



4<sup>TH</sup> ANNUAL SADC INDUSTRIALISATION WEEK

# African Continental Free Trade Area (AfCFTA): Implications for SADC Industrialisation strategy and roadmap

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13/08/2019

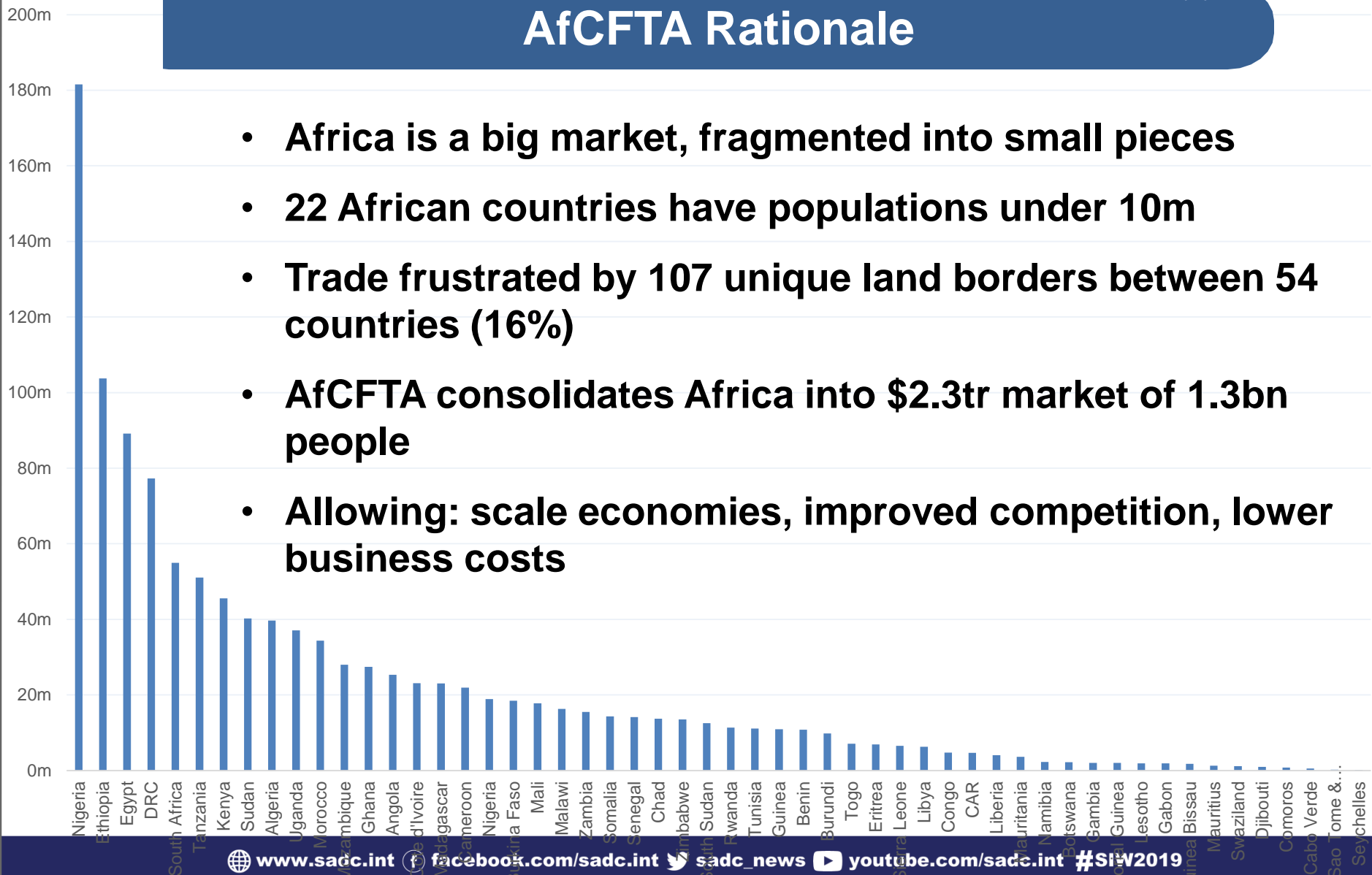
## Outline of the presentation

- I. Background and rationale of AfCFTA**
- II. Roadmap for continental integration**
- III. Key outcomes of AfCFTA negotiations**
- IV. AfCFTA modalities on goods: implications for SADC/Africa**
- V. Conclusion and way forward**



