

# Can African Continental Free Trade Area (AfCFTA) change trade in Africa?

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## Introduction

The African Continental Free Trade Area (AfCFTA) is flagship project of the African Union's Agenda 2063, which is a blueprint for attaining inclusive and sustainable development across the continent over the next 50 years<sup>1</sup>. It aims to boost intra-African trade by providing a comprehensive and mutually beneficial trade agreement among the State Parties covering trade in goods and services, investment, intellectual property rights, competition policy, digital trade, and enhance the participation of women and youth in trade<sup>2</sup>. The African Continental Free Trade Area (AfCFTA) was officially launched at the 12<sup>th</sup> Extraordinary Summit of the African Union in Niamey, Niger on July 7, 2019. To date, 54 African states have signed the AfCFTA Agreement, which entered into force<sup>3</sup>. Eritrea which has a largely closed economy is the only country of the 55 AU member states that has yet to sign the agreement.

Africa Regional integration is made up of eight official regional economic communities (RECs) with the main purpose of facilitating regional economic integration between the individual members of the individual regions. These RECs are intended to be the building blocks of the African Economic Community (AEC), it has the largest number of regional groupings of any continent<sup>4</sup>. Even though the continent has several RECs, economic integration efforts are not commensurate with the level of trade in the region today as trade within Africa remains the lowest of all regions of the world.

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<sup>1</sup> <https://www.eac.int/trade/international-trade/trade-agreements/african-continental-free-trade-area-afcfta-agreement#:~:text=Key%20Provisions%20of%20the%20Agreement%3A&text=The%20aim%20is%20to%20enable,and%20boost%20intra%2DAfrica%20trade.>

<sup>2</sup> <https://au.int/en/agenda2063/overview>

<sup>3</sup> <https://au.int/en/pressreleases/20190429/afcfta-agreement-secures-minimum-threshold-22-ratification-sierra-leone-and>

<sup>4</sup> <https://au.int/en/organs/recs>

Articles 3 and 4 of the AfCFTA Agreement set out the general and specific objectives for the AfCFTA. The general objectives include:

### **Article 3 General Objectives**

The general objectives of the AfCFTA are to:

- (a) create a single market for goods, services, facilitated by movement of persons in order to deepen the economic integration of the African continent and in accordance with the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063;
- (b) create a liberalised market for goods and services through successive rounds of negotiations;
- (c) contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and RECs;
- (d) lay the foundation for the establishment of a Continental Customs Union at a later stage;
- (e) promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties;
- (f) enhance the competitiveness of the economies of State Parties within the continent and the global market;
- (g) promote industrial development through diversification and regional value chain development, agricultural development and food security; and

**Source: Agreement Establishing the African Continental Free Trade Area<sup>5</sup>.**

On the other hand, the Specific objectives (Article 4) include:

### **Article 4 Specific Objectives**

For purposes of fulfilling and realising the objectives set out in Article 3, State Parties shall:

- (a) progressively eliminate tariffs and non-tariff barriers to trade in goods;
- (b) progressively liberalise trade in services;
- (c) cooperate on investment, intellectual property rights and competition policy;
- (d) cooperate on all trade-related areas;
- (e) cooperate on customs matters and the implementation of trade facilitation measures;
- (f) establish a mechanism for the settlement of disputes concerning their rights and obligations; and
- (g) establish and maintain an institutional framework for the implementation and administration of the AfCFTA.

