Creating One African Market

Update on The Continental Free Trade Area Negotiations

Presentation at African Prosperity Conference
12 September 2017 - Accra, Ghana

Mr. Prudence Sebahizi
Chief Technical Advisor on the CFTA and Head of CFTA Unit
Department of Trade and Industry

African Union

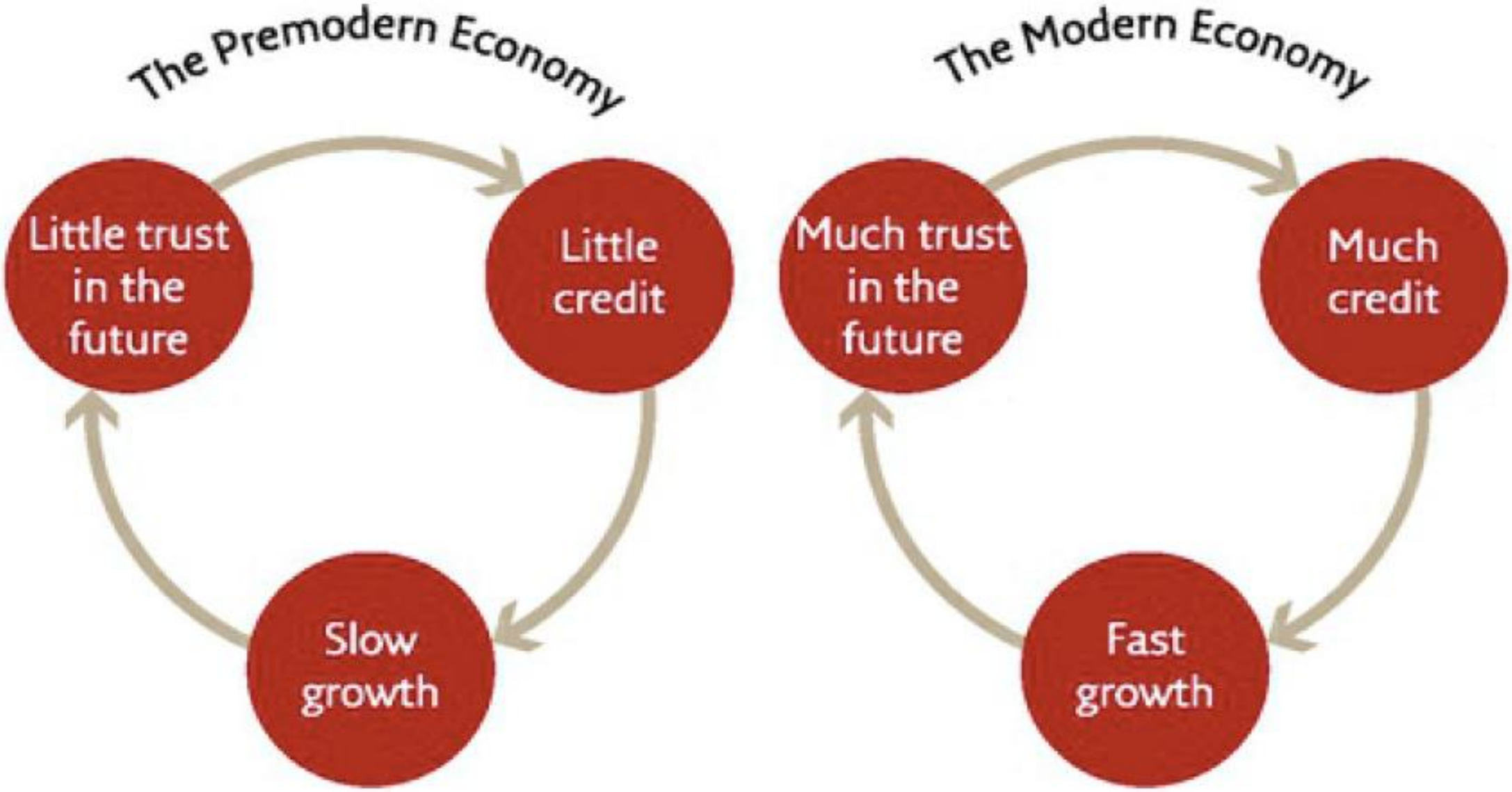
African Union

- **“One of the most fascinating things about Africa is the remarkable contrasts that formulate the continent. It is the richest continent in the World, but the poorest people in the world are found there**” – Kwame Tapiwa Muzawazi

- **“The modern economic system would not have lasted a single day if the majority of investors and bankers failed to believe in capitalism. What enables banks – and the entire economy – to survive and flourish is our trust in the future. This trust is the sole backing for most of the money in the world.”** – Dr. Yuval Noah Harari

- **“We Must Realise that Progress Lies in Working Together**” – Paul Kagame

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market



The Economic History of the World in a Nutshell

Outline of the Presentation

African Union

Context

- Why the CFTA?
- Opportunities and Challenges
- Roadmap for Continental Integration

Background

- Establishment of the CFTA
- Political Commitment from Heads of State

Update

- Status of Negotiations
- Objectives
- Guiding Principles

- Roadmap for the CFTA Negotiations
- Negotiating structure
- Scope of the CFTA

Conclusion

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market

Why the CFTA?