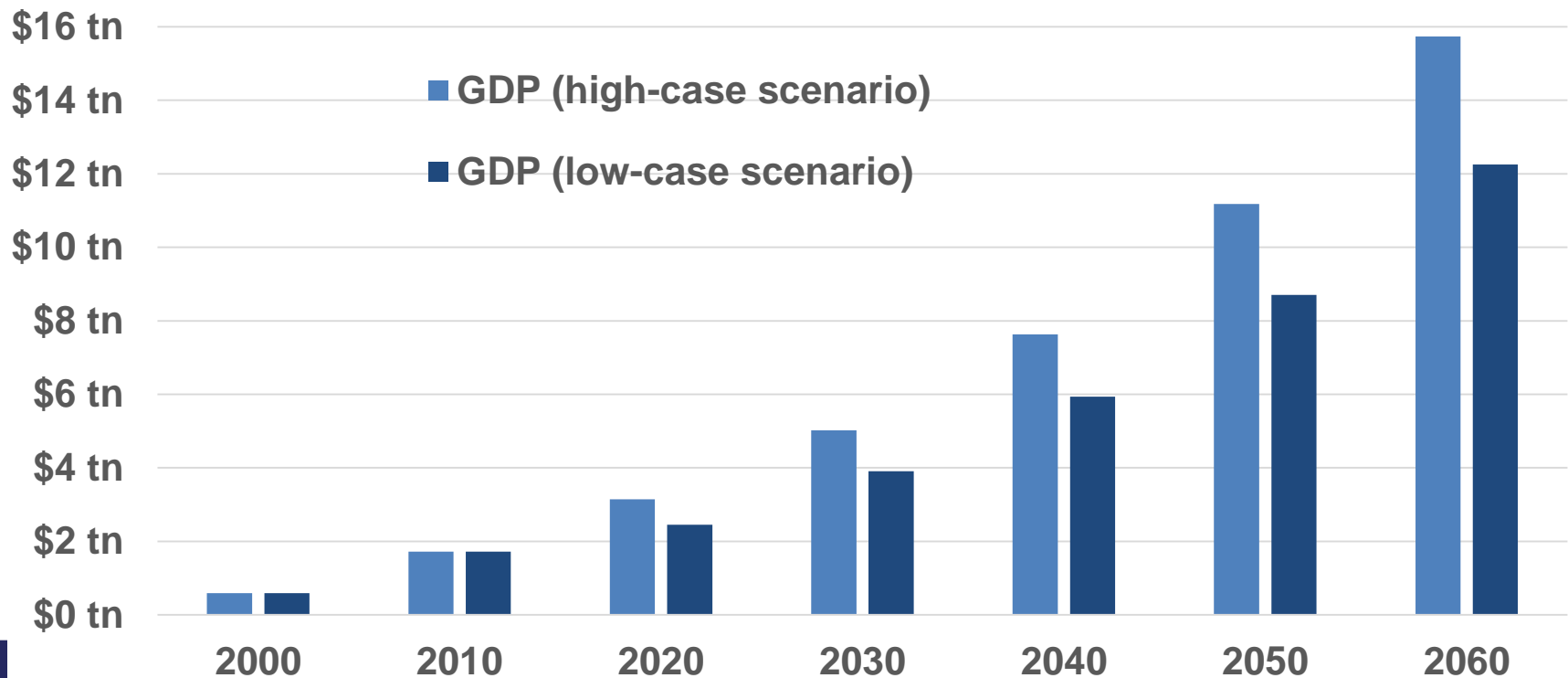
## AfCFTA Rationale

- Africa is a big market, fragmented into small pieces
- 22 African countries have populations under 10m
- Trade frustrated by 107 unique land borders between 54 countries (16%)
- AfCFTA consolidates Africa into \$2.3tr market of 1.3bn people
- Allowing: scale economies, improved competition, lower business costs



## AfCFTA Rationale

- It's a rapidly expanding market, with dynamic prospects
- 6/10 fastest growing countries were African in 2018 (WB)
- GDP predicted to reach \$4tr by 2030



