

AfCFTA: What does it mean for the Continent

Komi TSOWOU

Africa and LDCs Division, UNCTAD

Contact : tsowou@un.org



UNITED NATIONS
UNCTAD

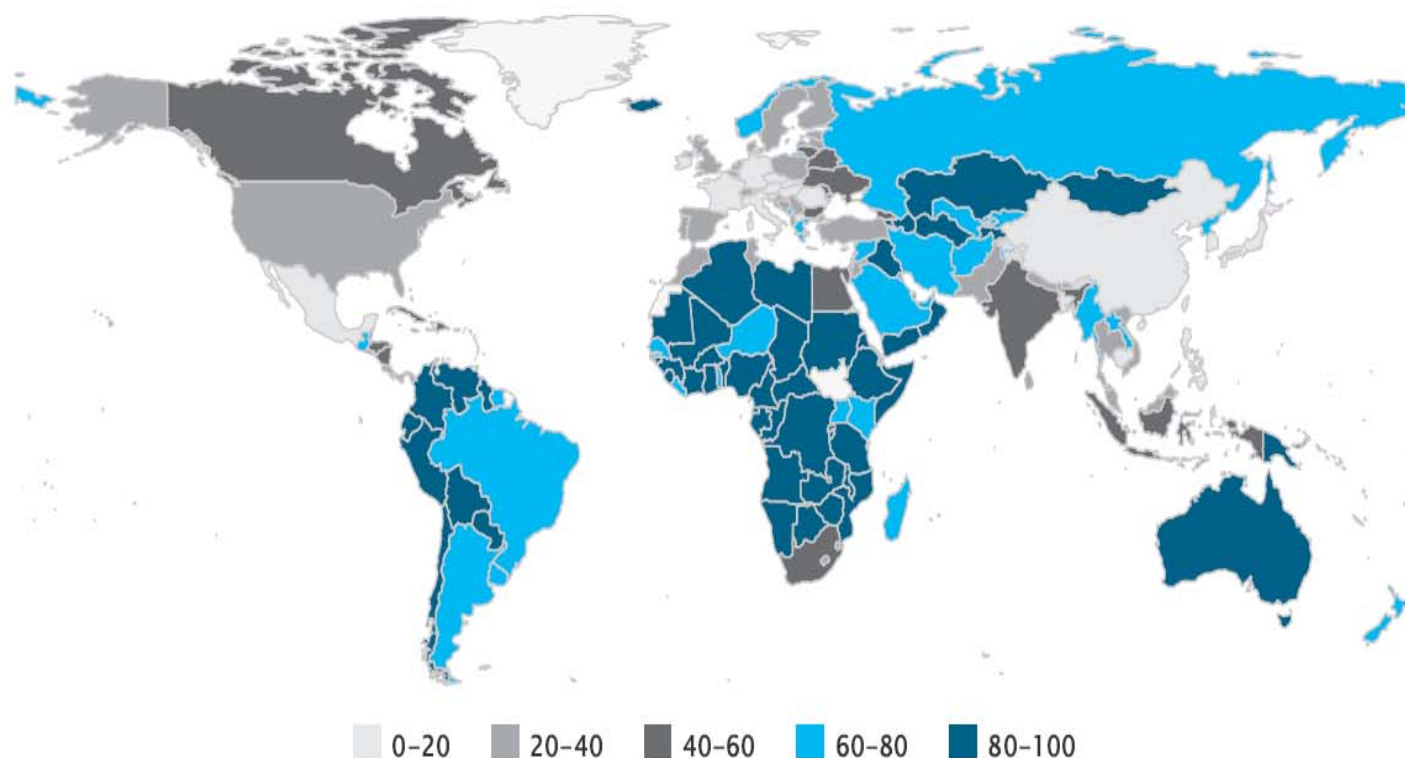
**Webinar : Trade in the New Normal
organized by Trade Advisory - North-West University
TRADE WTO Chair**

AfCFTA : Why?

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

World commodity export dependence, 2013-2017
(percentage)



Source: UNCTAD, State of commodity dependence

Note: Commodity export dependence is measured as the ratio of primary commodity exports (agricultural products; minerals, ores and metals; and, oil) to total merchandise exports in value term

**Commodity dependence :
Still pervasive across Africa
with limited value addition**

AfCFTA : Why?

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

- **High dependence of African economies to commodities** and remote world markets increase vulnerability to shocks (e.g. COVID-19, financial crisis, etc.)
- **African economies are fragmented :**
 - 22 African countries have populations under 10m
 - Trade frustrated by more than 107 unique land borders
 - Difficulties to build competitive productive capacities;
- **AfCFTA** by removing/reducing tariffs and non-tariffs barriers consolidates Africa into more than \$2.3tr market of 1.3bn people;
- **AfCFTA** to yield scale economies, improved competition, lower business costs, etc.



AfCFTA Framework : An overview

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



Agreement establishing the African Continental Free Trade Area (AfCFTA)

Protocol on Trade in Goods

Elimination of duties and quantitative restrictions on imports
Imports shall be treated no less favourably than domestic products
Elimination of non-tariff barriers
Rules of Origin
Cooperation of customs authorities
Trade facilitation and transit
Trade remedies, protections for infant industries and general exceptions
Cooperation over product standards and regulations
Technical assistance, capacity-building and cooperation

Protocol on Trade in Services

Transparency of service regulations
Mutual recognition of standards, licensing and certification of services suppliers
Progressive liberalization of services sectors
Service suppliers shall be treated no less favourably than domestic suppliers in liberalized sectors
Provision for general and security exceptions

Protocol on Dispute Settlement

Rules and Procedures for Settlement of Disputes within the African Continental Free Trade Area

Phase 2 negotiations : Intellectual property rights, Investment , Competition policies (ongoing)

Phase 3 negotiations : e-commerce (to be negotiated)

AfCFTA Protocol on Trade in Goods: Scope

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



Modalities of tariff liberalization on goods

Non-sensitive products

- To be fully liberalized;
- Complete elimination of tariffs within a timeframe:
 - ⑩ 10Ys for LDCs
 - ⑩ 5Ys for non-LDCs ;

Sensitive products

- To be liberalized from Year 6 after the beginning of the tariff dismantlement schedule;
- To benefit progressive elimination of tariffs over longer period:
 - ⑩ 13Ys for LDCs and
 - ⑩ 10Ys for non-LDCs;

Excluded products

- To be excluded from liberalization;
- Products of strategic importance based on following criteria: **food security, national security, fiscal revenue, livelihood and industrialization;**

Tariffs/Custom Union to submit tariffs offers as LDCs or non-LDCs ?

