

Africa Continental Free Trade Area Agreement

Background Presentation

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- Free trade agreements allow two or more countries to loosen or remove trade restrictions or barriers such as tariffs and import quotas.
- Shortly after World War II, the General Agreement on Tariffs and Trade (GATT) was formed to promote and organize trade between 23 countries. The World Trade Organization (WTO) was founded in 1995 as the natural successor to the GATT agreement.
- When countries agree to do away with tariffs and other trade barriers, they form a Free Trade Area, which is the most basic form of free trade agreement (FTA). In the case of Africa, in March 2018, the Kigali Declaration, and the Protocol on Free Movement of Persons were all signed leading to the African Continental Free Trade Agreement.

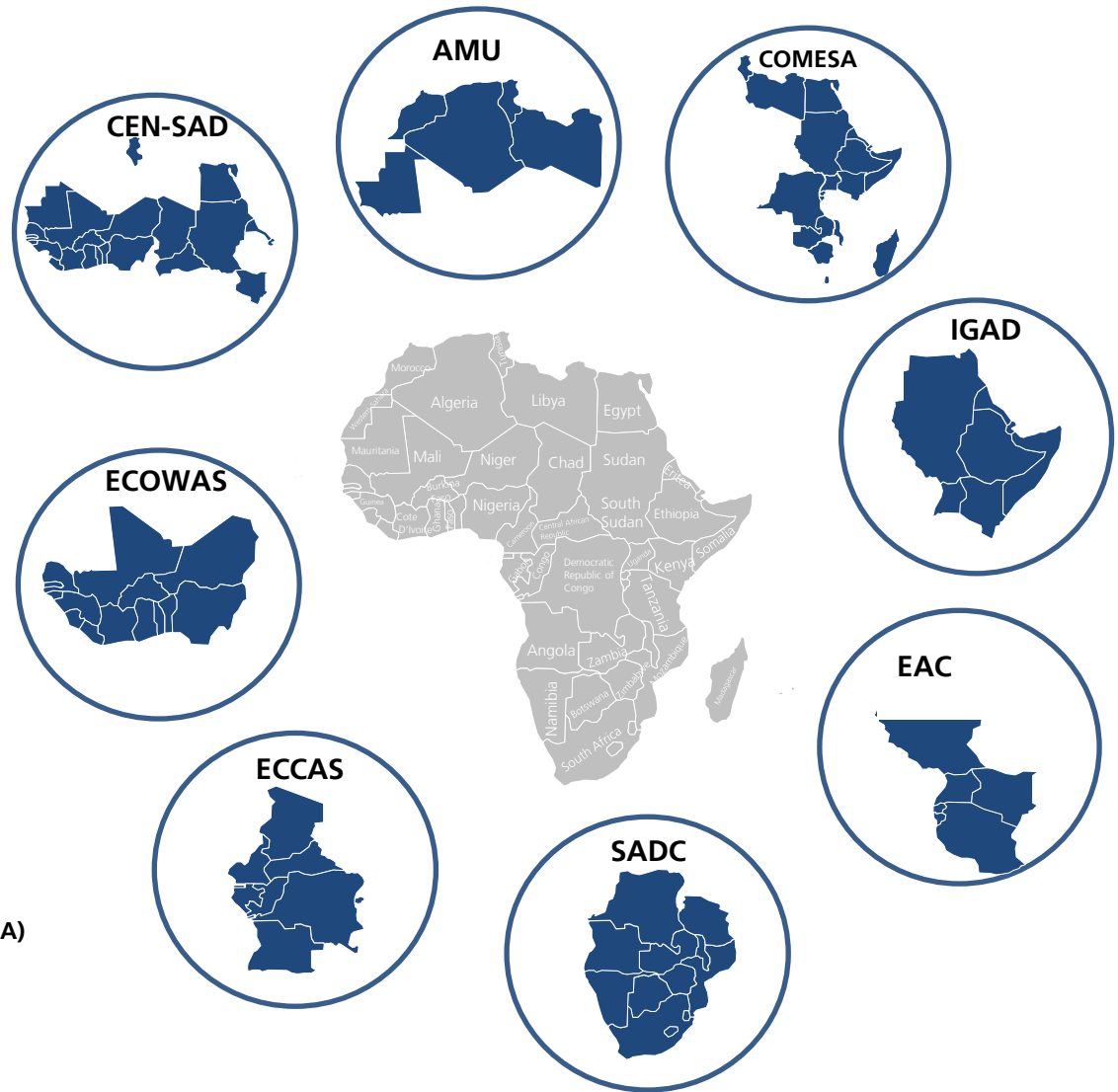
Economic integration and Intra-Africa trade

