

What is the AfCFTA formula for African economic integration?

The vision for how an African continental trade regime would come about has been altered by the principles and methodology of the African Continental Free Trade Area (AfCFTA) Agreement. The significance of this development is demonstrated when the AfCFTA strategy is compared with that of the Abuja Treaty of 1991¹. The implementation of the Abuja strategy required a process of far-reaching regional and national governance reforms at REC level and the acceptance of obligations to deepen integration. This process had to be completed in six stages and over 34 years. The AEC was supposed to be in place by 2028. The Abuja stages were designed to happen as follows:

- Stage 1: Strengthening existing RECs and creating new ones where needed (5 years).
- Stage 2: Stabilisation of tariff and other barriers to regional trade and the strengthening of sectoral integration, particularly in the field of trade, agriculture, finance, transport and communication, industry and energy, as well as coordination and harmonisation of the activities of the RECs (8 years).
- Stage 3: Establishment of a free trade area and a Customs Union at the level of each REC (10 years).
- Stage 4: Coordination and harmonisation of tariff and non-tariff systems among RECs, with a view to establishing a Continental Customs Union (2 years).
- Stage 5: Establishment of an African Common Market and the adoption of common policies (4 years).

¹ [Treaty Establishing the African Economic Community \(the Abuja Treaty\), June 1991](#)

- Stage 6: Integration of all sectors, establishment of an African Central Bank and a single African currency, setting up of an African Economic and Monetary Union and creating and electing the first Pan-African Parliament (5 years).²

The Abuja formula and timetable constituted a bridge too far for the 55 AU Member States. Continental integration on such a dramatic scale and within a relatively short period was not realistic. The benefits for individual States were not properly spelled out, while the sacrifice of national policy space was too sudden and too rigid.

However, the Abuja approach, while setting the bar very high, did recognise some of the practical challenges that had to be addressed in order to achieve continent-wide integration. The existing RECs had to be strengthened and their internal integration advanced. However, exactly how this had to happen was unclear. The implications of establishing a Customs Union (CU) at the level of each REC within a period of 10 years appears to have been underestimated, if not misconstrued, in particular against the background of overlapping membership challenges. A country cannot belong to more than one CU at the same time.³

The AfCFTA formula accepts that REC FTAs are sufficient foundations for continental integration, at least for the time being. This is an attractive notion: the formation of a continent-wide FTA signifies progress and solidarity but at the same time leaves the State Parties with considerable freedom to pursue their own national trade and industrialisation policies and to conclude trade agreements of their choice with third parties. State Parties belonging to CUs (SACU is an example) must of course respect the associated obligations regarding the common external tariff and single customs territory in their customs unions.

The AfCFTA Agreement does not contain any of the pre-determined cut-off dates found in the Abuja Treaty, when new legal arrangements and regional institutions must be in place. The AfCFTA State Parties will decide how deeper integration might subsequently happen and when the time will be right. And since the very same States are the Member/Partner States of the RECs, they would be able to coordinate their future plans and advance continental and REC integration in tandem with each other. The AfCFTA is a member-driven arrangement in which deeper integration steps will be decided through decisions taken by the State Parties in the AfCFTA Council of Ministers and on the basis of consensus.

² Department of International Relations and Cooperation (DIRCO), Republic of South Africa. [African Economic Community \(AEC\)](#).

³ According to Article XXIV(8) of the GATT a customs union “shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that duties and other restrictive regulations of commerce... are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and... substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union.”

The AfCFTA Agreement still professes that the aim is “*integrating Africa’s markets in line with the objectives and principles enunciated in the Abuja Treaty.*”⁴ This will happen in terms of decisions adopted by the State Parties on the basis of consensus.

Article 3 of the AfCFTA Agreement lists the AfCFTA’s *General Objectives*. The ultimate aim is to “*create a single market for goods, services, facilitated by movement of persons in order to deepen the economic integration of the African continent.*” This will happen when the State Parties are ready. A “*liberalised market for goods and services*” will be established “*through successive rounds of negotiations*”. The AfCFTA also wants to “*lay the foundation for the establishment of a Continental Customs Union at a later stage*”. Such a far-reaching step can only come about if the State Parties formally so agree and if they are prepared to abandon the trade related benefits inherent in the more flexible REC FTAs.

What happens if there is disagreement in the ranks of the AfCFTA membership and only some want to deepen continental integration? The AfCFTA Protocol on Trade in Goods has a smart answer: “*Nothing in this Protocol shall prevent two or more State Parties from extending to one another preferences which aim at achieving the objectives of this Protocol among themselves, provided that such preferences are extended to the other State Parties on a reciprocal basis.*”⁵

At some point, consolidation will be required in respect of REC memberships. Overlapping membership (which is costly, cumbersome, and causes uncertainties for firms in particular) will have to be addressed. While the AfCFTA recognises the problem,⁶ it does not yet have a plan for tackling it. The overlapping membership problem will gain a new layer of complexity with the arrival of the AfCFTA. It is another African FTA and will co-exist with the REC FTAs.

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⁴ Preamble AfCFTA Agreement.

⁵ Art 4(3) AfCFTA Protocol on Trade in Goods. See also Art 4(3) AfCFTA Protocol on Trade in Services.

⁶ Art 3(h) AfCFTA Agreement.