Rules of Origin : “economic nationality” of a product

- Hybrid approach adopted under the AfCFTA negotiations – general and specific Rules of Origin, where some Chapters and tariff lines have to be negotiated;
- Differences remain in some critical areas including definitions and the treatment of products coming from special economic zones, etc.

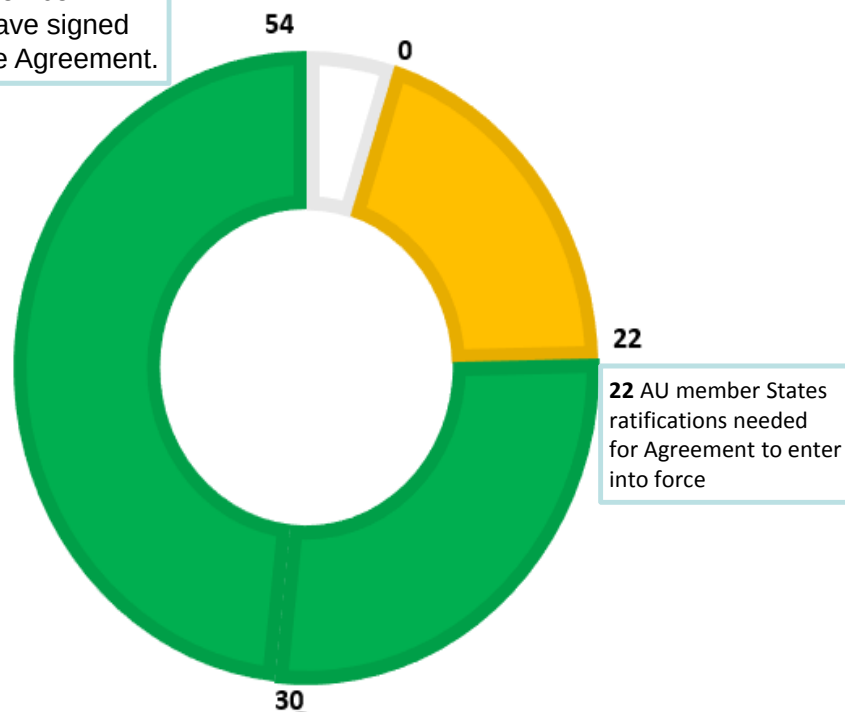
Products to be considered originating from AfCFTA State parties if :

- Fully obtained in a State party (e.g. Extracted crude oil to refined products);
- Undergone substantial transformation in the State Party (e.g. semi-processed to finished products)

Heterogeneity in existing RoOs (e.g. RECs, TFTA, EPAs, other FTAs)

AfCFTA Agreement : signatures and ratifications

54 AU member States have signed so far the Agreement.



22 AU member States ratifications needed for Agreement to enter into force

30 countries have ratified and deposited their instruments at AUC so far

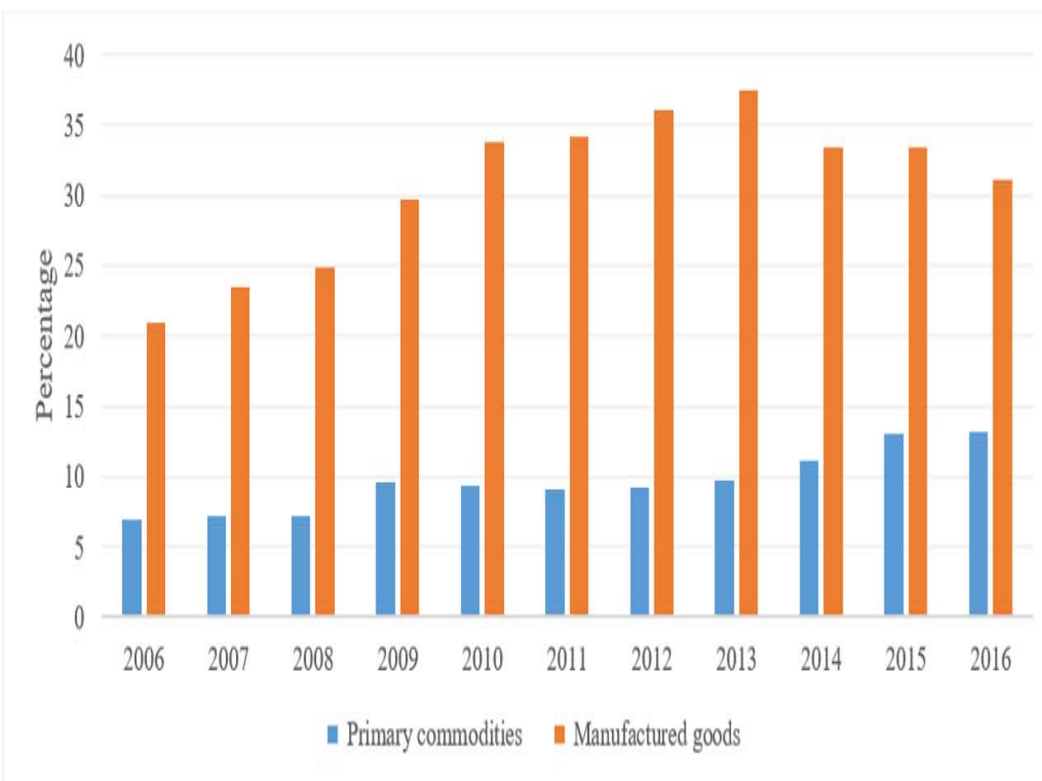
- **54 out of 55 AU member States have signed the Agreement establishing the AfCFTA ; Eritrea is still to sign it**
- **The Agreement entered into force on 30 May 2019 (after 22 ratifications) but its “effective operational phase” — expected to start on 1 July 2020 — has been delayed due to COVID-19 related challenges;**
- **Outstanding issues : submission of tariffs concessions; some RoOs, Services offers, etc.**
- **Ongoing discussions to start trading under AfCFTA early 2021 (?)**
- **AfCFTA secretariat hand over : 17 August 2020**

AfCFTA to be a game changer (?)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

