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# African Continental Free Trade Area and the opportunities and implications for Canada

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**24 May, 2017**  
Ottawa

2<sup>nd</sup> Annual Africa Day Celebration



- 1. AfCFTA: what it means and state of play**
- 2. Canada-Africa opportunities: trade and investment**
- 3. Need for new ways of thinking**

African Continental Free Trade Area:

# AFCFTA: WHAT IS MEANS AND STATE OF PLAY

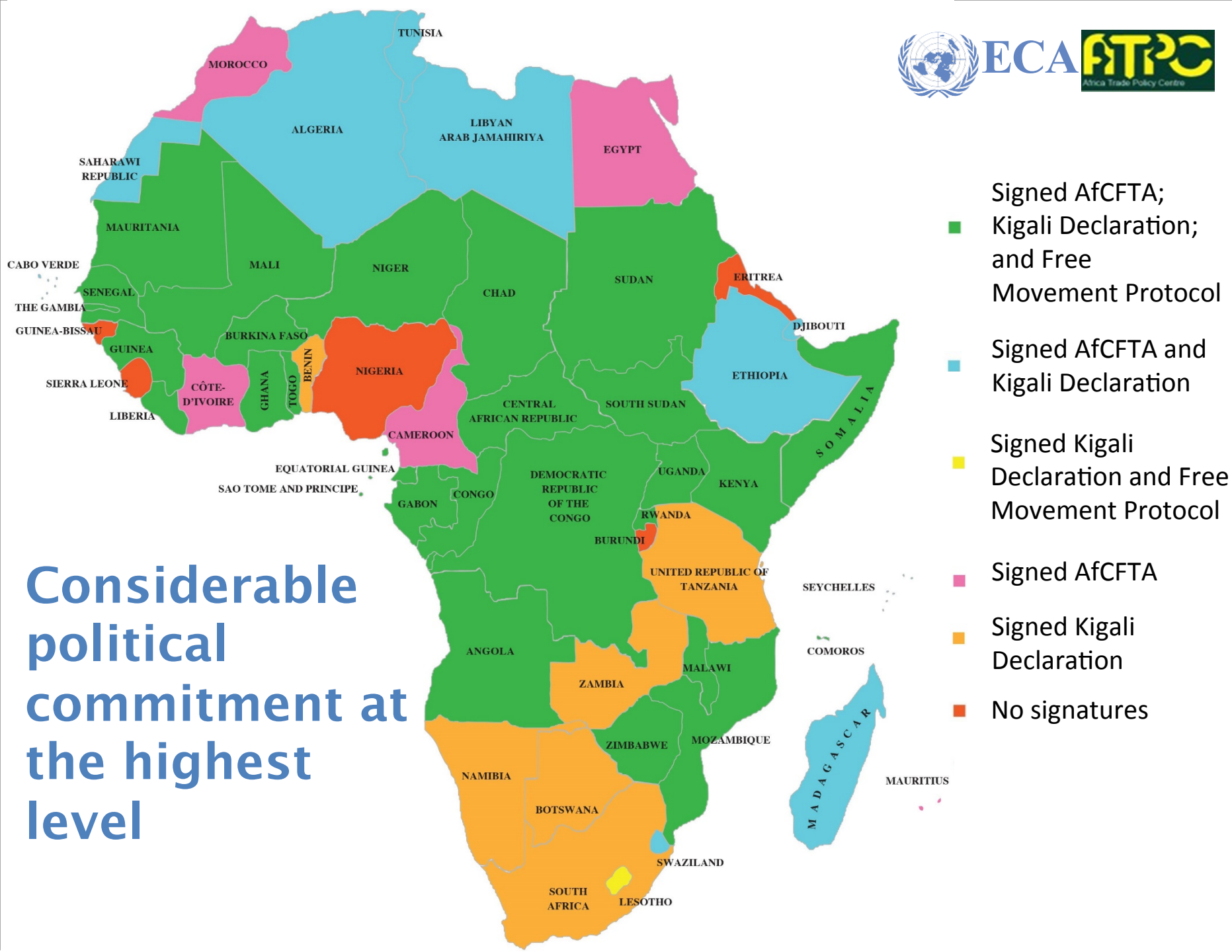


# March 21<sup>st</sup>, 2018 - 44 African countries sign the AfCFTA





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Considerable political commitment at the highest level

