

The AfCFTA: Its Potential Benefits and Impact

BUILDING AFRICAN ECONOMIC RESILIENCE

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Outline of Presentation



- ▶ (1) Foundations in a historical context;
- ▶ (2) Legal Basis of AfCFTA Agreement;
- ▶ (3) Size of the AfCFTA market;
- ▶ (4) Potential Benefits
- ▶ (5) Next steps & Challenges
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(1) Foundations in a Historical Context



- ▶ Africa's commitment to economic integration is part of Pan-Africanism, Africa Must Unite, Nkrumah, 1963, part of the agenda of the OAU;
- ▶ ECOWAS 1975; SADC, 1980; Lagos Plan of Action, 1980;
- ▶ 1991 Abuja Treaty Establishing African Economic Community;
- ▶ 14 regional economic communities emerged over time; resulting in overlapping mandates, duplication of work and dissipation of resources.
- ▶ Eight are recognized by the African Union: (COMESA, CEN-SAD, ECCAS, ECOWAS, EAC, IGAD, SADC, AMU).

(2) Legal Basis: Agreement and Protocols Signed on 21st March, 2018 in Kigali



- ▶ Agreement Establishing the AfCFTA;
- ▶ Protocol on Trade in Goods;
- ▶ Protocol on Trade in Services;
- ▶ Protocol on Rules and Procedures on the Settlement of Disputes;
- ▶ 44 countries signed.

Legal Basis: Protocols to be negotiated beginning 2018

- ▶ Protocol on Investment;
- ▶ Protocol on Competition;
- ▶ Protocol on Intellectual Property Rights.



Creating One African Market

(3) Size of AfCFTA Market



- ▶ 1.27 billion people, projected to rise to 1.7 billion by 2030. Middle class targeted to be 600 million people by 2030; Increased consumption will expand size of AfCFTA market;
- ▶ Aggregate GDP of US\$ 2.1 trillion to US\$3.4 trillion. Aggregate GDP at PPP is US\$6.7 trillion;
- ▶ Growing online retail, targeted to be US\$75 billion annually by 2025;
- ▶ Aggregate private and business-to-business consumption of US\$4 trillion.
- ▶ Large AfCFTA market capable of boosting intra-African trade and trade with the rest of the world with 90% tariff liberalization. Huge growth potential for intra African Trade (52.3%) & global trade (6%) by 2022.
- ▶ Single African Air Transport Market launched in 2018;
- ▶ Protocol on Free Movement of People, Right of Residence and Right of Establishment opened for signature in 2018;

(4) Potential Benefits



- ▶ Large market size of 1.27 billion consumers offers larger sales volumes when producing to the scale of the market offering opportunities to expand investments;
- ▶ Opportunities for value addition by producing final or intermediate goods;
- ▶ Opportunities for innovation & differentiation through responses to the new competition offered by the AfCFTA market;
- ▶ Opportunities for regular dialogue with African Heads of State and Government through the AfCFTA Business Forum ;
- ▶ Enhanced opportunities for joint ventures with foreign companies looking for reliable partners in Africa;

Potential Benefits, continued



- ▶ Increased productivity offered by competition through trade;
- ▶ Increased business efficiency through tariff liberalization and removal of non-tariff barriers;
- ▶ Increased business opportunities through exposure to B2B networking and consumption both within Africa and outside the continent;
- ▶ Enhanced trust and reliability to business partners through entries in business and export directories;
- ▶ Large, loyal & growing customer base through Made in Africa brand.

(5) Next Steps & challenges



- ▶ Ratifications, (minimum of 22 required for entry into force) & advocacy to secure membership by all AU member states;
- ▶ Ongoing ratifications & deposit of instruments of ratification;
- ▶ Development of criteria on the establishment of interim AfCFTA secretariat & set up of governance framework;
- ▶ Offers by member states of schedules of tariff concessions for trade in goods and schedules of specific commitments for trade in services by January, 2019;
- ▶ Implementation & practical application of the tariff liberalization modality on the designation of Sensitive products and Exclusion lists, May, 2018;

Next Steps & Challenges, continued



- ▶ Implementation and practical application of the Services modality on choice of priority sectors and next steps in Trade in Services;
- ▶ Development of One Stop Border Posts in parts of the AfCFTA where they do not exist.
- ▶ Address the threat of declining fiscal revenues that comes with tariff reductions.
- ▶ Use innovative solutions to build production capacities, trade related infrastructure & trade facilitation based on a single market space.

(6) Conclusion



- ▶ The status quo of fragmentation and small size is not ideal for Africa.
 - ▶ It will not give us the Africa We Want;
 - ▶ It will not make Africa resilient to economic shocks.
- ▶ Africa is, through the AfCFTA, creating her future of prosperity & resilience for the net benefit of Africans, as well as third countries, anchored on:
 - ▶ unity, dignity, independence;
 - ▶ collective self reliance; and
 - ▶ utilization of her natural resources.
- ▶ THANK YOU