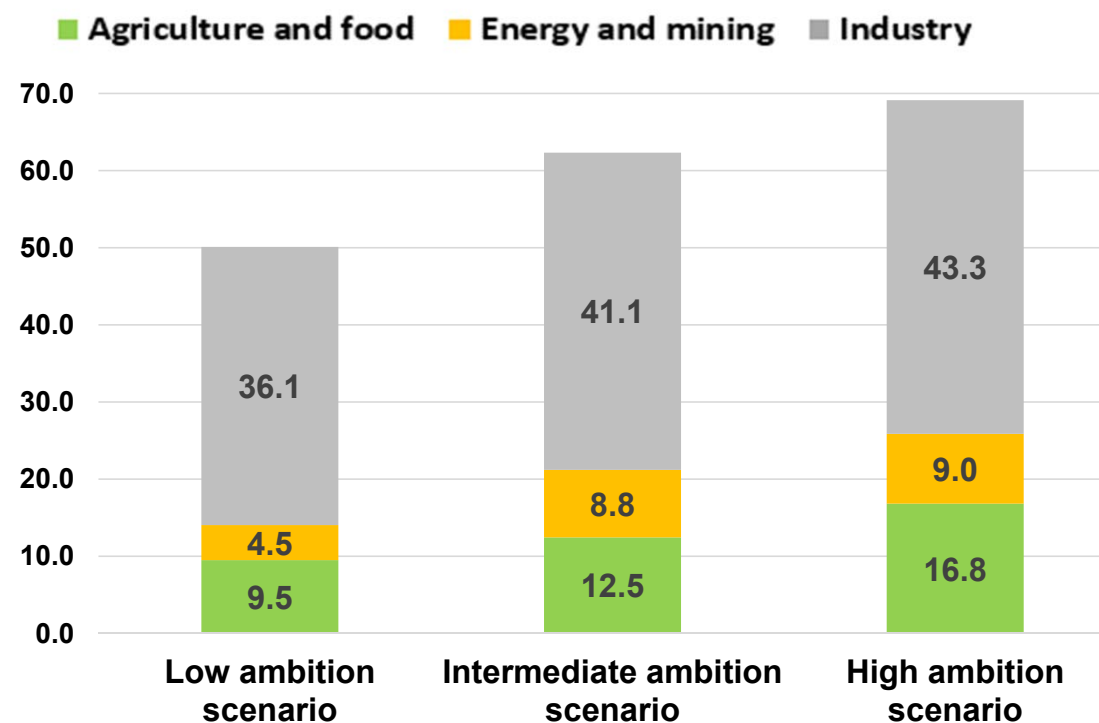
UNCTAD

Intra-African exports (% of total exports for primary commodities and manufactured goods)



Source: data from UNCTADstat

Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)



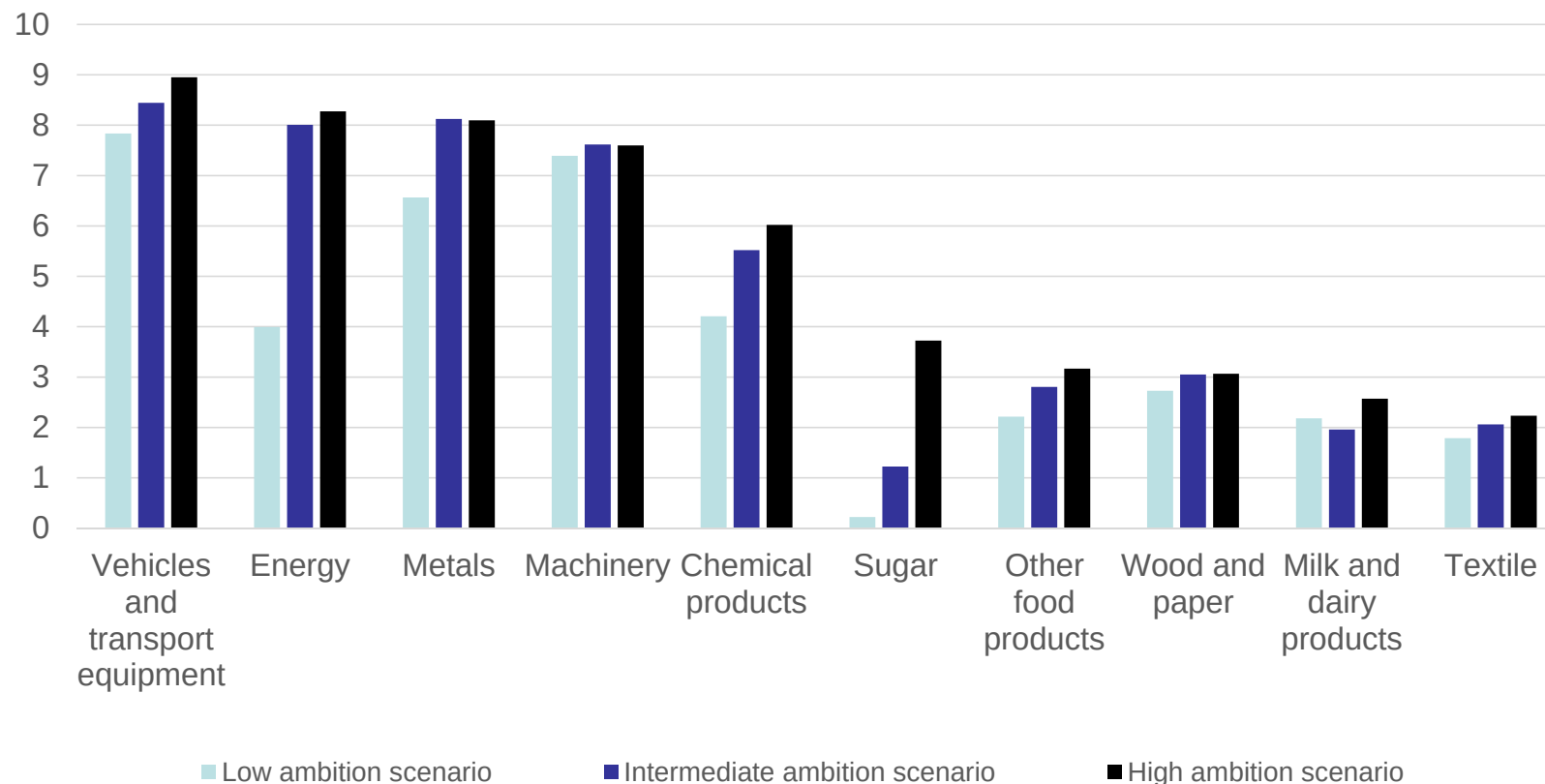
Source: UNECA

AfCFTA to be a game changer (?)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

Top 10 gains in intra-African exports by sectors, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)

