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190919

Free Trade Area in Africa: Expected benefits and challenges

VIDC, Vienna September 19th, 18.30 h, C3 Sensengasse 3

1. What is intended: Free African Continental Trade for 1bn people, \$ 2.5 trillion joint GDP

- Free trade area AfCFTA decision to start operation on July 7 in Niamey (Niger) agreed with all countries with exception of Eritrea, March 2018 adoption of agreement
- East African Federation: intention of 6 East African States to become a single sovereign state (Burundi, Kenya, Rwanda, South Sudan, Tanzania, Uganda); Interim step confederation, work in progress
- REC's, Regional pacts,

2. What we can learn from other free trade areas?

A: There are overall and large gains,

not only economically, but in political governance, and reducing conflicts (internal and external):

- People who can increase incomes by trading, and have experienced open borders, heavily oppose conflicts.
- No war in the conflict-ridden Europe among members of EU, EFTA (predecessor gradually reducing trade barriers).

B: There is also opposition, challenges, the old elites know that their special status gets lost:

- Military, clans, old male networks, vested interests, churches.

3. Challenges and blocks on the road

Fact A: It must be known that this is a long road; It needs determination and vision but does not deliver very quick gains.

Fact B: Each change is positive in the long run and for mobile people, but it is a problem for inflexible ones

And changing from one position to another is always a burden, it involves costs of change

4. Distribution of benefits and challenges for countries, winners and loser of groups

Benefiters: Countries which actively support change and cooperate in infrastructure with neighbors gain more

The same holds for those which have already learned to export to the world,

have basic infrastructure, start to improve it quickly

top example: solar energy network in Sahel Zone: Mauritania, Mali, Niger, Burkina Faso and Tschad (G5 Sept 16th)

Challenges: for countries lacking schools (or absentees) and internet, landlocked countries without roads to neighbors

Winners: firms which can expand business, economies of scale, persons currently unemployed, trained,

Losers: some low skilled users unable to change to other firms or villages

Having profited from providing low quality products and fruits in local market at a high price, local monopolies

Fact C: the losers must be assisted, not necessarily by money, better by training, empowerment, mobility

Otherwise they vote for populist or agree with military interventions (forgotten regions, lost working experience)



5. The role of Europe and of China

Europe should offer partnership, not development policy of the old paternalistic style

It consists of physical investment but even more education, and supporting rule of law, microcredits, teleworking, information system, medical information

European investment program, is fine, investment not education, good governance better

Education is Europe's USP

Chinese investment usually higher welcomed, due to size, no loud political conditions (some hidden ones, Taiwan, Chinese labor), goals infrastructure which is positive but if not discussed from and to ports and not interconnecting regions and African countries, often credits with longer run payback, but rather high rates and not reported to IMF)

Europe should support special zones which can experience new technologies, learning, offer employment for refugees, which Und this condition have not to migrate disruptive to Europe;

but in governance of the zones must be local citizens, ex patriates; and international organization have to be involved

But priority for Europe has to be: stop sheltering and parking of money of dictators in Europe, stop large scale subsidies for agricultural products which prevent agricultural sector from rising, supplying weapons for each and any conflict

Fact D: Africa cannot become Europe 2.0, it needs other (decentral, not based on fossil energy) energy and water supply sanitation, building material, agriculture

6. What we can do personally, the Policy Crossover Center, the Schumpeter Foundation, the Africa Club, the African Community in Vienna

- Motivating the Austrian society, media government in "Rising Africa" and African-European Partnership"
- Erasmus mundus, cooperation between universities, part time professorships, Kairo- Vienna,
- Connecting between Africa community and University of business and economics (WU-Wien) ,
- Incorporating African development in lectures (inter alia the new international Master Program Economics)
- Master and bachelor theses on African problems (currently 3 supervised by me)
- Meeting of African community in Vienna and students at universities in Vienna, twice a year
- Vision: Schumpeter fellowships programs for Africa, similar to Schumpeter program Harvard-Vienna

For more information:

www.querdenkereuropa.at; or <http://www.schumpeter-gesellschaft.at/>

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