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African
Union



CREATING ONE AFRICAN MARKET

IMPLEMENTATION OF THE AFRICAN
CONTINENTAL FREE TRADE AREA

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Maps

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On behalf of

German Federal Ministry for Economic Cooperation
and Development (BMZ)

Addis Ababa, October 2020

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A brief introduction

Africa has a long and rich history of trade which goes back to the beginning of humanity. Archaeologists have found evidence of trade in luxury items such as precious metals and shells across the entire continent. At that time, the main challenges were natural barriers and modes of transport. The ancient trade routes show that goods were exchanged all across the continent with major trade centres developing in cities such as Timbuktu, Gao and Agadez. Nowadays the face of trade has changed, yet challenges remain. Inter-African trade remains very low compared to other continents, and administrative, legal and political barriers add to the purely geographical ones.

Against this background, the Member States of the Organisation for African Unity (OAU) agreed on a roadmap for the creation of a common African market with the Treaty of Abuja in 1991. The now African Union (AU) uses its convening powers to accelerate the implementation of the Treaty and strengthen regional integration. The AU Trade Ministers agreed to establish the African Continental Free Trade Area (AfCFTA), which entered into force with the 22nd ratification in May 2019 and was officially launched in Niamey on the 7th of July 2019.



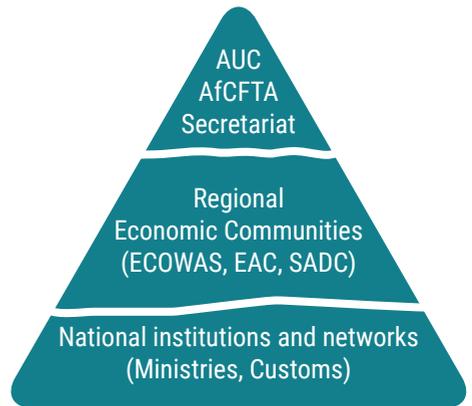
Source: ©Thomson, J., A New General Atlas.

The GIZ Programme Support to the AfCFTA

Commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ), the German Federal Foreign Office (AA) and other global players, the collaboration with the AU is a foundational part of Germany's international cooperation. As the GIZ-AU partnership is rooted in the AU's vision and strategic framework for the Agenda 2063 [1], it is only natural that GIZ supports the promising and ambitious construction of a single African market through the AfCFTA.

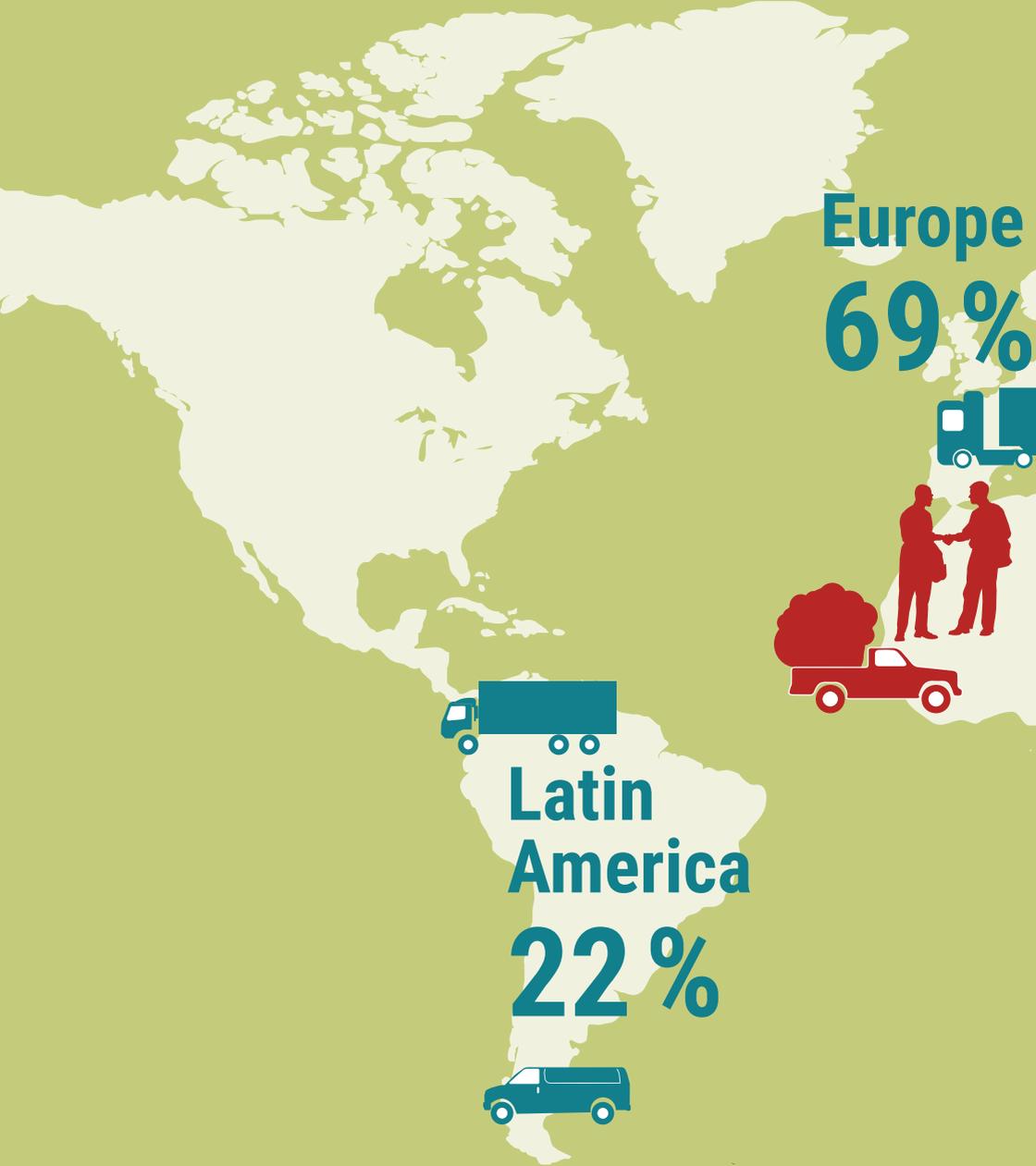
The GIZ Programme Support to the AfCFTA advises the AU Department for Trade and Industry (DTI) on strategic policy and advocacy issues. In addition to supporting trade in goods and services negotiations, the project also supports Phase II negotiations in the areas of investment and competition policy. Furthermore, to keep up with the upcoming start of trade under the AfCFTA, the project is working

on sustainability aspects of AfCFTA implementation, e-commerce, or strengthening institutional structures such as the newly formed AfCFTA Secretariat. We employ a multi-level approach, working on the continental level, on regional level in close cooperation with Regional Economic Communities, as well as on national level in selected AU Member States.



