Free Trade in Africa: Macroeconomic Convergence, Possibilities and Prospects

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Abstract

For a free trade area to deliver good results, macroeconomic convergence and policy coordination are critical. Inflation, fiscal balance, trade balance, per capita incomes, national debt and real exchange rate are crucial macroeconomic factors which should be taken into account in a pursuit of a free trade area. In particular, to deal with economic shocks in a coordinated manner, it is necessary that macroeconomic policies in African countries are harmonized so that the recently unveiled African Continental Free Trade Area (AfCFTA) can be successful. The paper explores the AfCFTA and macroeconomic convergence – a stable macroeconomic environment (i.e. low inflation, low budget deficits etc.) would imply that there is macroeconomic convergence. Also drawing from the experiences of other regions [e.g. European Union in Europe, Caribbean Community (CARICOM) and Mercosur (Bienvenidos al Mercado Común del Sur) in Latin America, the paper makes suggestions that will help African countries go about ensuring macroeconomic convergence. In particular, broadly, it is important that sufficient planning is undertaken for the AfCFTA to be effective. Besides issues of coordination and convergence, decisions need to be made regarding the interface between the AfCFTA and other existing free trade arrangements in Africa. For instance, there must be in-depth research and rigorous policy analysis (also dealing with legal aspects) in relation to the interface between the AfCFTA and the Regional Economic Communities and other relevant issues, including the Tripartite FTA.

Introduction

Regional integration has been on the agenda of the African content for a long time. There have been various attempts at making regional integration a reality in Africa but all the attempts have not yielded expected results, as argued in Gumede (2019). The recently ratified African Continental Free Trade Agreement (AfCFTA), though mainly focusing on economic cooperation, gives hope that regional integration could ultimately become reality in Africa. Estimates of various institutions and researchers indicate that intra-African trade would significantly increase. For instance, the United Nations Economic Commission for Africa (UNECA) estimates that intra-African trade will increase by 52% come 2022 (UNECA, 2018).

Among other things, the AfCFTA establishes a single continental market for goods and services, with free movement of business professionals and investments, accelerating the establishment of the African customs union (Cazares, 2018).

In a nutshell, as captured in Tralac (2018), 'the main objectives of the AfCFTA are to create a single continental market for goods and services, with free movement of business persons and investments and thus pave the way for accelerating the establishment of a continental Customs Union' (Tralac, 2018). The AfCFTA will expand intra-African trade through better harmonisation and coordination of trade liberalisation and facilitation, as well as instruments across the regional economic communities (RECs) and across Africa in general. The AfCFTA is also expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better allocation of resources.

The paper examines critical economic related issues pertaining to the AfCFTA in the context of regional integration. It highlights the key issues which need to be taken into account for the AfCFTA to be successful. Macroeconomic convergence is discussed, so is policy coordination, among critical issues for the AfCFTA. An attempt to draw lessons from other free trade agreements in other regions (i.e. free trade areas outside Africa) is undertaken. The extent to which convergence is possible in Africa is discussed and the importance of policy coordination emphasised.

Before concluding I proffer ways which can ensure the AfCFTA is successful. In the main, proper planning and putting together necessary institutional mechanisms would be paramount for the AfCFTA to be effective. The terms effective and successful are used interchangeably in this paper – effective implies the AfCFTA can ensure socio-economic development while successful means that it meets the set criteria as per the free trade agreement itself. The priority should be in-depth research and analytical work – including dealing with legal aspects: practical proposals would be needed regarding the interface between the AfCFTA and the RECs and other relevant issues, including the Tripartite FTA. It may be worth highlighting – though it is probably obvious – that the focus of this paper is on economic aspects of regional integration. There is sufficient literature around the political, social and cultural aspects of regional integration, in the context of pan-African unity (see Gumede 2019, as an example).

Macroeconomic convergence

Economic convergence implies that all economies in a free trade area would have more or less similar economic performance/indicators. It is also viewed as a hypothesis positing that per capita incomes of smaller or poorer economies grow faster than those of bigger/richer economies. As a result, economies should converge in terms of per capita income. Since developing countries have the potential to grow faster than developed countries because diminishing returns (to capital) are not as strong as in capital-rich countries. Convergence is also attributed to the ability of poorer/developing countries to replicate the production methods, technologies, and institutions of developed countries which can in turn encourage economies of scale (Goldstone, 2002).

Despite the potential for convergence to occur, a country may be poor economically but this is not a guarantee for catch-up growth (Abramovitz, 1986). Abramowitz contextualised the imperative for 'Social Capabilities' to advantage catch-up growth. This includes the ability to acquaint new technology by being at par with technological evolution and change, the ability to attract human and financial capital and the ability to be part of the international market. According to Abramovitz, these prerequisites must be in place in an economy for catch-up growth to occur.