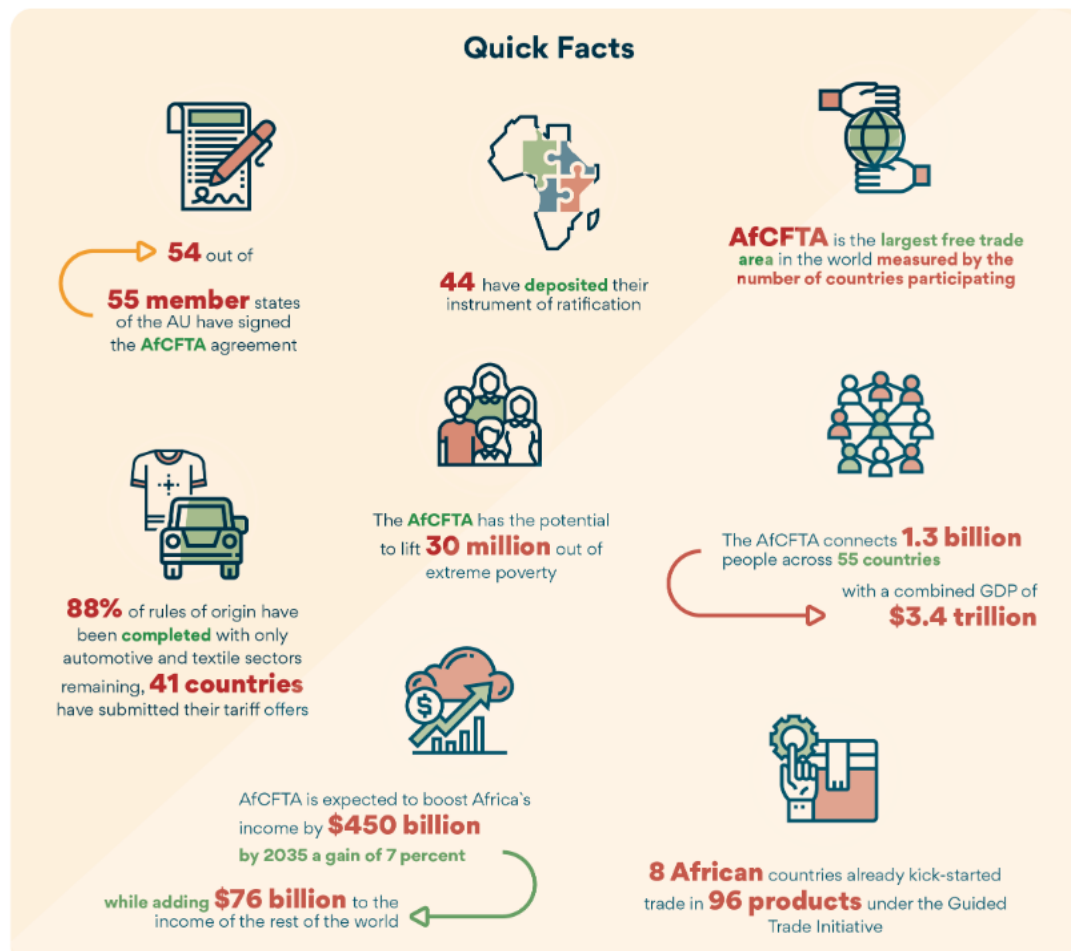
**Source: Agreement Establishing the African Continental Free Trade Area<sup>6</sup>.**

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<sup>5</sup> [https://au.int/sites/default/files/treaties/36437-treaty-consolidated\\_text\\_on\\_cfta\\_-\\_en.pdf](https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf)

<sup>6</sup> [https://au.int/sites/default/files/treaties/36437-treaty-consolidated\\_text\\_on\\_cfta\\_-\\_en.pdf](https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf)

## AfCFTA Quick Facts



Source: International Trade Centre (ITC), Market Access Map

### The importance of regional integration as an avenue for Africa's development

Regional integration will play a crucial role in Africa's development by promoting trade, political stability, infrastructure development, resource sharing, human capital development, sustainable development, and global representation. By working together collaboratively, African countries will be able to leverage their collective strengths and address common challenges more effectively, ultimately fostering a more united, resilient, and prosperous Africa<sup>7</sup>.

It is expected that the African Continental Free Trade Area (AfCFTA) agreement will create the largest free trade area in the world measured by the number of countries participating. The pact

<sup>7</sup> [https://au.int/sites/default/files/documents/43263-doc-AUECHO\\_2023\\_Eng.pdf](https://au.int/sites/default/files/documents/43263-doc-AUECHO_2023_Eng.pdf)

connects 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US\$3.4 trillion. It has the potential to lift 30 million people out of extreme poverty<sup>8</sup>.

The AfCFTA will also provide a major opportunity for African countries to bring 30 million people out of extreme poverty and to raise the incomes of 68 million others who live on less than \$5.50 per day. According to the World Bank, it is expected that with the implementation of AfCFTA, trade facilitation measures that reduce red tape and simplify customs procedures would drive \$292 billion of the \$450 billion in potential income gains.

