



The African Continental Free Trade Area

From Vision to Action in East Africa

Ever since the first meeting of the United Nations Economic Commission for Africa 60 years ago, deeper regional integration and cooperation have been a long-standing aspiration of African countries. Those aspirations came one step closer to reality in March 2018, when the African Union Summit held in Kigali gave a bold endorsement to the creation of an African Continental Free Trade Area (AfCFTA). The degree of consensus around the AfCFTA has thus far been quite remarkable – 49 out of 55 African countries have now signed. But this is not enough – the agreement will need to be ratified and implemented.

Here we will explain why, in four main points, the AfCFTA represents an historic opportunity for East Africa:

1 Harness the Full Potential of domestic and regional markets

Collectively the African market is a large and dynamic entity. An integrated market of US\$ 6.4 trillion (measured in Purchasing Power Parities) and a young and growing population of 1.2 billion, it has enormous potential. There is a lot of pent-up demand for goods and services.

Yet too much of that demand, especially for manufactured goods, is currently being met by imports from the rest of the world rather than by local and regional firms. Practically all of the EAC's trade deficits are driven by manufactured imports (Table 1). Yet paradoxically, regional firms often complain that they are underutilizing their production capacity. Within the EAC, many manufacturing firms are running at only 60-70 percent of their capacity. The implementation of the AfCFTA will set the scene for the recapturing of domestic markets and strengthening regional value chains, so that the African economy can collectively compete better on global markets too.



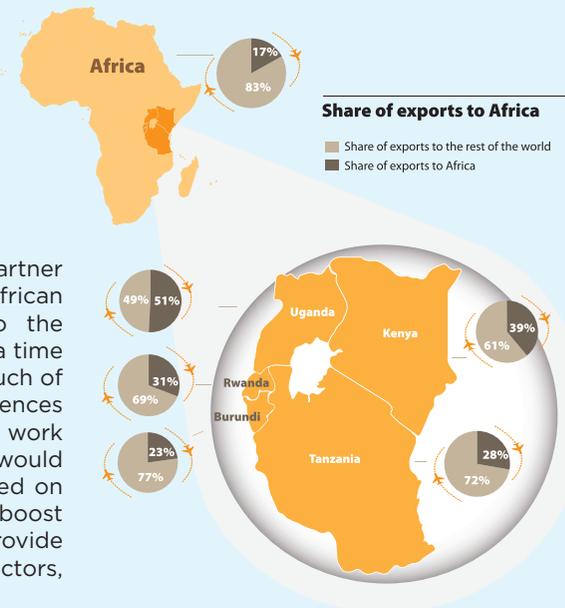
Table 1: Trade balance, as a percentage of GDP, by product groups, 2017

	Food items	Agricultural raw materials	Fuels	Manufactured goods	Ores, metals, precious stones and non-monetary gold
Burundi	-2%	0%	-3%	-13%	2%
Kenya	0%	1%	-3%	-12%	0%
Rwanda	0%	0%	0%	-14%	7%
Tanzania	2%	0%	-8%	-22%	6%
Uganda	2%	0%	-2%	-6%	1%

Source: UNECA

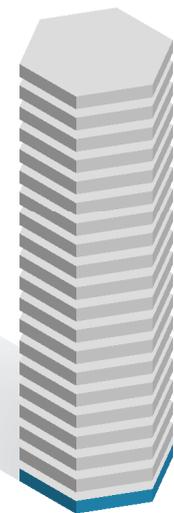
2 A Boost to Regional Exports

Africa is already the leading trading partner for the EAC member states. But East African countries need to do more to tap into the dynamism of regional markets, especially at a time when global growth is still precarious and much of the world is concerned about the consequences of trade wars and disputes. Our simulation work suggests that East Africa exports to Africa would increase by 31 percent if tariffs are eliminated on intra-African trade, and provide a welfare boost of US\$ 1.4 billion USD. Pointedly, it would provide a significant stimulus to manufacturing sectors, particularly agro-industry.



3 Big gains, at little cost

Concerns are often raised about lost customs revenue due to the elimination of tariffs on imports. These fears are exaggerated. ECA's analysis suggest that the tariff losses will be minimal. For the EAC collectively, if the AfCFTA were implemented now, it would result in the loss of only US\$ 187 million USD in tariff revenues. This is equivalent to less than 1 percent of all government revenues. Arguably a small price to pay for such large potential gains.

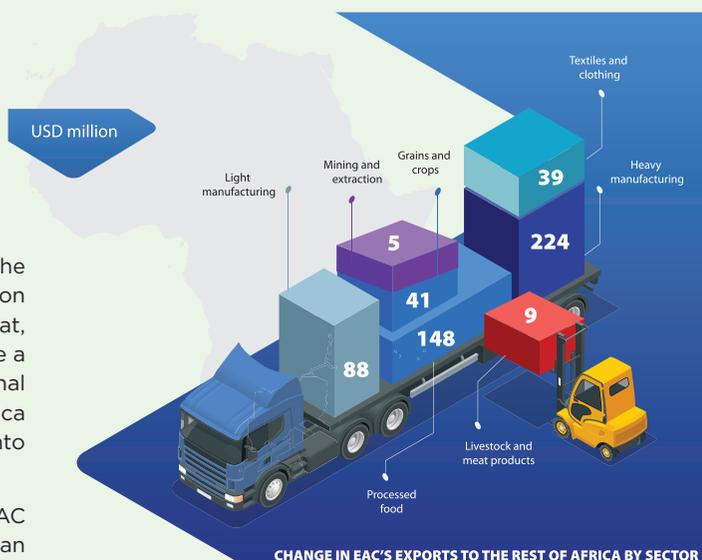


AfCFTA would result in the loss of less than 1% of government revenues

4 Building on the Achievements of the East African Community

Some people raise concerns that the AfCFTA could detract attention from EAC objectives. We believe that, to the contrary, the AfCFTA could give a renewed impetus to important regional processes like the EAC. The East Africa region is currently poorly integrated into the continental economy.

The AfCFTA promises to bind the EAC more firmly into the wider-African economy by boosting EAC trade with the rest of Africa.



ECA's 22nd Intergovernmental Committee of Experts Group Conference

'The African Continental Free Trade Area: from Vision to Action'

20th-22nd Nov. 2018
Kigali Convention Centre

In partnership with the Government of Rwanda, the UN Economic Commission for Africa, is holding a three-day Intergovernmental Committee of Experts (ICE) Conference on 20th-22nd November in Kigali to help reach a regional consensus on how to move forward with the implementation of the AfCFTA.

Over 250 participants - senior government officials, experts and representatives from the private sector from the 14 member States served by our Office for Eastern Africa will attend.

Stay updated by visiting our website: <https://www.uneca.org/ea-ice22>
And follow the conversation on twitter: @ECA_SRO_EA with #ICE2018Rwanda #AfCFTA