In the context of the theory of catch-up growth according to Abramovitz, the differences in productivity techniques are what separate the leading developed nations from other following developed nations. The thin line between developed and following developed nations is narrow enough to give the following developed nations an opportunity to catch-up. The process of catch-up continues as long as the following nations have something to learn from the leading nations. This catch-up will only cease when the knowledge discrepancy between the leading and following nations becomes very small and eventually exhausted (Abramovitz, 1986). This is contrary to Jeffrey Sachs who argues convergence does not occur when there is closed economic policy in (developed or developing) countries. According to Sachs and Warner (1997), the easiest way to open up economies and expose them towards continual catch up is through free trade. In a study of 111 countries between 1970 and 1989, Sachs and Warner

concluded that the industrialised countries had a growth of 2.3% per year/capita, open economy developing countries 4.5% and closed economy developing countries only 2%.

There are other examples of countries which have converged with developed countries and their experience can validate the catch-up theory (Korotayev and Zinkina, 2014). Nakaoka studied social capabilities for industrialisation and clarified features of human and social attitudes in the catching-up process of Japan in the Meiji period 1868-1912 (Nakaoka, 1982; 1990; 1994; 1996). Other similar cases are the East Asian Tigers – Singapore, Hong Kong, South Korea and Taiwan – who rapidly converged with developed economies in the 1960s and 1970s, and are now considered developed countries. West Germany, France and Japan in the post-war period (1945–1960) regained their pre-war status after they managed to replace capital lost during World War II (United Nations, 2017).

Different schools of thoughts exist pertaining to the convergence theory amongst economists. Some place more importance on endogenous factors such as government policy as being more impactful on economic growth than exogenous factors. Gerschenkron (1962), for instance, made a point that governments can substitute for missing prerequisites to trigger catch-up growth. Sokoloff and Engerman (2000) postulated factor endowments as being a central determinant of structural inequality which impedes institutional development in some countries. Sokoloff and Engerman proposed that in the 19th century, countries such as Brazil and Cuba with rich factor endowments such as soil and climate were predisposed to a guarded franchise with limited institutional growth. Land suitable for sugar and coffee such as in Cuba experienced economies of scale from the establishment of plantations. These plantations in turn created the small elite families with vested interest in guarded franchise. 'The exogenous suitability of land for wheat versus sugar determines the growth rate for many countries. Therefore, countries with land that is suitable for sugar converge with other countries that also have land that is suitable for growing sugar' (Sokoloff and Engerman, 2000:217-232). Sokoloff and Engerman (2000) further explained the convergence in their article 'History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World.' Although the United States and Canada started out as two of the poorest colonies in the New World, they grew faster than other countries as a result of their soil qualities. The available land in both nations was suitable for wheat farming which saw the establishment of small scale farming. Wealth distribution was therefore relatively equal, while political power led to people voting

for accessible public education. These factors differentiated United States and Canadafrom countries such as Cuba whose land was suitable for growing sugar and coffee. Countries like Cuba established large plantations and benefited from economies of scale. However, these plantations were characterised by slave labour, large income and class inequalities and limited voting rights. Limited political power of the population resulted in minimal spending on the establishment of institutions like public schools. This in turn restricted the countries' growth potential compared to countries with relative equality and access to public education. (Sokoloff and Engerman, 2000:217-232).

Policy coordination

Coordination of policies is one very critical issue in the context of a free trade area. Policies need to be better coordinated in order for better implementation to be derived. As Gumede (2011) argues, clarity of policies and their coordination are critical for Africa's socio-economic development – this of course is over and above a clear development agenda or socio-economic development approach. Policy clarity is even more important in the context of a free trade area. The most important policies that need coordination relate to managing inflation and exchange rates as well as money supply.

First, the Regional Economic Communities (RECs) must ensure that there is harmonisation of the monetary policies in the countries within each REC. Second, all RECs must ensure there is proper monetary policy coordination. Within the FTA, it would be necessary that all monetary policy authorities (i.e. central banks and departments of finance) coordinate policies to ensure that inflation and exchange rates converge over time as well as that money supply and credit are better managed.

Indications so far suggest that policy coordination has been weak in the RECs, even in the existing FTAs in Africa. Even the well-established Southern African Customs Union (SACU) has been having challenges with coordination. Take, for instance, the revenue sharing formula: problems persist in relation to what can work better for all the countries in SACU. It is therefore important that sufficient planning for policy coordination and putting in place necessary processes and or systems are pursued.

