

THE AfCFTA: WHERE ARE WE ON THE PATH TOWARDS A SINGLE AFRICAN MARKET?

Our bi-annual WTO Chairs webinar focusing on:

- what needs to be done to get to a single African market and
- lessons from developing countries regarding digitalisation of African trade

Join us 19 October 2021 10:00am SAST



'The AfCFTA: Where are we on the path towards a single African market?'

Summary of proceedings

With the African Continental Free Trade Area (AfCFTA) having come into force on 1 January 2021, Africa has begun its ground-breaking – yet extremely challenging – journey towards a single, continental market.

The progress that has been made to date in realising the AfCFTA vision and some of the lessons learnt along the way were the focus of the **14th WTO Chairs Programme and Trade Advisory bi-annual conference** held on **19 October 2021** (via Zoom). The conference hosts were Prof Wilma Viviers (research professor in the [TRADE research entity](#) and holder of the [WTO Chair](#) at the North-West University [NWU] in South Africa) and Dr Martin Cameron (managing director of [Trade Research Advisory](#), an NWU spin-out company). Guest speakers were Trudi Hartzenburg (executive director of [tralac](#)), Dr Maarten Smeets (a professor at St Petersburg State University and the World Trade Institute at the University of Bern), Dr Jean-Marc Kilolo (an economist at the [United Nations Economic Commission for Africa](#)) and Ali Parry (director of Trade Matters).

In her opening remarks, **Wilma** said that the AfCFTA has the potential to dramatically boost intra-African trade and break the continent's longstanding dependence on foreign export destinations and foreign sources of supply and investment. However, the envisaged benefits of the AfCFTA will not materialise without the commitment and active involvement of a wide range of African stakeholders. Strong leadership will be the binding agent in these joint efforts.

A key focus area in the current negotiations are the protocols surrounding the liberalisation of goods and services trade. Other general objectives of the AfCFTA include facilitating inward investment and the movement of natural persons, such as professional service providers, across borders; enhancing competitiveness; promoting industrial development; and laying the foundation for a continental customs union at some stage in the future.

Trudi explained that the AfCFTA, a flagship of the AU's Agenda 2063, should not be regarded simply as an inward-looking trade initiative; it will also play a key role in changing the way African countries trade with global trading partners. In addition, the FTA is not intended to replace existing regional economic communities (RECs), like SADC, SACU, EAC, ECCAS and COMESA – these will continue to exist alongside the AfCFTA, which will build on these RECs' integration and trade momentum to date.

While a great deal of progress has been made in terms of Phase 1 issues (the protocols on goods, services and settlement of disputes, respectively), the matter of tariff concessions and rules of origin in goods trade as well as services trade commitments are still being negotiated under this phase – all essential components for the FTA to function. Trudi said that these negotiations were proving to be a bit of a ‘Gordian knot’ as some countries say they cannot submit offers in respect of tariff concessions until they know what the rules of origin will be. Phase 2 negotiations, focusing on investment, competition policy and intellectual property rights, have begun. The start of Phase 3 negotiations, focusing on e-commerce, women, youth and SME development – which will be critical for an integrated, inclusive single market – is still some way off. Trudi emphasised the importance of an incremental approach in bringing the single market to fruition.

‘We are not expecting a “big bang”. The enormity and complexity of moving towards a single market should not be underestimated – we are, after all, aiming to eventually integrate the markets of 55 unequal partners. Small landlocked countries, in particular, have much catching up to do.’

Of critical importance, too, is ensuring that there is sufficient harmonisation in countries’ regulatory frameworks to facilitate trade on the continent. Regulations cover a myriad of aspects, from physical infrastructure and transport logistics to telecommunications standards, and consumer protection and data privacy laws. Regulations are primarily formulated at the domestic level but need to be aligned at the regional and continental levels if intra-African trade is to take place efficiently and (especially) cost-effectively.

Jean-Marc and **Martin** provided important insights into the pivotal role played by trade infrastructure and logistics in intra-African trade and how this will impact the trajectory and ultimate success of the AfCFTA. With a view to informing Cameroon’s industrialisation master plan, UNECA recently collaborated with the Trade Research Advisory team at the NWU to determine the export potential of Cameroon’s products in other African countries, against the backdrop of the AfCFTA. The TRADE-DSM, a market selection methodology that filters product–country combinations and identifies export opportunities with the highest potential, was used for this purpose. Jean-Marc explained the rationale for the study:

‘Cameroon aims to become the factory of the new industrial Africa by becoming a logistics hub, manufacturer and food supplier to the continent.’

He said that trade (and particularly transport) infrastructure and logistics are very important for unlocking trade potential on the continent, which is home to about one-third of all landlocked countries in the world. He spoke about the importance of considering both supply and demand factors when gauging a market’s potential, with most market selection techniques focusing mainly on the former. Yet even in the face of high demand for a product from an African supplier, trade could be thwarted by poor roads and/or port facilities and inefficient border procedures. All these problems add to the notoriously high cost of intra-African trade.