Regional economic communities in Africa facilitate economic integration, trade and lay the foundation for an Africa continental integration

Intra-African trade is just 15%, compared to more than 45% in other western free trade areas

Regional economic communities in Africa

- Arab-Maghreb Union (**AMU**)
- Community of the Sahel Saharan States (**CEN-SAD**)
- Economic Community of West African States (**ECOWAS**)
- Economic Community of Central African States (**ECCAS**)
- South African Development Community (**SADC**)
- East African Community (**EAC**)
- Intergovernmental Authority on Development (**IGAD**)
- Common Market for Eastern and Southern Africa (**COMESA**)



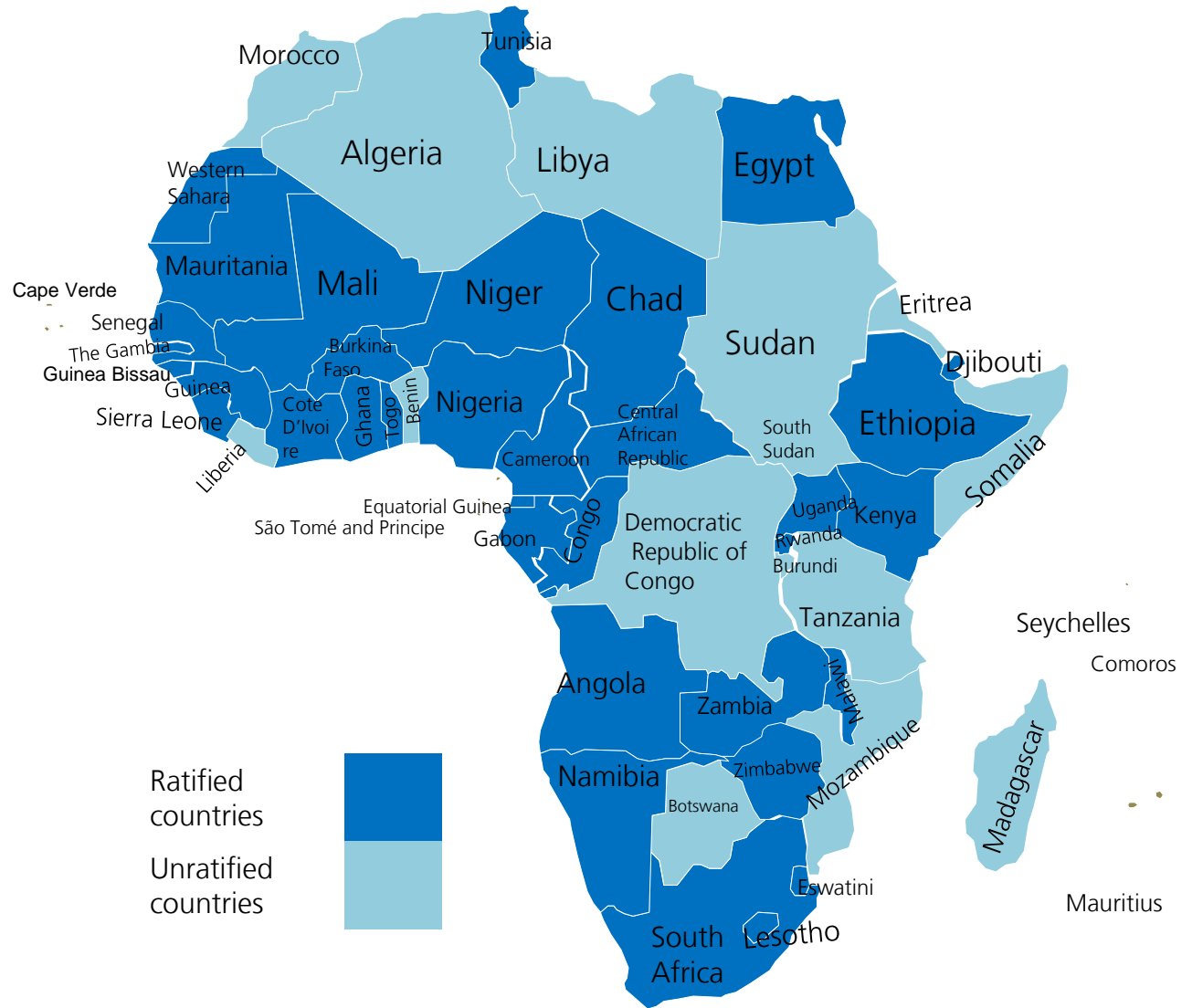
Africa Continental Free Trade Area (AfCFTA)