1. ***Africa's Integration Agenda:***
   i. *Pan-Africanism and Political Liberation;*
   ii. *Economic Ownership (Lagos Plan of Action)* - Low intra-African Trade*;*
   iii. *Towards African Economic Community (Article 6 of the Abuja Treaty);*
   iv. *Addressing the Challenges of Overlapping Membership (Rationalization of RECs);*
2. **Positioning Africa:**
   i. *Facing the changing global trade architecture (US new Administration, the BREXIT);*
   ii. Africa's Trade Patterns with the World is not Sustainable due to continuous Deterioration of Terms of Trade;
   iii. *Harnessing Continental Opportunities* - Demographic dividend &Trade and investment opportunities*;*
   iv. *Africa's integration is vital to the successful implementation of Agenda 2063;*
   v. CFTA as a tool to foster Structural Transformation.
3. ***The CFTA is critical not only for its potential benefits, but also to mitigate the costs associated with inaction.***

African Union

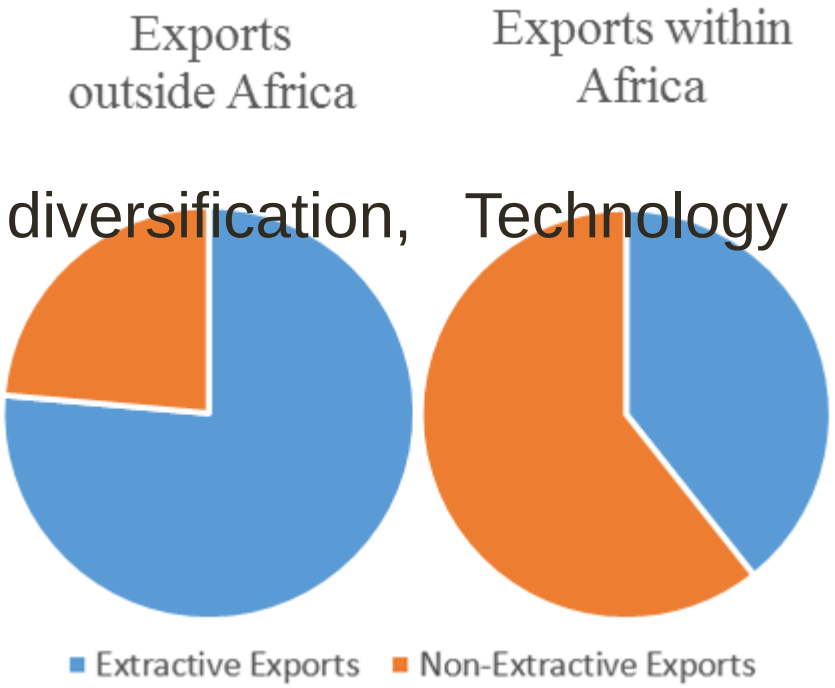
Update on the CFTA

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market

Opportunities of the CFTA (1)

Some of the opportunities that could come about through the CFTA regional include:

- Food Security;
- Encouraging Industrialization, innovation, diversification, Technology Transfer and job creation;
- Market access;
- Demographic dividend;
- Elimination of NTBs;
- Free movement of people;



There is enormous potential with African economies growing in excess of 5% i.e. Cote d'Ivoire, Ethiopia, Senegal, Rwanda, Morroco and Kenya, etc.

Opportunities of the CFTA (2)

African Union

The CFTA seeks to combine the economies of 55 African states under a pan-African free trade area comprising 1.2 billion people in a market with a combined GDP of $2.19 trillion.

Africa is the world Second **largest** and second **most populous** continent with about 1.2 Billion people and by 2050 Africa's population is projected to reach 2 billion. About 70% of Africans are under 30 years of age and over half are **females**.

It is envisaged that the Continental Free Trade Area will double intra-African trade from 12% (2012) to 25% (in 2022).

Africa has approximately **30% of the earth's remaining mineral resources.** The Continent has the largest reserves of precious metals with over 40% of the gold reserves, over 60% of cobalt, and 90% of platinum reserves.

Africa is the world's **poorest** and **most underdeveloped** continent with a continental GDP that accounts for just 2.4% of global GDP and accounts for only 4% of global Trade. In addition, Africa accounts for around 60% of the world's uncultivated arable land.