Selected FTA experiences

Macroeconomic Convergence in the European Union

The European nations understood the need for macroeconomic convergence. For any successful introduction and establishment of an economic and a monetary union, there must exist similar economic structures without persistent regional disparities in real and monetary conditions (Armstrong, 1995). The proximity and similarity of European economies played a positive role in the European economic integration. The EU did not suffer much with issues of eliminating regional and national economic disparities, particularly in closing the gap in the real per capita GDP among member states before the 2008 financial crisis. The formation of the European Monetary and Economic Union with the Euro as a common currency was a daring move that aimed to promote and deepen economic integration among the EU countries (Giannas, Liargovas and Manolas, 1999). However, the requirements needed for a successful economic and monetary union at some point became the focus of policy efforts in the European Union (EU) ever since its official inception as the European Community (EC) with the Treaty of Rome in 1957.

European policy makers adopted economic policies aimed at reducing per capita output and income disparities across member states. This took the form of liberalising trade in goods and services, allowing for free factor mobility, and devising transfer funds policies in order to help the poorer regions and countries catch up to the richer ones in terms of income and welfare (Sala-i-Martin, 1996). These are possible moves that African governments can consider approaching economic integration. Sapir (1992) used trade data from various sources, for the 1960's, 1970's and 1980's to evaluate the effects of European integration on trade, welfare and income distribution for twelve EC countries. Sapir (*ibid* 1992) discovered that, the effects were beneficial though not all regions reaped the same benefits at the same time because in some cases, regional disparities were exacerbated.

The presence of these regional disparities led Ben-David (1993) to study the link between trade liberalisation and income convergence within the EC by using country data up to 1985 from various sources. The results obtained support the convergence hypothesis that poor regions tend to grow faster than rich ones when there is macroeconomic convergence. Ben-

David (1993) further claimed that most of the convergence of the EU occurred in the post-world war era, during a period of increased trade liberalisation. Neven and Gouyette (1995), in an attempt to assess convergence in output per capita across EC regions (for the period 1975-90), supports the convergence hypothesis for regions in northern Europe, but not in southern Europe.

Deuhurst and Mutis-Gaitan (1995) (utilizing a model of varying convergence rates in GDP per capita of the EU between 1981 and 1991) discovered that the varying convergence rates for different sub-groups in the sample adjusted toward a common equilibrium growth rate. This is why Cheshire and Carbonaro (1995) argued that the estimated convergence rates depended on the conditioning variables in cross section regressions. Fagerberg and Verspagen (1996) analysing regional growth in the EC in the post-war period suggested a reversal in the convergence process within the EC that characterized most of the post-war period.

The signs of divergence are attributed to different levels of research and development (R&D), effort, investment, and support from the EC, and the structure of regional GDPs and differences in unemployment. This is contrary to Giannas, Liargovas and Manolas (1999) who argued that convergence among EU countries did not need to look at economic indicators alone but also social and quality of life indicators. The authors pointed out that social and quality of life variables such as crime rates, pollution, public services, health care and infrastructure among others were equally important as economic variables in determining the well-being of individuals. The study also revealed that existing economic, socio-political and policy differences among EU member countries reduced the rate of convergence in the EU. It is difficult to pinpoint the exact reasons which contributed to Economic Convergence in the European Union to convergence of the Union (Yin, Zestos and Michelis, 2003).

International trade agreements spearheaded mainly by the General Agreement on Tariffs and Trade (GATT) promoted trade liberalization and global economic integration in the post-World War II period. The EU countries chose to pursue a faster path to economic integration among each other. To accomplish this, they formed a customs union and a common market, they also adopted common structural policies to promote harmonious economic development and attain economic convergence.

Macroeconomic Convergence of the Caribbean Community

One major goal of the Caribbean Community (CARICOM) still remains that of deepening the monetary integration process among member states. The success of this plan depended upon them seeking accord in the behaviour of fundamental economic variables across member countries. Leon, Samuel and Samuel (1996); Atkins and Boyd (1998), and Kendall (2000) have all looked at Caribbean economies amidst possibilities of converging some key macroeconomic variables: inflation rate, growth rate for real per capita income and the foreign exchange rate etc. Given the strategic plan to integrate the financial markets of the region, the issue of interest rate convergence however needed to be looked at. Notwithstanding, interest rate data for economies of Barbados (BDS), Trinidad and Tobago (TT), Jamaica (JA), Guyana (GY), and the seven countries in the Organization of Eastern Caribbean States (OECS) have already been tested for convergence using three alternative techniques.

The mission statement of CARICOM is 'to provide dynamic leadership and service, in partnership with Community institutions and Groups, toward the attainment of a viable, internationally competitive and sustainable Community, with improved quality of life for all.' Hence, the macroeconomic convergence of CARICOM has fundamentally been envisaged through lens of the establishment of a Common Market which would allow freedom of a single market; free movement of goods, services, labour and capital. Having already established a single market for inner-regional trade in goods years before, the Caribbean Community took new and significant steps towards the creation of a single market (see CARICOM Secretariat Press Release 34/2002, 1 March 2002).

