

How is the AfCFTA's industrial development agenda shaping up?

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[Industrialisation is vital for Africa's long-term development](#). To achieve its objectives and boost intra-African trade (which stands at very low levels and involves mainly commodity trade)¹, the African Continental Free Trade Area (AfCFTA) must address the challenges of industrialisation at home and on the continent. How will it do so?

The fact that the AfCFTA is increasingly touted as a framework for Africa's industrialisation signals the urgency of the task at hand. However, the AfCFTA is a member-driven Free Trade Area (FTA) for trade in goods and in services. It has no supra-national institutions. National and regional industrialisation initiatives will have to be coordinated, which will involve the Council of Ministers. This AfCFTA institution must "ensure effective implementation and enforcement of the agreement"² but takes its decisions by consensus.

A specific focus for boosting industrialisation is necessary. The Preamble to AfCFTA Agreement refers to an intention to deepen economic integration, and promote agricultural development, food security, industrialisation and structural economic transformation. Article 3 lists the General Objectives of the AfCFTA, such as enhancing "the competitiveness of the economies of the State Parties within the continent and the global market... [and] to promote industrial development through diversification and regional value chain development, agricultural development and food security".

These statements do not translate into an implementable strategy for Africa's industrialisation and do not define what needs to be done. More specific action plans and joint initiatives will be required and there are signs that they are being developed.

¹ Intra-Africa merchandise trade represented 14% of the continent's total trade, down from 16% in 2018. https://www.wto.org/english/res_e/booksp_e/wtsr_2023_e.pdf

² Art 11(3)

Regional value chain development is seen as a priority in the AfCFTA. Under the AfCFTA Secretariat's Private Sector Engagement Strategy, four priority value-chains have been identified: Agro-processing, Pharmaceuticals, Transport and logistics and the Automotive sector.

As part of this agenda, the AfCFTA has partnered with the African Export-Import Bank (Afreximbank) to establish the Automotive Fund. Afreximbank has committed a US\$1 billion facility available to any investment that seeks to pursue local content development in the automotive value chain. The funding will also be used for ensuring access to consumer finance as part of the creation of demand and associated insurance products. Afreximbank has also established the Fund for Export Development in Africa (FEDA) to support intra-African trade growth, value-added export development, and industrialisation. FEDA was created to address the US\$110 billion equity financing gap on the continent.

Value chain development will require, amongst other things such as well-designed cross-border infrastructural development, that the AfCFTA rules of origin are designed in a specific manner. The [Economic Development in Africa Report 2019](#) notes that rules of origin could be a game changer for the continent as long as they are simple, transparent, business friendly and predictable.³ The relevant AfCFTA negotiations have not yet been finalised. The main reasons for this delay appear to be the difficulties involved in accommodating the needs of 54 African countries at different levels of economic development.

Special Economic Zones (SEZs) and Infant Industries⁴ are other options for promoting industrialisation. Article 23 of the AfCFTA Protocol on Trade in Goods says the State Parties “may support the establishment and operation of special economic arrangements or zones for the purpose of accelerating development”. Products benefiting from special economic zones shall be subject to any regulations developed by the Council of Ministers. Regulations under this paragraph shall be in support of the continental industrialisation programmes. Such products shall be subject to the AfCFTA rules of origin.

The definition of SEZs appears in Annex 2 to the Protocol on Trade in Goods:

Special regulatory provisions applicable in a geographical demarcation within a State Party's Territory where the legal, regulatory and fiscal and Customs schemes, applicable to business,

³ [Rules of Origin Key to Success of African Continental Free Trade Area | UNCTAD](#)

⁴ Art 24 AfCFTA Protocol on Trade in Goods

differ, generally in a more liberal way, from those in application in the rest of the State Party's Territory.

Ministerial Regulation 1/2023 deals with the Treatment of Products from the Special Economic Zones: Goods produced in SEZs treated as originating, provided they meet the Rules of Origin and importing State Parties shall apply preferential duties. Such products shall be subject to the provisions under the Annex on Trade Remedies, Competition Policy, and Infant Industry Protection. Enterprises that wish to benefit from SEZs must register with the competent authority and the AfCFTA Secretariat will keep a registry of SEZs. The Committee on Trade in Goods must submit annual reports on the operations in SEZs to the Council of Ministers.

The AfCFTA also has an Investment Protocol, which may serve as a focus for industrialisation, if private investors agree. Governments do not industrialise national economies, but they can do many things to create an attractive and predictable environment and provide basic inputs such as energy, water, infrastructural services, and a skilled workforce.

The AfCFTA Agreement does not contain a continental industrialisation strategy but has the potential, if properly implemented, to boost industrialisation. The fact that trade in services is included in the AfCFTA scheme of things is an advantage. Services such as financial services, transport and professional services are vital for boosting manufacturing and for trade in goods. Ninety percent of intra-African trade in goods requires road transport services.

Industrialisation and the establishment of continent-wide value chains will require far-reaching transformation in the economies of the State Parties. Since the AfCFTA is a member driven arrangement and decisions are taken through consensus,⁵ the State Parties will have to agree about the required policies, domestic measures and about attracting investments. All the apex institutions and the Regional economic communities (which have their own industrialisation strategies and infrastructural development plans) should be involved in crafting a proper AfCFTA industrialisation agenda, bolstered by an appropriate implementation and monitoring procedure. Industrialisation should be a priority item on the AfCFTA agenda.

⁵ Articles 5 and 14 AfCFTA Agreement.

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