The CFTA will result in Total welfare gains of US$ 16 Billion (+0.97% GDP and +1.17% employment)

CFTA

Creating One African Market

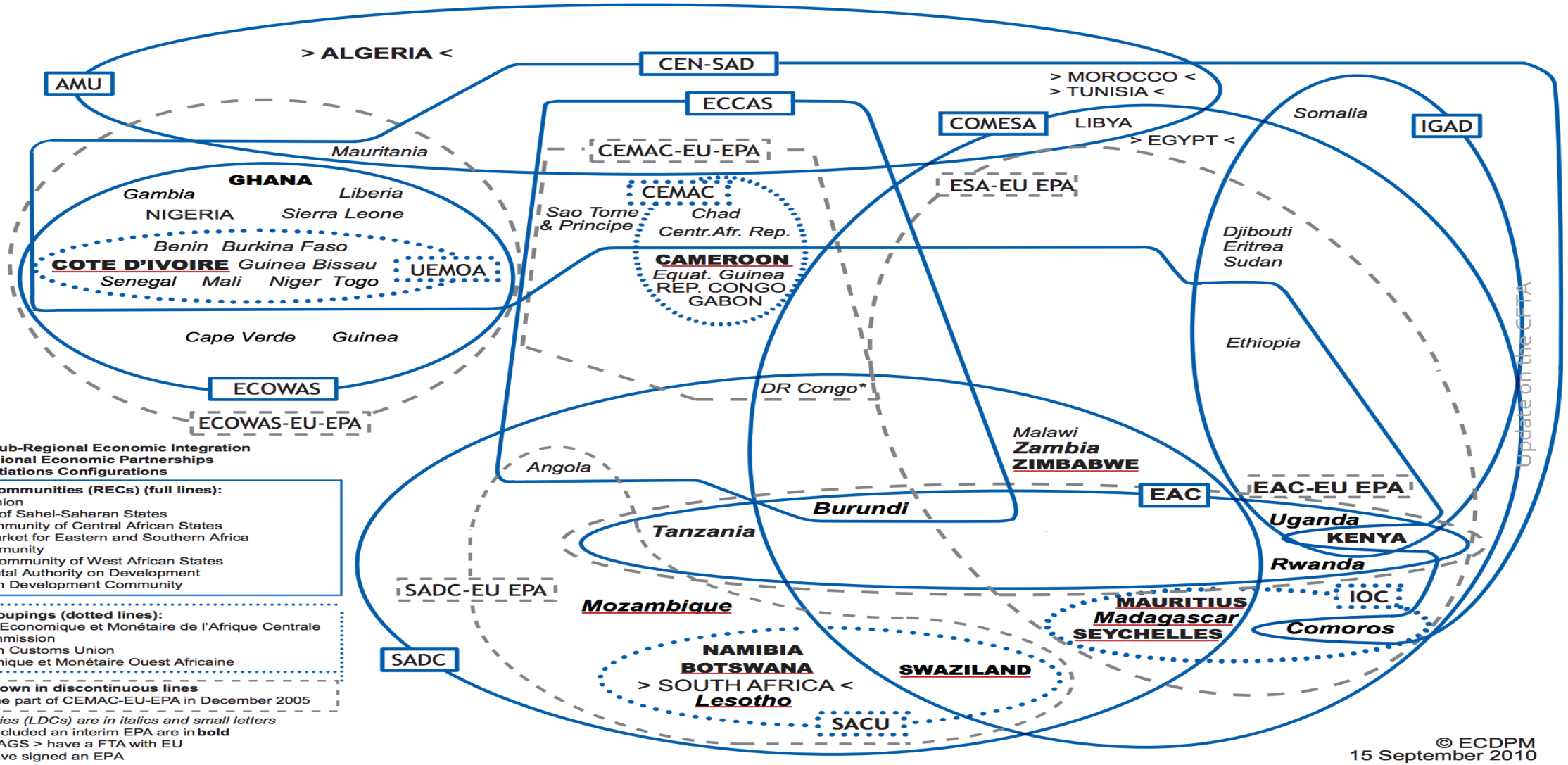
Challenges of the CFTA

- Different speed and priorities and membership in different Regional Economic Communities;
- Overlapping Membership, Most African countries are parties to more than one REC, and convergence between different RECs should be made compatible with the goals and timelines set for the CFTA;
- Multitude and varied trade commitments undertaken by African countries.
- Institutional, organizational, and productive Capacities;
- Sensitive issues such as RoO, Level of ambition, Services Regulations, etc.

