

# AFCFTA

**African Continental Free Trade Agreement :  
What is it and what are the benefits?**

Presented by  
Mokom Marcel Young,  
Tralac Alumnus  
Procurement Officer, Ministry of Public Contracts Cameroon

# What is the AfCFTA?

- The African Continental Free Trade Area (AfCFTA) is a Trade Agreement among African states.

It is also a Regional Trade Agreement (RTA) with a population of 1.2 billion and with the creation of a single market from the existing 55 markets.

# Historicity of the AfCFTA

- The AfCFTA Agreement was presented for signature at the 10<sup>th</sup> Extraordinary Summit of the African Union (AU) Assembly on the 21<sup>st</sup> March 2018 in Kigali Rwanda.
- The AfCFTA entered into force on 30<sup>th</sup> May 2019 – when the entry into force requirements has been met (22 ratifications had been deposited).
- The AfCFTA is an important step towards continental integration. This has long been a goal of African countries – the Abuja Treaty of 1991 establishing the African Economic Community and the Lagos Plan of action of 1980 for the Economic Development of Africa spell out Africa's integration ambition.

# Legal framework of the AfCFTA

- The AfCFTA has to comply with the WTO rules on Regional Trade Agreements (RTAs). The agreement is to be notified to the WTO following the Enabling Clause Article 27(2).
- According to Prof. Gerhard Erasmus, tralac Associate, the general design indicates that the agreement is a single undertaking. In Article 1 the AfCFTA “Agreement” is defined as “the Agreement establishing the African Continental Free Trade Area and its protocols, annexes and appendixes shall form an integral part of it upon adoption. The objective is to create “a single Market for Goods, Services, and Movement of Persons in order to deepen the economic integration of the African Continent.”

# Institutions of the AfCFTA

- **Assembly of Heads of State and Government:**

This is the highest decision making organ and provides oversight and guidance on the AfCFTA.

- **Council of African Ministers Responsible for Trade:**

This body has the authority to take decisions on all matters under the AfCFTA agreement and works in collaboration with the relevant AU organs and institutions.

# Institutions of the AfCFTA

- **Committee of Senior Trade Officials:**

It is a high-level working group consisting of Permanent, Principal Secretaries or other officials designated by each member state. It is responsible for the development of programmes and action plans for the implementation of the AfCFTA Agreement.

- **AFCFTA Secretariat:**

The Secretariat is an administrative organ to coordinate the implementation of the AfCFTA. It will work autonomously within the AU system but will be supervised by the AU Commission's Chairperson and will receive funding from the AU Budget. It is located in Ghana and has its first Secretary General South African born Wamkele Mene.

