

AfCFTA will spur industrialisation

The African Continental Free Trade Area (AfCFTA) helps promote the type of trade that produces sustainable growth, creates jobs for Africa's youth, and establishes opportunities for nurturing Africa's businesses and entrepreneurs, said Economic Commission for Africa (ECA's) David Luke, coordinator of the Africa Trade Policy Centre (ATPC).



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The African Continental Free Trade Area (AfCFTA) is a tool that countries can use to create opportunities for African businesses and through them drive the continent's industrialisation, economic diversification and development.

In a presentation at the on-going 24th Sessions of the Inter-Governmental Committee of Experts (ICE) of Southern Africa in Mauritius, Luke said AfCFTA, which has been signed by 49 of the 54 African countries and ratified by seven so far, will reduce trade costs and facilitate business expansion and in the process provide great opportunities for African businesses to gain from, and contribute to Africa's rapid market growth.

"AfCFTA helps promote the type of trade that produces sustainable growth, creates jobs for Africa's youth, and establishes opportunities for nurturing Africa's businesses and entrepreneurs," he said.

"It will have only a small impact on tariff revenues while helping to restructure African economies to deliver a more sustainable fiscal base. This is because the AfCFTA helps to pivot Africa's trade away from extractive exports towards more sustainable and inclusive trade that is less dependent on the fluctuations of commodity prices."

Sustainable revenue

Luke said in an era of increasingly unreliable aid receipts, and the growing importance of domestic resource mobilisation, AfCFTA provided a route towards more sustainable government revenues.

Africa faces a changing world trading landscape with many evolving external challenges, he said, adding that AfCFTA, against this, could serve as a platform for African trade policy coherence providing Africa with the strengthened voice of 1.2 billion people in future negotiations, fostering a common position on evolving trade policy issues, and ensuring that individual bilateral arrangements do not unravel the objectives of continental integration.

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The ATPC Chief said, to fully utilise the opportunities of the AfCFTA, each country is recommended to develop an AfCFTA strategy which is complementary to their broader trade policies and identifies key trade opportunities, current constraints and steps required to take full advantage of the continental African market. Such strategies could speak to the African Union's Boosting Intra-African Trade Action Plan, he added.

The ECA has already received a dozen country and REC requests for support for developing such strategies.

“The CFTA presents an opportunity to leverage trade for structural transformation, economic growth and job creation in Africa. This is because intra-African trade, which is promoted by the AfCFTA has a stronger impact on development than other types of trade,” Luke said.

Welfare gains

ECA estimates that all African countries will experience welfare gains once AfCFTA becomes operational; more industrialised countries will be well placed for manufactured goods; there will be opportunities for satisfying Africa's growing food security requirements; land-locked gain from trade facilitation, transit and customs cooperation, among other gains.

“African businesses have had their interests piqued, political leadership at the highest level is committed, and the world is watching,” said Luke, adding policymakers must see through momentum with prompt ratification of the AfCFTA.

AfCFTA will officially come into force once at least 22 countries have ratified the agreement, potentially making the continent the largest trading bloc in the world.