The member states made the commitment that by the year 2005, they 'would bring to completion the single market for goods, services, capital and significant movement of persons, adding self-employed service providers, entrepreneurs together with their managerial, technical and supervisory staff, spouses and dependent family members to the categories of university graduates, media workers, musicians, artistes and sportspersons' (see CARICOM Secretariat Press release 23/2002, 6 February 2002). Drawing from the free trade area (CARIFTA) established in 1968 and replaced in 1973 by a far reaching agreement of regional integration. The Caribbean Community (CARICOM) is also taking steps in the direction of a common labour market. They have gone as far as to allow the free movement of professionals, an example which cannot be ignored from the European Union and is a similar step which Africa can follow. In addition, CARICOM is also considering further liberalisation of inner-

area migration with a view to accomplish a fully integrated labour market which is considered as a crucial ingredient for a Common Single Market and Economy (CSME). As of March 1st 2002 CARICOM Member States agreed to remove existing restrictions for inner-community economic activities, including the removal of restrictions to free movement. The categories of persons who have the right to move freely within the CARICOM area were extended to include self-employed service providers and entrepreneurs together with their managerial, technical and supervisory staff and spouses and immediately dependent family members. 'From 1 March 2002, there should therefore be no restrictions on the Right of Establishment, the Provision of Services and the Movement of Capital within the Community other than those included in the Programmes' (see CARICOM Secretariat Press Release 34/2002, 1 March 2002).

Macroeconomic Convergence in Latin America

Little is still known about the convergence process among developing countries, particularly Latin America countries. Although Khan and Kumar (1993) have tested the convergence hypothesis among 95 developing countries in Africa, Asia, Europe (including the Middle East) and Latin America, their results are presented in an aggregate form. It is not possible to identify the process of convergence among a group of developing countries that are located in one particular region of the world e.g. Latin America. This is why studies of developing countries convergence have tended to concentrate on convergence within a country (Dobson and Ramlogan, 2002). For example, Ferreira (2000) presents strong evidence of regional convergence in Brazil, while Nagaraj et al. (2000) as well as Choi and Li (2000) identify per capita income convergence in India and China (before the Chinese economic miracle).

Notwithstanding, countries of Latin America have experienced periods of both steady growth and economic decline since 1960. While the region grew at around two per cent per year, on average in the 1960s and 1970s real growth rates were negative in most countries during the 1980s. While growth over the period as a whole has been steady it has been modest in comparison with some other developing regions (notably Asia). But what is of more interest is whether the growth is converging i.e. if the growth experience has been shared equally across the region to the extent that the fastest growth has taken place in the countries that were relatively poor at the start of the study period. As a prelude to the formal examination of

convergence, it is useful to conduct a more informal investigation based on per capita income data and country growth rates over the period. The aim of doing this is not to explain differences in income levels or growth rates in terms of underlying elements of policy (national or international) or circumstance, but rather point to developments which may have assisted or hindered growth and hence the process of convergence.

It is important to note that Latin America underwent considerable economic and social change two decades ago. The reform to the economic structures of the various countries sometimes served to stimulate growth while periods of world recession had the opposite effect. The impact of these changes has not been equally felt in all countries. This is reflected in the patterns of convergence over the period. Between 1960 and 1990 there is evidence of unconditional beta convergence – countries were converging (at a slow speed) to the same level of per capita income. But there is no evidence of sigma convergence for the overall sample period. The distribution of income has not become more equal in Latin America. The case for a proactive regional policy and the strengthening of regional development associations in Latin America seems strong.

Integration, Convergence and Coordination

It had been envisaged that Regional Economic Communities (RECs) would be the building blocks towards achieving an African Economic Community (AEC) (AU, 2006). The route expected to be followed is one of gradual integration of African economies through a transition process. Free trade areas would be the starting point followed by customs unions, common markets, monetary unions, and a continental central bank with a single currency being the ultimate destination.

Regional integration initiatives among various RECs targets cooperation that will ensure easier facilitation of trade and other socio-economic activities among countries within these regional alliances. However, there have been challenges. Political liberalisation and sound macro-economic reforms are key success factors for regional integration in Africa, as Qobo, (2007) argued. For regional integration to work, particularly economic cooperation, it must be underpinned by infrastructure development, attracting and nurturing private economic activities, supporting socially and economically viable indigenous practices, and creating the

right climate for the expression of a plural and divergent political voice in civil society. These factors together could contribute significantly to the vitality of Africa's integration process (Qobo, 2007).

Another issue is that parastatals (or state-owned entities) still play a dominant role in the economic sphere in a number of African countries. According to Nkurundzinza and Bates (2003) this could also act as a drain on the fiscus. For integration to be a success there is need for national legislation, policies, rules and regulations to change to accommodate new challenges if integration is to be a success. Mistry (2000) proposes that such flexibility would further have to translate into subordination of domestic political interests to common regional goals (Mistry 2000:557).