In a 2020 report, the World Bank expected AfCFTA to lead to an increase of foreign direct investment (FDI)<sup>9</sup>. Under an “AfCFTA FDI, it predicts that Africa may record an increase of 111% in FDI, further boosting real income gains in Africa to about 8% in 2035.

Other potential benefits of the AfCFTA highlighted by the June 2022 report include:
✓ Higher-paid, better-quality jobs, with women seeing the biggest wage gains.
✓ Wages rises to 11.2% for women and 9.8% for men by 2035, even though with regional variations depending on the industries that expand the most in specific countries.
✓ Under deep integration, a rise in Africa’s exports to the rest of the world of 32% by 2035, while intra-African exports would grow by 109%, led by manufactured goods.

Source: World Bank, 2020

Also, given the nature of its objectives and consideration of gender equality as key to inclusive and sustainable development, the AfCFTA has a huge potential to promote gender equality and women’s empowerment through addressing women’s empowerment constraints and gender inequalities in Africa. It can address the prevalent gender inequalities in the agriculture, manufacturing, and services sectors on the continent which will place a crucial role in poverty eradication.

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<sup>8</sup> <https://openknowledge.worldbank.org/server/api/core/bitstreams/ef1aa41f-60de-5bd2-a63e-75f2c3ff0f43/content>

<sup>9</sup> <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

## Africa's main regional blocs and their achievements and failures

Africa's integration landscape encompasses several regional economic communities, including eight recognized as the building blocks of the African Union. These eight are, namely: AMU - Arab Maghreb Union, CEN-SAD - The Community of Sahel-Saharan States, COMESA - Common Market for Eastern and Southern Africa, EAC – East African Community, ECCAS - Economic Community of Central African States, ECOWAS - Economic Community of West African States, IGAD - Intergovernmental Authority on Development, SADC - Southern African Development Community<sup>10</sup>. The RECs are aimed at promoting collaboration, unity, and interconnectedness among African nations across various domains, including economic, social, political, and cultural spheres.

### Implementation timelines of RECs in Africa

RECs	Date of Establishment	FTA	Customs Union	Common Market	Monetary Union	Political Federation
AMU	1989					
CED-SAD	1998					
COMESA	1994					
EAC	2000 <sup>a</sup>					
ECCAS	1983					
ECOWAS	1975					
IGAD	1998					
SADC	1992					

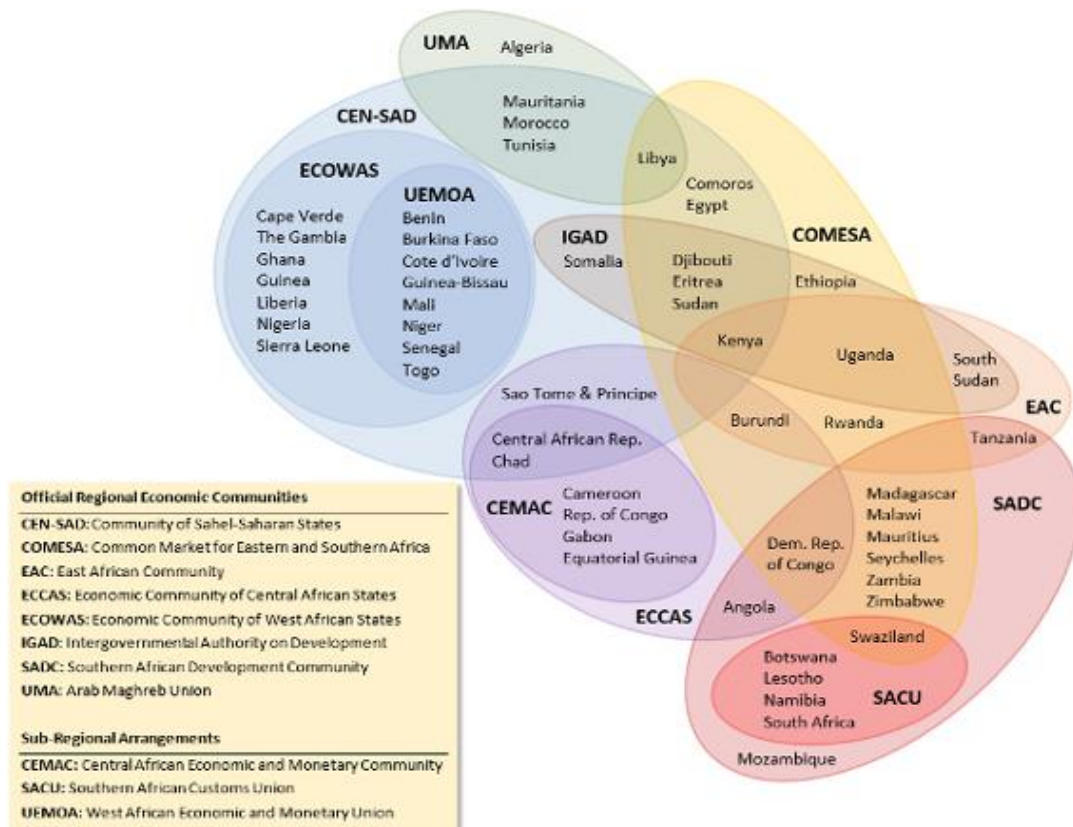
Source: AfDB (2014)

