

Frequently Asked Questions (FAQs) on the AfCFTA

1. What is the AfCFTA and when was it implemented

The acronym AfCFTA stands for the African Continental Free Trade Agreement which was agreed to in 2018 by the member states of the African Union (AU). It establishes the African Continental Free Trade Area and provides for Protocols on Trade in Goods, Trade in Services, Investment, Intellectual Property Rights, and Competition Policy. The Agreement came into force on 30 May 2019 – a month after the 22nd member state (out of 55) had formally ratified it. As with many trade agreements, signing and then ratification is a precondition for enjoying the benefits therein derived.

The AfCFTA is similar to the European Union which integrated 27 European countries into a single market economy. This means the AfCFTA is the world's largest free trade agreement with 55 member states, comprising a population of 2.67 billion and a combined GDP of \$3,6 trillion.

Although initially it was decided that the AfCFTA would have become fully operational from 7 July 2020, the date was necessarily rescheduled to 1 January 2021 due to the delays caused by the COVID-19 pandemic economic lockdowns.

2. What progress has been made since 2019?

There has been significant progress since then. Today, 54 out of the 55 AU member states have signed the AfCFTA and currently 37 countries have ratified the Agreement, 17 have signed it and only one still has to sign and ratify it (<https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>). This means they are committed to eliminating tariffs on 90% of products traded under the AfCFTA.

This is a strong signal that Africa is ready to start trading as an integrated free trade area.

The headquarters of the AfCFTA were unveiled in 2020 in Accra, Ghana, where the AfCFTA Secretariate, led by the Secretary-General Wamkele Keabetswe Mene, is based.

3. Why is the AfCFTA important for Africa?

There are many benefits to be derived from the continental implementation of the AfCFTA. It aims to increase intra-African trade from the current 16-18% (as estimated by the World Bank) to 50% by 2045 by integrating the continent into a single economic market for goods and services. This means facilitating the liberal movement of human and capital resources and the elimination of trade barriers, such as import tariffs between African countries, thereby laying the foundation for a continent-wide customs union. This will contribute to a generalised reduction in the prices of goods and services produced within African countries, and therefore also when exported between them.

The AfCFTA envisages a continent that will underpin its development by sustainable and inclusive socio-economic development; investing in world-class infrastructure; developing its manufacturing capacity; enhanced competitiveness; and, deepening its market integration. The agreement integrates the continent into a unified free trade area.

4. What are the objectives of the AfCFTA?

The objectives of the AfCFTA could be divided into two groups – that is, eight strategic objectives and seven operational objectives.

4.1 The following are the eight strategic objectives:

- a. creating a single market for goods and services, facilitated by the liberal movement of people;
- b. contributing to the movement of capital and people and facilitating investment;
- c. creating a continental customs union;
- d. expanding intra-African trade;
- e. resolving the challenges of overlapping memberships in REAs (Regional Economic Arrangements);
- f. promoting sustainable and inclusive economic development;
- g. stimulate industrial development; and
- h. enhancing competitiveness.

4.2 The following are AfCFTA's 7 operational objectives:

- a. Eliminate tariffs and non-tariff barriers to trade in goods progressively;
- b. Liberalize trade in services progressively;
- c. Cooperate in matters of investment, intellectual property rights, and competition policy;
- d. Cooperate in all trade-related areas;
- e. Cooperate in customs matters and the implementation of trade facilitation measures;
- f. Establish a mechanism for the settlement of disputes concerning members' rights and obligations; and
- g. Establish and maintain an institutional framework for the implementation and administration of the AfCFTA.

5. What are the main points that the AfCFTA aims to address?

The AfCFTA seeks to integrate all African countries into a unified free trade area. This means integrating African countries into a single market for goods and services. African countries are encouraged to facilitate the liberal movement of persons, goods and services by liberalising their immigration policies – for example, in east African countries, travellers from other regional countries are no longer required to hold visas and those Africans from outside the regional bloc are allowed to apply for visas on arrival at a point of entry. The AfCFTA hopes to initiate similar visa waivers across the continent.

Most importantly, it will implement and regulate continent-wide protocols on investment policy, competition policy, intellectual property rights and e-commerce.

6. What are the other benefits of the AfCFTA?

The AfCFTA will also promote industrial development, sustainable and inclusive socio-economic growth across the continent. This is achievable with Africans consuming more locally manufactured products rather than imports. This means if the 1.27 billion consumers in Africa sustain “Made in Africa” services and products, the continent can develop an enhanced industrial capacity as it will become more economically viable, sustainable and profitable for the business and manufacturing sector. This will generate greater State taxation revenue thus affording governments across the continent the opportunity to provide improved, quality public services – such as the building of schools, hospitals, roads and other infrastructure projects to the benefit of all citizens.

Furthermore, African countries will reduce the exportation of commodities or raw materials to other continents in favour of the exportation of beneficiated or finished products.