Another tricky issue relates to ensuring common currency. A major drawback from a common currency is the loss of monetary policy independence for participating countries. However, the benefits expected from integration such as 'trade, optimal policy formulation, welfare and increase in living standards outweigh the loss of policy independence for the individual countries' (Masalila, 2008). The desire to work towards economic integration is expected to bring its own benefits, such as through complementing monetary union with free regional trade and pursuit of accompanying economic and institutional integration steps, (Ghosh, Guide and Wolf, 2008, 176).

The goal of a common currency in Africa is a pillar of African unity, a symbol of the strength that its backers hope will emerge from efforts to integrate the continent. The prospect of a single African currency dates to the goals of the Organization for African Unity (OAU) which was created in 1963. The project received renewed priority in 2001 when the OAU's 53 member states agreed to transform the intergovernmental organisation into the African Union (AU). The AU retained its predecessor's dedication to political and economic unity and took on a broader mandate to meet the challenges of globalisation. In August 2003, the Association of African Central Bank Governors announced that it would work towards a single currency and establishment of a common central bank by 2021.

AU's strategy is premised on prior creation of monetary unions in five existing regional economic communities. These regional unions would be an intermediate stage, leading ultimately to their merger, creating a single African central bank and currency. To date, very

little research has been done on the desirability and feasibility of creating a single currency. For that reason it is important to assess the feasibility of a single currency using a unique model which integrates the idea of asymmetry of shocks which impact a country differently from the other countries in a monetary union. The assessment must account for the absence (due to weak governance) of institutions effectively able to insulate the central bank from pressures to finance deficits, and produce over expansionary monetary policies.

According to Kariuki (2009), the African monetary union has been motivated by the desire to counteract perceived economic and political weakness. It is expected that regional groupings could help Africa in negotiating favourable trading arrangements. This can be globally (in the World Trade Organization context) or bilaterally (with the European Union and the United States). While the objective of regional integration seems well founded, it is unclear whether forming a monetary union would contribute greatly to it (Kariuki, 2009).Despite the desire for a common currency, one which is ill managed and subject to continual depreciation is not likely to stimulate pride in the region or give the member countries any clout on the global stage.

To sum it all up,

> “a common currency can save on various types of transaction costs, but a country abandoning its own currency gives up the ability to use national monetary policy to respond to asymmetric shocks. These costs, can be minimized by greater flexibility of the economy i.e. a country relinquishing its national monetary sovereignty may nevertheless be able to adapt to these shocks mainly through labour mobility, wage and price flexibility, and fiscal transfers. The likelihood of a country experiencing asymmetric shocks depends on how similar its production and export structures are relative to its partners in the monetary union. Euro-area countries have much better communication and transportation links than African countries, so Africa may not expect the same gains from economies of scale and reduction of transaction costs (even in proportion to its economic size)which are expected to result from Europe’s monetary union. African countries are highly specialized resulting in them suffering large terms of trade shocks, which often do not involve the same commodities” (Kariuki, 2009).

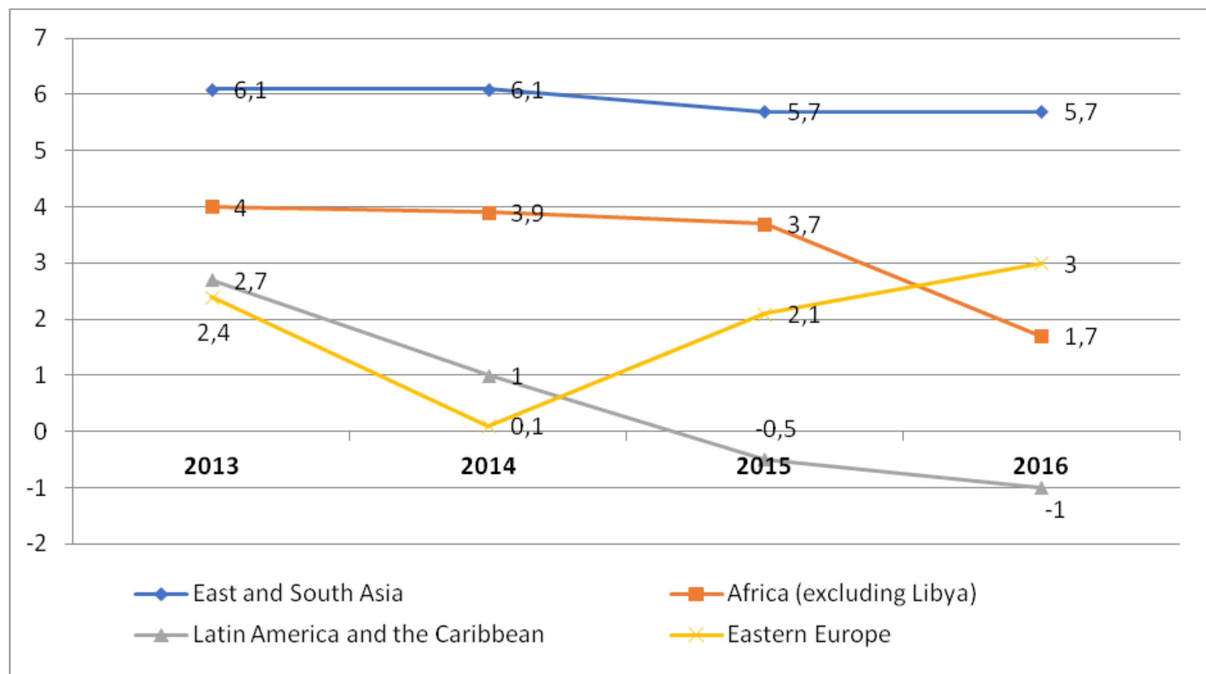
For regional integration to become reality, African leaders and policy makers should be fully committed to the FTA agenda. Regionalism in Africa has been problematic and influenced by