In a rapidly changing Africa, a trade agreement that reflects current socioeconomic realities is needed to provide a solid foundation for economic integration across the continent. With this booklet, we aim to break down the complexity of African trade by presenting some of the AfCFTA's aspects, challenges and prospects.

(Too) Little intra-African trade





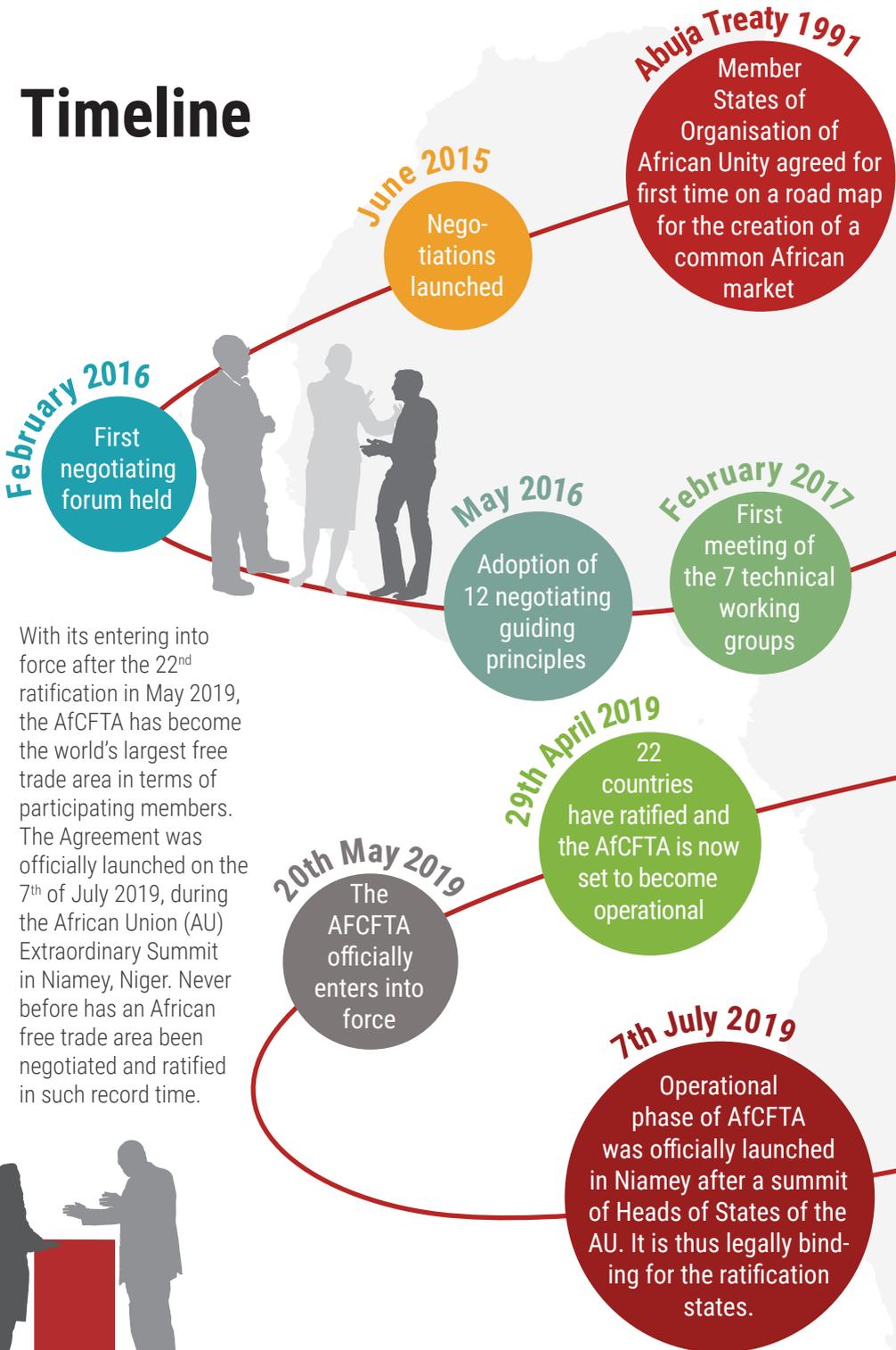
Asia
49%

~17%

► Trade restrictions **within Africa** are higher than those of **Africa with the rest of the world.**

Source: WTO 2017

Timeline



With its entering into force after the 22nd ratification in May 2019, the AfCFTA has become the world's largest free trade area in terms of participating members. The Agreement was officially launched on the 7th of July 2019, during the African Union (AU) Extraordinary Summit in Niamey, Niger. Never before has an African free trade area been negotiated and ratified in such record time.



December 2017

Agreement on AfCFTA text and protocol on services

March 2018

Final phase I negotiating forum convened

July 2017

Agreement to liberalise 90 % of products at the sixth negotiating forum

21st March 2018

Kigali, Rwanda, signing of the framework agreement on the AfCFTA, 44 out of 55 Member States of the AU signed; launch for ratification of free trade areas

Beginning 2019

49 Member States have signed, 18 have ratified

21st March 2019

1st anniversary of the signing of the AfCFTA agreement



March 2020

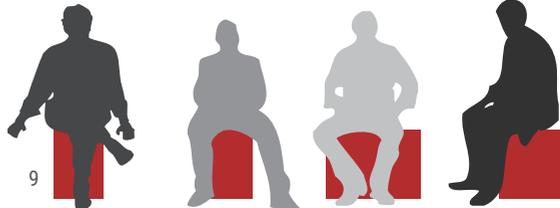
Establishment of the AfCFTA Secretariat in Accra

January 2021

Start of trade under AfCFTA

January 2020

Phase II of negotiations have started. 29 Member States have ratified the AfCFTA.



AfCFTA negotiations

1st phase

Protocols were about

Trade in
goods



Trade in
services



**Rules and
procedures for
settlement of
disputes**



With its entering into force after the 22nd ratification in May 2019, the AfCFTA has become the world's largest free trade area in terms of participating members.

Never before has an African free trade area been negotiated and ratified in such record time.

2nd phase Negotiations

The operational phase of the AfCFTA was set to start on 1st July 2020, now delayed to January 2021 due to COVID-19. Until then Member States and Customs Unions are expected to have submitted schedules of tariff concessions, as well as having reached successful negotiations on the **Rules of Origin**. Another important milestone is the establishment of the AfCFTA Secretariat in Accra, which will take over from the current AfCFTA Unit based in Addis Ababa.

The AfCFTA framework agreement entails protocols on Trade in Goods, Trade in Services and Dispute Settlement. In addition, the second phase of AfCFTA negotiations will deal with chapters on Investment, Intellectual Property Rights and Competition Policy.