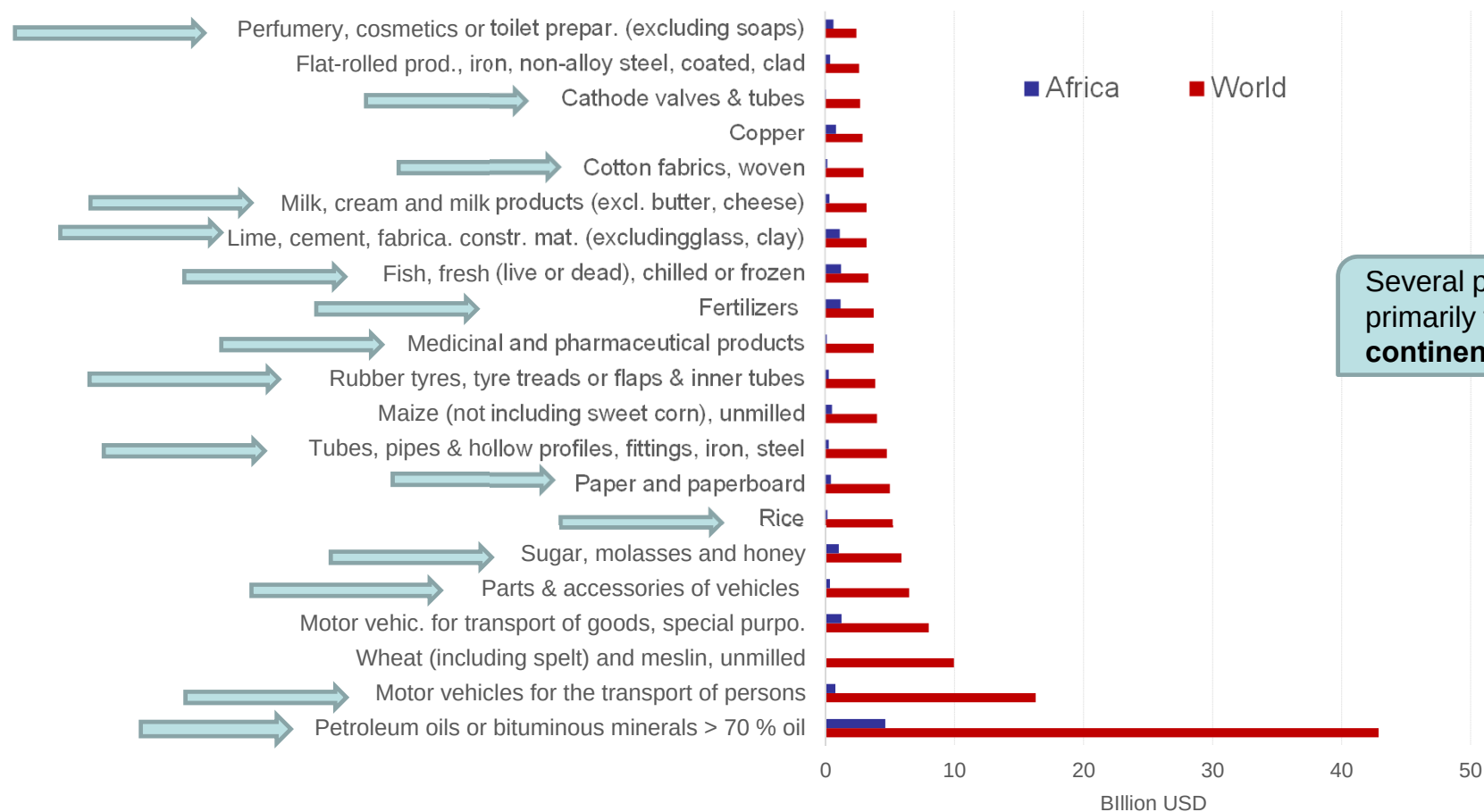


Largest increases expected in exports of vehicles and transport equipment, energy, metals, machinery, chemical products, sugar, other food products, wood and paper, milk and dairy, and textiles.

Source: UNECA

AfCFTA as a game changer : Opportunities across sectors :

Selected top products imported by Africa, world and intra-African values (annual average 2016-18)



Several products imported today, primarily from **outside the continent**

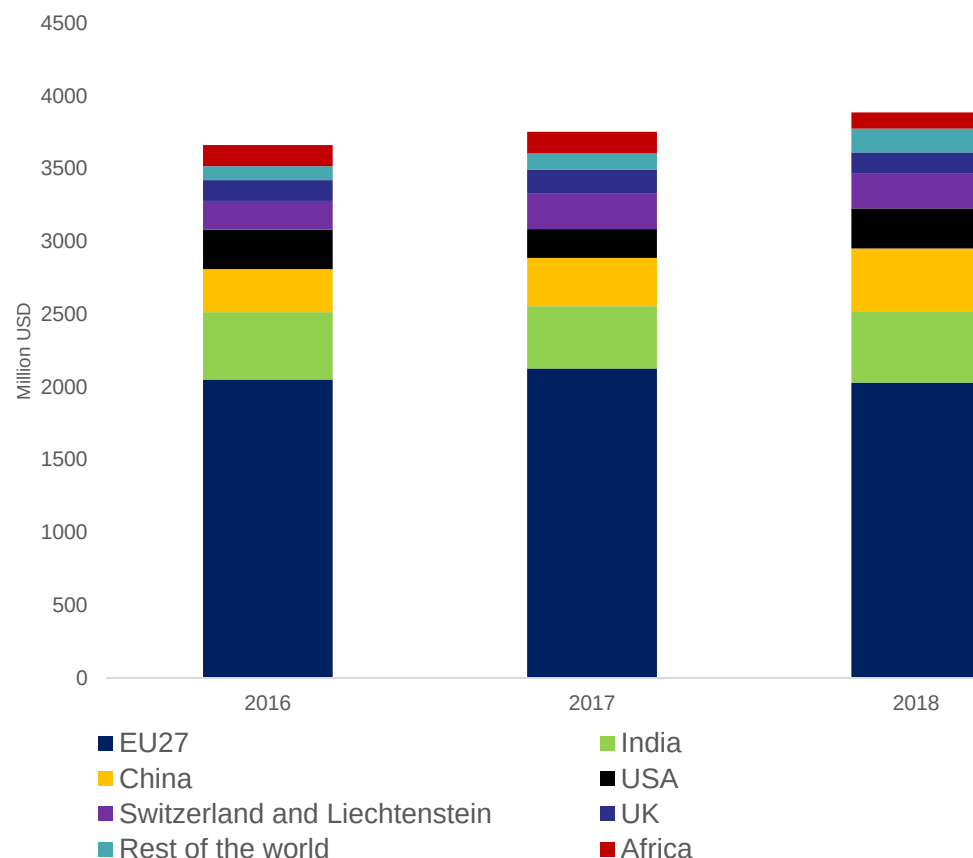
Source : Based on data from UNCTADStat

Medicinal and Pharmaceuticals products..

