

# The African Continental Free Trade Area

## Development and more economic resilience through a unified African market

### The challenge

Although many of the world's fastest growing economies are in Africa, there is still much to be done in terms of regional economic integration and intra-African trade. The continent is still heavily reliant on commodity and agricultural exports while importing capital goods or food products predominantly from outside the continent. With a global trade share of less than 3%, Africa has a huge potential for export growth. At the same time, export diversification has yet to be achieved, as many African countries still rely on rents from extractive exports, whilst falling behind on industrialization efforts.

Against this backdrop, intra-African trade remains below its potential, accounting for about 17% of the total African trade volume in 2017. In contrast, intracontinental trade accounts for 51% of exports in North America, for 49% in Asia, for 22% in Latin America while among Western European countries this number reaches 69%.<sup>1</sup> Although some Regional Economic Communities (RECs) in Africa have achieved improvements in trade integration through tariff reductions, the African market remains fragmented. Non-tariff barriers such as uncoordinated bureaucratic procedures, long waiting times at the border or lengthy and cumbersome export requirements raise trade costs on the continent. As a result, Africa has integrated with the rest of the world faster than with itself.

### Our approach

With the Treaty of Abuja in 1991, the Member States of the Organization for African Unity (OAU) agreed on a roadmap for the creation of a common African market. To accelerate the implementation of the

Abuja Treaty and strengthen regional integration, the African Union (AU) Trade Ministers agreed to establish an African Continental Free Trade Area (AfCFTA). The AfCFTA has since been a flagship programme of the AU and AfCFTA negotiations were launched in June 2015. 44 out of the overall 55 Member States of the AU signed the Agreement in March 2018 at the AU Extraordinary Summit in Kigali, Rwanda. Additional signatures followed since then such that as of July 2020, all Member States except Eritrea have signed. Phase I of negotiations covers trade in goods, trade in services and dispute settlement. Phase II covers investment, competition policy and intellectual property rights and Phase III will include e-commerce. Outstanding issues of Phase I such as tariff schedules, rules of origin and specifics on trade in services are yet to be completed. At the same time, the Kigali summit kicked off the ratification process of the AfCFTA, with an increasing number of AU Member States ratifying the Agreement in their national parliaments and depositing the instruments of ratification with the AU. With 29 ratifications at as of July 2020, the AfCFTA has officially entered into force.

<b>Project Name</b>	Continental Free Trade Area (CFTA)
<b>Commissioned by</b>	Federal Ministry for Economic Cooperation and Development (BMZ)
<b>Lead executing agency</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
<b>Partner Organisation</b>	African Union Commission
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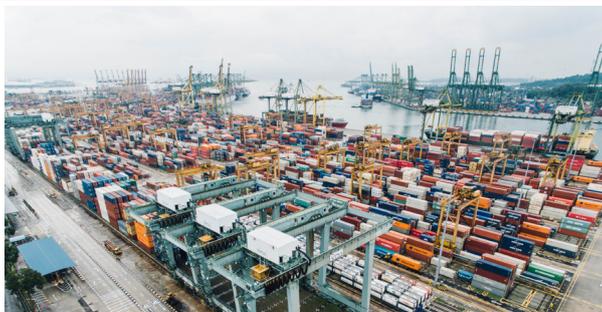
  
**1 Guideline**  
published on  
how to implement  
the negotiated  
agreement

  
**53 MS**  
have trained staff  
to take part in  
the AfCFTA  
negotiations

  
**3 studies**  
+ 1 short film  
to raise awareness  
about the AfCFTA  
were published

<sup>1</sup>WTO data, own calculations.



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GIZ supports the AU Commission (AUC), specifically AUC's Department of Trade and Industry (DTI) as well as the AfCFTA Secretariat in Accra, Ghana in the areas of AfCFTA negotiations and implementation. The project advises the AUC Trade Commissioner on strategic policy and advocacy issues by seconding a regional trade policy advisor to DTI's structures. It also supports the AfCFTA Negotiation Unit by seconding experts for the preparation of the negotiations. The project will also support the AfCFTA Secretariat with the establishment of national implementation committees. Outstanding issues of Phase I negotiations in trade in goods and trade in services, as well as Phase II and III negotiation topics are being supported by a range of mechanisms, e.g. by providing tailor-made technical consultancy expertise,

by organising trainings and workshops or by selectively rendering financial support. The program is targeting AfCFTA-related topics such as trade in goods, trade in services, investment or intellectual property rights. It also supports flanking topics such as stakeholder involvement, trade and sustainable development, or eCommerce.

In addition, GIZ is cooperating with several institutional partners on specific AfCFTA-related topics. The cooperation with the International Trade Center (ITC) SheTrades Initiative aims to embed a gender-sensitive approach into the negotiating process. Joint efforts with the United Nations Economic Commission for Africa (UNECA) and the Trade Law Centre (TRALAC) are aimed at raising awareness and disseminating information. Furthermore, a close cooperation with the RECs East African Community (EAC), Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) is envisaged to ensure the continental and the regional levels are linked. Implementation of the agreement is supported by closely working together with the AfCFTA Secretariat, RECs and 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.



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