Despite many challenges remaining, many hope that the AfCFTA will unlock great economic and employment potential for the African continent.

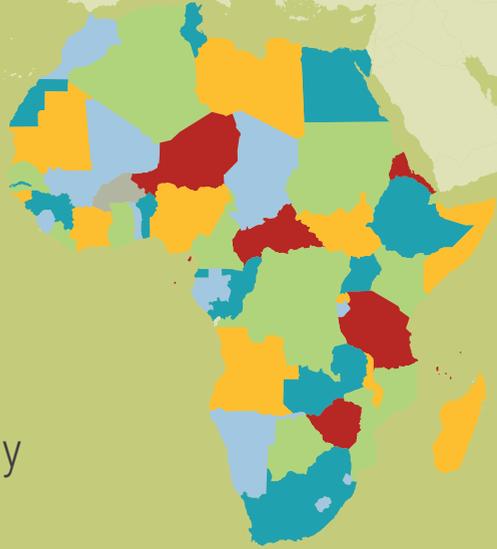
*More information:
GIZ discussion paper on
the launch of the AfCFTA.*



Current challenges to intra-African trade

Many small states

Many small countries: some with populations of < 20 million



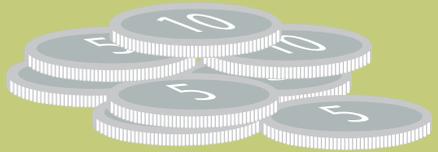
Multiple memberships

AfCFTA addresses many countries' multiple and overlapping memberships in Regional Economic Communities (RECs)

Source: African Union (AU)

Many countries have **GDPs** of < 10 billion USD

*Sources: List of African countries by GDB, wikipedia
World Economic Outlook Database, International Monetary Fund, 17 April 2018*



Complicates integration efforts

Kenya, for example, belongs to 4 RECs

National markets often too small to attract large investments

Low level of Intra-African trade due to for example ...



Poor
infrastructure



Cumbersome
custom
procedures



Multiple
clearing
stages



Inadequate
IT infrastructure



Limited
information
exchange



Corruption

Border stories

Semret Abate's Mulmul bakery

What started as a baking hobby for Semret Abate quickly became an inspiring business story, and today

Mulmul's bread is known all over Addis

Ababa in Ethiopia. Semret, who was born and raised in Addis, started her business due to her children's love for bread and to compensate for what she found was poor-quality bread in Ethiopia. Today, the Mulmul bakery has **nine branches**

all over the city, employs more

than **300 people** and

supplies numerous big companies with a

variety of **over**

100 products.

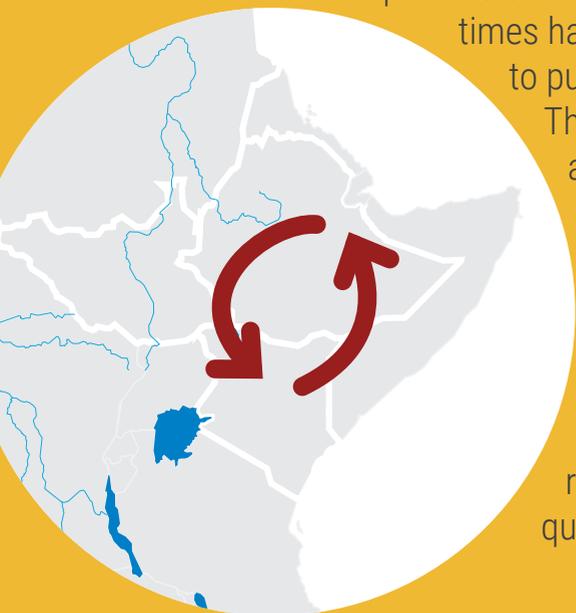


Mulmul Bakery on Facebook

Mulmul Bakery is especially appreciated for its wide range of quality products. However, it is frequently not easy for Semret Abate to obtain ingredients which are hardly accessible in Ethiopia. **Butter, chocolate** and some **cereal grains** for example have to be imported for production.



Supply is often irregular and the quality not always up to standards, which is why Semret has at times had to cross the border into Kenya to purchase the ingredients herself. That is why she is very hopeful about the African Continental Free Trade Area (AfCFTA) and the facilitation of trade, both for the import of raw products and the export of her pastries. According to her, the Treaty will also enhance safety and quality regulations, which are currently quite low.



Potentials of the AfCFTA

Small and medium-sized enterprises (SMEs)

Well positioned to tap into regional export destinations.

Representing more than 90 % of African businesses.



Can use regional markets as **stepping stones** for expanding into overseas markets.

Source: ITC (International Trade Center)

Tariff-free access to a huge and unified market will encourage manufacturers and service providers to **leverage economies of scale**.

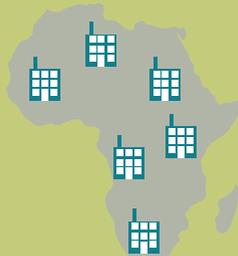


Source: International Monetary Fund, 'A competitive Africa', 2018

Consumers will pay less for products and services ...



... as business expand operations ...



... and hire additional employees.

The AfCFTA embodies a dream that has been cherished for decades: a united and strengthened African continent, preferably within the framework of a common market. The AU frequently drew on this pan-African narrative during negotiations to remind its currently 54 Member States of the founding purpose of the organisation and the milestones of the 1991 Abuja Treaty.



From early 2018 and during meetings of African Heads of States, the AfCFTA was increasingly presented and lobbied for as an opportunity to act as a unified African bloc, also in view of existing or pending trade agreements with third parties.

The AfCFTA brings the potential to boost intra-African trade, lead to more investment in infrastructure and to fundamentally shape long-envisioned regional integration efforts. The agreement may have a significant impact on improving the livelihoods of the African people, by increasing intra-African trade and generating new employment opportunities on an integrated African labour market.

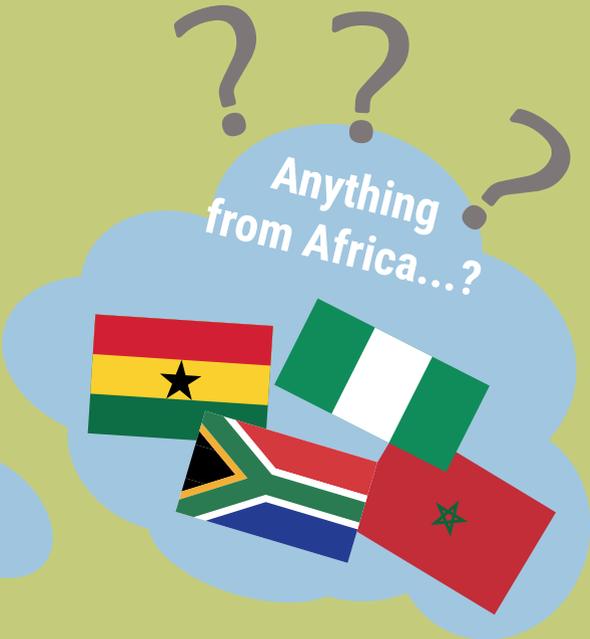
*More information:
GIZ discussion paper 'A Fresh
Chance For Africa's Youth'.*



Where do the goods we buy come from?