Creating One African Market

Africa's Regional Integration Arrangements

African Union



African Regional and Sub-Regional Economic Integration Groupings and the Regional Economic Partnerships Agreement (EPA) Negotiations Configurations

Regional Economic Communities (RECs) (full lines):
AMU: Arab Maghreb Union
CEN-SAD: Community of Sahel-Saharan States
ECCAS: Economic Community of Central African States
COMESA: Common Market for Eastern and Southern Africa
EAC: East African Community
ECOWAS: Economic Community of West African States
IGAD: Inter-Governmental Authority on Development
SADC: Southern African Development Community

Other sub-regional groupings (dotted lines):
CEMAC: Communauté Economique et Monétaire de l'Afrique Centrale
IOC: Indian Ocean Commission
SACU: Southern African Customs Union
UEMOA: Union Economique et Monétaire Ouest Africaine

EPA groupings are shown in discontinuous lines
* DR Congo has become part of CEMAC-EU-EPA in December 2005

- *Least-developed countries (LDCs) are in italics and small letters*
- Countries that have concluded an interim EPA are in **bold**
- Countries between < TAGS > have a FTA with EU
- Underlined countries have signed an EPA

Roadmap for Africa's Integration Agenda

African Union

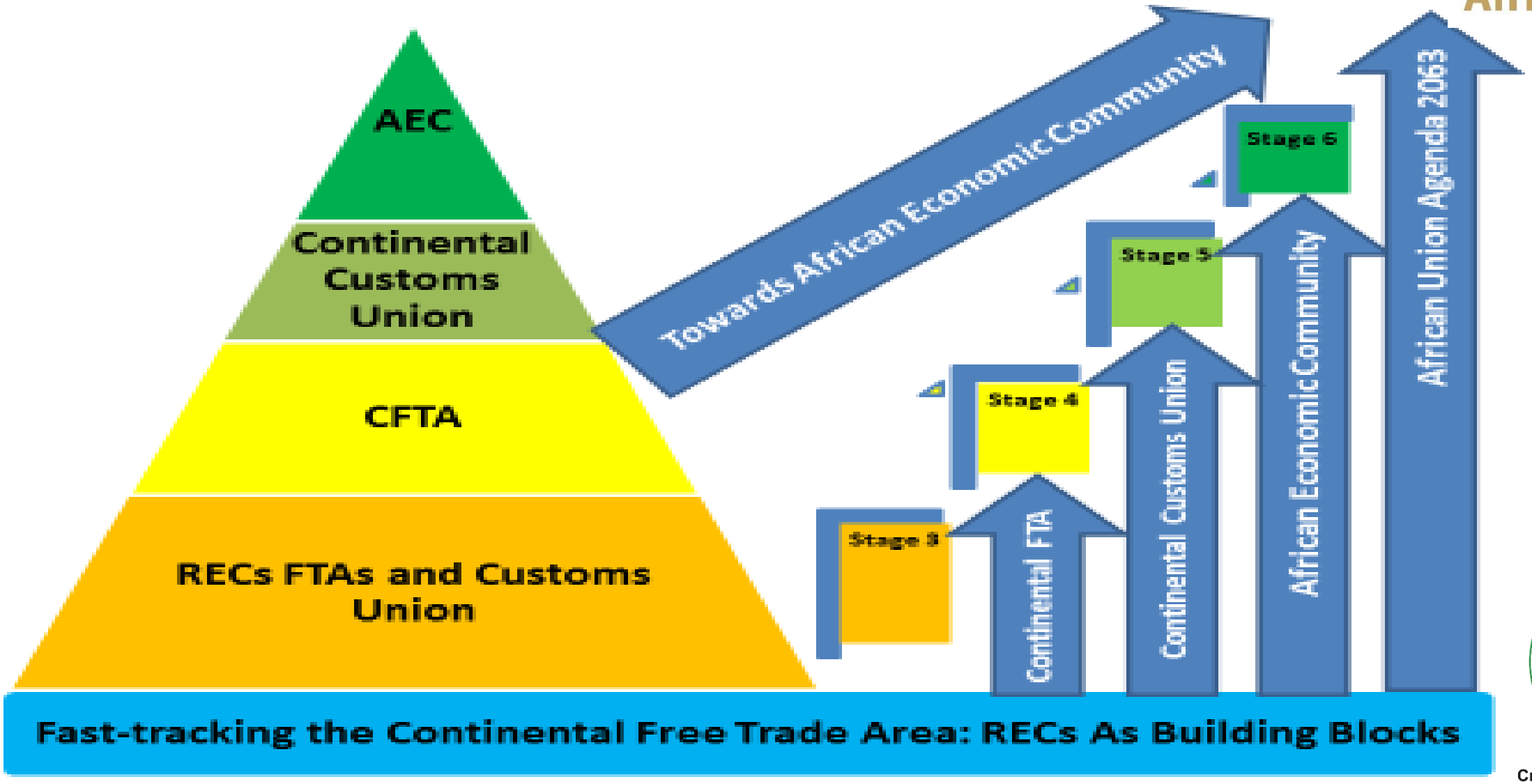
- The 'Treaty Establishing the African Economic Community (AEC)' (The Abuja Treaty) lays out a detailed time-bound schedule for African economic and political integration through six stages:

i. 1994 – 1999: Establish and strengthen African Regional Economic Communities.
ii. 2000 – 2007: Eliminate Tariff Barriers (TBs) & Non-Tariff Barriers (NTBs) in RECs.
iii. 2008 – 2017: Establish Free Trade Areas (FTAs) & Customs Union (CUs) in RECs.
iv. 2018 – 2019: Establish a Continental Level CU & Common External Tariff (CET).
v. 2020 – 2023: Establish an African Common Market (CM), including the free movement of factors of production and the right of establishment.
vi. 2024 – 2028: Establish a Pan-African economic and monetary union that includes the establishment of an African Central Bank and a single African Currency.

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market

The Future of Africa's Integration:

Fast – tracking the CFTA in Abuja Context



African Union

Update on the CFTA

CFTA
CONTINENTAL FREE TRADE AREA

Creating One African Market

Background to the Establishment of the CFTA (1)

African Union

Update on the CFTA

- The Continental Free Trade Area (CFTA) initiative is in line with the **Abuja Treaty** (signed on 3rd June 1991) – the Treaty Establishing the African Economic Community.
- The 18th Ordinary Session of the AU Assembly held in January 2012 in Addis Ababa, adopted an Action Plan for Boosting Intra-African Trade (**BIAT**) and agreed on a roadmap for the establishment of a **CFTA** by 2017.
- Reaffirming its commitment to continental market integration as provided under the Abuja Treaty, the AU Assembly **launched the CFTA negotiations** at the 25th Ordinary Summit of Heads of State and Government on 15 June 2015 in Johannesburg, South Africa.
- At the same time, the Summit also adopted the and Endorsed the following documents:
  - The Objectives and Negotiating Principles for the CFTA
  - Institutional Arrangements for the CFTA negotiations
  - The Terms of Reference for the CFTA-NF
  - The Indicative Roadmap for the CFTA negotiations.

CFTA
CONTINENTAL FREE TRADE AREA

Creating One African Market

Background to the Establishment of the CFTA (2)

African Union

- The 27th Ordinary Summit of the AU Heads of State and Government that took place in Kigali, July 2016, reaffirmed its commitment to fast tracking of the CFTA by 2017.
- The 28th Ordinary Session of the AU Heads of State and Government, held in Addis Ababa, Ethiopia, in January 2017 **mandated** H.E Mahamadou Issoufou, President of the Republic of Niger to champion the process of the CFTA to ensure that the deadline of the end of 2017 is reached and report on measures taken to the next ordinary session of the Assembly in July 2017.
- The 29th Ordinary Session of the AU Heads of State and Government, held in Addis Ababa, Ethiopia, in July 2017 received the Progress Report on the CFTA from the Champion:
  - Appreciated the progress made so far;
  - Approved the modalities and reaffirmed the commitment to conclude negotiations of the CFTA by 2017.
  - Called upon Member States to undertake nationwide stakeholder sensitization activities so that all citizens of African countries are fully aware and own the process of establishing the CFTA.

Update on the establishment of the CFTA (1)

African Union

- Since the June 2015 launch of the negotiations, much **progress** has been made to prepare the ground:
  - ✓ *Analytical Studies to inform negotiations;*
  - ✓ *Study on NTBs Elimination Mechanism*;
  - ✓ *Capacity Building of Negotiators;*
  - ✓ *Establishment of the CFTA Negotiations Support Unit;*
  - ✓ *Drafting of the CFTA Model Text;*
  - ✓ *Establishment of 7 Technical Working Groups;*
  - ✓ Raising awareness of Stakeholders;
  - ✓ Appointment of a Presidential Champion on the CFTA, etc.
- In November – December 2016, the AUC organized Africa Trade Week that brought together more than 300 stakeholders (CSOs, Private sector, Academia, Researchers, etc.) to discuss the CFTA and culminated into the High Level Trade Facilitation Forum.