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

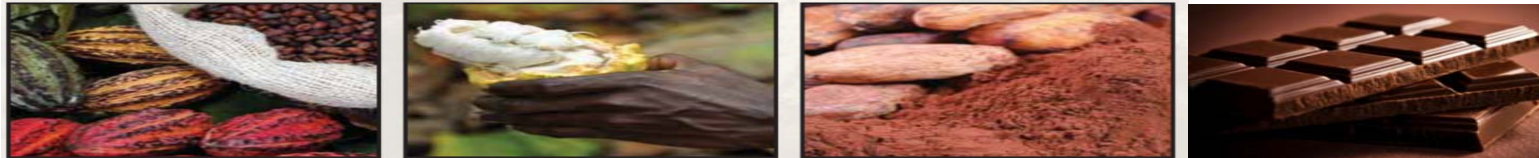
UNCTAD

Africa's import of Medicinal and pharmaceutical products by main trading partners, 2016-18

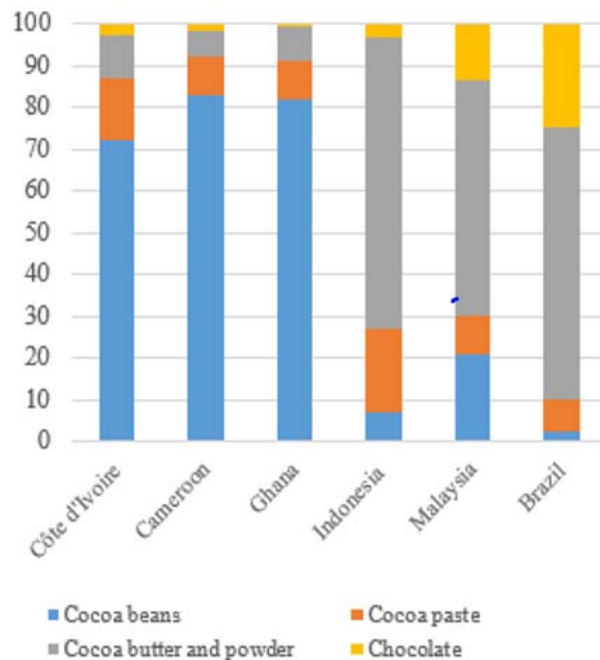


- ❑ COVID-19 pandemic has exposed the fragility of African health systems including pharmaceuticals. **Africa currently imports more than 95% of its medicinal and pharmaceutical products from outside of the continent**
- ❑ **80 countries and custom territories have banned (in April 2020) or limited export of essential medical supplies** and other goods needed to fight COVID-19 to mitigate shortages
- ❑ **Implementation of the AfCFTA could support continental efforts to reshape pharmaceutical sector by increasing its reliance on local/regional industries.**
- ❑ Countries such as **South Africa, Kenya, Ghana, Egypt, Nigeria, and Zimbabwe** have local industrial capacities to manufacture medicines for export to African markets (especially for **generic and essential medicines**) while sourcing inputs from continental and global markets.

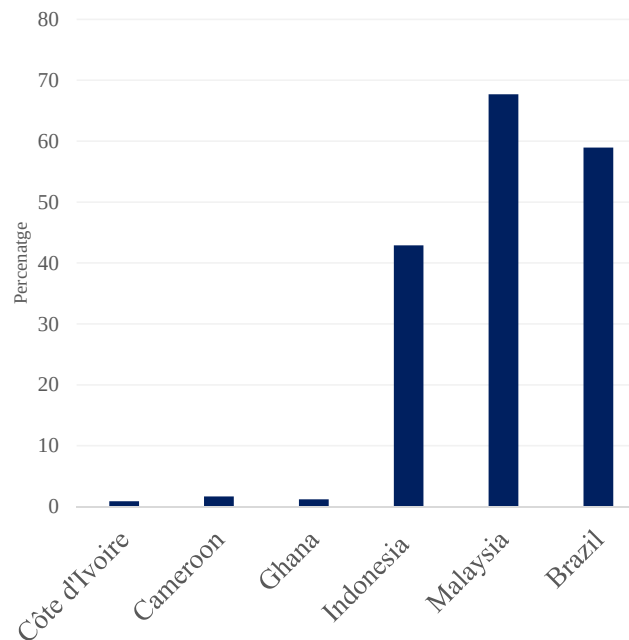
Opportunities in Cocoa to chocolate value chains



A. Cocoa GVCs: value added content of selected countries exports



B. RVCs/GVCs: value added content of exports to regional markets as % of exports to world markets



Cocoa GVCs is highly concentrated
But still offer investment opportunities from beans grinding to chocolates manufacturing segments

Sustainable Wood industry for AfCFTA markets

- ❑ **Predominance of the primary wood processing** (sawing and rotary cutting);
- ❑ Increasing investments in **secondary wood processing** (moldings, profiles, parquet and ply . E.g. Gabon: SEZ of Nkok)
- ❑ High value added segments in **the tertiary wood processing** (joinery and cabinet making) is **still to be fully exploited** – investments opportunities with expanded markets through AfCFTA;
- ❑ ... and **potential for other by-products** incl. pulp and paper, etc.