It is cheaper to import toothpicks





Anything
from Africa...?

Intra-African commerce is costly, time wasting and cumbersome due to patchwork of trade regulations and tariffs.

Source: Africa Renewel, 08-11/2018

Along with **trade in services** and dispute settlement, trade in goods negotiations are part of Phase I of the AfCFTA Negotiations. Liberalising trade in goods will unlock the potential for enhanced regional and continental economic integration, while consumers will benefit from lower prices as well as a higher variety of goods. Members of the free trade area are currently negotiating their tariff schedules for such liberalisation and are expected to provide their offers by the end of 2020.

The AfCFTA comprises a Protocol on Trade in Goods which regulates specific questions such as **tariff liberalisation** offers or **Rules of Origin**, aspects which have to be determined by Member States. The GIZ Programme Support to the AfCFTA supports the AU in these negotiations by organising workshops, capacity building trainings and supporting platforms such as the 'Trade in Goods Negotiations Online Portal'.

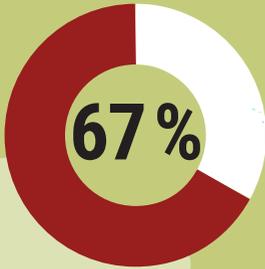
Trade in services



Restrictions on trade in services within Africa are **4x higher** than in OECD countries



Source: World Bank Services Trade Restrictions Index (STRI)



of African countries **require a visa** before departure for most arrivals

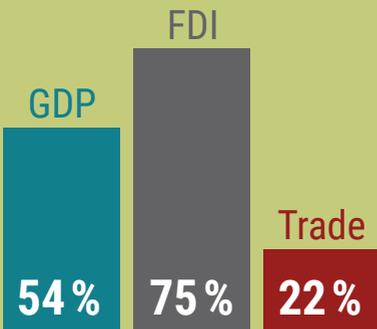
World **service exports** from Africa is ...



Source: based on Assessing Regional Integration in Africa VIII Report, UNECA, p. 24, own calculations

Source: TRALAC Guidebook

Services as share of... ..



Services are a key part of African economies, but trade in services has a huge potential to grow.

Source: UNCTAD (GDP, Trade); AfDB (FDI)

Trade in services, even though often playing a minor role in discussions about international trade and trade policies, play a crucial role for economic development. This is particularly true for the African continent, where **services account for 54% of African Gross Domestic Product (GDP)**. [2]

The service sector is also an important and growing source of employment. In countries such as Angola, South Africa or Mauritius, the service sector employs more than 60% of the working population. [3] Due to informal trade which is particularly strong in the service sector, the significance for African economic development is even greater than suggested by data.

Despite this great potential, **trade in services** remains comparatively low and **account for only 22% of African trade**. African exports remain highly concentrated on agriculture and primary

goods. [4] This is slowly changing and African countries are taking important steps towards strengthening their service sectors and services trade, at regional and continental level. Recognising the huge potential of their service sectors and willing to harness this potential, AU Member States decided to progressively liberalise services through the AfCFTA and the Agreement contains a specific Protocol on Trade in Services.

AU leaders chose to include five priority service sectors to be the first step towards Africa's services integration: financial services, transport, telecommunications/ICT and professional services and tourism. The AU Department of Industry and Trade (DTI) and the different RECs are working towards coming up with offers on liberalization of services in these priority areas.



The **service sector** employs **more than 60%** of the working population in **Angola, South Africa** and **Mauritius**.

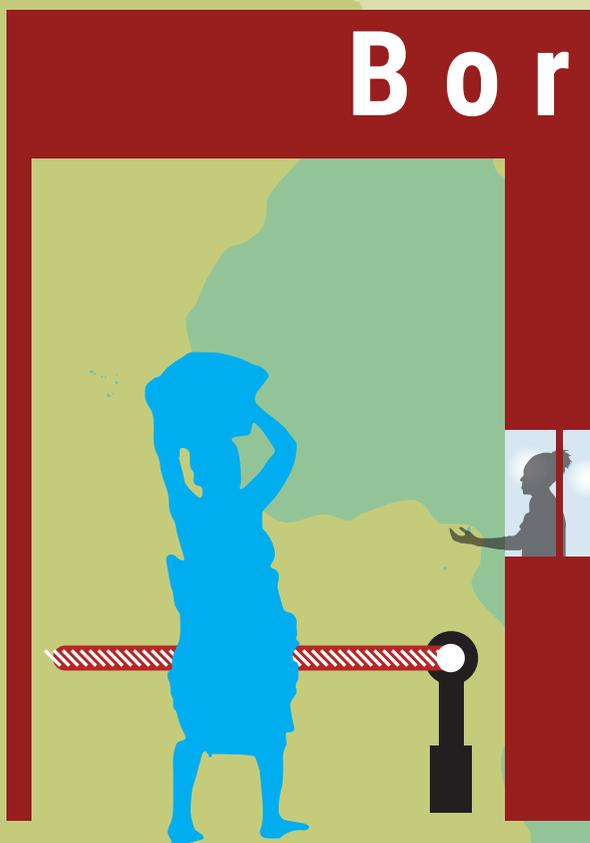
*More information:
GIZ discussion paper
on Trade in Services.*



Crossing borders: within **Africa** vs. **EU**

Average waiting
time at the
border in hours
97 (8)

Number of
days required
to import*
37 (10)



Cost in US\$
to export
one container

2037 (1042)

* Sub-Saharan Africa (...): EU

der



Average **7.5** (4.1)
number
of documents
to be processed

Average hours
spent with import
documents
104 (1)

Source: World Bank

Cost in US\$
to import
one container
2702 (1079)

Border stories

Simon's story

'I have been driving from Nairobi, Kenya, to Arusha, Tanzania, a distance of about 276 km, every two months for a few years now' tells us Simon Roberts, a member of the Good Driver's Association in Nairobi. *'The entire journey should take around four and a half hours, but the border stop would add up to three days on.'*

This changed dramatically in October 2017 with the introduction of the one-stop border post between Kenya and Tanzania. *'The waiting time has been cut down from two days to just two hours'*, explains Simon with a smile on his face.