- Signed AfCFTA; Kigali Declaration; and Free Movement Protocol
- Signed AfCFTA and Kigali Declaration
- Signed Kigali Declaration and Free Movement Protocol
- Signed AfCFTA
- Signed Kigali Declaration
- No signatures

## But what is it?

Agreement establishing the African Continental Free Trade Area	Protocol on Trade in Goods	<p>Elimination of duties and quantitative restrictions on imports</p> <p>Imports shall be treated no less favourably than domestic products</p> <p>Elimination of non-tariff barriers</p> <p>Rules of Origin</p> <p>Cooperation of customs authorities</p> <p>Trade facilitation and transit</p> <p>Trade remedies, protections for infant industries and general exceptions</p> <p>Cooperation over product standards and regulations</p> <p>Technical assistance, capacity-building and cooperation</p>
	Protocol on Trade in Services	<p>Transparency of service regulations</p> <p>Mutual recognition of standards, licensing and certification of services suppliers</p> <p>Progressive liberalization of services sectors</p> <p>Service suppliers shall be treated no less favourably than domestic suppliers in liberalized sectors</p> <p>Provision for general and security exceptions</p>
	Protocol on Dispute Settlement	<p>Rules and Procedures for Settlement of Disputes within the African Continental Free Trade Area</p>
	Phase 2 negotiations	<p>Intellectual property rights</p> <p>Investment</p> <p>Competition policies</p>



## What does the AfCFTA mean in concrete terms? (1/2)

- Businesses, traders and consumers will no longer pay tariffs on a large variety of goods that they trade between African countries;
- Traders constrained by non-tariff barriers, including overly burdensome customs procedures or excessive paperwork, will have a mechanism through which to seek the removal of such burdens;
- Cooperation between customs authorities over product standards and regulations, as well as trade transit and facilitation, will make it easier for goods to flow between Africa's borders;
- Through the progressive liberalization of services, service suppliers will have access to the markets of all African countries on terms no less favourable than domestic suppliers;

## What does the AfCFTA mean in concrete terms? (2/2)

- Mutual recognition of standards, licensing and certification of service suppliers will make it easier for businesses and individuals to satisfy the regulatory requirements of operating in each other's markets;
- To protect against unanticipated trade surges, State Parties will have recourse to trade remedies to ensure that domestic industries can be safeguarded, if necessary;
- A dispute settlement mechanism provides a rule-based avenue for the resolution of any disputes that may arise between State Parties in the application of the agreement.



## And why does it matter?

- 70% of Africa's exports to the RoW comprise extractives (oil, gas, minerals, and metals)
- These create revenues, but are capital intensive, and volatile in price
- Intra-African trade is different, with extractives only 40%: more value-added, industrial, and better diversified, helping to generate employment, industrialization and sustainable growth
- The AfCFTA helps promote such intra-African trade: ECA estimate it will have the potential to boost intra-African trade by between 52 and 100%, depending on the extent to which tariffs and NTBs are eliminated
- In turn, this helps to fuel sustainable development in Africa