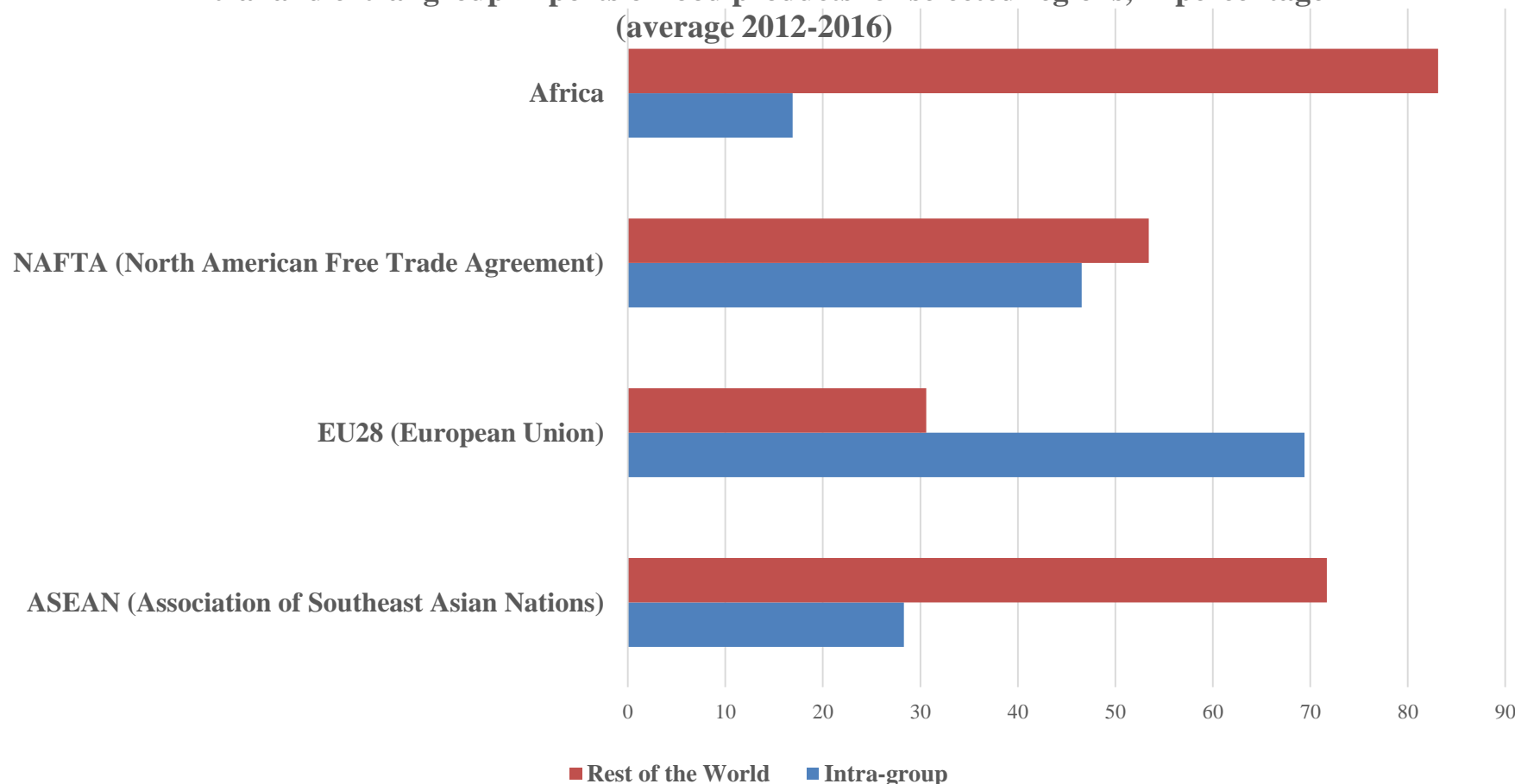
## African markets are under-exploited

	Exports to Africa (% total exports)	Within REC exports (% of exports to Africa)	Imports from Africa (% total imports)	Within REC imports (% of imports from Africa)
COMESA	19.2	43.0	13.6	36.2
EAC	38.8	46.2	14.4	44.6
ECCAS	9.9	44.1	19.2	15.0
ECOWAS	17.2	59.8	11.4	64.8
SADC	23.2	88.6	23.2	86.4
UMA	5.5	47.8	4.2	48.7