This procedure was developed through GIZ's support to the African Union Border Programme.



4½
hours

vs.

3
or more
days



'Crossing between Kenya and Tanzania now takes just a few hours, it used to take two to three days.'

Simon Roberts
Good Driver's
Association,
Nairobi



Informal cross-border trade

Women in trade

Women are estimated to account for around

70%

of informal crossborder traders in Africa.

The current context for women in trade on the African continent is proven to be challenging. It is difficult to draw an accurate picture of the role of African women in international trade, due to the lack of **gender-disaggregated data** at international and domestic level. However, existing research points to a consistent picture across countries:

women's economic activities tend to be concentrated in the informal sector, subsistence activities and non-tradeable sector of the economy. Female managed service firms struggle to export compared to their male counterparts, especially because of lower access to networks, capital and knowledge.

Thus, women are particularly vulnerable to ...

... violence



... harassment



... imprisonment



... confiscation of goods



Source: UNCTAD

The AfCFTA could be an opportunity for change as women and Women Owned Businesses (WOBs) are being involved in trade negotiations as relevant stakeholders. Supported by GIZ, WOBs have gathered with policy makers during the 'SheTrades' event in November 2019 (African Industrialisation Week, Addis Ababa) in order to discuss existing

challenges and find solutions. Art.3 (e) of the AfCFTA Agreement stresses the general objective of **gender equality**. In this light, all parties involved wish to build a sustainable free trade area, which creates room for women in trade and does not only include gender as an afterthought.

Added-value to intra-African trade

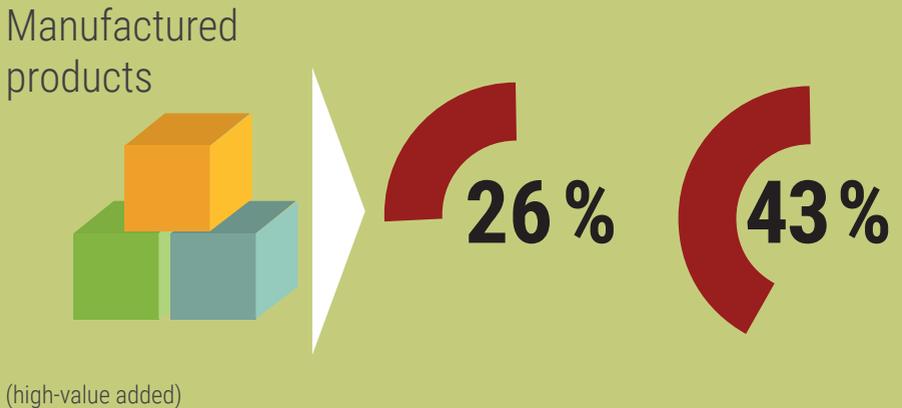
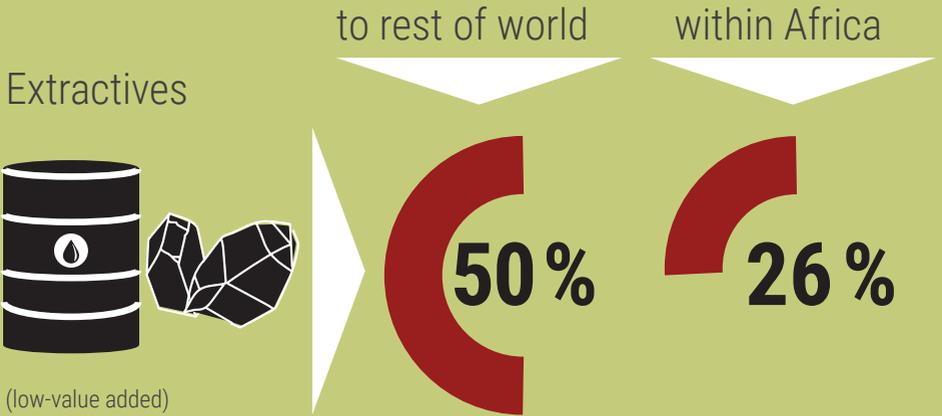
The effects of the AfCFTA will take some time to be measured, however looking at the composition of trade can give an indication of potential consequences of the implementation of a continental free trade area. While some studies are skeptical of the positive effects of the Agreement, as African countries are not necessarily **natural trading partners**, others highlight existing trends which will further foster intra-African trade.

The high percentage of manufactured goods in intra-African exports for example points at the potential positive benefits of the AfCFTA. [6] While currently manufactured goods exports constitute 43.4 % of intra-Africa exports, these exports are diversified, medium and high-skill, technology-intensive manufactures. In addition, intra-Africa manufacture exports have more technology intensity than similar exports of Africa to the rest of the world. [7] This data highlights the opportunities of the AfCFTA and added-value within intra-African trade. More added-value also has implications for employment and industrialisation, as manufacturing is labour-intensive and creates more jobs.

*More information:
Discussion paper by
GIZ on Industrialisation
and Employment.*



As % of African exports, 2017



Source: WTO 2017

Border stories

Merón's story

My business has been operating for almost 10 years. We stand out with our original designs and the unique materials we use for making the bags, such as highland sheep skin. The leather type, the product design and our high standard of quality recommend us. We have 65 employees and since COVID-19, we have switched to producing PPE products such as face masks and medical gowns. It's a bit difficult but we are doing our best to sustain our employees.

I source my leather from Ethiopia, while the accessories come from different places, such as Kenya, India, China or the US. We are sometimes also using fabric from Rwanda for the lining of our bags.

I source the materials myself when travelling within Africa. Importers in Ethiopia have minimum quantity requirements, and if you have the capacity to buy that kind of quantity, prices will be cheaper, but in my case, I need smaller quantities. In fashion, we must also react to trends and cannot keep stocks long-term, since designs can become outdated fast. At one point it might be a golden accessory that everyone wants for their bags, but the next time it could be silver or something else. Therefore, I need smaller quantities, which I import myself when I travel.

Taxes are also an issue. It is not always transparent how they

are calculated at the border. They sometimes don't know what you are bringing or what its purpose is, and they don't understand that these imports are needed to increase the quality of Ethiopian export products. So, they have their own estimation, they charge you, you just pay and move on. It's not easy, actually.



I tried exporting, to Cote d'Ivoire, Kenya, Rwanda and South Africa, but we have **bigger challenges than when exporting to European**

countries. For example, in Cote d'Ivoire, payments are a problem. My partner could not import my product, since exports should be in **Euro or US dollars** and that created payment issues. Shipping costs are also a problem: it adds significant extra costs per bag, so the price is higher, especially for small quantities. Our partners in other African countries want to try our products first, therefore the first order is usually a smaller quantity. However, with the **high shipping costs**, our product price is higher, and we are no longer competitive. It's difficult and discouraging for our partners too.

