Operationalizing African Continental Free Trade Area: Opportunities and Challenges

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OUTLINE

• AfCFTA: potential impacts
• Areas of interventions
• Opportunities and challenges to overcome
Potential impacts of the AfCFTA .. Some estimates by ECA

Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place - 2040 - US$ bn (various scenarios)

Source: ECA's calculations based on MIRAGE CGE model

Yet for the Africa’s behind the border Agenda to achieve its expected results, addressing current bottlenecks including tariffs and non-tariffs barriers is very critical!
AfCFTA impacts: Differentiated gains

**Industrial producers**
- Placed to take advantage of manufacturing opportunities
- Less-industrialized countries can link into RVCs (Automotive industry in Southern Africa)

**Agricultural producers**
- 21% of African GDP and 65% of work force
- Opportunities from expanding population and African food bill (currently large external import bill)

**Resource endowed**
- Extractive tariffs already low – gains from diversification and reducing dependence on resource exports

**Land-locked**
- Higher freight costs and unpredictable transit times: 30% less trade, weaker GDP growth by 1.5%
- Particularly benefit from trade facilitation, transit and reducing NTBs

**Conflict / post-conflict**
- Trade found to reduce risk of conflict by diversifying commodity-based export earnings and creating broader-based economic growth
Areas (selected) of interventions to support AfCFTA Implementation (countries’ readiness)

- **Consensus building around the AfCFTA** through national/regional sensitization forums /workshop/trainings etc.

- **AfCFTA national strategies** :
  - Complement broader national trade policy
  - Identify risks, trade opportunities, constraints and actions needed to implement the Agreement;
  - Support to institutional mechanisms (e.g. AfCFTA national committees, NTMs FPs etc.)

- **AfCFTA Country Business Index (M&E tool)** to assess the private sector’s perception on AfCFTA Implementation :
  - Interest/awareness/use (FTAs)
  - Trade cost
  - Business environment
AfCFTA: a number of opportunities but several challenges to overcome

**Opportunities**

- Integrated larger markets / new or expanded business opportunities;
- Momentum around the AfCFTA/Political will;
- AfCFTA as new area of trade governance in Africa in support of structural reforms;
- Complementary tools for AfCFTA: online NTB reporting mechanism --- innovative instrument!

**Challenges to overcome**

- Limited awareness at country levels (esp. among the private sector) / Limited inclusiveness
- Limited resources (human and financial) available at country levels to support AfCFTA activities
- NTBs/risks of very stringent NTMs (certification, Rule of Origins, etc.) / Challenging business environment
- Skill/Capacity gaps at all levels;
Concluding remarks --- Making AfCFTA work

- **Ensure integrated and participatory approaches** at all levels very critical considering the multi-dimensional and **cross-cutting nature** of the AfCFTA --- coherence and inclusiveness;

- **Political will** important... but... **Actions critical** --- **private sector** to be at the centre of all actions;

- **Ensures NTMs do not become NTBs!!!**

Implementation, Implementation, Implementation!
THANK YOU!

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