-General Dr Tedros Adhanom Ghebreyesus warned that Africa should "prepare for the worst" as the coronavirus begins to spread across the continent.

Health experts have warned that even facilities in Africa's richest nation, South Africa, could be overwhelmed by the virus' spread.