# Secretariat of the AfCFTA



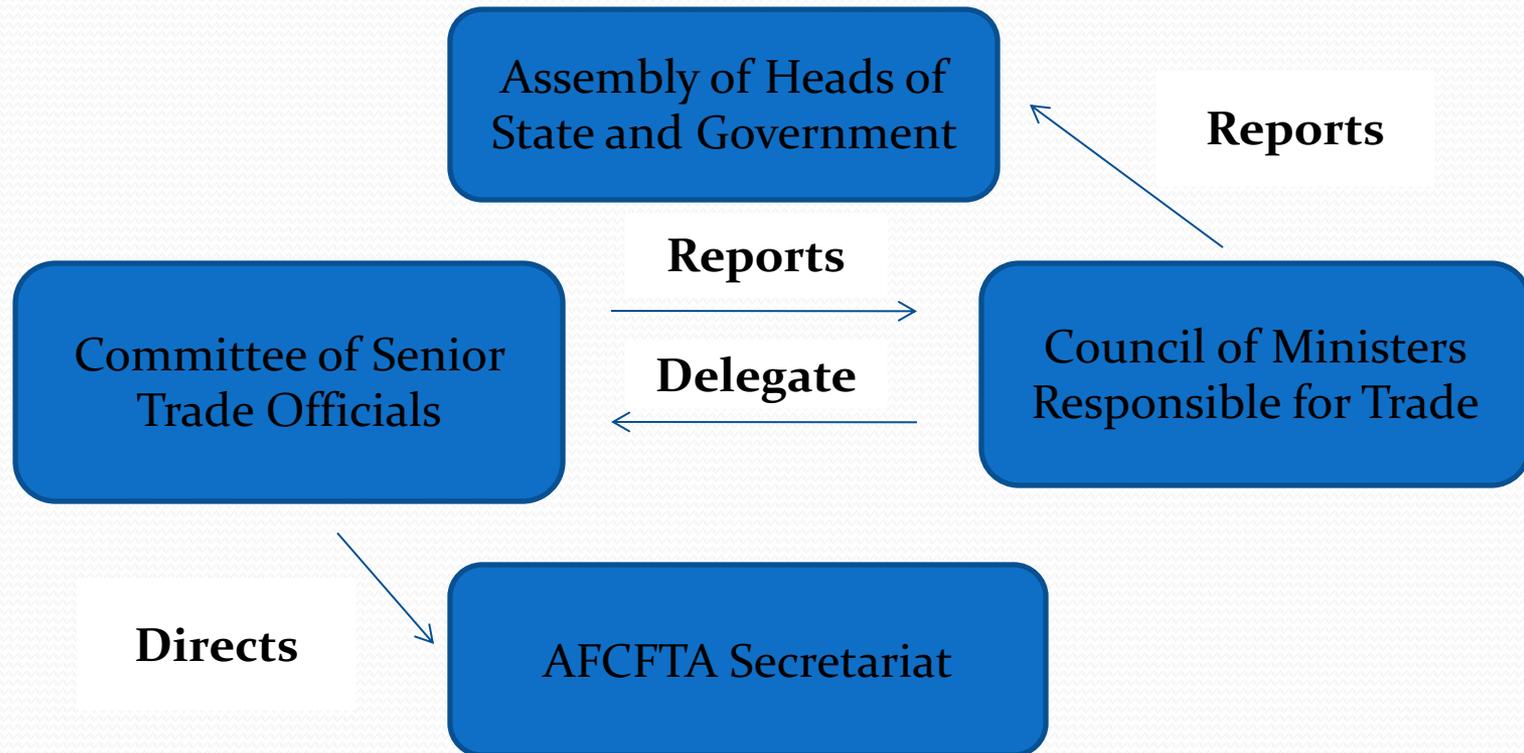
**Wamkele Mene  
First Secretary General of the  
AfCFTA**



**Address of the AfCFTA Secretariat:  
Trade House Accra Ghana,  
West Africa**

**The Secretariat as assured to the Assembly of Heads of States and Governments of the AU by President AKUFO Addo of Ghana is to go operational by March 31<sup>st</sup>, 2020**

# Institutional arrangement of the AfCFTA



# The structural design of the AfCFTA

- The AfCFTA is a framework agreement that covers Trade in Goods and services, investment, intellectual property rights and competition policy.
- The protocols on Trade in Goods and Trade in Service, investment, intellectual property rights and competition policy, as well as Dispute settlement, form an integral part of the agreement.

# The structural design of the AfCFTA

- Phase I negotiations which is still ongoing include trade in Goods and services on a number of issues such as (Tariff concessions, rules of origin for goods and schedules of specific commitments for services are still being negotiated).
- Phase II negotiations will cover Investment, Competition Policy and Intellectual Property Rights. Phase II negotiations and the draft texts of the Protocols on Investment , Competition Policy and Intellectual Property Rights are expected to be complete by January 2021.

# The rationale of the AfCFTA

- The AfCFTA is an ambitious program of the African Union (AU) following agenda 2063 for the structural transformation of the African continent which is in line with agenda 2030 of the United Nations Sustainable Development Goals (SDGs).
- The AfCFTA is one of the flagship programs of the AU to increase Africa's self sufficiency. That is the need for member states to maximize the resources on the African continent.

# Significance of the AfCFTA

The AfCFTA will be the largest free trade area since the formation of the World Trade Organization, given Africa's current population of 1.2 billion people, which is expected to grow to 2.5 billion by 2050. Some of its expected benefits include:

- Increasing trade among African countries which currently ranges between 15-18%.
- Stimulate production through the development of regional value chains, to ensure that manufacturing, agro processing and other activities across the continent are stimulated to supply the market.
- Strengthen the capacities of African companies to access and supply world markets.
- Strengthen African's economic and commercial diplomacy.

