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
- (6) Conclusion
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 21\textsuperscript{st} 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;
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.
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