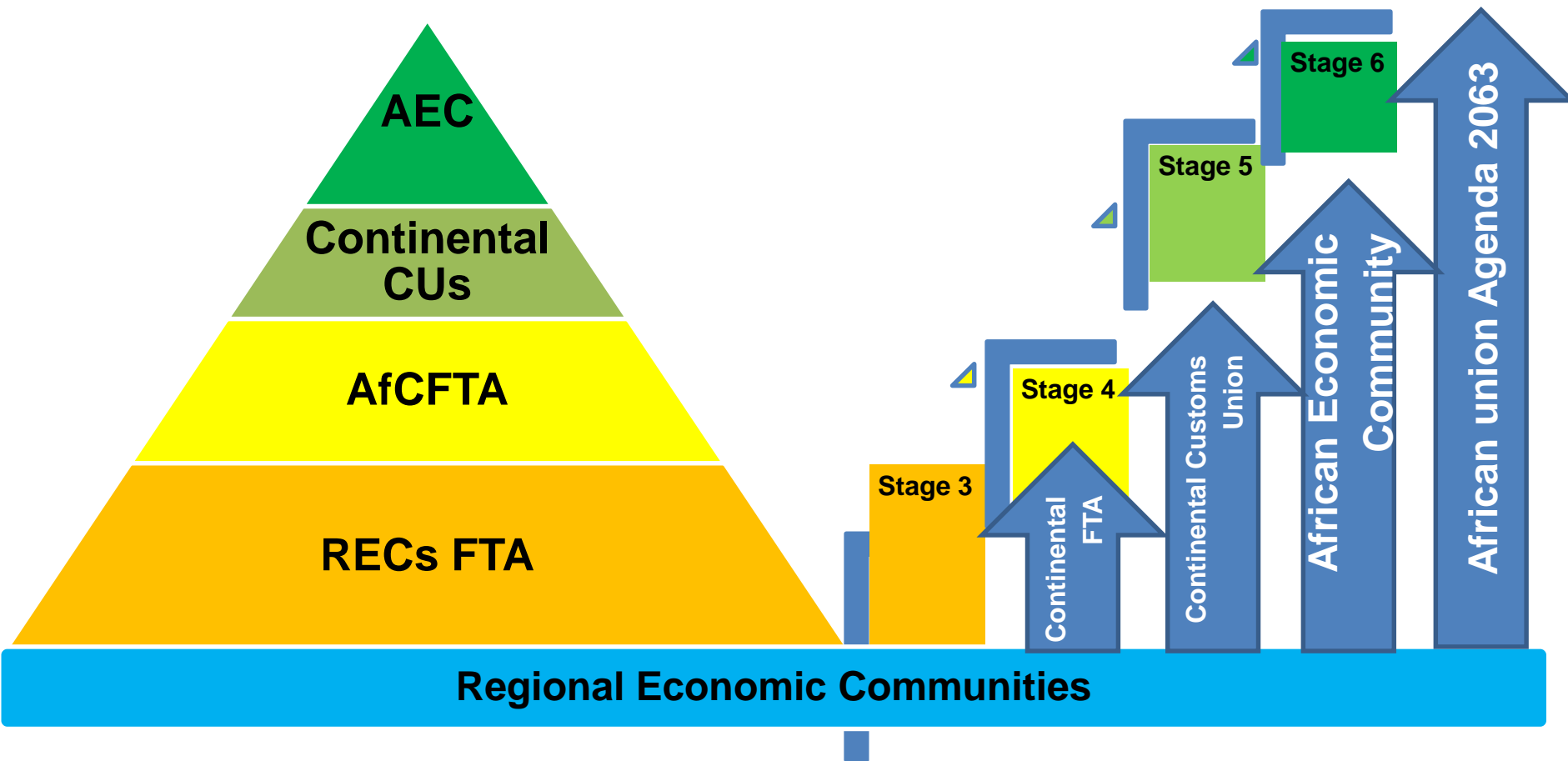
- Large share of intra-African trade is within RECs
- The AfCFTA offers an opportunity for existing RECs to tap into under-exploited market opportunities in other African countries

- **Agro-processing : Africa continues to depends heavily on the Rest of the World to meet its food demand...**

Intra- and extra- group imports of food products for selected regions, in percentage  
(average 2012-2016)