7. We’ve mentioned that the intra-African trade is currently as low as 18%, why is that so?

There are several reasons for this. Firstly, the legacy of our colonial past is not yet resolved in many African countries. Secondly, as indicated above, African countries export mainly raw materials to rest of the world – such as oil, minerals, cocoa etc; - and these are then beneficiated abroad and re-imported into Africa in the form of finished goods (consumer and capital goods).

Furthermore, the challenges of inadequate infrastructure development such as rail, roads and inefficient border management often results in delays in the delivery of goods between countries. As an example, there are very few direct flights between many African countries, obliging travellers and cargo to first fly to Paris, London, Frankfurt or Dubai from their home country for a connecting flight back into a neighbouring African country. Obviously, this increases the cost of “Made in Africa” products and services.

Beyond these issues, other challenges arise from African countries having different economic policies – so the AfCFTA intends to harmonise these as much as possible, especially on investment protection and trade policies (including agreements with other foreign countries).

8. What economic challenges does the AfCFTA address?

The AfCFTA offers Africa an opportunity to confront the significant trade and economic development challenges of our time:

- market fragmentation;
- the smallness and fragmentation of national economies;
- over reliance on the export of primary commodities;
- narrow export base, caused by shallow manufacturing capacity;
- lack of export specialisation;
- under-developed industrial regional value chains; and
- high regulatory and tariff barriers to intra- Africa trade amongst others.

9. How will the AfCFTA ensure it benefits all African countries?

For the AfCFTA to benefit all countries in Africa it will need to:

- Encourage fair trade by implementing asymmetrical market access; develop balanced trade rules; and be participatory, inclusive, and transparent;
- Stimulate productive capacity and transformative industrialisation;
- Build cross-border infrastructure;
- Strengthen democratic governance and institutions of peace and security in Africa.

10. How will the AfCFTA be put into operation?

The AfCFTA Agreement is the founding agreement of the AfCFTA.

The AfCFTA negotiations take place in phases.

- **Phase 1:** Reduction of tariffs on 90% of goods within 5 years for non-least developed countries and 10 years for the least developed countries (LDCs) with a further 7% over 10 years for the non-LDCs and 13 years for LDCs. The last 3% of tariff lines will be excluded from tariff liberalisation. This phase marks the opening of services sectors for trade starting with seven priority sectors which are logistics and transport; financial services; tourism; professional services; energy services; construction; and communications.
- **Phase 2:** Protocols on Competition, Investment, Intellectual Property and e-Commerce
- And **Phase 3** has just been added and will cover e-Commerce. Protocol on e-Commerce officially entered into force on 30 May 2019. However, the negotiations to finalise the rules of origin, schedules of tariff concessions, and schedules of specific commitments for the five priority services sectors (business services; communications; finance; tourism and transport) are ongoing. The deadline to finalise these negotiations is June 2021.

11. What is the potential economic impact of the AfCFTA?

According to a report from the World Bank, implementation the AfCFTA will greatly benefit the continent as it will:

- alleviate the level of extreme poverty of almost 30 million Africans and boost the income levels of nearly 68 million others, who currently survive on less than \$5.50 a day;
- boost Africa's income by \$450 billion by 2035 (an increase of 7%) while adding \$76 billion to the income of the rest of the world;
- increase Africa's exports by \$560 billion, mainly in manufacturing;
- produce greater wage earnings for women (+10.5%) and for men (+9.9%);
- boost wages for both skilled and unskilled workers — +10.3% for unskilled workers, and +9.8% for skilled workers.

12. What if there are disputes? How will the AfCFTA dispute settlement system work and who has recourse to it?

The AfCFTA dispute settlement mechanism was developed on the basis of that of the World Trade Organisation's – and so it follows consolidated international protocols. There is an adjudication panel and an appeal system. Currently, countries may only lodge a dispute and a claim on behalf of their business community (such as importers, exporters, service providers). The business community has to report to their government any unfair trade practices, such as the dumping of goods from a foreign market into their country or foreign countries giving inappropriate subsidies to grant their businesses unfair advantages over their competitors.

13. Where can I get more information?

Although the first point of contact for anyone wishing to make an enquiry about the AfCFTA should be their national Department of Trade and Industry, the African Union has recently launched the African Trade Observatory (ATO) with the scope of providing African policymakers, academia, think tanks and entrepreneurs, with information on market regulations and government laws (such as new market intelligence analysis and data) and the necessary tools to support the successful implementation of the AfCFTA.

For more information on the project, kindly consult the dedicated webpage (<https://ato.africa/en/about>) and/or view the videos below:

- i. <https://youtu.be/nPWozjruSPs> (Arabic)
- ii. <https://youtu.be/1Detnq6V3oQ> (English)
- iii. <https://youtu.be/eOveoJhiolc> (French)
- iv. <https://youtu.be/6kMC00H5aUI> (Portuguese)

The website of the AfCFTA under the African Union's website is also a resource for useful information. Click on the link to access latest news on the AfCFTA:

<https://au.int/en/happening/677>