Notes: Achieved (green), in progress (orange), planned (blue), and not planned (white).

<sup>a</sup> EAC was first established in 1967, disbanded in 1977 due to internal conflicts among the member countries and reformed in 2000.

<sup>10</sup> <https://archive.uneca.org/oria/pages/regional-economic-communities>

## Membership in African Regional Organisations



*Source: The TFTA and intra-regional trade in Africa<sup>11</sup>*

The RECs in Africa have been affected by political stability. Not all countries enjoy enduring political stability. Some of the countries experience civil disorder and war because of poor governance, weak development of national unity, and inequitable economic development. Regional economic integration has been severely disrupted in regions where Member States experienced civil wars, such as in the ECOWAS.

Regional economic integration arrangements adopt several protocols to address specific integrative measures and deepen integration. However, the experience in most Member States is that these protocols are not effectively implemented. One of the reasons for this failure is the delay

<sup>11</sup> [The TFTA and intra-regional trade in Africa \(howwemadeitinafrica.com\)](http://howwemadeitinafrica.com)

emanating from the process for legislative approval within Member States which is cumbersome and time-consuming.

The Regional Economic Communities (RECs) are the official pillars of the African Economic Community (AEC) and the RECs' Free Trade Areas are the building blocks of the AfCFTA<sup>12</sup>. It is important to note that the AfCFTA also relies on the existing best practices in the RECs. Given that most of the intra-African trade is conducted within RECs, AfCFTA continues to support these institutions as they play a central role in the African trade landscape. RECs will also contribute to the finalisation, implementation, and application of the AfCFTA.

### **The status of regional integration at the continental level**

The AfCFTA, has been advancing well. Phase 1 negotiations covering both goods and services and the dispute settlement mechanism have been completed, together with the establishment of oversight committees and the adoption of work programmes<sup>13</sup>.

54 out of the 55 African Member States have signed the Agreement, and as of December 2023, 47 have ratified it. The remaining 7 countries have received parliamentary approval ratifying the agreement but are yet to deposit instruments with the African Union (AU). 45 tariff reduction schedules and 22 services schedules have been adopted. Rules of origin have been agreed (except for vehicles and textiles and clothing)<sup>14</sup>. Negotiations on the major associated protocols on investment, intellectual property, and competition have also now been concluded and the protocols adopted<sup>15</sup>.

### **AfCFTA status and key achievements**

A key achievement of the AfCFTA was the launch in September/October 2022 of a programme called “AfCFTA Guided Trade Initiative” which was a pilot exercise to assess the readiness of some selected African States to trade based on the new continental free trade area framework. The purpose of the Initiative was to test the operational procedures and documents introduced by the AfCFTA Agreement by exchanging commercially meaningful goods identified by such States

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<sup>12</sup> Art 5 AfCFTA Agreement.