political variables. African leaders and policy makers would need to move beyond rhetoric in furthering deeper integration in Africa. Issues related to regional integration in Africa cannot be analysed properly with one particular theoretical framework. Regionalism in Africa is characterised by many complexities and the changing perspectives of the concept as scholars attempt to grapple with the realities and challenges of globalisation, regionalisation and liberalisation. In short, it is important to take into account the ideological dynamics and political-economic challenges associated with regionalism in Africa as points of reference in any theoretical analysis.

Most importantly, the two critical issues that require attention for a free trade area are: macro-economic convergence and policy coordination. For a free trade agreement to be effective it is important that economic indicators/performances of the countries in a free trade area converge. Equally, it is important that economic policy is well coordinated.

To start with, as Figure 1 demonstrates, Africa's economic performance has been below that of Asia and it has been in decline recently. From 4% in 2013, gross domestic product growth rate declined to 1.7% in 2016 while Eastern Europe's economic performance has been rising since 2014. The economic performance of Latin America and Caribbean economies has been worse though. In the context of a difficult global economic environment, most economies are not performing well. The actioning of the AfCFTA should take that into account. Many African economies are not performing well. There is also significant divergences in economic performance for many economies in Africa.

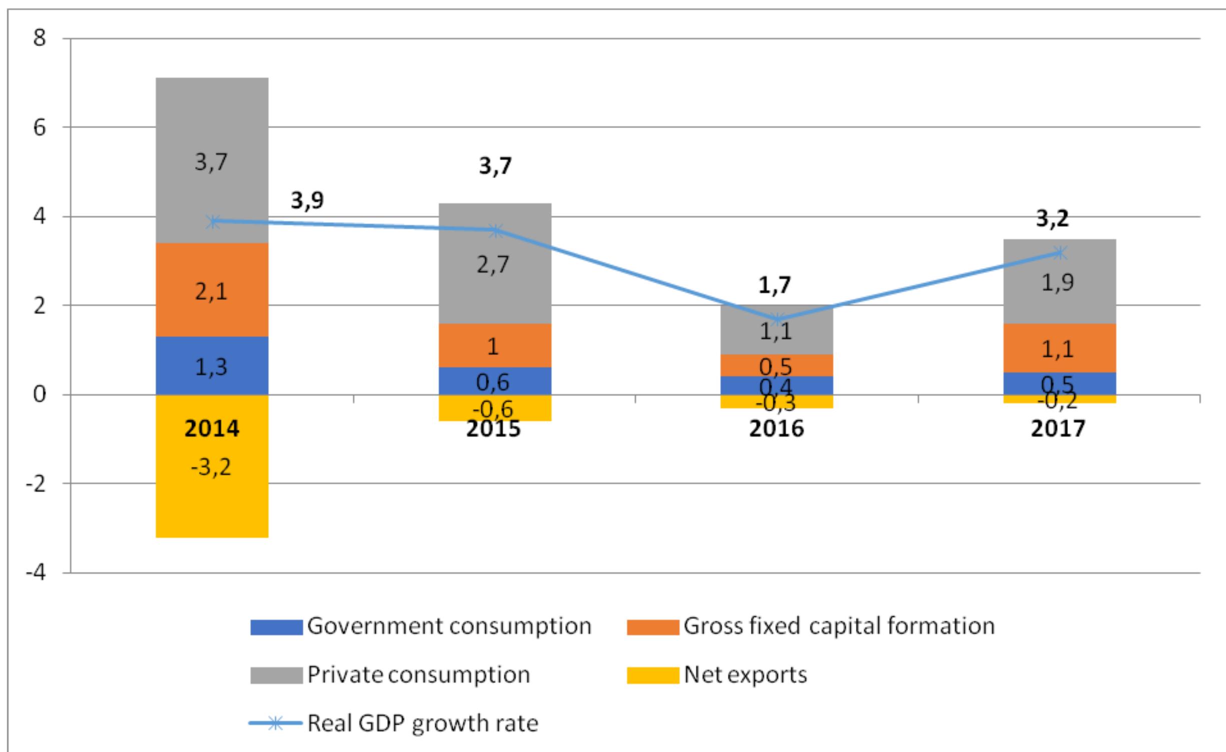
Figure 1: Economic Growth in Africa, Emerging and Developing Economies, 2013-2016



Source: ECA calculations based on UNDESA (2016) and EIU (2016) data.