Martin provided a clear example of this from the TRADE-DSM Cameroon study. Because of various logistics problems, the maritime distance in shipping a container from Cameroon to Sydney, Australia is 22,647 km, whereas the distance in shipping a container to Mozambique is 21,499 km (because it has to go a circuitous route to Mozambique via Spain and then through the Suez Canal).

‘Some of the closest markets to Cameroon under the AfCFTA are the most expensive and the least serviced from a logistics and infrastructure development perspective,’ explained Martin. ‘The most critical success factor with the AfCFTA is unlocking and enabling trade flows from a physical logistics perspective in Africa.’

He added that digital transformation – for all its benefits and cost-saving potential – will be of little value if goods cannot be moved cost-effectively (or at all) on the continent. The Cameroon and other African governments therefore need to give priority to tackling physical market-access constraints and other non-tariff barriers, such as customs bottlenecks, corruption and bureaucratic border procedures. Martin and his team are currently determining the export potential of products from other ECCAS member countries, with a view to developing a more holistic picture of trade opportunities and barriers in the Central African region.

Maarten shared some insights from a book published earlier this year by the WTO under the auspices of the WTO Chairs Programme, titled *Adapting to the digital trade era: Challenges and opportunities*. The book (of which Maarten is the editor) is a collection of views, empirical findings and case studies written by Chairholders and academics from around the world who examined what the increasing uptake of digital technologies means for trade and development. The various contributions in the book are supported by various analyses by organisations such as the WTO, World Bank and UNECA. The book also looks at how well-informed domestic policies, together with international cooperation, can help to ensure that countries enjoy a more prosperous and inclusive future.

‘Perceptions differ in terms of what governments should do at the domestic, regional and global levels to support digitalisation and encourage more integrated global trade, especially through global value chains,’ said Maarten. ‘But it is becoming increasingly clear that international trade success is heavily influenced by the quality of the policy and regulatory environment at the domestic level and how adaptable policies and regulations are to international circumstances and pressures. Regulatory coherence and certainty, in turn, improve digital trade and investment prospects.’

Maarten said that most of the authors shared considerable optimism about the positive impact that digital technologies will have in the developing world – from simple internet access to sophisticated artificial intelligence and blockchain applications. Although the Asian region (especially China) leads the way in using the power of digital technologies to boost development, Africa also has some star performers on the digital development front, including Kenya and Mauritius.

‘There is a broad consensus in the book that policies and accompanying regulations play a pivotal role in the digital age – particularly in ensuring that more vulnerable groups in society (including women) have access to education, economic opportunities and finance. Digitalisation opens up markets that many people would not normally be aware of or have access to,’ concluded Maarten.

Ali then gave a brief overview of another book, which will shortly be published online by the open-access academic publisher, AOSIS. The book, titled *Africa’s digital future: From theory to action*, is a collaborative effort by a group of trade experts from or aligned to the NWU and is edited by Wilma, Ali and Dr Adelia Jansen van Rensburg. The overarching question posed in the book is whether or not Africa is in a position to benefit from the digital era.

‘Although the digital era is upon us, Africa is in many ways still on the cusp of that era; it hasn’t quite embraced it,’ said Ali. ‘Some countries are ahead of the rest, and so the continent needs to adopt a more consolidated, collaborative and inclusive approach to embracing the opportunities that the digital era brings.’

One of the key takeaways in the book is that digital advances will not magically eradicate Africa’s developmental shortcomings – however alluring the concept of technological leapfrogging may be. Countries still need to get the basics right, but digital technologies can help to drive this process. Another takeaway is that the success of countries’ industrialisation drives will depend on the adoption of technologies that facilitate the transition from low-productivity work to higher-productivity work.

‘One of the interesting findings in the book is that medium-skilled workers in Africa are at lower risk of losing their jobs to automation than medium-skilled workers elsewhere in the world because industrialisation is at a comparatively low level on the continent – thus, fewer industrial workers will be displaced. Foreign direct investment could be geared towards building Africa’s industrial capacity, thereby swelling the number and range of industrial jobs.’

Ali added that although Africa has many case studies of innovation at work on the continent, initiatives are often fragmented and not driven by clear policies. What is needed is for these encouraging but disconnected case studies to be turned into sustainable success stories across whole industries and/or countries. Digitalisation, which will increasingly become the lifeblood of the AfCFTA, can help to make this happen.

To access the WTO Chairs Programme publication, *Adapting to the digital era: Challenges and opportunities*, click [here](#).

To access the NWU publication, *Africa’s digital future: From theory to action*, click [here](#).

To learn more about the WTO Chairs Programme, contact Prof Wilma Viviers at wilma.viviers@nwu.ac.za;

For more information on the identification of realistic export opportunities, contact Dr Martin Cameron on martin.cameron@tradeadvisory.co.za.

The [TRADE-DSM](#) is recognised by leading international organisations as a reputable and scientific methodology aimed at trade facilitation that assists exporters, export promotion organisations and governments with complex market selection activities and decisions.

Presentations and a recording of the webinar are available at:

<http://tradeadvisory.co.za/resources/>

