



**AFRICA'S REGIONAL ORGANISATION OF THE INTERNATIONAL
TRADE UNION CONFEDERATION (ITUC-Africa)
Africa Trade Union Development Network (ATUDN)**

**Regional Trade Forum for West and Central Africa:
“AfCFTA in motion: Taking Africa’s integration to the next
level for a prosperous continent”**

Dates: 24-25 June 2019

Venue: Dakar, Senegal



**Prepared by
Alex Nkosi, Policy Officer**

Co-Organizers:

- i. United Nations Economic Commission for Africa (ECA)
- ii. Government of Senegal
- iii. African Union Commission (AUC) and
- iv. European Union (EU)

Partners:

- i. Chambre de Commerce de Dakar
- ii. ECOWAS
- iii. ECCAS
- iv. African Capacity Building Foundation
- v. International Trade Centre

Contextual background:

On 21 March 2018 in Kigali, Rwanda, 44 AU member States signed the Agreement establishing the African Continental Free Trade Area (AfCFTA). Since then, an additional eight member states have also signed the agreement, and twenty-three have ratified the agreement of which twenty-two have already deposited the instruments of ratification. The AfCFTA will therefore enter into force on 30th May 2019; one month after the 22nd instrument of ratification has been deposited. The AfCFTA is expected to generate a range of socioeconomic development benefits through supporting trade creation, structural transformation, productive employment and poverty reduction. According to the Africa Union, “The realization of these benefits, however, will require quick ratification by all and effective implementation of the Agreement, along with range of supporting policies to address other barriers to trade, investment and industrialization”. In this context, it has been observed that there is an urgent need to build on the current political momentum to support expeditious and timely ratification and implementation of the AfCFTA agreement.

The Continental Free Trade Area is one of the central projects of the First Ten-Year Implementation Plan of Agenda 2063 and is being driven forward along with other related initiatives such as the Single African Air Transport Market and the Protocol on Free Movement of Persons and the African Passport.

Expected outcomes:

Basically the meeting was consultative and multi-stakeholder in nature and the following were the anticipated outcomes:

- a. **Solutions:** The meeting provide an opportunity for policy makers to connect with leaders and experts to translate ideas into powerful solutions for Africa's socio-economic transformation.
- b. **Exposure:** The meeting proffered platforms to access cutting-edge evidence-based policy briefs, methodologies and tools to support shared gains from the AfCFTA.

- c. **Opportunity:** The sessions during the meeting were an opportunity for participants to expand your thinking and explore fresh opportunities under the new continental market.
- d. **Impact:** Recommendations on how to learn to use the AfCFTA as a policy tool to create positive change and impact in African economies.
- e. **Value:** Spaces for lively, interactive multi-stakeholder discussions, along with access to engaging content and intra-African networking opportunities.
- f. **Networking:** The meeting gave an opportunity to participate in roundtables and high-level plenaries and at the same time engage with actors across a diverse range of different sectors on topical issues surrounding the AfCFTA.

Opening session:

The meeting was officially opened by the Senegalese President, Mack Sally. Before the official opening speech, several dignitaries also spoke and in summary, the following were highlighted:

- The AfCFTA will progressively knock-down the trade barriers and shall reposition the African economies.
- The AfCFTA shall fast-pace the integration of the African continent
- The AfCFTA shall facilitate business people to fully exploit the potential that lies in the continental value chains.
- Intra-trade on the continent and the West African sub-regional is very minimal at 17% and 10% respectively, thus the AfCFTA is expected to improve the intra-trade.

The meeting proceedings

Objectives of the CFTA

During the opening session, the meeting was oriented to the objectives of the CFTA as follows:

- i. To create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.
- ii. To expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across RECs and across Africa in general.
- iii. To resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.
- iv. To enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

EU-Africa relationship in the context of the AfCFTA:

It was explained during the meeting that the EU, as a prime example of regional economic integration in the world, is actively engaged with its African partners in supporting regional economic integration in Africa, including the establishment of the AfCFTA, through various initiatives with an emphasis on more integrated markets, the promotion of intra-regional trade, the development of investment and productive capacity, creation of decent jobs and the improvement of economic infrastructures.

The meeting was further briefed that the Europe's trade relations with Africa are guided by Economic Partnership Agreements (EPAs) as well as Association Agreements which give Africa generous and guaranteed access to the EU single market and include development components.

In West Africa, for instance, it was highlighted that the EU undertakes to provide funding for projects linked to trade, industry, energy and transport infrastructure in West Africa, as well as funding to cover the net fiscal impact of implementing the agreement for the period of tariff dismantling. The EU supports African countries overcoming challenges to gain access to EU market e.g. by providing financial and technical support to help West African exporters meet the EU's Sanitary and Phytosanitary (SPS) standards.