# TRALAC's Barometer on the AfCFTA as of 6<sup>th</sup> December 2019

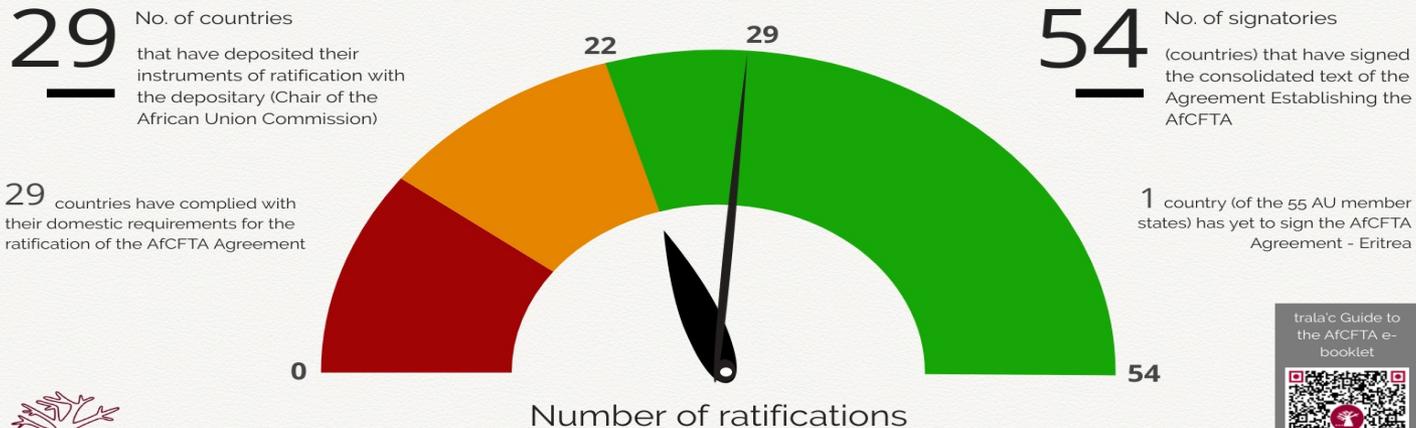
## AfCFTA



### Towards the African Continental Free Trade Area

The African Continental Free Trade Area (AfCFTA) Agreement entered into force on 30 May 2019 for the 24 countries that had deposited their instruments of ratification with the African Union Commission (AUC) Chairperson. On 7 July 2019, at an Extraordinary Summit of the African Union, the operational phase of the AfCFTA Agreement was officially launched. Trading under the AfCFTA will begin on 1 July 2020.

### AfCFTA Ratification Barometer



# Objectives of the AfCFTA

The main objectives of the AfCFTA are:

- To create a single continental market for goods and services, with free movement of business persons and investments.
- To expand intra-Africa trade across the Regional Economic Communities (RECs) and the continent in general.
- To enhance competitiveness and support economic transformation.

# The building Blocs of the AfCFTA

The following RECs have been officially recognized as the building blocs of the AfCFTA

- ECCAS (Economic Community of Central African States)
- ECOWAS (Economic Community of West African States)
- EAC (East African Community)
- SADC (Southern African Development Community)
- COMESA (Common Market for Eastern and Southern Africa)
- AMU (Arab Maghreb Union)
- CEN-SAD (Community of Sahel–Saharan States)
- IGAD (Intergovernmental Authority on Development)

# Relationship between the RECs and the AfCFTA

Article 19 of the AfCFTA Agreement states that regional economic communities and other trading arrangements will continue to exist alongside the AfCFTA.

This means that member states of ECOWAS, for example will continue to trade under the ECOWAS trade regime – the AfCFTA will not affect intra-ECOWAS trade (or trade within any other REC or trading arrangement that already exists).