Primary wood processing : sawing and rotary cutting



Secondary wood processing: moldings, profiles, parquet and ply



Tertiary wood processing :
joinery and cabinet making
Limited players (mainly SMES) despite huge demand



Opportunities in Minerals and metals sector

Potential in extraction and processing of mineral products

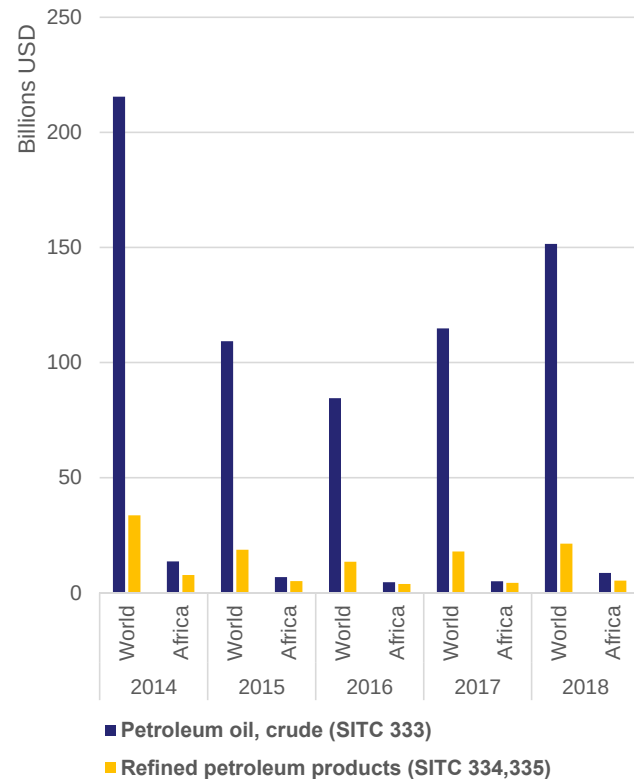


Pictures of the Moanda Metallurgical Complex (CMM) in Gabon inaugurated in 2015 by COMILOG, subsidiary of the ERAMET Group (French multinational mining and metallurgy company)

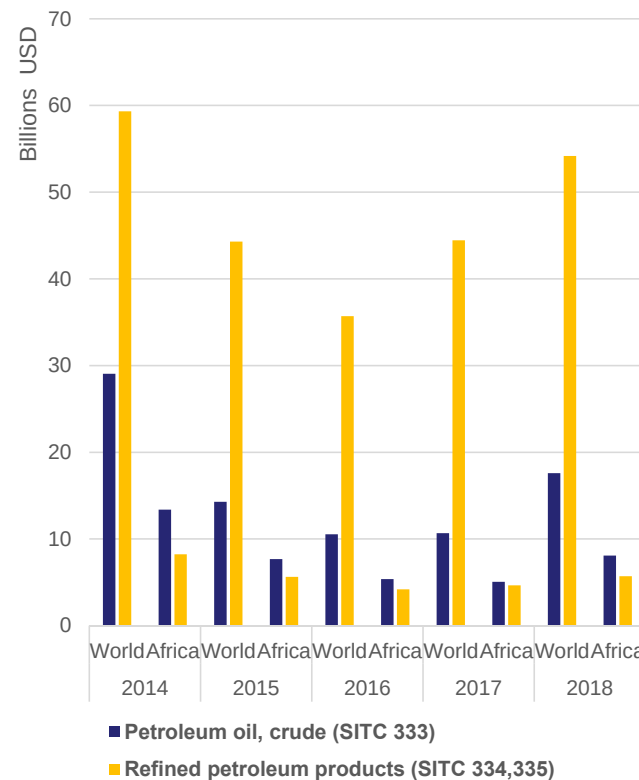
Selected mineral/metals value chains	Countries
Copper and copper products	Zambia and DRC
Iron/steel	South Africa, Mozambique, Guinea, Cameroon, Sierra Leone
Bauxite / Aluminum	Guinea, Mozambique; Ghana
Manganese and by products	Gabon, South Africa
Diamonds and by products	Botswana, South Africa, Angola, Namibia
Rare earth metals	South Africa, Tanzania, Malawi, Mozambique.
Phosphate and by products	Morocco, Egypt, Algeria, Senegal, Tunisia
Gold and by products	Ghana, Mali, Burkina Faso, South Africa, Tanzania

AfCFTA to be a game changer in Oil sector (?)

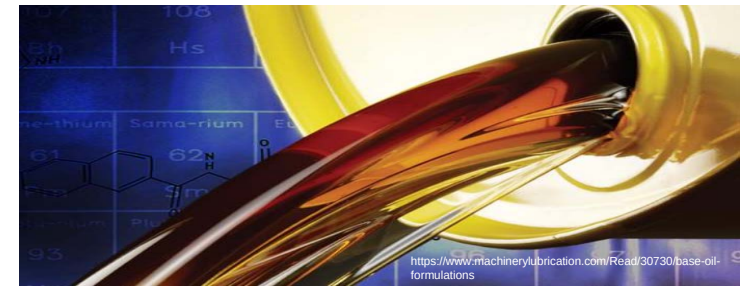
Africa's **exports** of petroleum products



