

Roundtable on the African Continental Free Trade Area

This roundtable discussion was organised in partnership with the African Trade Policy Programme at the LSE Firoz Lalji Institute for Africa, the APPG for Africa, the APPG Trade Out of Poverty and the Royal African Society.

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Roundtable representatives: AfCFTA Secretariat, United Nations Economic Commission for Africa, UK Government and Parliament, US Congress and EU Commission.

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Discussion issues:

- Significant and growing trade and investment potential in Africa bolstered by broad African political support for the implementation of the AfCFTA
- Need to ensure the ambition and latent potential of the AfCFTA is matched with effective implementation for it to deliver and register results
- Support to trade facilitation reforms is important for unlocking trade growth across the continent, and can draw from the exemplary experiences of UK aid in East Africa, but risks being undermined with the UK's ODA cuts
- UK, EU and US consensus on the need to complement trade opening with investment in both productive capacities and reforms
- Pockets of instability in the Sahel, the Horn and Central Africa can derail the trade reform agenda if lasting solutions are not found
- Low level of engagement by the UK government whose priority appears to be Asia

Significant trade and investment potential in Africa bolstered by broad African political support for the AfCFTA

Africa is of growing importance for traders and investors worldwide, and by 2035 the market value of the region will be an estimated \$8 trillion. There is significant political will in Africa to boost intra-Africa trade, reduce trade barriers and grow regional value chains, notably in the areas of industry innovation, agri-processing, automobiles and pharmaceuticals. These reforms create new business opportunities for investments by the UK and others.

By July 2021, all but one of the 54 African Union member States had signed the African Continental Free Trade Agreement (AfCFTA) and 40 had ratified it – the process of bringing it legally into force in those countries. In lieu of considerable fiscal resources, Africa's stimulus response to the Covid-19 pandemic will involve the aggressive implementation of the AfCFTA Agreement.

The AfCFTA is a comprehensive trade agreement covering the liberalisation of trade in goods and services expected in such an arrangement, but also extending to cover a raft of important behind-the-border issues that have a significant impact on trade in Africa. The AfCFTA includes protocols on investment protection, competition policy, intellectual property rights, digital trade and women and young people in trade. It creates a rules-based system backed-up with a dispute settlement mechanism to give investors' confidence in due process. It marks the first legally binding agreement governing trade and investment across the breadth of ratified countries and marks the first step towards the eventual creation of an African common market.

Matching the ambition of the AfCFTA with effective implementation

There has been considerable celebration of the potential of the AfCFTA; the need now is for the agreement to deliver and register results. Integration efforts in Africa in the past suggest that implementation can be the hardest part. The impressive political will shown by African leaders to the AfCFTA in the first phase of the negotiations will need to be continued and converted into meaningful implementation.

Forty African countries have been, or are in the process of being, supported by UNECA to develop strategies for implementing the AfCFTA Agreement domestically. These strategies identify national-level reforms and regulatory changes required of the Agreement, as well as prioritising trade opportunities that countries may pursue, and offer a framework through which partners may provide structured support to AfCFTA implementation at the country level. The UK, and other partners such as the US and EU, must ask what strategies are in place and engage countries with support from that perspective.

The UK and partners can provide impactful support to African trade facilitation

Trade facilitation involves the simplification, modernisation and streamlining of bureaucratic delays and “red tape” in the moving of goods across borders. In recognising the priority of this in Africa, the AfCFTA Agreement annex on Trade Facilitation aligns with, but goes beyond, the ambitions of the World Trade Organization Trade Facilitation Agreement.

The UK government has a rich history of supporting trade facilitation in East Africa through the Trademark East Africa (TMEA) programme, which is recognised as an exemplary success. There is recognition of the opportunities for replicating the TMEA programme to support AfCFTA trade facilitation in other parts of the continent – and particularly West and Central Africa. However, recent cuts to the UK’s ODA budget put such ambitions at risk.

Buttressing the AfCFTA with investment

The UK, EU and US have reached consensus on the need to complement trade opening in Africa with investment in both productive capacities and reforms, reflecting a priority also set by the AfCFTA Secretariat.

The EU is looking to step up its engagement with Africa on trade and investment to support the negotiations and the establishment of the AfCFTA. To date, it is helping to establish the African Trade Observatory, supporting customs offices with supporting goods classifications and effective application of rules of origin, and helping with a system for intellectual property rights, as well as supporting European business with opportunities for FDI into Africa.

The expiration of the African Growth and Opportunities Act (AGOA) in 2025 has provided an opportunity for the US to consider how to re-engage with and support the AfCFTA through reforms and investments. A key component to the US engagement with Africa will be the Prosper Africa Initiative, which would seek to complement a modernised AGOA by offering companies investment funds to lower the cost of capital and facilitate African access to the US market including in sectors such as finance, venture capital and innovation, healthcare, energy and entertainment. The US will seek to support such a new trading relationship based on mutual respect and integrating Africa into global markets. This will involve the opening of more US goods and services markets to African businesses but will crucially involve reciprocity.

As the world recovers from the Covid-19 pandemic and the UK charts a new course as an independent trading nation, the UK can look to build strategic trade partnerships across the continent to make Africa the UK's investment continent of choice. This can build on the expansion of the UK's DIT Africa network to support British investments, and increased UKIF financial support for British businesses. Additionally, improvements to UK GSP in terms of country scope can include new digital and services chapters. Beyond financial investments, the UK can support the AfCFTA negotiations.

The threat of instability to trade in Africa

Pockets of instability in the Sahel, the Horn and Central Africa can derail the trade reform agenda if lasting solutions are not found. The AfCFTA agreement and ratified states must acknowledge real challenges on the continent: political instability; poor governance; armed groups; and threats to physical infrastructure. The AfCFTA Secretariat must be transparent to ensure the gains from trade are realised and old trading domestic regulations are updated.

There are also opportunities for the AfCFTA to help consolidate peace through integrated markets and regional value chains: the extra need to enforce peace in these regions will produce international collaborations.

Low level of Africa engagement by the UK government whose priority appears to be Asia

It was put to the UK government that the level of engagement from UK ministers with Africa is very low; the focus is on Asia-Pacific trade, which leaves the UK to trail Germany and other European countries in the continent. There does not, as yet, appear to be a UK government strategy to move beyond replicating the EU's existing economic partnership trade agreements with African countries. Over the medium-to-longer term, the UK could look to facilitate its own free trade agreements with countries in Africa.