There is considerable interest in Africa in our products, such as in Rwanda, where we even wanted to open a shop. However, there are challenges – each country has their own different rules and it's difficult for Africans to trade within Africa. For example, Ethiopian trade rules have not been designed with other African countries in mind, and other countries' rules are different from ours too. That is the challenge we are facing.

My hope from the African Continental Free Trade Area?

Cutting tariffs – that would be perfect. Taxation could definitely be lower, since at the end of the day, we need to make a profit to be able to sell. The tax is almost equal to the product itself, so how do you sell it? We would also benefit from a unified payment system

between African countries. Even **travelling** itself

should be easier, since we are facing numerous **visa issues** within Africa. It would be easier to trade between ourselves if we travelled more, participated in African trade fairs and saw what is being produced in other African countries – we can't really know what we have for them, or them for us, if we don't travel and see what Africa has to offer. This is what I am expecting.



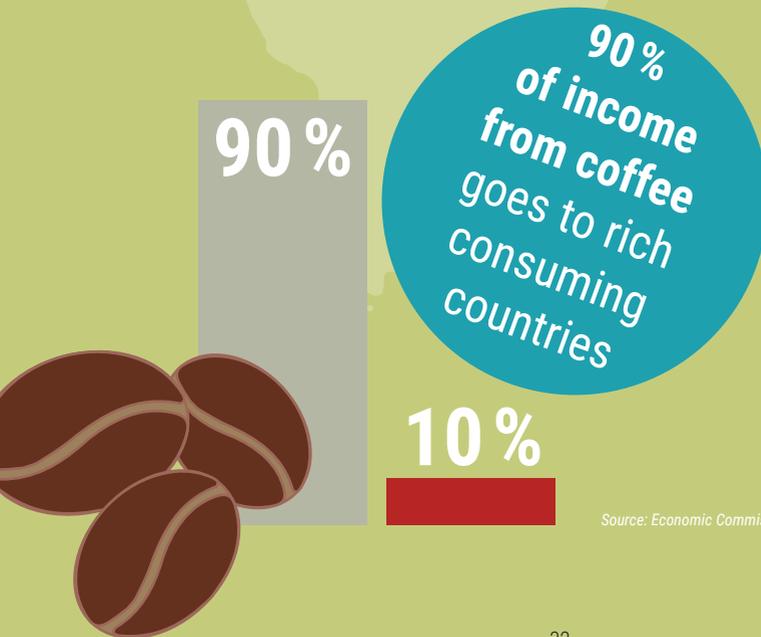
More challenges to intra-African trade

Low value addition

Africa earns a mere

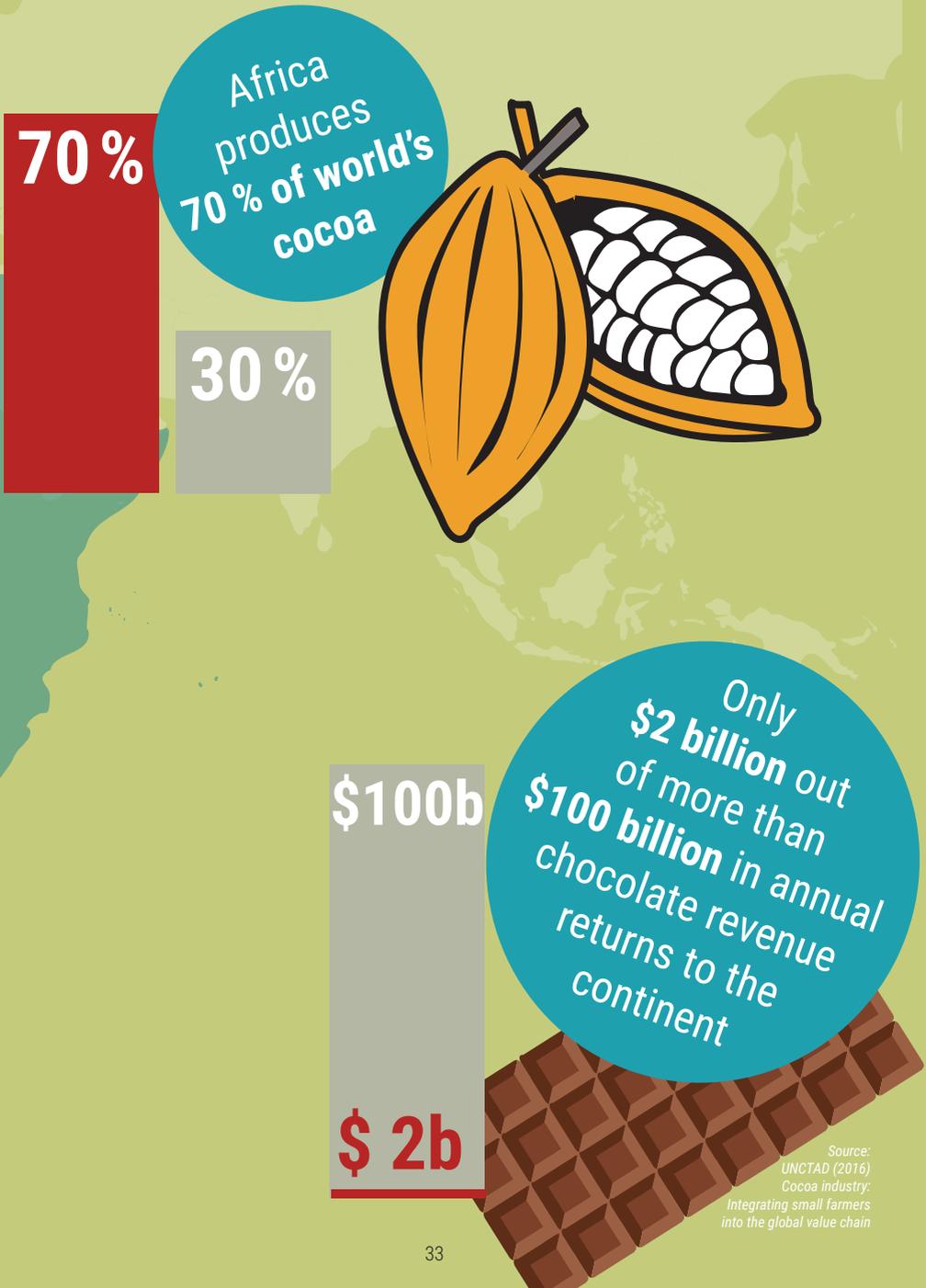
10% of total value
of its agro-value chains

Coffee value chain



Source: Economic Commission for Africa (ECA)

Cocoa value chain

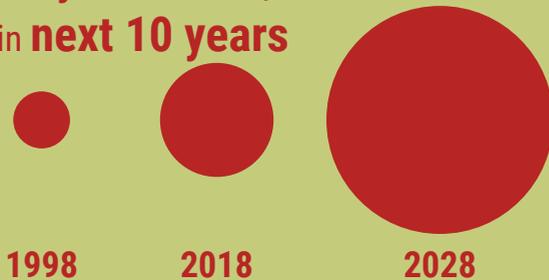


Source:
UNCTAD (2016)
Cocoa industry:
Integrating small farmers
into the global value chain

Commodities at a glance

An example: Coffee sector in East Africa

Consumption in non-traditional markets has **doubled in last 20 years** and is yet to double in **next 10 years**



The fast-growing coffee industry and the importance of the sector especially in East Africa highlights some of the potentials of the AfCFTA. Over 5 million people in East Africa are either coffee growers or work in the coffee sector. The sector is set to increase, and global consumption of coffee rose by more than two thirds between 1990 and 2016.