Africa's **imports** of petroleum products



Including in base oils and lubricants for cars and others



Africa car markets in 2018: 45 million

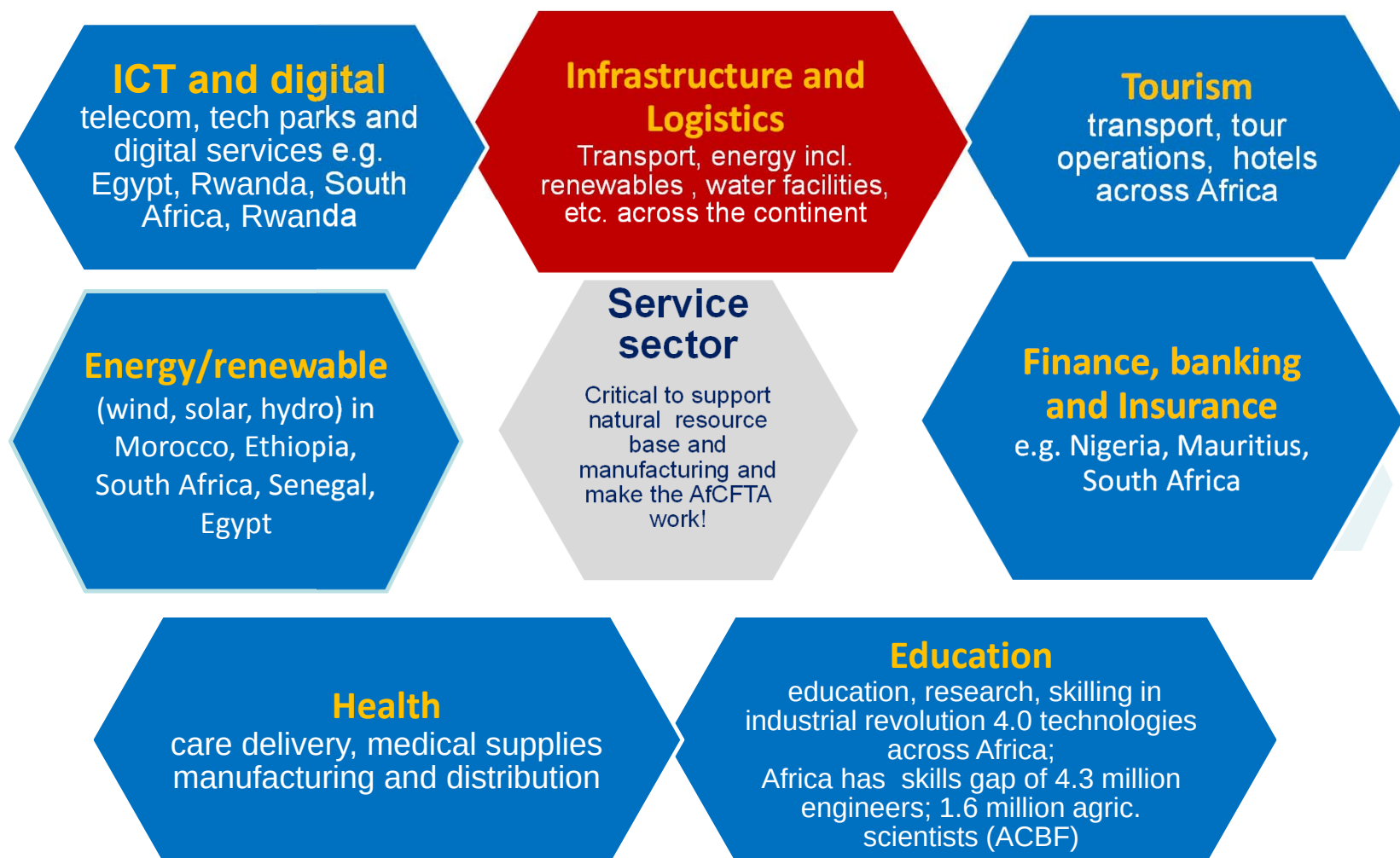
By 2040:... 135 million cars

Lubricants demand in Africa is expected to rise by about 13% from 2020 to 2025, from about 1.7 million tons to 2 million

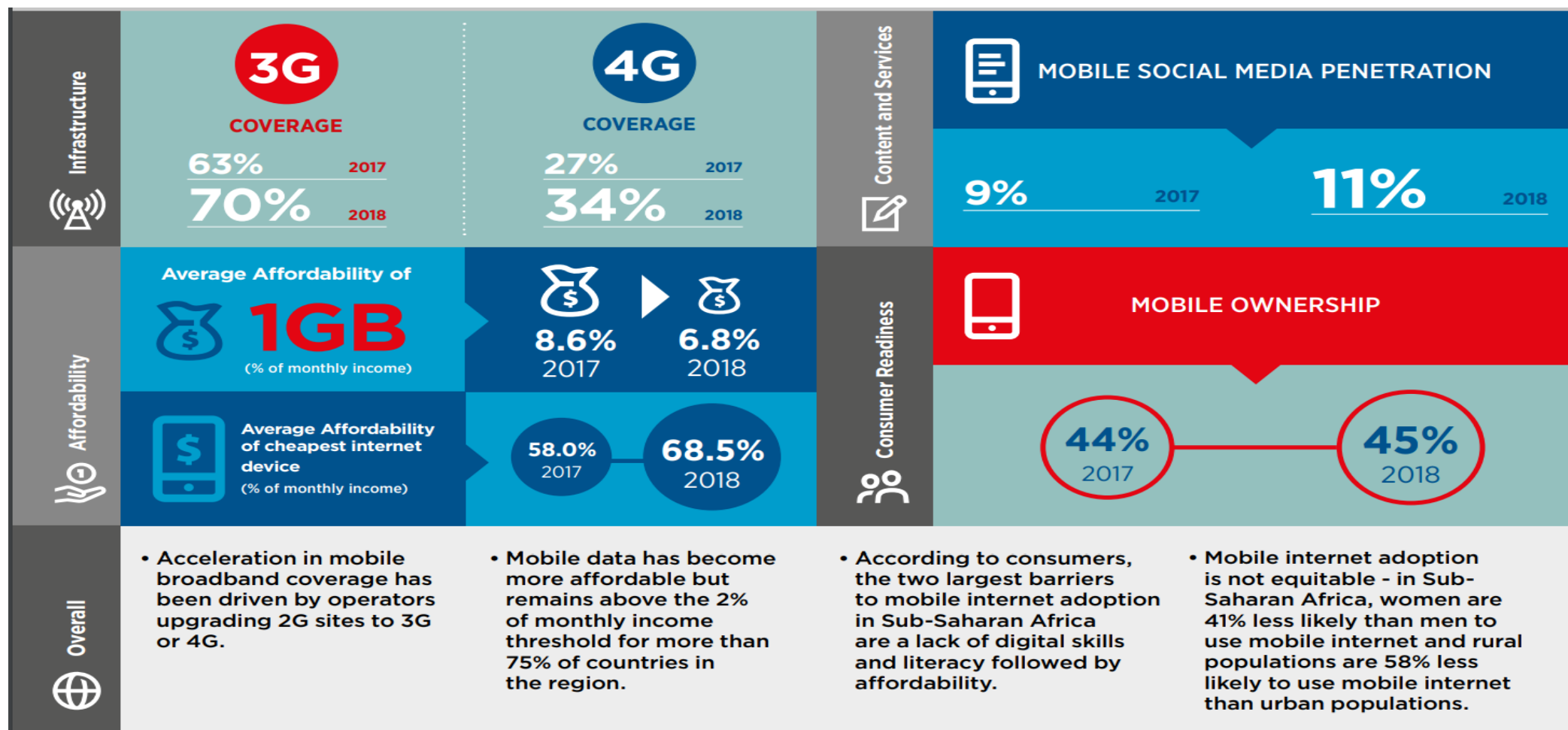
See <https://www.lubesngreases.com/magazine/africa-drives-forward-again/>

Source: Based on data from UNCTADStat

Services sector– enablers of the AfCFTA



...Need to close ICT gaps with the Rest of the World : a key priority for AfCFTA Agenda



Source: UNECA

Reaping AfCFTA benefits is not automatic... Address NTBs should be a priority

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



INVESTMENT



PRODUCTION



TRADE
FACILITATION



TRADE-RELATED
INFRASTRUCTURE



IMPORT
DEFENCE

- ❖ Great understanding / awareness of trade rules & practices under AfCFTA framework (tariffs schemes, rules of origins, SPS, Online NTB reporting mechanisms, etc.) by the private sector;
- ❖ Market prospections including through trade fairs (e.g. Intra-African Trade Fair), Trade exhibitions and conferences;
- ❖ Countries competitiveness/ attractiveness/comparative advantages/positioning as regional hubs etc;

AfCFTA: implementation! implementation! implementation!

