

**Lead Presentation by**  
**Dr. Friday Okpara, Member, AGOA Civil Society**  
**Organization Network Advisory Board to the 2020-2022**  
**Inaugural Advisory Board Meeting**  
**September 24, 2020**

## **The Africa Continental Free Trade Area**

Thank you Mr. Chair and other members of the board, it is an honour and privilege for me as regards this appointment. I give all the honour and adoration to God. I will strive to do my best as a member of this board.

Now on the Africa Continental Free Trade Area (AfCFTA)

Out of the 55 African countries, the leaders from 44 African countries gathered at the African Union Summit from March 17th to 21st 2018 in Kigali, Rwanda, and signed the Continental Free Trade Area (AfCFTA) treaty to create the world's largest single market. The agreement is the largest trade agreement in history since the creation of the World Trade Organization.

The objectives are to boost intra-African trade by making Africa a single market of 1.2 billion people and a cumulative GDP over \$3.4 trillion. The UN Economic Commission for Africa (UNECA) estimates that the implementation of the agreement could increase intra-African trade by 52% by 2022 (compared with trade levels in 2010) and double the share of intra-African trade (currently around 13% of Africa's exports) by the start of the next decade.

Virtually all the countries within the AU have signed and ratified the Agreement with the exception of Eritrea. Under the AfCFTA,

governments commit to removing tariffs on 90% of goods produced within the continent.

Accra, Ghana has been chosen as the Headquarters of the AfCFTA. The last AGOA Forum in Abidjan discussed AfCFTA as it relates to AGOA and the US-Africa trade relationship. The US delegates were worried as regards the place of the United States within the AfCFTA Framework. The AU Commissioner of Trade and Industry assured them that they will be carried along.

### **Objectives of the Continental Free Trade Area**

- Establish a single continental market for goods and services, with free movement of business professionals and investments, accelerating the establishment of the Continental Customs Union and the African customs union.
- Expand intra-African trade through better harmonization and coordination of trade liberalization and facilitation across Regional Economic Communities (RECs) and across Africa.
- Resolve the challenges of multiple and overlapping memberships and expedite the integration processes.
- Enhance competitiveness at the industry and enterprise level by exploiting opportunities for scale production, continental market access and better reallocation of resources.

### The Benefits and Implications

According to a research paper published by the United Nations Conference on Trade and Development (UNCTAD) in February 2018, the AfCFTA offers many opportunities for sustainable development and economic growth in the African economies. However, not all countries will benefit to the same extent, and the gain of welfare benefits also implicates relevant costs and commitments.

Most of the benefits of further trade integration (i.e. welfare benefits from lower import prices, production efficiency and increase in outputs, higher value-added jobs and exports, technological specialization, etc.) will materialize in the long term, while most of the associated costs of adjustment and integration (i.e. loss in trade tariff revenue, local SME's vanishing in front of stronger competition, adjusting unemployment, required investment in infrastructure, political and regulatory reforms, etc.) will be incurred in the short term.

Using the Global Trade Analysis Project (GTAP) computable general equilibrium (CGE) model, UNCTAD has estimated the quantitative effects of the AfCFTA according to 2 long-term scenarios: a full Free Trade Agreement (FTA) and Special Product Categorization (SPC).

A full Free Trade Agreement (FTA) eliminating all tariffs in the AfCFTA could generate welfare gains of US\$ 16.1 billion, at the cost of US\$ 4.1 billion in trade revenue losses (representing 9.1% of current tariff revenues). GDP and employment are expected to grow by 0.97% and 1.17% respectively. Intra-African trade growth is estimated at 33% and the continent's trade deficit is expected to drop by 50.9%.

Special Product Categorization (SPC) permanently exempts sensitive products from liberalization. In a scenario in which the sector with the highest current tariff revenue would be exempted from liberalization, UNCTAD simulations estimate a welfare gain of US\$ 10.7 billion in the long term. Tariff revenue losses are expected at US\$ 3.2 billion (representing 7.2% of current tariff revenues). GDP and employment growth are expected to grow by 0.66% and 0.82% respectively. Intra-African trade is expected to grow by 24%, while, Africa's trade deficit only shrinks by 3.8%.

The African Countries should tackle the huge infrastructure gap in terms of roads, rail-lines, electricity, seaports and airports. There are no linkages between the African countries by air, road or rail-lines. The

issue of a single currency is another challenge. Insecurity and the huge raw material export of the African countries is a major challenge, no manufacturing activities and Agriculture that is expected to enhance the socio-economic life of the people is at subsistence level. No value addition that is expected to create mass employment opportunities to the teeming youth, as Africa has the youngest labour force in the world-youth bug.

The COVID-19 Pandemic have distorted and disrupted the agenda. However, if well implemented, the African Continental Free Trade Area (AfCFTA) provides a unique opportunity for countries in the continent to competitively integrate into the global economy, reduce poverty, and promote inclusion. Increasing trade can provide the impetus for reforms that boost productivity and job creation, and thereby reduce poverty and increase wealth and employment creation. The AfCFTA can provide this spark.