.CFTA.
CONTINENTAL FREE TRADE AREA
Creating One African Market

Update on the establishment of the CFTA (2)

African Union

- Nine Meetings of the CFTA Continental Task Force to prepare working Documents for the CFTA Negotiating Institutions.
- Six meetings of the CFTA Negotiating Forum (**CFTA-NF**) were held in February, May, October, November 2016 and March 2017 at the AU Headquarters in Addis Ababa, Ethiopia. The 6th Meeting was hosted in Niamey, Niger by the Champion in June 2017.
- Three meetings of the Technical Working Groups in February (Kigali), April (Nairobi) and August (Durban) 2017;
- Three Meetings of Senior Trade Officials (May, November 2016 and June 2017).
- Three meetings of African Union Ministers responsible for Trade (May, November 2016 and June 2017).

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market

Update on the CFTA: Objectives (1)

African Union

Achieve a comprehensive and mutually beneficial trade agreement among the Member States of the African Union.

- **Enhance competitiveness** at all levels and more specifically at the industry and enterprise level through exploiting opportunities for scale economies, reducing business costs, continental/global market access and better reallocation of resources including through the development of trade-related infrastructure;
- To **overcome dependence on exportation of primary products** and promote social and economic transformation for inclusive growth, industrialization and sustainable development in line with Agenda 2063;
- **Resolve the challenges of multiple and overlapping memberships** and expedite the regional and continental integration processes;

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market

Update on the CFTA: Objectives (2)

African Union

- Realize the potential to expand and accelerate the growing diversification and dynamism of intra-African trade including the aim **to increase by 50 %** trade among African countries by 2022 through better harmonization, coordination and implementation of trade liberalization and facilitation regimes and instruments across RECs and across Africa in general; and
- In the context of boosting intra-Africa trade and realizing the transformational potential of increased trade among African countries, **to create a freer market for goods and services,** building upon the trade agreements within the regional economic communities and associated commitments and thus pave the way for **accelerating the establishment of the Continental Customs Union;**

Update on the CFTA: Negotiating Principles

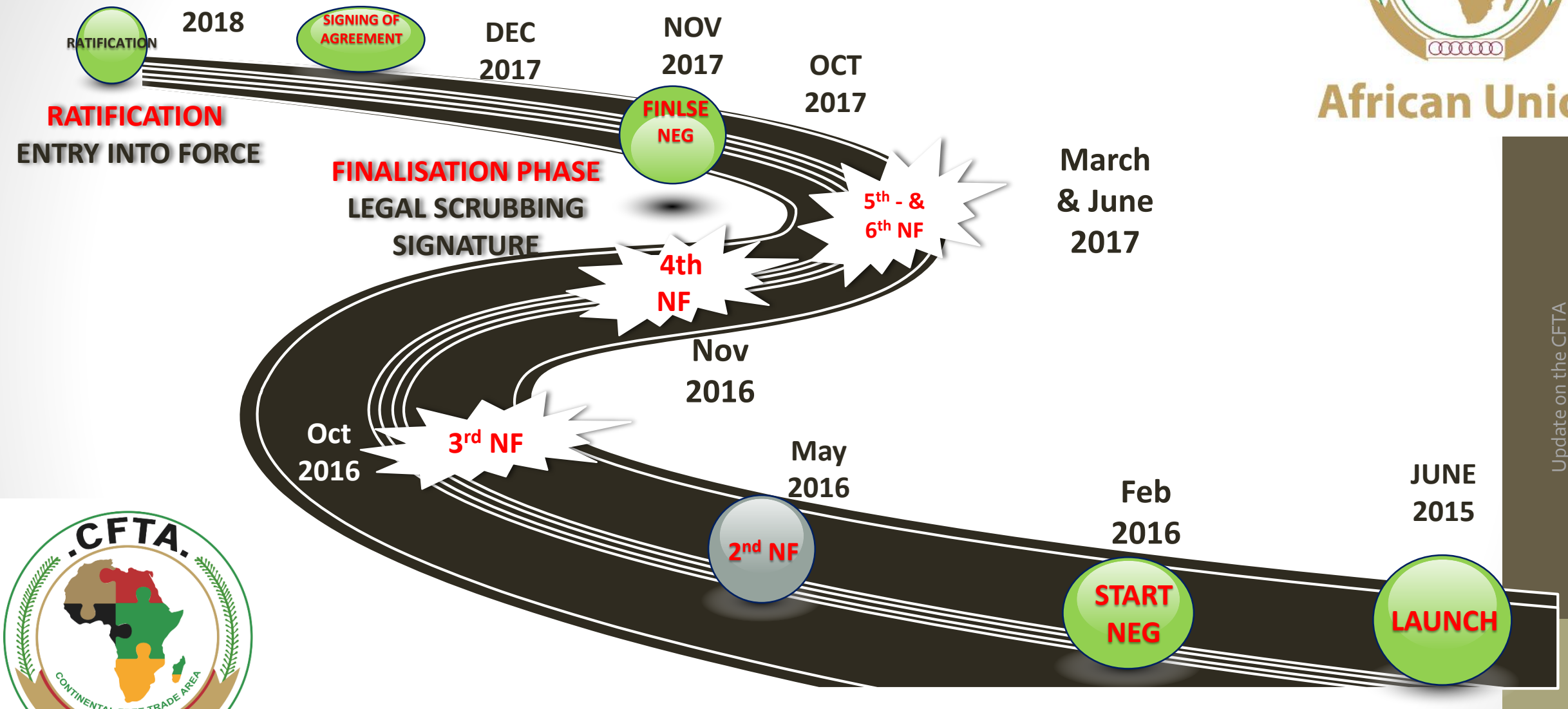
African Union

The Continental Free Trade Area negotiation process shall be guided by the following overarching principles:

- *i) The CFTA negotiations shall be AU Member States/RECs/Customs Territories driven with support of the African Union Commission and its structures.*
- *ii) RECs FTAs as building Blocs for the CFTA*
- *iii) Preservation of Acquis*
- *iv) Variable geometry*
- *v) Flexibility and Special and Differential Treatment*
- *Vi) Transparency and disclosure of information*
- *vii) Substantial liberalisation*
- *viii) MFN Treatment*
- *ix) National Treatment*
- *x) Reciprocity*
- *xi) Decisions shall be taken by consensus.*
- *xii) Adoption of Best Practices*

CFTA
CONTINENTAL FREE TRADE AREA
Creating One African Market

Update on the CFTA: Negotiations Roadmap



African Union

CFTA
CONTINENTAL FREE TRADE AREA

Creating One African Market

Update on the CFTA: Negotiating Structure

Assembly of Heads of States and Government (HATC)

African Union Ministers of Trade (AMOT)

Committee Senior Officials

CFTA-Negotiating Forum (CFTA-NF)

Technical Working Groups (TWGs)

Stakeholders Participation

Continental Task Force

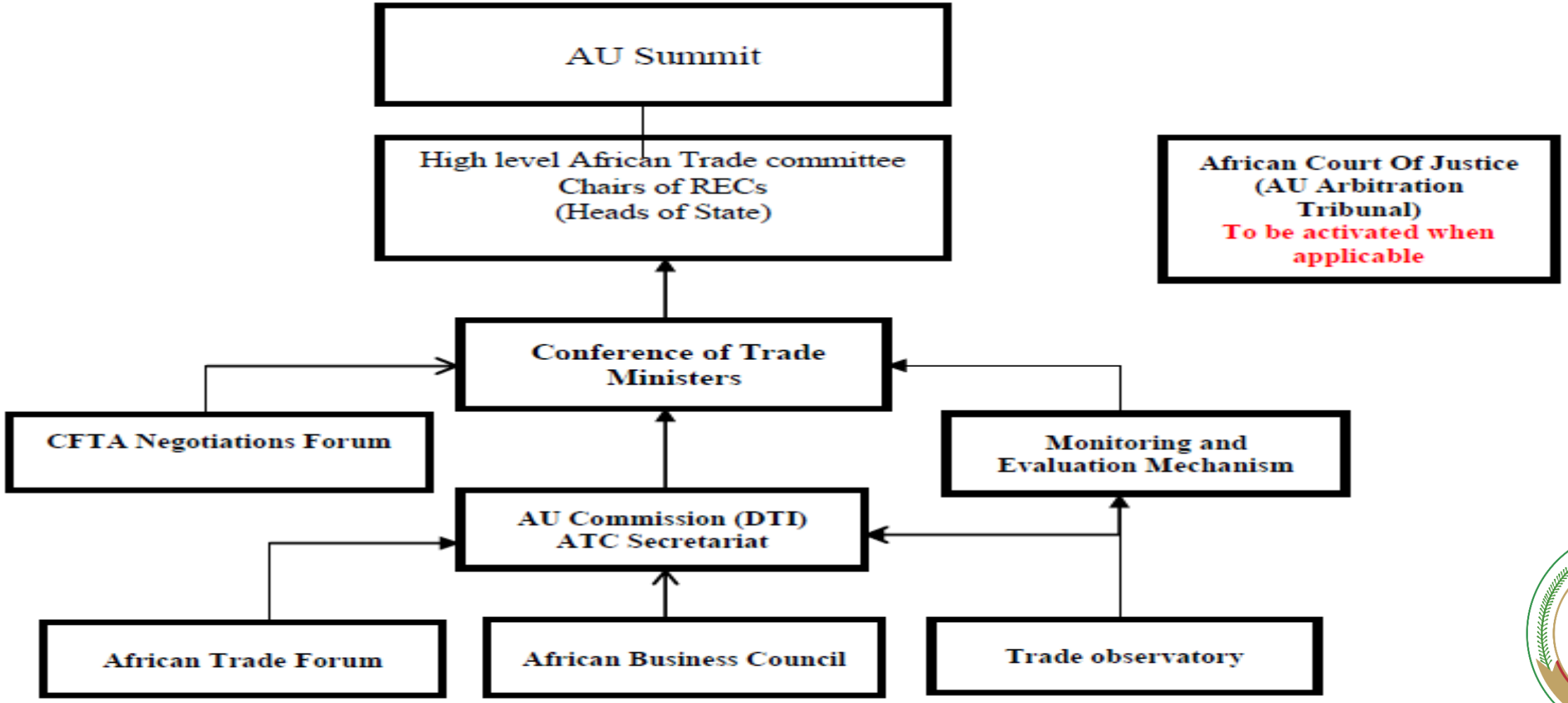
Creating One African Market

African Union

The CFTA Architecture for Implementation

African Union

Figure 1: ARCHITECTURE FOR THE CFTA



Update on the CFTA

CFTA
CONTINENTAL FREE TRADE AREA

Creating One African Market

Creating One African Market

Update on the CFTA: Key Milestones

African Union

	Milestones	Completion Date
1	Adoption of the Modalities for tariff liberalization and trade in services negotiation at the 6th CFTA-NF	10th June 2017 Done
2	Submission of tariff offers by Member States as from 1st July 2017 and to be adopted during the 7th CFTA-NF to be held in October 2017	16th Sept 2017
3	Submission by Member States of list of restrictive measures affecting trade in services as well as timeframe for elimination of the same offers on services as from 1st July 2017 and to be adopted during the 7th CFTA-NF to be held in October 2017	16th Sept 2017
4	Finalization of the CFTA Texts (Framework Agreement and Annexes)	30th Nov 2017
5	Signature of CFTA Agreement in December 2017 to enable implementation	29th Dec 2017

Creating One African Market

Update on the CFTA: Scope

African Union

Agreement Establishing the Continental Free Trade Area

Annex A: Agreement on Trade in Goods

- Appendix I: Tariffs Liberalization Schedule of Commitments
- Appendix II: Rules of Origin
- Appendix III: Customs Cooperation
- Appendix IV: Trade Facilitation and Transit
- Appendix V: Non-Tariff Barriers
- Appendix VI: Technical Barriers to Trade
- Appendix VII: Sanitary and Phyto-Sanitary Measures
- Appendix VIII: Trade Remedies and Safeguards

Annex B: Agreement on Trade in Services

