Intra-African commerce is costly, time wasting and cumbersome due to patchwork of trade regulations and tariffs.

Source: Africa Renewal, 08-11/2010
Intra-regional exports – a comparison

Little intra-African trade

Europe 69%
Asia 49%
Latin America 22%

Trade restrictions within Africa are higher than those of Africa with the rest of the world.

Source: WTO 2017
Constraining challenges

Low level of Intra-African trade for example due to...

- Poor infrastructure
- Cumbersome custom procedures
- Multiple clearing stages
- Inadequate IT infrastructure
- Limited information exchange
- Corruption

Source: Boosting Intra-African Trade, au.int/en/trade/about
Intra-African trade: more value-added

As % of African exports, 2017

- Extractives (low-valued added): 50% to rest of world, 26% within Africa
- Manufactured products (high-valued added): 26% to rest of world, 42% within Africa

Source: WTO 2017
Trade in services

Restrictions on trade in services within Africa are 4x higher than in OECD countries

67% of African countries require a visa before departure for most arrivals

World service exports from Africa: 2%

Services as a share of...

FDI: 75%
Trade: 22%
GDP: 54%

Services are a key part of African economies, but trade in services has a huge potential to grow.
Connecting Africa

Potential for the 15 landlocked countries – maritime transport makes up 80% of total international trade volume.

Access for landlocked countries to maritime transport should be developed.

Source: AfDB African Development Report 2010

Transport costs are 63% higher in African countries compared with the average in developed countries.

Source: UNCTAD policy brief

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Economies of scale

Small and medium-sized enterprises (SMEs)

Well positioned to tap into regional export destinations.

Can use regional markets as stepping stones for expanding into overseas markets.

Representing more than 90% of African businesses

Tariff-free access to a huge and unified market will encourage manufacturers and service providers to leverage economies of scale.

Consumers will pay less for products and services ...

... as business expand operations ...

... and hire additional employees.

Source: ITC (International Trade Center)

Source: International Monetary Fund, "A competitive Africa? 2018"
Crossing borders: within Africa vs. EU

Average waiting time at the border in hours:
- Africa: 97 (8) hours
- EU: 7.5 (4.1) hours

Number of days required to import:
- Africa: 37 (10) days
- EU: 104 (1) days

Cost in US$ to export one container:
- Africa: 2037 (1042)

Cost in US$ to import one container:
- Africa: 2702 (1079)

* Sub-Saharan Africa

Source: World Bank
Informal cross-border trade

Women are estimated to account for around 70% of informal crossborder traders in Africa.

Thus, women are particularly vulnerable to ...

- ... violence
- ... confiscation of goods
- ... harassment
- ... imprisonment

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Challenges to intra-African trade (1)

Small states
Many small countries, populations of < 20 million

GDP of < 10 billion USD

National markets too small to attract large investments

Multiple memberships
AfCFTA addresses many countries’ multiple and overlapping memberships in Regional Economic Communities (RECs)

Complicates integration efforts

Kenya, for example, belongs to 5 RECs

Sources: List of African countries by GDP, Wikipedia, World Economic Outlook Database, International Monetary Fund, 17 April 2018

Source: African Union (AU)

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Challenges to intra-African trade (2)

Low value addition

Africa earns a mere **10% of total value** of its agro-value chains

Coffee value chain

- **90% of income from coffee** goes to rich consuming countries
- **10%**

Cocoa value chain

- **70%** of world's cocoa
- **30%**

- **$100 billion** in annual chocolate revenue
- **Only $2 billion** out of more than **$100 billion** returns to the continent

Source: Economic Commission for Africa (ECA)

Source: UNCTAD, 2013

Cocoa industry: Integrating small farmers into the global value chain

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Timeline

AfCFTA Negotiations

Adoption of 12 negotiating guiding principles

February 2016

First negotiating forum held

February 2017

First meeting of the 7 technical working groups

July 2017

Agreement to liberalize 90% of products at the sixth negotiating forum

December 2017

Agreement on AfCFTA text and protocol on services

May 2016

February 2016

April 2019

Kigali, Rwanda, signing of the framework agreement on the AfCFTA, 44 out of 55 Member States of the AU signed; launch for ratification of free trade areas

21st March 2018

20th May 2019

With Sierra Leone and the Saharawi Republic, 22 Member States have ratified. Thus AfCFTA can go operational in 30 days.

15th round of negotiations took place in Addis

AfCFTA will be officially and ceremonially launched at the Extraordinary AU Summit. It is thus legally binding for the ratification states (State Parties to the AfCFTA).

7th July 2019

Source: All, various
Timeline

1st phase
Protocols

Trade in goods

Trade in services

Rules and procedures for settlement of disputes

2nd phase
Negotiations

- Competition policy
- Investment
- Intellectual property rights

Source: African Union (AU)

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Commodities at a glance

Coffee Sector in East Africa

Over **5 million people** are coffee growers and work in the coffee sector in Africa.

Provides primary livelihood to about **25 million people**

Over **25 countries** in Africa **grow coffee**; for many of these countries, coffee is a major export product and vital source of foreign exchange.

Consumption in non-traditional markets has **doubled in last 20 years** and is yet to double in **next 10 years**

- **Ethiopia** 25%
- **Burundi** 66%

1998 2018 2028

Source: UNCTAD 2018, Commodities at a Glance: Special Issue on Coffee in East Africa
Economic integration ambition

If the AfCFTA is successfully implemented, it could inch **Africa** towards its age-long **economic integration** ambition.

Source: Africa Renewal information programme