The world's largest free trade area drawing all 55 African Union member states

AfCFTA is an initiative of the African Union's Agenda 2063

AfCFTA aims to create a single market of 1.2 billion people and a cumulative GDP of over \$3.4 trillion

AfCFTA would lower tariffs and facilitate trade and services and remove trade barriers



- Creating a single market for goods and services, facilitated by the movement of people
- Contributing to the movement of capital and people and facilitating investment;
- Expanding intra-African trade by creating a liberalised market for goods and services through successive rounds of negotiations;
- Lay the foundation for the establishment of a Continental Customs Union at a later stage;
- Promoting industrial development through diversification and regional value chain development;
- Enhancing the competitiveness of the economies of the state Parties within the continent;
- Promoting sustainable and inclusive economic development;
- Resolving the challenges of overlapping memberships in regional economic arrangements.

- Tariffs on a wide range of products traded between African countries will no longer be paid by African companies and merchants
- Traders that are hampered by non-tariff obstacles, such as excessively onerous customs procedures or unnecessary paperwork, may have a way to request their elimination.
- It would be easier for products to flow between Africa's borders if customs authorities agree on product standards and regulations, as well as trade transit and facilitation.
- Service providers would have access to all African countries' markets on the same terms as domestic suppliers as a result of the radical liberalization of services.
- Small and medium-sized businesses are vital to Africa's growth. They are responsible for roughly 80% of the region's enterprises. These companies generally fail to break into more advanced overseas markets, but they are well placed to tap into regional export destinations and can use regional markets as stepping stones to further penetration into overseas markets.
- State Parties will be able to use trade remedies to defend domestic industries in the event of unanticipated trade spikes.

- Single market with 1,3 billion consumers
- Increase intra Africa trade by 81% and total Africa export by 29%
- Agreement will raise regional income by 7% or \$450 billion
- Accelerate growth for women and lift 30 million people out of poverty by 2095
- Employment in the agricultural sector would rise in 60% of countries
- Wages for unskilled labor would be 10.3% higher than the baseline, while skilled employees would see a 9.8% rise

- The AfCFTA would be difficult to enforce if infrastructure issues, such as poor roads and rail connections, as well as political instability in many African countries, are not addressed.
- The intra-Africa trade represent 16%-17% of Africa's total global trade. Africa also gains 10% of the gross value of its agricultural value chains. Practically there isn't enough to trade amongst African countries due to resource dependency. Till there is a change from raw materials production to large scale manufacturing, implementation of the agreement will be very difficult.
- Strenuous border bureaucracy such as long waits at the border or lengthy and burdensome export conditions increase trade costs. An average waiting time to cross the borders in Africa is 97 with 7.5 average documents to process.

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Thank You!