It is also insightful to observe that most of GDP growth in Africa comes from private consumption, as Figure 2 shows. Net exports have remained negative during 2014-2017, which does not augur well for job creation too. It is encouraging though that gross fixed capital formation is the second significant contributor to GDP in Africa.

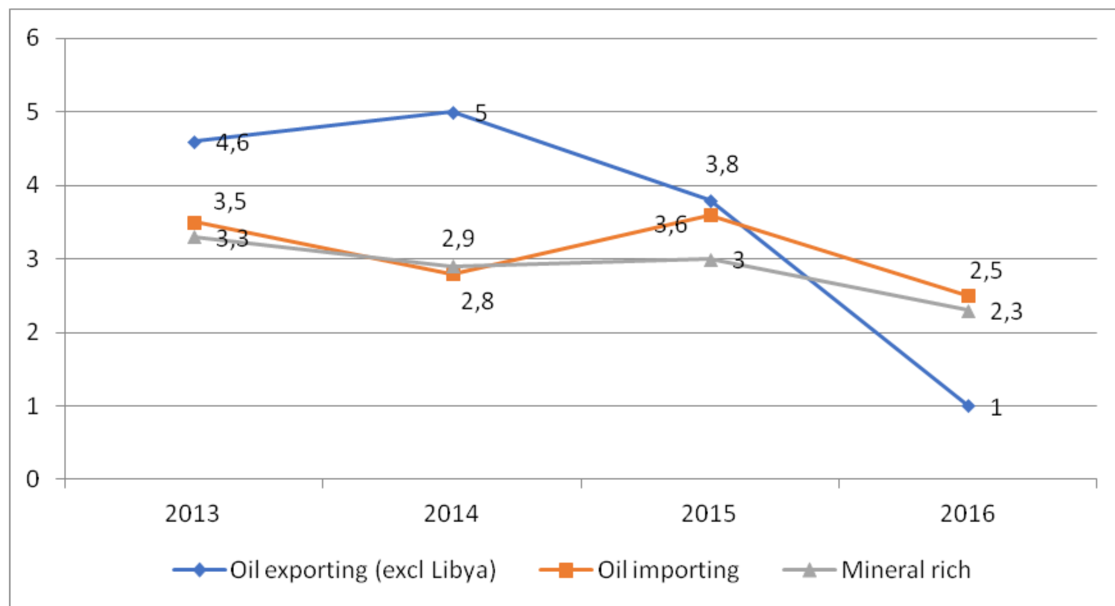
Figure 2: GDP Growth and associated components in Africa, 2014-2017



Source: ECA calculations based on UNDESA (2016) and EIU (2016) data.

The decline in economic performance of the different economies in Africa can also be viewed by the different economic groupings. Oil exporting countries in Africa have experienced the most dramatic decline in growth performance. On the upside, the relative declines in economic performance by economic groups could imply economic convergence.

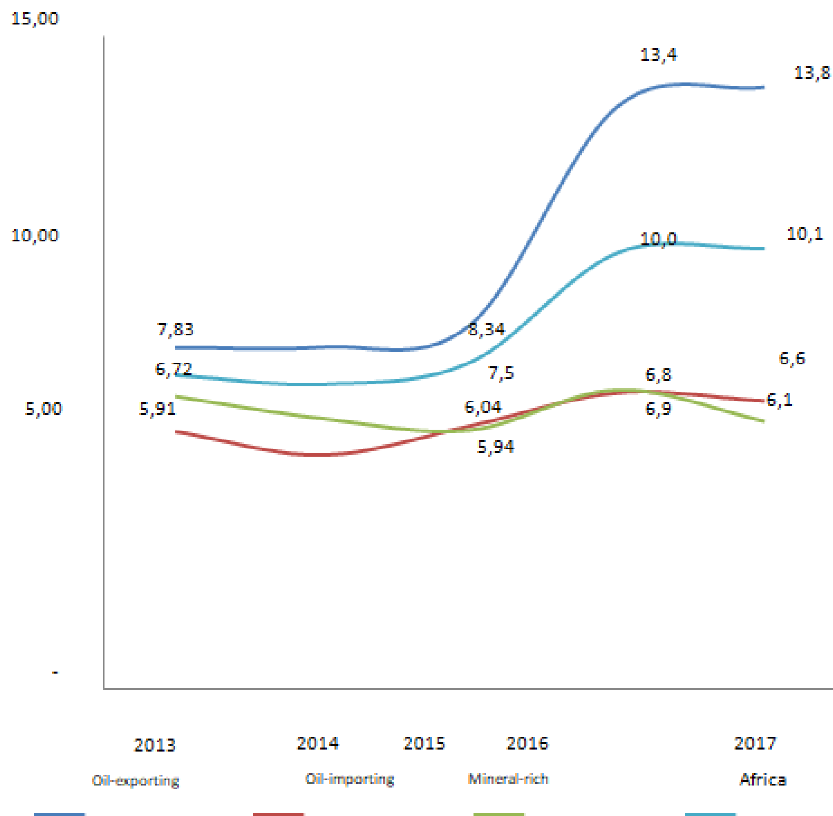
Figure 3: Growth performance (%) in Africa by economic group, 2013-2016