# Effect of Non-Tariff Barriers

**Chad, CAR Threaten to Abandon Cameroon Port, Blame Corruption and many checkpoints along the corridor**



# Benefits of the AfCFTA

- Speaking at the AU's ordinary session on the 9<sup>th</sup> February 2020, President Cyril Ramaphosa said the AfCFTA would enable the continent to work together through intra-Africa trade and reignite industrialization and pave the way for Africa's integration into the global economy as a player of considerable scale.
- Access to ready and new markets with a population of 1.2Billion people and a Gross Domestic Product (GDP) of \$2.5 trillion, across all 55 member States of the African Union.
- Free access to market information and wide labour market will permit SMEs to deepen investment as they presently account for 80% of Africa's employment and 50% of its GDP.

# Benefits of the AfCFTA

- The smooth implementation of the agreement by member states will spur competition among enterprises on the continent which will lead to improved quality of products.
- With average tariffs of 6.1%, businesses currently face higher tariffs when they export within Africa than when they export outside it. AfCFTA will progressively eliminate tariffs on intra-African trade, making it easier for African businesses to trade within the continent and cater to and benefit from the growing African market.

# Benefits of the AfCFTA

- The AfCFTA aims to boost the transfer of technical know-how through service mode 2 on consumption abroad as intellectual services or consultants will have no restrictive sphere to disseminate their savoir faire
- The AfCFTA will facilitate the creation of Regional value chains which involve larger industries sourcing their supplies from smaller industries across borders

# Benefits of the AfCFTA

- ECA estimates that the AfCFTA has the potential both to boost intra-African trade by 52.3% by eliminating import duties, and to double this trade if non-tariff barriers are also reduced.
- The AfCFTA will help in the implementation of other flagship programs of the AU such as the
  - ❑ Integrated high speed train network
  - ❑ The African passport and free movement of people
  - ❑ Establishment of a single African air-transport market (SAATM)
  - ❑ Establishment of an annual African economic forum
  - ❑ The Pan-African E-network...

# Ratification of the AfCFTA

## AfCFTA 2020 A Game Changer

The following 30 countries have deposited their ratification instruments with the African Union Commission (AUC).



A further 24 countries signed the AfCFTA Agreement, but have yet to deposit their ratification instruments with the AUC.



Only one country has failed to sign the AfCFTA Agreement



Eritrea

JIC|HOLDINGS,®

1ST JULY 2020

JIC|MEDIA,®

AFRICAN CONTINENTAL FREE TRADE AREA  
CREATING ONE AFRICAN MARKET

# The five Operational instruments to govern the AfCFTA

- **The Rules of Origin:** A regime governing the conditions under which a product or service can be traded duty free across the region
- **The Tariff concessions:** It has been agreed that there should be 90% tariff liberalisation and the deadline is 1<sup>st</sup> July 2020. Over a 10 year period with a 5 year transition, there will be an additional 7 % for “sensitive products” that must be liberalised
- **The online mechanism on monitoring, reporting and elimination of non-tariff barriers, NTBs:** NTBs are a great hindrance to intra African trade whether physical, like poor infrastructure, or administrative like the behaviour of customs officials. These are to be monitored with a view to ensuring they are eliminated.

# The five Operational instruments to govern the AfCFTA

- **The Pan-African payment and settlement system:** To facilitate payments on time and in full, by ensuring that payments are made in local currency and at the end of the year there will be net settlements in foreign exchange. With the certainty of payments, there will be confidence in the system.
- **The African Trade Observatory:** A trade information portal to address hindrances to trade in Africa due to lack of information about opportunities, trade statistics as well as information about exporters and importers in countries. The trade observatory will have all this information and other relevant data which will be provided by AU member states