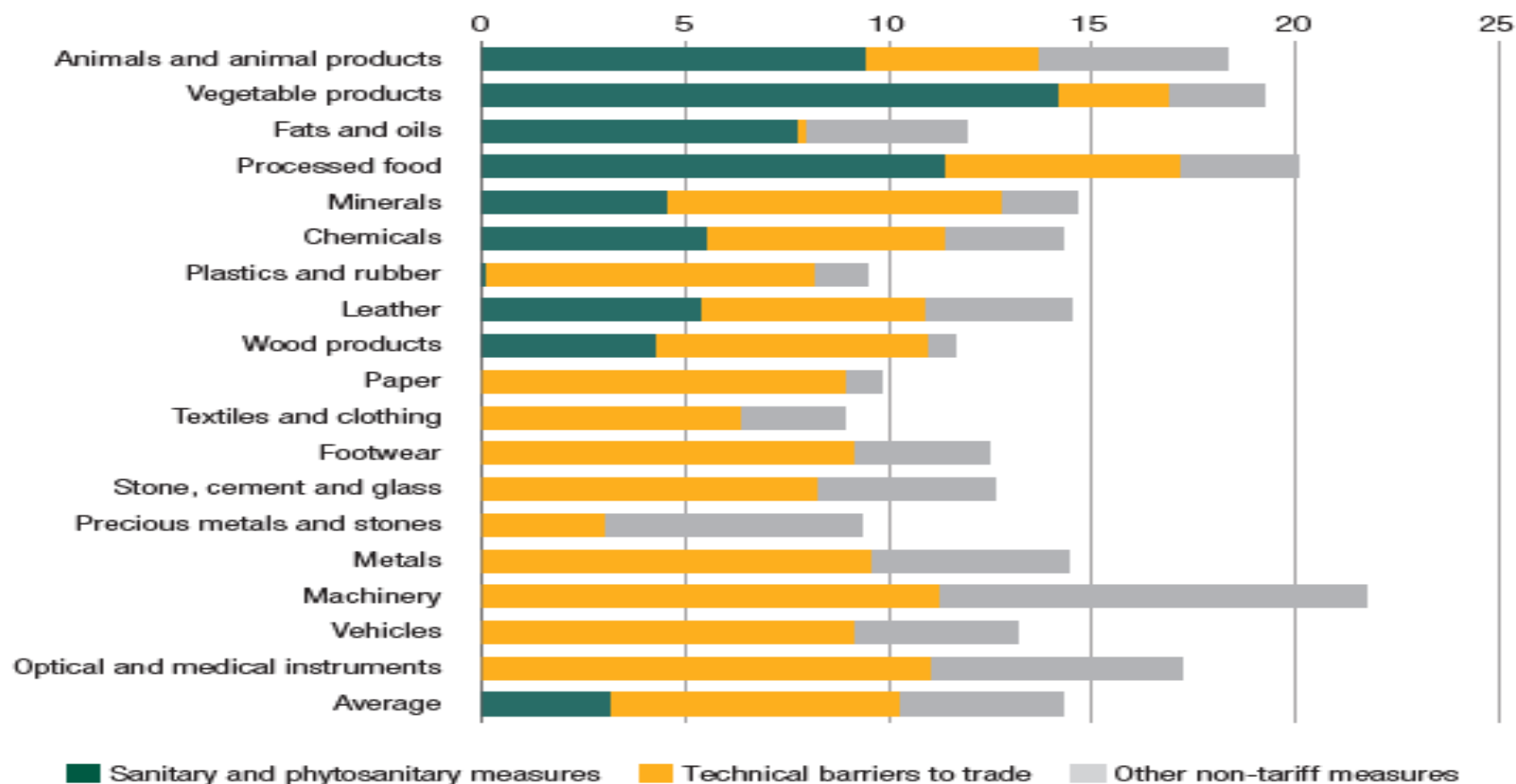
Reaping AfCFTA benefits is not automatic...

Addressing NTBs should be a priority

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

Ad valorem equivalents of non-tariffs measures in Africa



Source: UNCTAD https://unctad.org/system/files/official-document/itcdtab71_en.pdf

Reaping AfCFTA benefits is not automatic...
Addressing NTBs should be a priority

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

tradebarriers.africa/home



Creating One African Market

African Continental Free Trade Area

Non-Tariff Barriers

Reporting, Monitoring and Eliminating Mechanism



[Home](#) [About](#) [Complaints](#) [Documents](#) [Webinars](#) [Links](#) [Contacts](#)

[Language](#) [Login/Register](#)



Report an NTB online

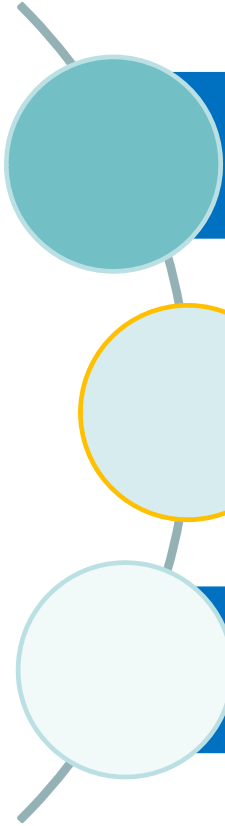


Report an NTB via mobile



FAQs

AfCFTA: **implementation! implementation!**



Deepen regional integration to reduce Africa's dependence on remote world markets: Africa to produce more of what it consumes

Harness regional integration opportunities for strong health systems

Leverage on COVID-19 impacts to shape stronger AfCFTA framework in which e-commerce and digitalization play a major role

AfCFTA: **implementation! implementation!**

- **AfCFTA implementation** : very crucial to build diversified and stronger African economies Post-COVID-19
 - Expected outcomes of the AfCFTA will not come overnight – **Political will not enough: integrated efforts needed at all levels for implementation**
 - Need for deliberate actions/efforts through effective and **integrated strategies to maximize the benefits of the Agreement while minimizing potential risks;**
 - Identification (mapping) of opportunities for value chains development/integration: **market prospection by the private sector critical!!**
 - **Mobilizing resources** (Human capital; finance, etc.)
 - **Governments to set enabling environment**
 - **The private sector : pivotal in the AfCFTA implementation**
-

THANK YOU / MERCI

UNCTAD
PROSPERITY FOR ALL

www.unctad.org

