

# Ghana hopes to benefit from hosting Africa's free trade area secretariat

By [Adu Owusu Sarkodie](#)

1 Aug 2019

Ghana has been chosen by the African Union (AU) to host the secretariat of the African Continental Free Trade Area. It beat other competing countries including Egypt, Eswatini, Ethiopia, Kenya, Madagascar and Senegal to win the bid.



Image source: Gallo/Getty.

As a free trade area, member countries have come together and agreed not to impose tariffs, quotas and other trade barriers on goods and services. The agreement is expected to enlarge markets and diversify exports, particularly manufactured goods. According to US-based think tank the [Brookings Institute](#), intra-African trade stands at about 14%, while the share of manufactured goods to the rest of the world stands at 18%. Trade among Asian countries is much higher – at 59% – and even higher among European countries at 69%. The hope is that the African free trade area will boost trade across the continent by 52% [by 2022](#).

The core mandate of the secretariat will be to implement the free trade agreement, which has been [ratified](#) by 25 out of 54 countries. Once all have ratified the deal, it will create the world's largest free trade area since the formation of the World Trade Organisation in 1995.

Africa's free trade area will cover a market of 1.2 billion people with a combined Gross Domestic Product (GDP) of [US\\$2.5 trillion](#).

The secretariat's job will be to recruit personnel, train them, and develop organisational capability. The secretariat will also have to implement policies handed down by the governing body, keep the media informed, organise conferences and identify potential funding sources. It will also monitor and evaluate the progress of policies and programmes.

This is a first for Ghana which has not hosted a continental secretariat. The hope is that it can emulate the [success](#) of other African capitals that have benefitted from hosting the AU and the United Nations. Addis Ababa is home to the AU headquarters while Nairobi hosts two of the UN's biggest bodies. For its part, South Africa hosts the Pan-African Parliament.

The presence of the AU in Addis Ababa has been [credited](#) with an increase in property valuations as well as job creation.

In making its bid, Ghana took advantage of its strategic geographical location in West Africa. It has put a great deal of effort into making the country a gateway and a trade hub in West Africa.

Hosting the free trade area secretariat will come with costs and benefits - direct and indirect.

## Why Ghana?

In establishing its credentials to host the secretariat, the Ghanaian government would have set out the country's most notable achievements.

These would have included the fact that it's been an exemplary member of the AU. For example, in 2007 it was among the first countries to be reviewed by the [African Peer Review Mechanism](#) – the self-assessment mechanism used to measure [good governance](#).

The fact that it put its hand up sent a signal to other countries that the peer review process was credible.

Other factors that would have played in Ghana's favour are that the country's economy has been showing strong growth.

It is one of the fastest growing economies in the world with an [average](#) GDP growth of about 6%. In addition, it comes second to Cape Verde in West Africa in terms of the United Nations Human Development [index](#).

In one of the most unstable sub regions in the world, Ghana also has a tradition of relative peace and security, a key parameter for hosting a secretariat.

In addition, Ghana has had the advantage of learning about trade collaboration through its membership of the Economic Community of West African States (Ecowas).

## Costs and benefits

Ghana has been part of the [15-member](#) Ecowas since its formation in 1990. The regional body introduced a common external tariff in [2015](#).

While Ghana has enjoyed [benefits](#) from the arrangement, like many other West African States, it has not been able to harness its full potential. For example, border controls remain cumbersome, delaying transits due to the numerous check points, huge unofficial payments at the [borders](#).

The most direct cost to the country will be the \$10 million [pledged](#) by President Nana Addo Dankwa Akufo-Addo to support setting up the secretariat. The AU is also expected to contribute funds and appeals have been made to international funding agencies.

Ghana's hope is that hosting the secretariat will boost the hospitality sector – and more broadly the services sector – and

generate increased international exposure.

There should also be a boost for job creation as the secretariat hires staff; ranging from economists to translators, administrators and technicians.

There is no clear deadline on when the secretariat is expected to be up and running. The AU itself still has to clear a number of [hurdles](#), including adopting a structure, staff rules and regulations, and the secretariat's budget.

## ABOUT THE AUTHOR

Adu Owusu Sarkodie is a Doctor of Economics, University of Ghana.

For more, visit: <https://www.bizcommunity.com>