



## Summary

### Round Table – Africa’s economy in Focus from 22. March 2021

## “The African Continental Free Trade Area (AfCFTA) – Africa’s Economy in the Fast Lane?”

### Background

On 1st January this year, the *African Continental Free Trade Area (AfCFTA)* came into force. The AfCFTA will cover a market of 1.2 billion people and will be one of the world’s largest free trade areas. According to the *World Bank*, the AfCFTA has the potential to lift about 30 million people out of poverty by 2035, increase the continent’s income by 385 billion annually and increase exports within the continent by 81 per cent. It is hoped that the AfCFTA will contribute to a self-sustaining economic recovery in Africa.

### Highlights

- AfCFTA represents a major milestone for the African continent.
- The agreement covers goods, services and investments as well as governance and rights regarding online trade and intellectual property.
- The whole world can benefit from the free trade agreement.
- The facilitation of cross-border trade is at the forefront.
- Digitalisation plays a crucial role in the successful implementation of the agreement.
- The EU supports the AfCFTA at political, financial and technical level.

### Current status of the agreement

The AfCFTA is a process that was launched in 2016 and has since achieved a number of milestones thanks to political will at the highest level, **Willie Shumba** said. The Constitutive Act has already been signed by 54 of the 55 AU member states and ratified by 36 states. This makes it the largest free trade area in the world in terms of the number of member states. The only country that has not yet joined the agreement is Eritrea. The agreement covers trade in goods and services, as well as

#### Welcome Remarks:

**Andreas Lämmel MdB**,  
Chairman of the Working Group on Africa of the CDU/CSU Parliamentary Group in the German Bundestag & Board Member of the German Africa Foundation

**Prof. Dr. Heinz-Walter Große**,  
Chairman of the Sub-Saharan Africa Initiative (SAFRI)

#### Discussion:

**Jean-Bertrand Azapmo**,  
Principal Advisor to the AU Commissioner for Trade and Industry, Department of Trade and Industry, AU Commission

**Willie Shumba**,  
Senior Advisor on Customs in the AfCFTA Negotiation Support Unit

**Remco Vahl**,  
Senior Expert, Directorate General Trade, EU Commission

**Gabor Mehn**,  
Head of Country Cluster & Trade Director Southern Africa, BASF South Africa

#### Closing Remarks:

**Dr. Volker Treier**,  
Member of the Executive Board DIHK

#### Moderation:

**Sabine Odhiambo**,  
Deputy Secretary General, German Africa Foundation

investment, competition policy, online trade and intellectual property. The agreement is being negotiated in three phases, the first of which has been completed with few outstanding issues, **Shumba** said. The first phase included the negotiation of the agreement itself as well as issues on trade in goods and the dispute settlement mechanism. The important issue of rules of origin, which is crucial in determining the criteria for which goods will be traded under the *AfCFTA*, is 81% complete, he said. The points still to be clarified relate to the rules of origin in the areas of fisheries, sugar, textiles, leather and automobiles, as well as the establishment of special economic zones. Phase 2 has already started: By the end of the year, the issues of investment, competition policy and intellectual property are to be negotiated. At the same time, negotiations on the topic of online trade are taking place in phase 3. Since 1st January 2021, trade has been conducted according to the negotiated rules of origin of the *AfCFTA*, confirms **Shumba**. With regard to trade in services, the African states have identified five priorities: professional and financial services, ICT, tourism and transport. In particular, the simplification of duty-free trade is at the forefront of the *AfCFTA* in order to facilitate rapid cross-border trade. Therefore, it is very positive that 41 countries have already submitted their offers for tariff dismantling, **Shumba** said. Finally, he stressed that the *AfCFTA* builds on the eight *AU*-recognised regional organisations and their liberalisation experiences. There was consensus among all participants in the discussion that the *AfCFTA*, even though it was still at an early stage, was an important step in the right direction and a milestone for the continent that would boost trade of African states, but also with international partners.

