

# The Continental Free Trade Area: Current State of Play

## Policy Brief 01

September 2014

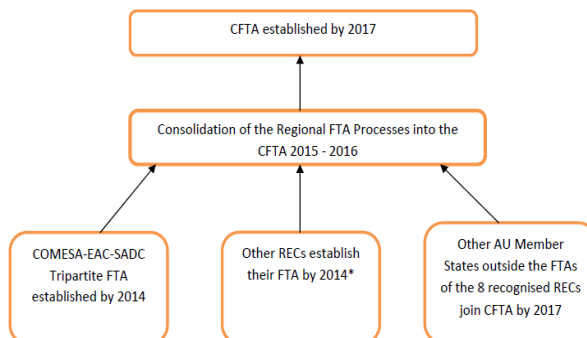
Ilmari Soininen

### 1. Introduction

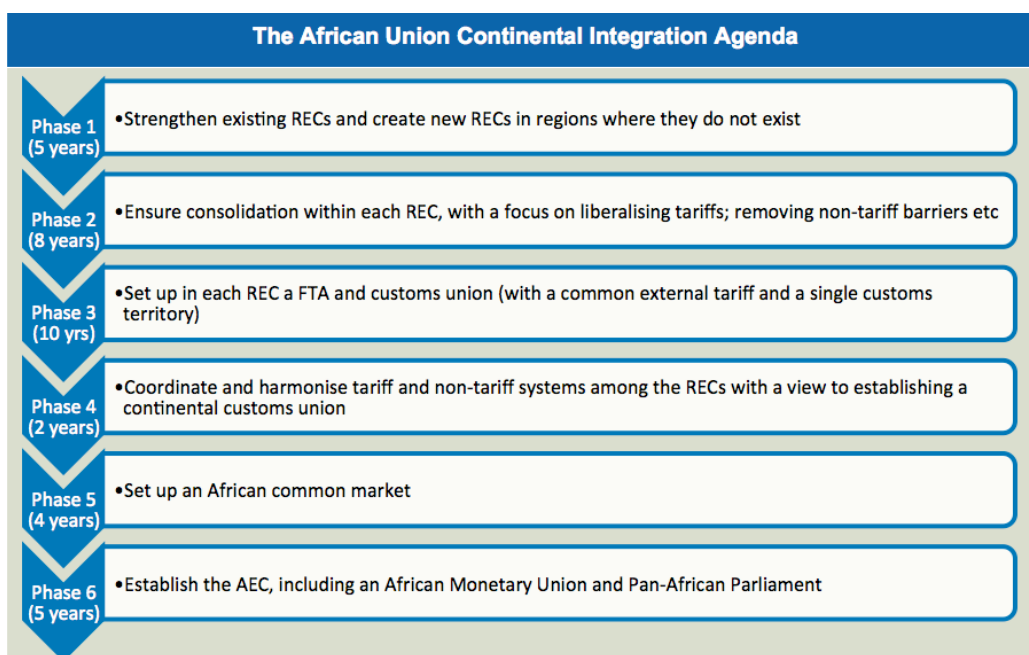
Since independence, integration has been a core element of African countries' development strategies. The Africa-wide development agenda, as championed by the African Union, is based on regional integration and the formation of an African Economic Community (AEC). This was laid out in the Abuja Treaty of 1991 and the 1980 Lagos Plan of Action for the Economic Development of Africa. The Africa regional integration roadmap considers the Regional Economic Communities (RECs) as the building blocks of the AEC. The AEC is to be formed in six phases over 34 years, as outlined below.

At its 18th Ordinary Session in January 2012 in Addis Ababa, on the theme "Boosting Intra-African Trade", the Assembly of Heads of State and Government of the African Union (AU) adopted a decision and a declaration that reflected the strong political commitment of African leaders to accelerate and deepen the continent's market integration. The Heads of State and Government agreed on a roadmap for establishing the CFTA by the indicative date of 2017.

