

AfCFTA has the ability to unite the continent

Interview with Maria Auma Horne on the promise of free trade for young innovators and businesses

Maria Auma Horne

How do trade barriers affect the daily work of innovators and business entrepreneurs in Africa?

“Trade barriers make it difficult for innovators and businesses to expand and make profits.”

Trade barriers make it difficult for innovators and businesses to expand and make profits, which ultimately slows down economic growth. For example the

stringent taxes in the export and import business within the regional blocks themselves eat away at the potential profits of those trying to sell new products or bring new products into their country's markets. I experienced this first hand when we were running a wines and spirits business in

East Africa. Every single time the cost of paying duties was equal to or even twice the cost of purchasing the wines at the “Free on Board” (FOB) price (the price before shipping and customs), which immediately would shoot up once the CIF price (including duties, insurance and freight cost) was quoted. This of course means that businessmen and -women need to have ample capital and particularly cash on hand to take care of contingencies.

With the case of innovation, it means that young developers are faced with patent rights and cost of operations. Because trade barriers are not only just about tariffs, but also about the cost of travel and setup and registration costs that within Africa is close to shameful and extremely unacceptable. There is also the poor infrastructure not just on the roads but on technology where more than half of the population still does not have access to internet resulting in lack of efficient communication for businesses. So the scope of expansion for innovators is narrowed because they are limited to their level of access towards new consumer markets.

Could AfCFTA be a real game changer on the ground?

AfCFTA could be a real game changer if the policies are implemented right. It does have the ability to unite the continent not just by economic strengths but political as well, which really is key in terms of sustainable development and leapfrogging out of poverty and a jobless economy. Right now the structure includes the Southern African Development Community (SADC), Economic Community of West African States (ECOWAS) and Common Market for Eastern and Southern Africa (COMESA) to name a few. These trade agreements try to unite countries to ease the flow of goods and services within those regional blocs. What AfCFTA can do is consolidate these trade blocs into one single market bringing a wealth of resources that could potentially spark real growth. It will also encourage the flow of goods and services towards areas that are in dire need of them and it will further equip the continent with the tools needed to address the crises and catastrophes.

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I think one of the biggest challenges as to why Africa as a continent is stunted in growth is because we are not going full circle with our production. We have the raw materials but lack the technology or political will to practice value addition. And so we end up exporting tonnes of raw products primarily crops only to end up buying them later on at twice or three times the price in imports from the same people we sold them too... except this time the product is packed in a can, or processed for us to consume. This does not help the fact that Africa was not really built on exchange of money, but on exchange of goods. So a lot of folks who do not have cash in hand, do have plenty

of assets that they cannot readily convert to cash. And maybe there should be a way in which barter trade is incorporated into the AfCFTA. The reality is that Africa is a rich continent in terms of resources and raw materials, but poor in terms of the ratio of earning power to individual or cash to individual and unless governments start diagnosing Africa as Africa and not its neighboring continents, it will still face the same challenges in financing its development and achieving growth.

What additional steps are needed to realize the full development potential of free trade in Africa?

There is a need to revise the travel policies within Africa to ensure free trade. So for example, free movement should not just be limited to those doing business but should be accessible to those who are seeking to further their education, because as we know an

“Free movement should not just be limited to those doing business.”

educated community leads to a developed society. On top of that we really need to cut down our airfares. Either the governments or the AU need to step in and initiate subsidies on oil for air flights or air

carriers need to innovate a new way to reduce operational costs so more people can afford to fly within the continent. Right now there are more people flying out of Africa than within because it costs just the same amount or less (most times) to buy a plane ticket from Uganda to China or Dubai with perhaps better business opportunities than to Nigeria.

There also needs to be a common currency and a revived stock market that African businesses especially tech and agro-businesses can offer their IPOs (Initial Public Offerings) and raise investments from. Right now a lot of the country specific stock markets

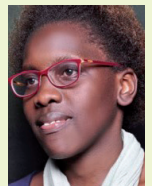
leave much to be desired. Not many businesses realize that they can use the stock exchange to raise money for growth, or perhaps lack the knowledge of how to and most either borrow heavily from banks or solicit funds from the diaspora. If there could be one central stock exchange that works like the New York Stock Exchange and that provides flow of investments there could be hope for an Africa rising built by Africans.

What is your vision of a pan-African business environment in the future?

I envision a pan-African business that boasts of its cultural roots and heritage in a nice balance of modern day economic trade and finance, through mobile applications whose access to new clientele is not walled off by poor infrastructure including roads and who has confidence in and African currency that is backed not just by gold reserves but by the myriad of natural resources embedded in the African soils. A business that understands the monetary rewards of value addition and that enjoys a secure environment not ridden by wars and political unrest with leaders that understand the importance of democracy.

Maria Auma

Maria Auma is a successful and socially-conscious female entrepreneur. She is the founder of BLI Global, an organization providing education and financial support to young people and budding businesses in their local communities. While the business initially started in Kampala, it now works with young people across the world on a wide range of projects related to health, climate change, education, and business.



Imprint

The Development and Peace Foundation (sef:) was founded in 1986 on the initiative of Willy Brandt. It is a cross-party and non-profitmaking organisation. sef: provides an international high-level forum for shared thinking on the complex challenges of globalisation..

sef: insight is an online publication to accompany key conferences hosted by sef:. It presents interviews with international experts as well as opinion pieces on pressing issues of local, regional and global governance.

Published by
Development and Peace Foundation (sef:)
Dechenstr. 2 | 53115 Bonn | Germany
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www.sef-bonn.org

Editor
Dr Mischa Hansel

Design Basic Concept
Pitch Black Graphic Design
Berlin/Rotterdam

Layout
Gerhard Suess-Jung

Contents do not necessarily reflect the views of the publisher.

ISSN 2566-7262
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