<sup>13</sup> <https://www.brookings.edu/articles/trade-and-regional-integration-foresight-africa-2024/>

<sup>14</sup> African Union. 2019. Tenth Meeting of the African Continental Free Trade Area AU Ministers of Trade (AMOT)

<sup>15</sup> African Union. Decision no. Assembly/AU/Dec.854(XXXVI) of the Thirty-Sixth Ordinary Session of the African Union Assembly held on 18 - 19 February 2023, paragraphs 12 to 14

bilaterally at preferential duty rates. The Guided Trade Initiative (GTI) included 8 countries representing five regions across the continent, namely: Cameroon, Ghana, Egypt, Tanzania, Kenya, Rwanda, Mauritius and Tunisia. Subsequently, other countries will join<sup>16</sup>. The countries were chosen because their tariff offers on goods had been fully approved and officially published.

In 2023, the AfCFTA Secretariat expanded its outreach on GTI to increase the scope of coverage, both in terms of countries and products. In 2024, an additional 24 African countries are expected to be covered by the GTI and start preferential trade under the AfCFTA. The 24 countries are: Uganda, Democratic Republic of the Congo (DRC), Burundi, Gabon, the Republic of Congo, Chad, Central African Republic and Equatorial Guinea., Algeria, Tunisia and Morocco, Angola, Botswana, Namibia, South Africa, Zimbabwe, Malawi, Lesotho and Eswatini, Côte d'Ivoire, Nigeria, Senegal, Sierra Leone and Togo, Cape Verde, Comoros, Madagascar and Seychelles.

Additional notable achievements of AfCFTA include:

- The AfCFTA Secretariat was officially launched in Accra, Ghana, in August 2020. The Secretariat is responsible for coordinating the implementation of AfCFTA, providing technical assistance to member states, and facilitating negotiations and dispute resolution processes.
- AfCFTA officially commenced trading on January 1, 2021. As of that time, 35 out of the 54 African Union member states had ratified the agreement.
- The AfCFTA Trade Protocol, which outlines the rules and procedures governing trade under the agreement, has been finalized.
- The AfCFTA digital trade platform, known as the AfCFTA Virtual Trade Fair, was launched to facilitate online trade and connect buyers and sellers across Africa. It aims to promote e-commerce and digital trade.
- Trade in goods, negotiations have also been initiated on trade in services, investment, intellectual property rights, and other areas. They are aimed to further liberalize trade and investment regimes across the continent.

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<sup>16</sup> [https://au.int/sites/default/files/documents/43263-doc-AUECHO\\_2023\\_Eng.pdf](https://au.int/sites/default/files/documents/43263-doc-AUECHO_2023_Eng.pdf)



## **Challenges in the implementation of AfCFTA**

The challenges experienced by AfCFTA include addressing infrastructure constraints, enhancing regulatory coherence, building productive capacities, and promoting inclusive and sustainable growth across the continent. However, AfCFTA represents a historic opportunity for Africa to boost intra-regional trade, foster economic integration, and drive socio-economic development across the continent.

The AfCFTA has however taken several initiatives to overcome the challenges including summits like the Africa Union Development Agency (AUDA) and The New Partnership for Africa's Development (NEPAD) and the government of Senegal jointly hosted the 2<sup>nd</sup> Dakar Financing Summit for Infrastructure (DFS-2) in February 2023 to address the infrastructure gap in Africa. The summit highlighted the importance of building partnerships with the private sector and leveraging technology to modernize infrastructure. This resulted in investment interests being received in projects in the transport, energy, ICT, and water sectors. Also, AfCFTA has been supporting and promoting the liberalizing of business and financial services relevant to the environment that could help Micro, Small, and Medium Enterprises (MSMEs) and Small and Medium Enterprises (SMEs), as well as large enterprises, to gain access to expertise and capital from other African countries.

## **Conclusion**

If fully implemented, the AfCFTA will provide a member-driven road map for achieving sustainable and inclusive development on the continent since its objective is to create an integrated market for the trade in goods and services, as well as the free movement of people and capital. The main goal of AfCFTA agenda right now must be to eliminate the trade barriers that hinder intra-African trade (e.g tariffs on goods, inadequate basic infrastructure, cumbersome documentation requirements, and unpredictable trade policies). The continental market will only be realized through the incorporation of the agreed rules and protocols into national laws and through the resolution of disputes and legal claims.

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