## Next steps for the AfCFTA

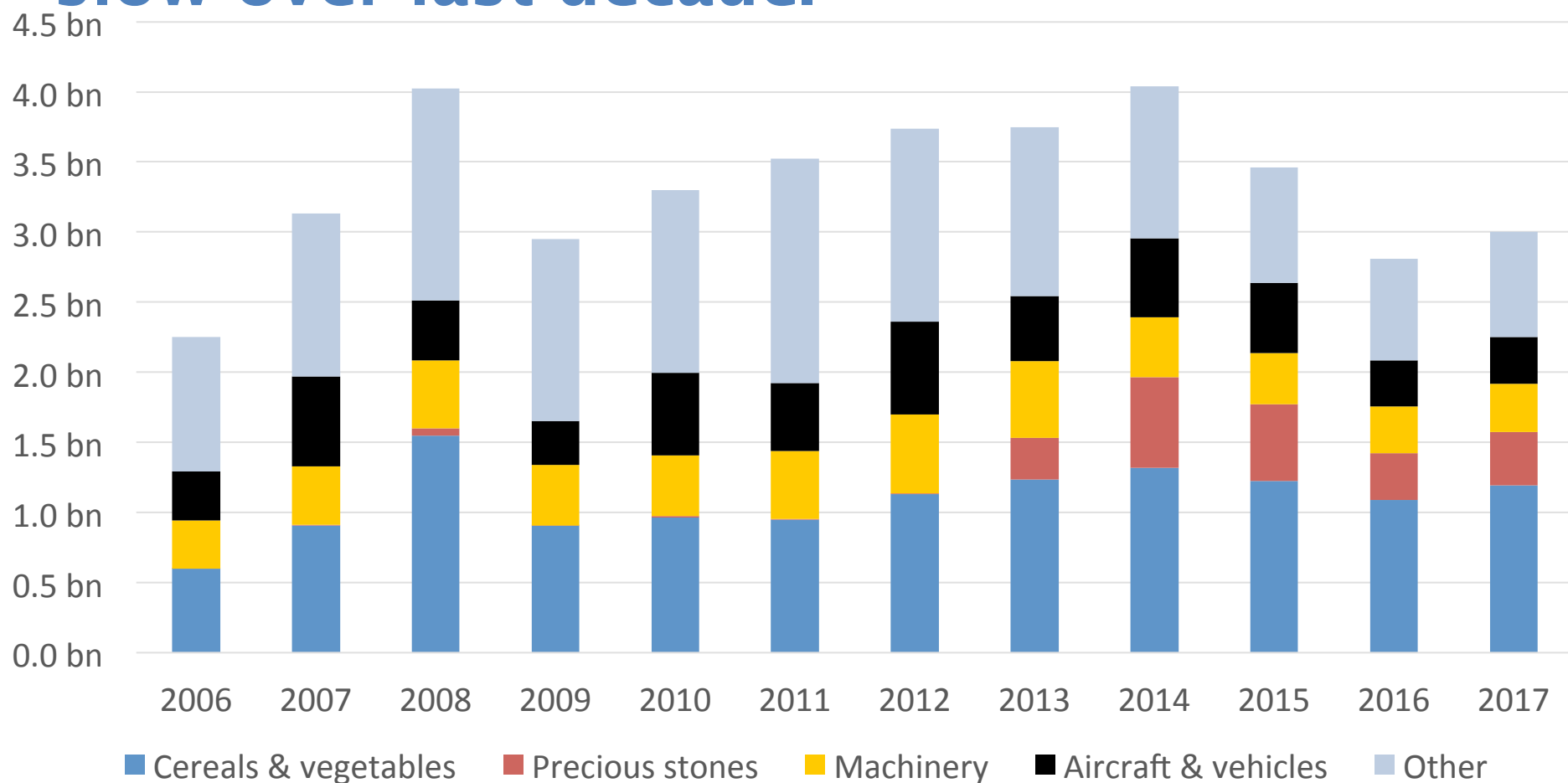
- Entry into force after 22<sup>nd</sup> instrument of ratification deposited with the AUC. So far: Kenya, Ghana, Rwanda and Niger have reportedly ratified.
- After 22<sup>nd</sup> ratification the AfCFTA Secretariat will be established
- By Jan 2019 countries must also submit:
  - Schedules of concessions for trade in goods
  - Schedules of concessions for trade in services
  - Rules of origin
- Countries will begin negotiating Phase II issues by start of 2019:
  - Competition, investment, intellectual property rights and potentially e-commerce

Trade and Investment:

# CANADA-AFRICA OPPORTUNITIES

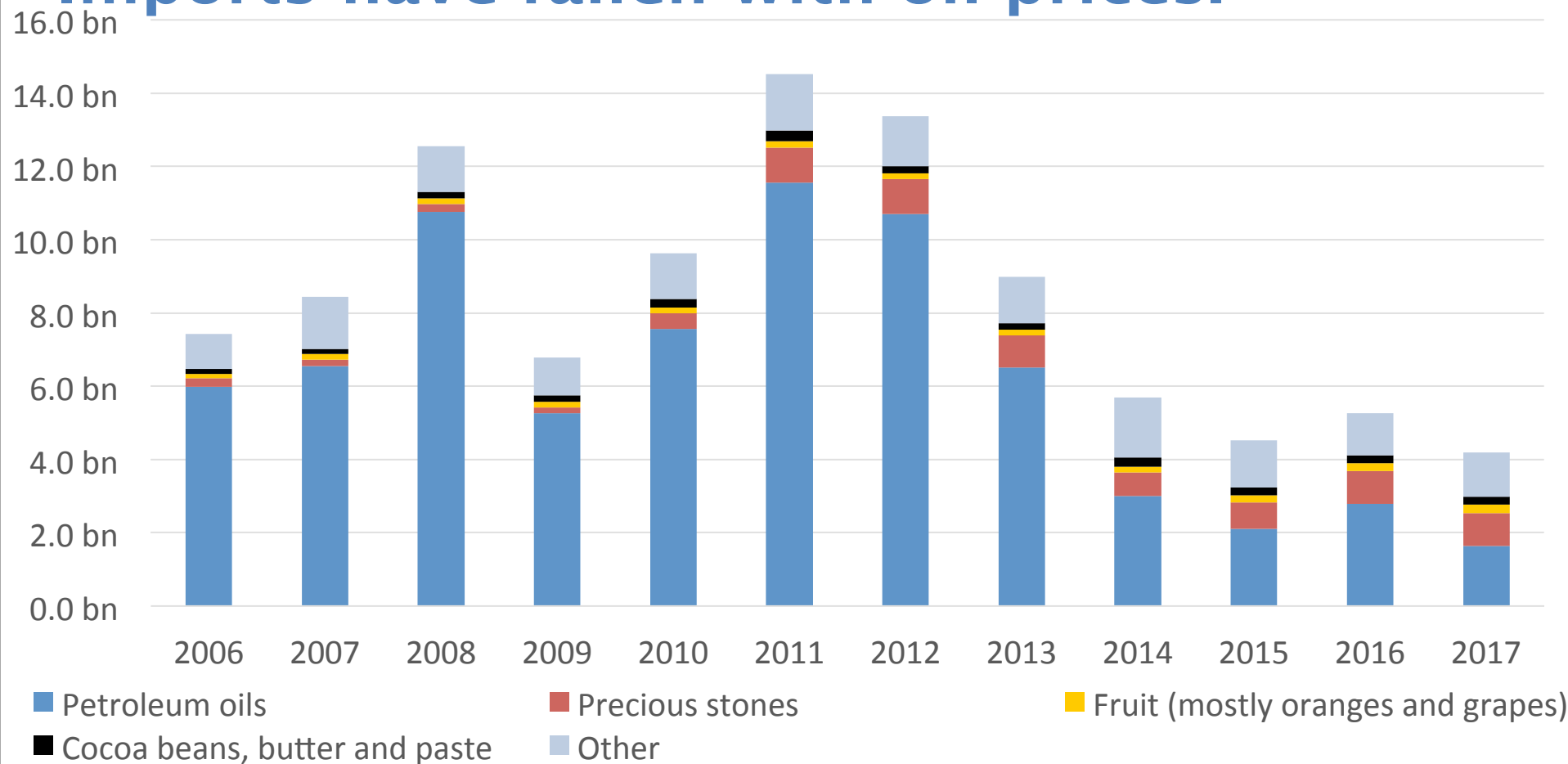


## Canada exports foodstuffs and advanced machinery to Africa. Growth has been slow over last decade.



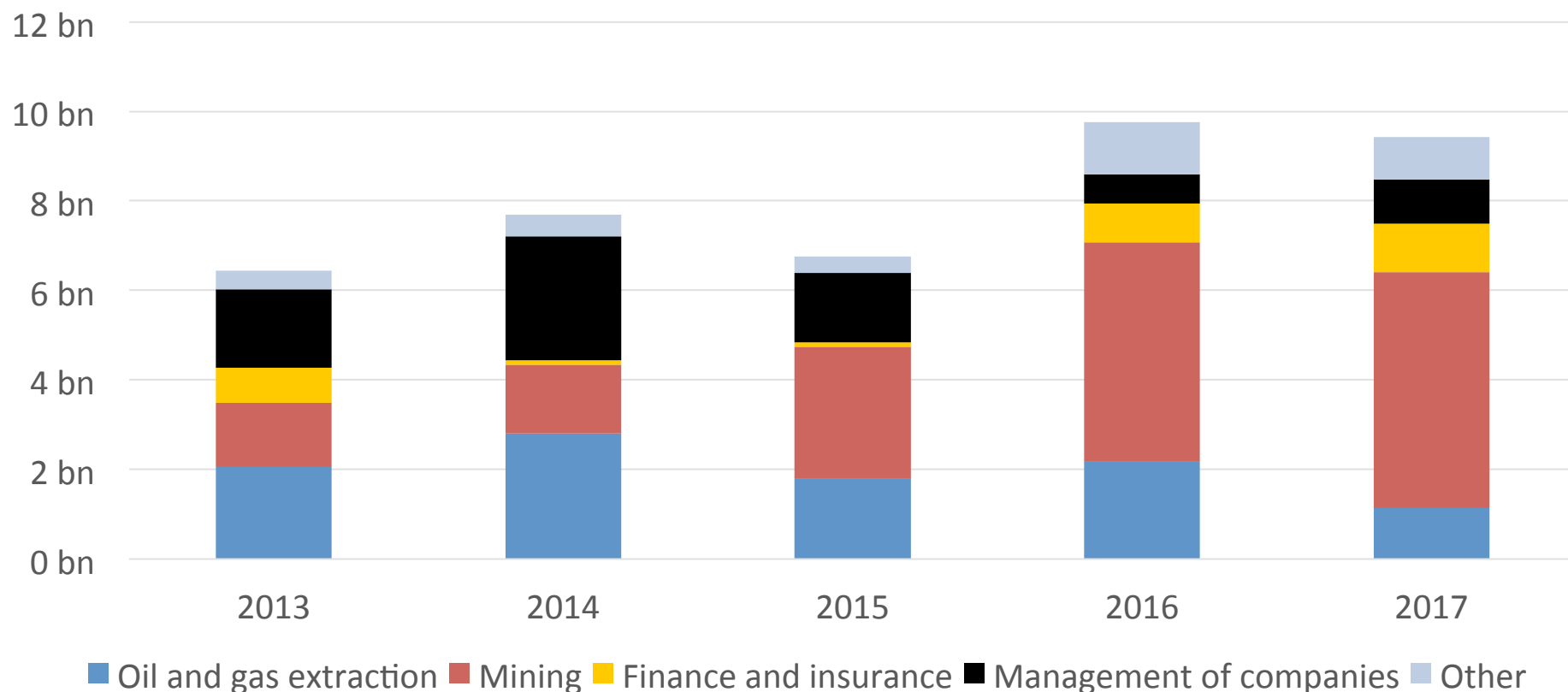
Source: ITC TradeMap, USD

And imports mostly petroleum oils, precious stones, and agricultural products. Imports have fallen with oil prices.



Source: ITC TradeMap, USD

**No explicit sectoral investment data for 'Africa', but Africa accounts for about 50% of 'other countries' to which 2/3rds of Canada's outward investment comprises oil & gas and mining**



Source: GAC FDI Statistics, USD

Canada-Africa trade and investment:

# OPPORTUNITIES: NEED FOR NEW THINKING





## Changing African opportunities

- Currently a market of 1.2 billion people, and a combined continental GDP of about \$2.5 trillion
- The middle class in Africa now represents almost a third of Africa's current population and is growing
- However, by 2050 Africa will be home to 2.5 billion people – more than a quarter of what will be the world's population, with an economy estimated to be worth as much as \$29 trillion
- By then, the market of just Nigeria will account for around 8 times as many people as Canada
- With the AfCFTA, this is an increasingly integrated market

## Changing African opportunities (continued)

- Petroleum oils, gas and mining will continue to be important for Africa
- However Africa now represents new investment opportunities, many of which can draw from Canadian expertise:
  - Education: Africa has a skill gap of 4.3m engineers and 1.6m agricultural scientists and researchers (ACBF)
  - Infrastructure: AfDB's Programme for Infrastructure Development in Africa (PIDS) initiative comprises projects focusing on integration, power generation, ICT and water resources – total cost of all projects by 2040 is \$360bn
  - Agriculture and processed agriculture: food security

## Draw from Canadian expertise

- A services trade and investment focus should be emphasized
- Canada can leverage its expertise in tertiary education, clean energy development, technological cooperation on climate change, and agricultural productivity services
- Canada's cooperation model with mining companies for improved corporate social responsibility provides lessons for deeper engagement in Africa: lessons learned – both good and bad – can help develop new bilateral trade and investment relationships.
- But also a change in perspective: need to go beyond traditional investment and trade opportunities

The 'AFRICA FIRST' logo is centered on the slide. It consists of a white silhouette of the African continent to the left of the word 'AFRICA' in white capital letters, which is set against a dark blue rectangular background. Below this, the word 'FIRST' is written in large, bold, white capital letters.

**THANK YOU!**