This offers opportunities for coffee producing countries, such as the development of high-value, processed coffee. Greater value could be captured from coffee production through an agricultural transformation agenda, including the establishment of coffee farmers' associations, promotion of regional bodies, strengthening of

producers' bargaining power or the increased availability of financing opportunities. The AfCFTA could help bridging existing gaps with the promise of an increasingly integrated market and the mobilisation of stakeholders at all steps of the production chain, thereby opening growth opportunities in the coffee sector in Africa.

*More information:
UNCTAD Report
'Commodities at a glance: Special
issue on coffee in
East Africa'.*

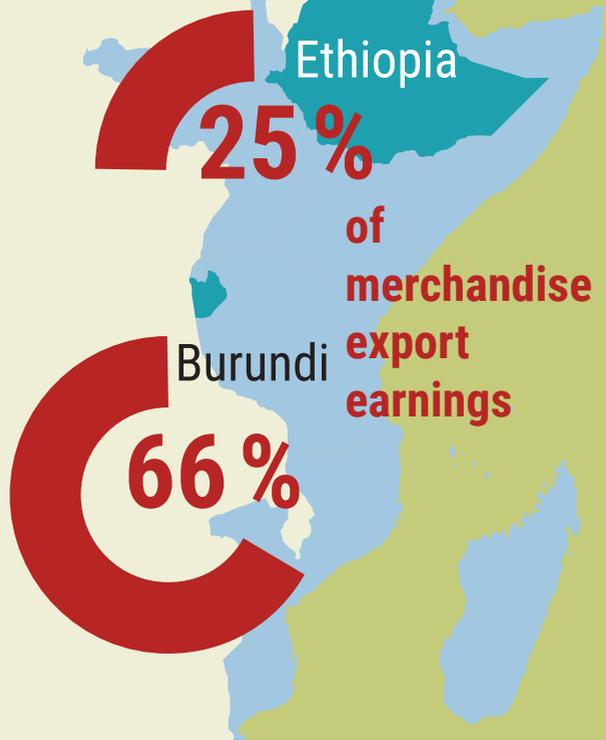


Over **5 million people** are coffee growers and work in the coffee sector in Africa.



Provides primary livelihood to about **25 million people.**

Over **25 countries** in Africa **grow coffee**; for many of these countries, coffee is a major export product and vital source of foreign exchange.



Connecting Africa

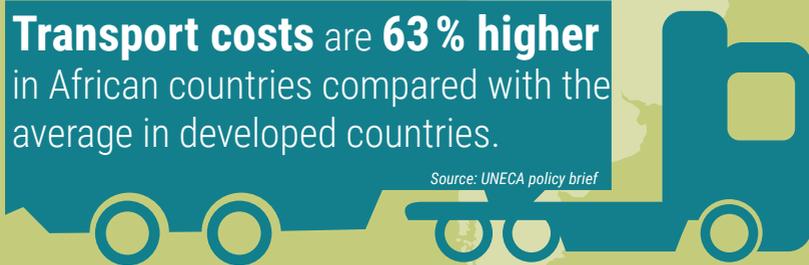
Potential for the **15 landlocked countries** – maritime transport makes up **80% of total international trade volume.**

Access for landlocked countries to maritime transport should be developed.

Source: AfDB African Development Report 2010

Transport costs are **63% higher** in African countries compared with the average in developed countries.

Source: UNECA policy brief





Summary



Challenges and expectations

As seen throughout the booklet, many challenges remain to intra-African trade; these obstacles can be of geographical, but also of legal, administrative or cultural nature. Poor infrastructure, cumbersome procedures, harassment of women at borders, corruption or inadequate information exchange are some of the challenges which stand in the way of achieving complete economic integration.

Higher integration, which so far was addressed on a regional level through the RECs, has now been taken on a continental level with the historic entry into force of the AfCFTA. Phase II of negotiations will aim to enhance regional markets, accelerate industrialisation, boost intra-African trade, attract foreign direct investment and African cross border investments. [8]

Positive impacts are also expected in the labour market; by removing obstacles to the free movement of workers, African countries could increase incomes and reduce poverty and inequality. [9]

The whole challenge of the implementation of the AfCFTA is now to harness the benefits, while being aware that there will be some negative effects and that risks have to be mitigated. There have for example been concerns about the effects of the Agreement on the most vulnerable, as well as welfare loss with decrease in tariff revenues. What remains to be seen is the extent to which the AfCFTA can be harnessed to maximise inclusive benefits and welfare gains across the continent. Adjustment costs will need to be met by respective party states to the agreement to ensure that a wide cross-section of society is accounted for. Building an inclusive AfCFTA agenda starts at the consultative stage, with a range of stakeholders at the negotiation table.

Overall the AfCFTA is expected to boost growth and to bring a series of positive effects. With two thirds of the intra-African trade gains being expected in industry, especially for least developed countries, this offers great opportunities for the continent to industrialise. It remains to be seen in the following months how the AfCFTA will unfold with the different negotiations rounds and COVID-19, and the extend to which the continent's economic transformation will be catalysed.



Stakeholder engagement

Beyond traditional tariff regulations and border measures, the establishment of modern-day trade areas calls for the effective involvement of stakeholders. This necessity to 'undertake broad-based national awareness campaigns so that all stakeholders such as ordinary citizens and business people across Africa own the AfCFTA' was also stressed by the Assembly of the African Union. [10]

Inclusive trade policy-making processes can significantly contribute to the empowering of people and persuade governments to develop and implement policies that use trade as a means to pursue economic equity and social justice. Government offices, the private sector, civil society organisations including NGOs and research institutes should regularly provide their technical inputs and views to ensure inclusive trade policy-making and implementation processes. While systematic stakeholder consultation is not yet formally undertaken, some dialogues have started taking place within various Regional Economic Communities (RECs), in order to bring stakeholders and policymakers together.