# Conclusion

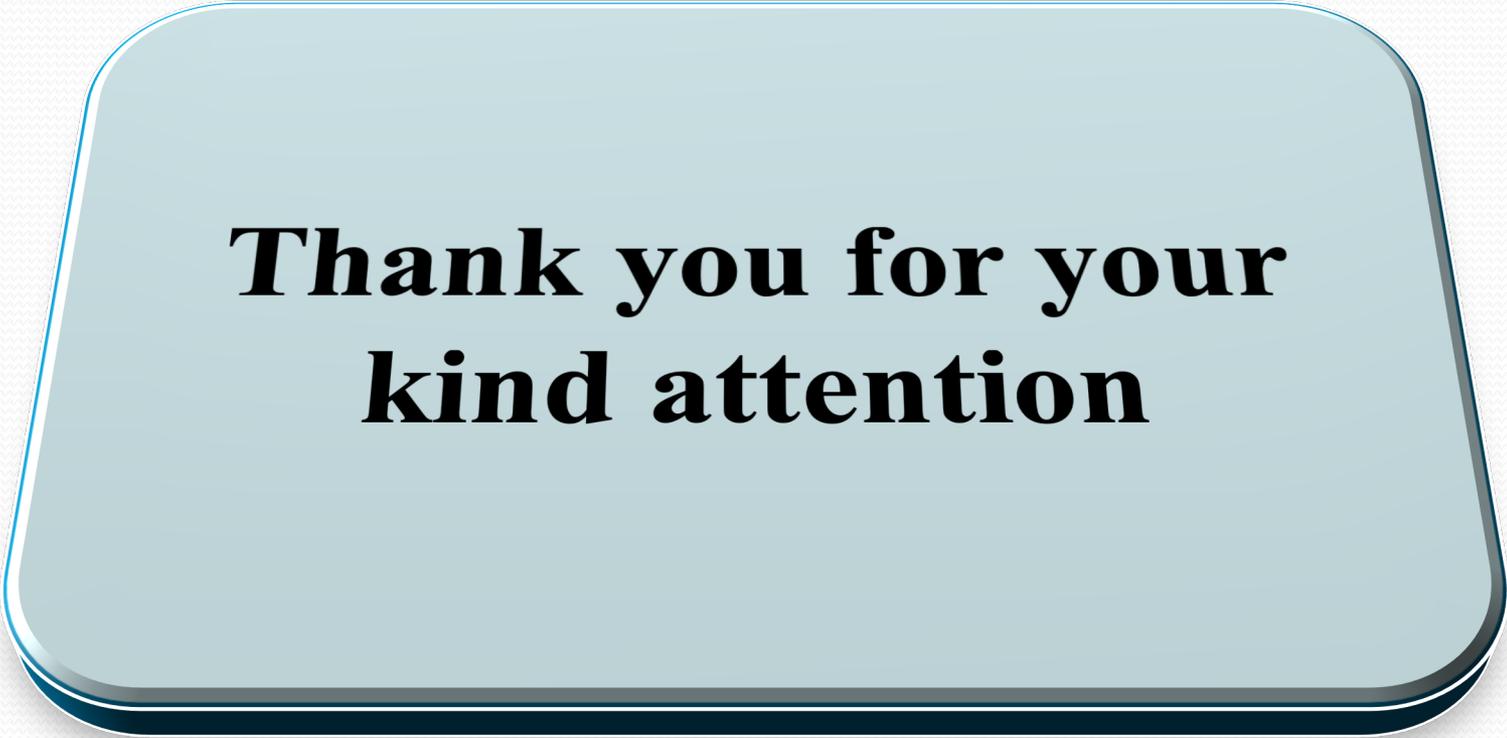
- The AfCFTA is at the centre of all debates across the globe. Many avenues have been made to disseminate much information about this wonderful lofty project and Frederick Muia is not indifferent. This cartoon is a project from the latter and has as main purpose to promote the AfCFTA in a humorous manner to the African population so that it is not left to the African leaders alone.
- This is the first episode of AfCFTA TV

<https://afcftatv.africa/>

- As we watch this Puppet (Guignol) on the AfCFTA, let us have it in mind that the smooth implementation of the AfCFTA greatly depends not only on the Heads of States and Ministers of Trade but on us all as Africans and as interested parties to this project.

# References

- <https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched>
- <https://www.tralac.org/publications/article/13997-african-continental-free-trade-area-a-tralac-guide.html>
- <https://www.uneca.org/publications/african-continental-free-trade-area-questions-answers>
- [https://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](https://www.wto.org/english/tratop_e/region_e/region_e.htm)



**Thank you for your  
kind attention**