### Continental Free Trade Area (CFTA) Roadmap



As highlighted in the Roadmap, the CFTA is set to build on the Tripartite FTA (TFTA) negotiations, which would create a free trade area among the 26 countries of the East African Community (EAC), Common Market for East and Southern Africa (COMESA) and Southern African Development Community (SADC). Since the launch of the negotiations in 2008, significant progress has been made, and leaders have expressed confidence that the negotiations will be successfully concluded by the end of 2014, with the single FTA to be fully implemented by 2016. Currently, the Tripartite countries represent close to 60% of the AU's GDP and population, and would be a fundamental building block for the CFTA.



The 18th AU Summit in early 2012 opened the discussions on a second bloc of combined RECS (Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Community of Sahel-Saharan States (CEN-SAD), and Arab-Maghreb Union (AMU)) to emulate the TFTA. Initial consultations took place in April 2013, and the first negotiation meeting on the second bloc took place in December 2013. A formal memorandum of understanding to outline how decisions will be made and establishing the coordination mechanisms still needs to be signed, along with the launching of work on technical studies and key institutional preparatory work on the formation of this second bloc.

## 2. Rationale for a Continental FTA

During its 19th Ordinary Session in July 2012, the assembly adopted a decision that highlighted the gains from the CFTA for intra-African trade, particularly through the High-Level African Trade Committee and the consultations of the Committee of Seven Heads of State and Government, which addresses the challenges of intra-African trade, infrastructure and productive capacities.

The creation of a single continental market for goods and services, with free movement of business people and investments, would help bring closer the continental customs union and African common market and turn the 54 single African economies into a more coherent large market. The larger, more viable economic space would allow African markets to function better and promote competition, as well as resolve the challenge of multiple and overlapping RECs, helping to boost inter-REC trade. Moreover, the CFTA could provide a more conducive environment for industrial diversification and regional complementarities than is currently viable under the existing individual country approach to development (UNECA, 2012).

The United Nations Economic Commission for Africa (UNECA) calculates that the CFTA could increase intra-African trade by \$35 billion, or 52% above the baseline, by 2022. Imports from outside of the continent would decrease by \$10 billion per year, and agricultural and industrial exports would increase by \$4 billion (7%) and \$21 billion (5%)

### CFTA: Benefits for the East Africa Community?

Despite significant increases in intra-community trade, the levels of trade between the EAC and other African countries, particularly those outside of the Tripartite area, remains limited. There has been renewed interest in expanding trade and investment links further afield. For example, Nigeria - which officially became the largest economy in Africa in 2014 - and the ECOWAS sub-region could present a significant export market for EAC businesses. In 2012, EAC exports to ECOWAS amounted to \$132 million, for a market of close to 300 million people. West Africa currently relies on extra-African imports of coffee and tea, and the EAC could be in a position to tap into this market, if high tariffs and weak transport links can be addressed. In May 2014, Kenya and Nigeria signed trade pacts aimed at deepening trade ties, following high-level political meetings and several large Nigerian business delegation visits to the region. According to data from the United Nations Conference on Trade and Development (UNCTAD), trade with neighbouring ECCAS has shown significant growth, with exports to the region expanding by close to 40% between 2010 and 2012, from \$1.2 billion to almost \$1.7 billion. The CFTA would further open doors to West and Central Africa, through the reduction and eventual elimination of tariffs and improved trade facilitation and infrastructure.

above the baseline, respectively. If coupled with complimentary trade facilitation measures to boost the speed and reduce the cost of customs procedures and port handling, Africa's export volumes to the rest of the world would increase by 6% with the CFTA.

## 3. Current Status of the CFTA

The January 2014 African Union Heads of State meeting reaffirmed the commitment to the CFTA roadmap, and highlighted the need to launch the CFTA negotiations in 2015.

The second meeting of the Continental Task Force on the CFTA took place in Addis Ababa in early April 2014. The meeting put forward draft

