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SPECIAL FEATURE

Towards free trade

A continent-wide free trade agreement promises to unlock enormous value.



By John Young

The African Continental Free Trade Area (AfCFTA) will come into effect in July 2020. A single market of 1.3-billion people is expected to grow to 2.5-billion by 2050.

The AfCFTA aims to accelerate the growth of intra-African trade and to use trade as an engine of growth and sustainable development, which will strengthen Africa's voice in global trade negotiations. The AfCFTA head office will be in Ghana.

Currently, trade between African nations is between 15% and 18% of total trade, as against 69% in Europe and 59% in Asia (United Nations Conference on Trade and Development (UNCTAD) and Brookings Institution). Tariffs on 90% of all goods are to be removed. The Boston Consulting Group notes that exports between African countries grew from \$41-billion in 2007 to \$65-billion by 2030 but this figure will rise exponentially if AfCFTA is implemented.

One prediction is that intra-regional trade could increase by 52.3% by 2022 (UN Economic Commission on Africa). The African

Union (AU) believes trade will increase by 60%.

Just four countries currently account for 41.7% of intra-African trade, South Africa, Namibia, Nigeria and Zambia, according to the Export Credit Insurance Corporation of South Africa (ECIC). The ECIC has invested in the African Export Import Bank in an effort to boost intra-continental trade to \$250-billion in 2021. The South Africa-Africa Trade and Investment Promotion Programme has the same goal.

The passing of the African Growth and Opportunity Act (AGOA) in 2000 was a boon for 39 Sub-Saharan African countries because 6 500 products could be sold duty-free in the United States of America. The bill will expire in 2025 so it's timely that Africa's leaders are looking to stimulate growth in new ways. In the current political climate, it is unlikely that AGOA will be renewed. President Trump has declared himself strongly opposed to multi-lateral agreements. The AU will lobby for a continent-wide agreement, but the US is likely to seek bilateral deals.