Rules of Origin Key to Success of African Continental Free Trade Area

During the first panel discussion that took place in the afternoon, it was observed that the rules of origin should be made simple and business friendly for the gains expected from the African Continental Free Trade Area to be realized.

Rules of origin are the criteria needed to determine the nationality of a product. These are some of the grey areas for the CFTA – could make or break the African Continental Free Trade Area (AfCFTA). It was observed that rules of origin could be a game changer for the continent as long as they are simple, transparent, business friendly and predictable. According to the UNCTAD Secretary-General Mukhisa Kituyi, "The AfCFTA is a landmark achievement in the continent's history of regional integration and is expected to generate significant gains. But it is the rules of origin that will determine whether preferential trade liberalization under the AfCFTA can be a game changer for Africa's industrialization".

Currently, it was intimated that intra-African trade is a mere 15%, compared to around 47% in America, 61% in Asia and 67% in Europe, according to UNCTAD data for 2015 to 2017, but the AfCFTA could radically change that. It was observed that if the agreement is fully implemented, the gross domestic product of most African countries could increase by 1% to 3% once all tariffs are eliminated, according to UNCTAD estimates.

Boost to intra-African trade expected

The AfCFTA is expected to boost intra-African trade by 33% once full tariff liberalization is implemented, attracting additional intra-African investments and creating market opportunities to foster Africa's industrialization through regional value chains, according to the report. However, many of these gains could be undermined if rules of origin are not appropriately designed and enforced to support preferential trade liberalization.

It was explained that preferential trade liberalization is the *raison d'être* of a free trade area (FTA), whereby member countries scrap import tariffs and quotas among themselves on most traded goods, in order to confer a competitive advantage to firms within the FTA. But to qualify for such preferences, firms within the FTA must meet rules of origin requirements. These define the conditions that firms must comply with in order to authenticate that their goods originate from the FTA and are thus eligible for preferential treatment within the FTA. In the words of Dr. Kituyi "Rules of origin are the cornerstone for the effective implementation of preferential trade liberalization, the critical policy tool needed to make any FTA operational and are of vital importance in creating opportunities for African LDCs to boost trade."

The AfCFTA and its impact on people

It was reiterated that the new African Continental Free Trade Area could yield enormous economic benefits once it takes effect. But African governments must act immediately to address the AfCFTA's potential negative implications for Africans' health.

By removing trade barriers and allowing the free movement of goods, services, and people across Africa, the AfCFTA could help to increase combined consumer and business spending on the continent to \$6.7 trillion by 2030. But the new trade bloc's possible impact on the health of over one billion Africans has barely been discussed. That is an alarming oversight. Given the experience of other free-trade blocs, however, the pact raises concerns about the weakening of government-funded public-health systems, increasingly unequal access to care, a medical brain drain, higher drug prices, increased consumption of unhealthy products, and the spread of diseases. African governments should act immediately to assess these threats and counter the AfCFTA's potential negative health implications.

Observations and recommendations:

- i. It is clear that there is political will among African leaders to push the AfCFTA forward. The ratification of the AfCFTA presents a real milestone for African unity. Whether it will go beyond symbolism, however, depends in part on the depth and scope of the provisions and commitments shall be brought into fruition.
- ii. The negotiation outcomes thus reflect the political commitment African nations show towards intra-African trade liberalization and continental unity.
- iii. To maximize the benefits derived from the AfCFTA, State Parties must make commitments in line with their comparative advantage for diversification and value chain development. Such analysis should look at not only existing trade flows, but also nascent opportunities.
- iv. Maximizing the AfCFTA benefits will require that governments develop proactive national strategies that will identify opportunities and constraints and inform their tariff commitments for goods and services.

- v. While the AfCFTA shall have a huge impact on the African citizenry, most governments have not engaged the citizens to understand the scope and implications of the agreement.
- vi. In conducting this analysis, national governments must establish a close link with the citizens/workers and the employer's vis-à-vis the private sector. Indeed, in setting their scheduling priorities, African governments must be sure to listen to the needs and concerns of the citizens, the employers/private sector, especially small- and medium-sized enterprises.
- vii. While the knocking of trade barriers is given priority in the agreement, the issue of free movement of the people does not seem to gain the same urgency and currency. For effective implementation of the agreement, a two-pronged approach that fosters both movements ought to be fostered.
- viii. ITUC-Africa should conduct some in-depth research on the subject matter to gain an in-depth understanding on how the agreement will affect the Africa workers from various aspects.