Status of implementation of the Abuja Treaty per REC								
	Phase 1 (1994-9)	Phase 2 (2000-7)		Phase 3 (2008-2017)		Phase 4 (2018-19)	Phase 5 (2020-2030)	Phase 6 (latest 2034)
	Strengthening existing RECs and creation of new RECs where they do not exist	Coordination and harmonization of activities	Gradual elimination of tariff and non-tariff barriers	Free Trade Area	Customs Unions	Continental Customs Union	Establishment of an African Common Market	Monetary and Economic Union
UMA	X	X	In progress	Not yet	Not yet	This stage will be achieved when all RECs have achieved Customs Union and harmonized their respective Common External tariff (CET), with a view of creating one single continental CET.	This stage will be achieved when all RECs have achieved continental customs union as well as free movement of labour and capital.	This stage will be achieved when all RECs have achieved African Common Market at which time there will be a common currency, issued by the African Central Bank.
IGAD	X	X	In progress	Not yet	Not yet			
SADC	X	X	X	X	Not yet			
CENSAD	X	X	Not yet	Not yet	Not yet			
ECOWAS	X	X	X	X	2015			
COMESA	X	X	X	X	X			
ECCAS	X	X	X	X	No date fixed			
EAC	X	X	X	X	X			

objectives and guiding principles for negotiating the CFTA, which were presented to the Extraordinary Session of the Conference of AU Ministers of Trade (CAMOT) in Addis Ababa April 23-28, 2014. The session was attended by officials from member states, six RECs (including EAC), and private sector organisations (East African Business Council (EABC), Commonwealth Business Council (CBC), Federation of West African Chambers of Commerce (FEWACCI)).

Key recommendations from the Ministers included the following:

- Further discussions and refining of the Draft Objectives and Principles and the Draft Institutional Arrangements for the CFTA, should be undertaken and presented to the 9<sup>th</sup> Session of CAMOT (October 2014).
- The Commission should prepare Draft Terms of Reference of the CFTA-Negotiating Forum based on best practices in the RECs and/or the Tripartite and submit a draft for discussion at the next meeting of Senior Trade Officials.
- AUC, REC Secretariats and the Economic Commission for Africa (ECA) should continue their consultations with all Member States in order to ensure ownership;
- There is need for more coordination between AUC and RECs including the exchange of information on integration so that the regional processes will feed into continental processes;
- Member States and REC Secretariats should designate national and regional focal points and establish the technical working groups for the BIAT/CFTA in line with the July 2012 Summit Decision.

#### 4. The Role of the RECs

Though member states have the sole mandate to negotiate and agree to international trade agreements, the RECs can play an important role in facilitating the negotiations and building national-level capacity and ownership, especially if the structure is to build on the Tripartite FTA and ECOWAS and ECCAS FTAs (CFTA *acquis*).

In terms of the implementation strategy for the broader Boosting Intra-African Trade (BIAT) initiative, the Extraordinary Session of the CAMOT recommended the following:

## 5. Opportunities and Challenges

Negotiating an agreement of this magnitude will be an enormous undertaking, and will require the political will of leaders across the continent.

Important issues to be considered include:

- The AU includes many smaller LDC states, as well as economic powerhouses such as Nigeria and South Africa. It will be important that the negotiating framework allows for all member states to effectively participate and the negotiations reflect the interests of the poorest countries on the continent. Capacity building on the key technical issues will be a vital component to ensure all countries can effectively engage.
- The TFTA negotiations included two phases, the first covering tariff liberalisation, rules of origin, customs procedures and simplification of customs documentation, transit procedures, non-tariff barriers, trade remedies and other technical barriers to trade and dispute resolution, and the second covering trade in services, facilitating movement of business people, competition policy and intellectual property. It may be more practical for the CFTA to cover all of these areas from the get-go, to conform to modern FTA structures.
- Constructive engagement with the private sector and civil society will be vital to generate the momentum to drive the process forward. The private sector must be engaged from the start, including via national and regional chambers of commerce, to understand the process and potential economic benefits from the agreement. In November 2013, the Pan-African Chamber of Commerce and Industry (PACCI), representing 35 national chambers, signed an MOU with the African Union outlining its support to the CFTA process and highlighting the need to engage with the business community.

## 6. Key Upcoming Events

- 21<sup>st</sup>-22<sup>nd</sup> October 2014 Conference of AU Ministers of Trade (Addis Ababa)
- July 2015 Heads of State meeting

## 7. References

UNECA (2012) Assessing Regional Integration in Africa vol V.

---

*Ilmari Soininen is a Senior Consultant for Saana Consulting Ltd. He is based in Addis Ababa and can be reached at: [ilmari@saana.com](mailto:ilmari@saana.com)*