Source: ECA calculations based on UNDESA (2016) data.

Another critical economic indicator, in the context of convergence and coordination, is changes in prices. African countries have very different levels of inflation. Figure 4 shows very divergent inflation rates by economic groupings. Starting at not so different levels of changes in prices in 2013, in 2017 oil exporting countries have inflation that is effectively double the inflation rate of mineral-rich African countries while the average for Africa as a whole is about 10% of inflation rate. By implication, convergence is a long way to go and monetary policy coordination by central banks would be critical for the AfCFTA to be effective.

Figure 4: Inflation by economic group, 2013-2017



Source: ECA calculations based on UNDESA (2016) data.

Towards an effective free trade area in Africa

There have been many free trade initiatives in Africa and RECs (as indicated earlier) are an important institutional infrastructure for a continental wide free trade area. The existing common market and customs unions also need to be taken into account. Although there are some shortcomings in SACU, for instance, lessons can be drawn. The complex political and economic issues pertaining to the CFA (Communauté Financière Africaine) franc zone (see Gumede 2019) would require serious attention. The existing common monetary areas (e.g. West African Economic and Monetary Union and Coopération Financière en Afrique Centrale), are critical for lessons pertaining to policy coordination and macroeconomic

convergence. The main lesson from existing free trade areas (i.e. European Union in Europe, CARICOM in Caribbean Community and Mercosur in Latin America) is that thorough planning is important in ensuring that a free trade area is effective. It would be important to also delve deeper in initiatives for harmonisation of policies and convergence. The Economic Community of West African States (ECOWAS), for instance, has a macroeconomic convergence criteria for establishing the West African Monetary Zone and SADC also has a macroeconomic convergence criteria that Masson et al. (2005: 114) explained as '… a set of indicators [which] will allow monitoring of progress towards … convergence'. There is also the African Monetary Cooperation Programme (AMCP), that was envisaged in the Abuja Treaty.

Most of indicators which were agreed to as a process for culminating a common market have not converged. For SADC, for instance, inflation rates are not converging, budget deficits are far above 5% of GDP, Debt-GDP ratios are very high etc. As Gaolathe (2004: 5) argued 'the harmonisation of legal and operational frameworks of SADC central banks, the SADC payment, clearance and settlement systems, as well as the co-ordination of training of central bank officials' were critical for a free trade area within SADC.

Given this, an important first step should have been to take stock of all existing free trade initiatives in Africa. The second step should be to plan how would RECs and other relevant bodies that would birth an Africa wide free trade area, and or what would be of RECs in the AfCFTA. In-depth research and analytical work – including dealing with legal aspects – should be undertaken. Practical proposals would be needed regarding the interface between the AfCFTA and the RECs and other relevant issues, including the Tripartite FTA. An assessment of existing FTAs and monetary unions as well as common markets, also drawing lessons from other similar initiatives in other parts of the world [e.g. European Union in Europe, Caribbean Community (CARICOM) and Mercosur (Bienvenidos al Mercado Común del Sur) in Latin America] would be critical. Lastly, there should be legal and institutional framework analysis for the absorption of RECs FTAs to the broader AfCFTA agenda.

Conclusion

Undoubtedly, the AfCFTA is a crucial step towards integrating economies of African countries, boosting intra-African trade and attaining inclusive development in the continent that is consistent with (African Union) Agenda 2063 and global goals on sustainable development. 'As Africa prepares for the post-Cotonou era with the EU and the post-AGOA era with the United States in 2020 and 2025 respectively, it is a priority that Africa has a common position. This position must also advance the continent vigorously under a coherent institutional framework provided by the AfCFTA' (New Times, 2018).

There are urgent issues that should be prioritized, as the paper argues. Lessons from existing FTAs globally and an assessment of existing FTAs in Africa is overdue, especially in the context of how would the AfCFTA interface with existing FTAs and monetary unions/communities. Most importantly, in the meantime, mechanisms for policy coordination should be strengthened and work towards macroeconomic convergence should be undertaken.

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