Glossary

African GDP

The monetary value of all finished goods and services made within the territory of Africa during a specific period. GDP (Gross Domestic Product) measures the monetary value of final goods and services that are bought by the final user, produced in a country in a given period of time.

(Source: www.imf.org/external/pubs/ft/fandd/basics/gdp.htm)

African Union Member states

The AU is made up of 55 Member States which represent all the countries on the African continent. AU Member States are divided into five geographic regions, which were defined by the OAU in 1976 (CM/Res.464QCXVI). These are Central Africa (9), Eastern Africa (14), Northern Africa (7), Southern Africa (10) and Western Africa (15).

(Source: https://au.int/en/member_states/countryprofiles2)

Dispute settlement

Dispute settlement is the process of resolving disputes between parties. Dispute settlement techniques assist the resolution of antagonisms between parties that can include citizens, corporations, and governments.

(Source: en.wikipedia.org/wiki/Dispute_resolution)

Foreign Direct Investment (FDI)

FDI occurs when an investor based in one country (the home country) acquires an asset in another country (the host country) with the intent to manage that asset. The management dimension is what distinguishes FDI from portfolio investment in foreign stocks, bonds and other financial instruments.

(Source: World Trade Organization website, https://www.wto.org/english/news_e/pres96_e/pr057_e.htm)

Foreign exchange

Foreign Exchange (forex or FX) is the trading of one currency for another. For example, one can swap the U.S. dollar for the euro. Foreign exchange transactions can take place on the foreign exchange market, also known as the Forex Market. The forex market is the largest, most liquid market in the world, with trillions of dollars changing hands every day. There is no centralised location, rather the forex market is an electronic network of banks, brokers, institutions, and individual traders (mostly trading through brokers or banks)

(Source: www.investopedia.com/terms/f/foreign-exchange.asp)

Gender-disaggregated data

(also Sex-disaggregated data). Any data on individuals broken down by sex. Gender statistics rely on these sex-disaggregated data and reflect the realities of the lives of women and men and policy issues relating to gender. They allow for the measurement of differences between women and men on various social and economic dimensions and are one of the requirements in obtaining gender statistics.

(Source: eige.europa.eu/gender-mainstreaming/methods-tools/sex-disaggregated-data)

Gender equality

also known as sexual equality or equality of the sexes, is the state of equal ease of access to resources and opportunities regardless of gender, including economic participation and decision-making; and the state of valuing different behaviors, aspirations and needs equally, regardless of gender.

(Source: en.wikipedia.org/wiki/Gender_equality)

Intra-African trade

Trade of both services and goods between African countries via road, rail, shipping and plane routes as well as on foot across land boundaries.

Landlocked countries

A landlocked country is defined as a country that is completely surrounded by land. Some of these nations may have coastlines, but these are only on closed seas. Rivers might run through a portion of the region, and there can be bodies of water within the country's borders, but each and every border is land-based, rather than water like an ocean shore. Of all the countries in the world, 49 of them are landlocked. This number is equivalent to one-fifth, or twenty percent, of all of the countries in the world. As a landlocked country, these nations are actually at quite a disadvantage. While it might not seem unfortunate at first glance, landlocked countries are cut off from seaports and trading points that are often situated along the water. Since many trades happen by way of water transportation, landlocked countries cannot participate in as many trading opportunities as countries with access to major bodies of water.

(Source: worldpopulationreview.com/countries/landlocked-countries)

Merchandise export earning

Earnings from exports of goods (not services) to destinations outside the economic territory of a country. These goods subtract from the stock of material resources of a country.

(Source: adapted from 'OECD Glossary of Statistical Terms': www.oecd-ilibrary.org/economics/oecd-glossary-of-statistical-terms_9789264055087-en)

Natural trading partners

the 'natural trading partner' hypothesis, based on the trade volume approach, suggests that members of a proposed free trade area should trade disproportionately more with each other in order to be a successful trading bloc.

(Source: A. Geda and A. Yimer (2019) 'The Trade Effects of the African Continental Free Trade Area (AfCFTA): An Empirical Analysis.')

Production chain

Production chain, in economics, an analytical tool used to understand the nature of the production process (including production of both goods and services) and its transformations. The production process is a sequence of productive activities leading to an end use—a chain of linked functions, in other words.

Each stage adds value to the production sequence. Hence, production chains are often called “value-added” or “value” chains. The stages in the chain are connected through a set of transactions. The organisational and geographical structure of the transactions characterise the nature of production.

(Source: www.britannica.com/topic/production-chain)

Regional Economic Communities (RECs)

Regional groupings of African states, which facilitate regional economic integration between members of the individual regions and through the wider African Economic Community.

(Source: African Union Website (au.int/en/organs/recs))

Rule of origins

Rules of origin are the criteria needed to determine the national source of a product, its ‘economic nationality’. Their importance is derived from the fact that duties and restrictions in several cases depend upon the origin of imports. They define when a product qualifies as ‘African’ and can be traded freely within the AFCFTA. Usually, a minimum amount of value-added is required for the product to qualify as originating. For example, if a product imported from China is repackaged in Africa, it will most likely not qualify as originating from Africa, since not enough value was added to it in Africa.

(Source: www.wto.org/english/tratop_e/roi_e/roi_e.htm)

Tariff liberalisation

The removal or reduction of import taxes on the free exchange of goods between nations. Within the AFCFTA trade regime, all tariffs will be reduced to zero within 10 years (15 years for Least Developed Countries).

(Source: en.wikipedia.org/wiki/Rules_of_origin)

Trade in Services

Refers to the sale and delivery of an intangible product (an asset that lacks physical substance), called a service, between a producer and consumer. Trade in services that takes place between a producer and consumer that are, in legal terms, based in different countries is called International Trade in Services.

(Source: en.wikipedia.org/wiki/Trade_in_services)

Acronyms

AA	Auswärtiges Amt (Federal Foreign Office)
AfCFTA	African Continental Free Trade Area
AU	African Union
AUC	African Union Commission
AUDA-NEPAD	African Union Development Agency
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry of Economic Cooperation and Development)
DTI	Department of Industry and Trade
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (German Development Corporation)
REC	Regional Economic Community
SDG	Sustainable Development Goals
SSDP	Service Sector Development Program
WOB	Women owned businesses

References / Endnotes

Endnotes

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- [10] African Continental Free Trade Area: an update on the establishment of the agreement and the status of negotiations on phase II' by the United Nations Economic Commission for Africa (UNECA), p.2.

Notes





In 2017, how many % of African exports to the rest of the world were extractives?

See page 29

How much of the world's cocoa is produced in Africa?

See page 33