### Role and priorities of the African Union

**Jean-Bertrand Azapmo** explained that the *AfCFTA* could only be successful if it was accompanied by aggressive industrialisation policies and export diversification strategies. The *AU* knows that this is the only way to produce and trade high quality and competitive products on the continent, thus shaping Africa's market of tomorrow, he said, and has therefore identified five priorities. First, it is building internal capacity in technology and innovation. Second, it plans to take greater advantage of the digital economy. For example, online trade in some African countries increased by 30% during the Corona pandemic and offers great opportunities. Thirdly, local resources should be mobilised, and financial markets developed. A special focus should be on local investments in sustainable goods. Fourth, African SMEs should be promoted and strengthened. As a final priority, **Azapmo** named cooperation with other actors. The current pandemic has made it clear that recovery can only be achieved together. In particular, **Azapmo** called for equitable vaccine distribution.

### Opportunities and Challenges

According to **Shumba** and **Azapmo**, the *AfCFTA* is also a good opportunity for German companies to invest in Africa and use the continent as a production location. **Azapmo** emphasised Africa's potential to shape the market of tomorrow. In this regard, he presented four strategies of the *African Union* to implement the *AfCFTA* in the best possible way. These include strengthening internal competencies in innovation and technology, expanding the e-commerce sector and focusing on domestic investment to promote sustainability and sustainable production - and supporting small and medium-sized enterprises.

**Azapmo** promised special cooperation prospects between African and German companies for small and medium-sized enterprises, where there are numerous opportunities to use the chances of the new agreement. Both **Azapmo** and **Vahl** emphasised the relevance of the competitiveness of African companies and products on the global market. With regard to the imbalance of competitiveness within Africa, **Azapmo** explained when asked that the African Union was currently considering setting up a correction mechanism to compensate for the loss of income of individual states as a result of trade liberalisation. Like **Azapmo**, **Mehn** emphasised the importance of digitalisation in achieving the goal of simplified cross-border trade relations. He vividly drew attention to the previous burdens of bureaucracy of cross-border trade within Africa. This is associated with great costs and efforts. In addition to reducing bureaucracy, more transparency is needed to avoid corruption, as well as more flexibility to promote the African market sustainably with the *AfCFTA*, **Mehn** said. He sees the *AfCFTA* as a framework through whose implementation the transport of goods can be significantly improved. **Shumba** identified the next steps as negotiations concerning the automotive industry, textile industry and fisheries and the formulation of the rules of origin guidelines. In order to be able to exploit the potential of the free trade area, **Vahl** said, the implementation of the agreement is now highly relevant.

### **AfCFTA and the EU**

The *EU's* support for the *AfCFTA* takes place on three levels, says **Remco Vahl**: politically, financially and technically. The report on the last *EU* trade policy review identified Africa as a key region and anchored support for the *AfCFTA*. The *EU* has put together a package of 74 million euros for the period 2014-2020, which will be made available for the negotiation, ratification and implementation of the *AfCFTA*. The technical assistance is particularly aimed at promoting the economic integration of the African market. It was not a matter of offering European solutions to African problems, but of entering into an honest political dialogue and exchange of experience with the *AU*, as it was pursuing similar long-term goals as the *EU*. There is also the long-term prospect of an *AU-EU* free trade area. For this, however, the *AU* must first fully implement the *AfCFTA*; an intercontinental free trade area could then build on the existing free trade agreements, said **Vahl**. The *EU* would also support the *AfCFTA* Secretariat in Accra financially, but the African states would bear the bulk of the costs. However, the Corona pandemic had set back the *AU's* efforts to become more financially autonomous, **Azapmo** said. **Shumba** and **Azapmo** both clarified that bilateral trade agreements between African countries and third countries could not be concluded contrary to the provisions of the *AfCFTA*, according to a summit decision by African heads of state. African states are obliged under the *AfCFTA* to show the extent to which other trade agreements affect the *AfCFTA*.