- Schedules of Specific Commitments
- Agreement on Movement of Natural Persons involved in Trade in Services and Investment
- Regulatory Frameworks
- Reference to Annex C and Annex D

Annex C: Agreement on Investment

Annex D: Rules and Procedures on Dispute Settlement

Annex E: Agreement on Competition

Annex F: Agreement on intellectual Property Rights

Creating One African Market

CFTA Within AUC Policy Framework

African Union

AU Agenda 2063

1. A prosperous Africa based on inclusive growth and sustainable development
2. An integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa's Renaissance
3. An Africa of good governance, democracy, respect for human rights, justice and the rule of law
4. A peaceful and secure Africa
5. An Africa with a strong cultural identity, common heritage, values and ethics
6. An Africa where development is people-driven, unleashing the potential of its women and youth
7. Africa as a strong, united and influential global player and partner.

Boosting Intra-African Trade – BIAT

- Trade Policy
- Trade Facilitation
- Productive Capacity
- Trade Related Infrastructure
- Trade Finance
- Trade Information
- Factor Market Integration

Continental Free Trade Area – CFTA

- Trade in Goods
- Trade in Services
- Investment
- Intellectual Property Rights
- Competition Policy
- Industrialization and Infrastructure Pillars

CFTA Enablers: AIDA, PIDA, CAADP, Etc.

- Agricultural Transformation
- Food Security
- Energy
- Transport
- ICT
- Water Resources

Conclusion ….

African Union

- It should be emphasized that besides establishing the Continental Free Trade Area, among the fundamental drivers of trade are development of **productive capacity and industrial sophistication** because a country cannot trade effectively unless it can produce and add value to its raw material endowments.
- **Trade – related infrastructure and services** along with other trade facilitation measures such as removal of non-tariff barriers, simplification of customs procedures and documentation, and flawless operations of Africa's transport and transit corridors are also fundamental to Africa's internal trade.
- Lastly, given the imbalances in the levels of development in African countries, it would be a remise to talk about creating the CFTA without ensuring equitable outcomes for Member States through **compensation mechanisms** to address adjustment costs to greater trade opening, and help smaller and weaker countries build their production and trade capacities.

African Union

African Union

- **THANK YOU**
- *SebahiziP@Africa-Union.Org*

Creating One African Market

Creating One African Market