



## Investment for Boosting Intra-African Trade

The African Continental Free Trade Area (AfCFTA) seeks to boost intra-Africa trade by eliminating tariff and non-tariff barriers to trade in goods, as well as barriers to trade in services. As a preferential trade agreement, the AfCFTA will unlock opportunities for businesses to enter into and expand to existing or new markets across the continent.

Eliminating barriers to cross-border trade in goods and services is significant. But it is equally important to note that intra-African trade may not be increased by simply eliminating regulatory barriers to both the trade in goods and services.

Tariffs are not the main barriers to intra-Africa trade. Tariffs applied to intra-Africa trade are largely low. Most of the products traded between African countries are duty-free. The main barriers to intra-Africa trade are non-tariff barriers.

Furthermore, most African countries produce the same or similar products, largely raw commodities. There is little or no value addition to the products produced or traded by African countries. With this situation, it may be difficult to realise the objective of the AfCFTA to boost intra-Africa trade.

Boosting intra-Africa trade requires more than simply removing barriers to trade in goods and services. Intra-Africa trade could be boosted if the production of goods and services traded between African countries is scaled up.

Scaling up production will require an injection of local and foreign investment into strategic African industries. African countries will need to attract and channel investments in strategic growth sectors including agro-processing, clothing and textiles, natural resource beneficiation, cross-border supply chains, export-oriented industrial sectors, services sectors, digital economy, and industrialisation. These sectors are critical to boosting cross-border trade, creating quality employment and fostering sustainable development and

growth. This entails promoting investment into productive sectors, regional value chains, infrastructure, energy and human capital.

The AfCFTA Private-Sector Engagement Strategy identifies four priority sectors, i.e. automotive, agriculture and agro-processing, pharmaceuticals, and transport and logistics as key to boosting intra-Africa trade. Value chains require cross-border investment. This means there must be a coordinated approach to promoting investment in these value chains. This requires cooperation and coordination of investment policy at the continental level.

The AfCFTA has the potential to spur both domestic and foreign investments across the continent through its liberalised market size,<sup>1</sup> scope,<sup>2</sup> and harmonised trade rules and regulations. Because of the AfCFTA, “investors will buy controlling stakes in African enterprises, create affiliates for sourcing and outsourcing of inputs as well as the provision of goods and services in the (African) host countries.”<sup>3</sup>

Furthermore, the AfCFTA Protocol on Investment seeks to facilitate, promote and protect intra-Africa investors and investments. This Protocol aims to address barriers to investment entry in Africa, reduce the time and costs of investment approvals, enhance transparency, improve efficiency, promote investment-related cooperation and coordination across the continent, and address fragmented investment regulatory frameworks.

In addition to harmonised regulations, institutional frameworks for investment are critical to promote investment and strengthen linkages between foreign and domestic investors. The Protocol on Investment establishes the Pan-African Trade and Investment Agency (Agency). This Agency can play a significant role in fostering a coordinated investment approach across the continent. The Agency should conduct investment promotion activities in collaboration with national and regional investment agencies.

---

<sup>1</sup> With 1.2 billion people and a combined GDP of US\$3.4 trillion market, and with 97% intra-African products trade duty-free.

<sup>2</sup> Covering trade in goods, services, investment, intellectual property rights, competition policy, digital trade, women and youth in trade.

<sup>3</sup> <https://www.tralac.org/documents/events/tralac/4096-2020-annual-conference-two-pager-chidede-leveraging-the-afcfta-as-an-investment-incentive-for-africa/file.html>

tralac gratefully acknowledges the support of its Development Partners