## Roadmap for Continental Integration



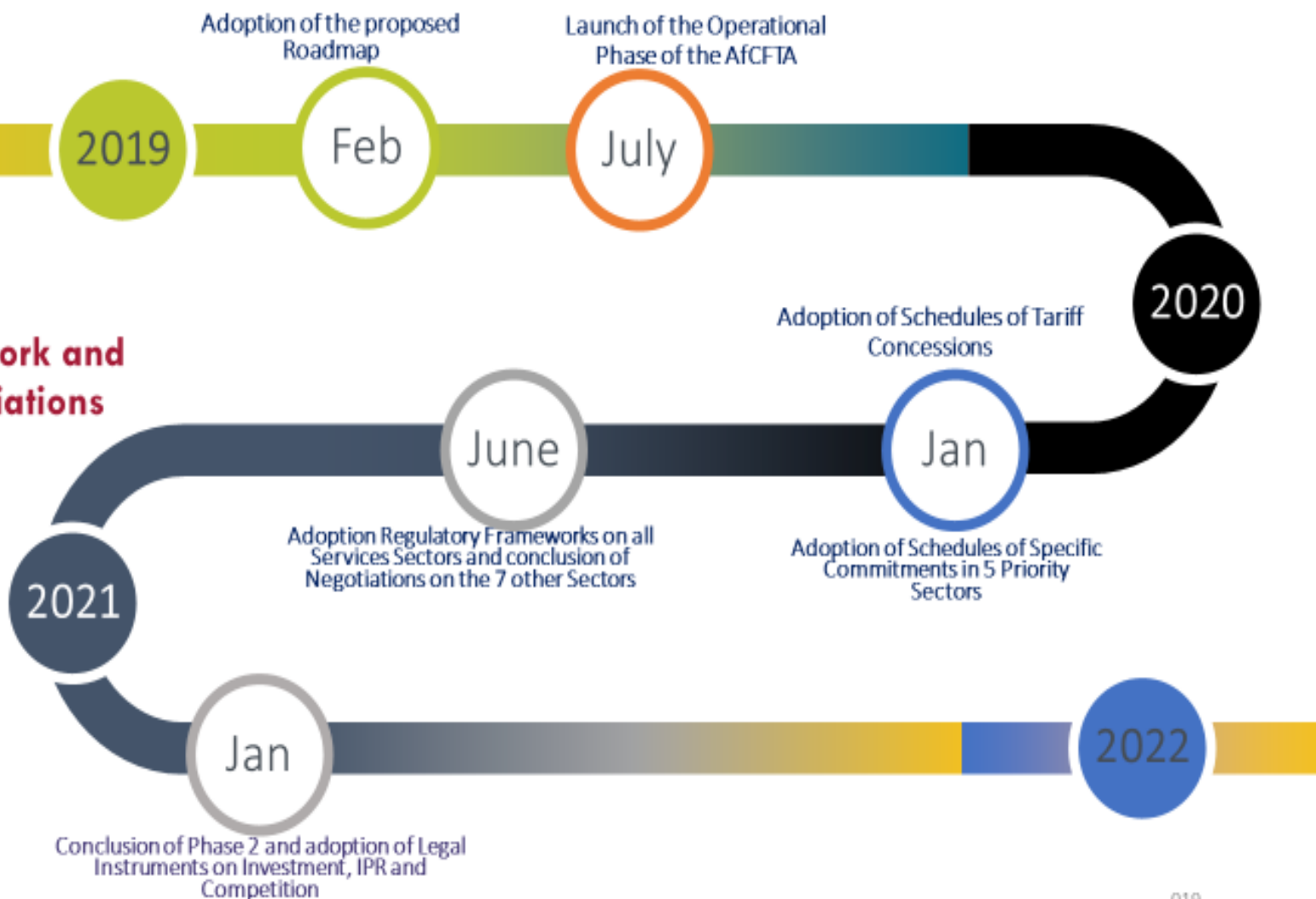
- ❑ Objectives and Guiding Principles for AfCFTA negotiations Adopted;
- ❑ Modalities for tariff liberalisation were adopted with a level of ambition of 90% of tariff lines over a period of 5 – 10 years;
- ❑ Modalities for liberalisation of trade in services were adopted with a hybrid approach of schedules of specific commitments accompanied by regulatory cooperation;
- ❑ The Agreement Establishing the AfCFTA (44 Members signed) together with 3 Protocols were adopted by the AU Assembly on 21 March 2018 in Kigali, Rwanda;
- ❑ 12 Annexes to the Protocols were also adopted by the Assembly on 1 July 2018 in Nouakchott, Mauritania;
- ❑ To date, the AfCFTA Agreement has 54 signatories and 28 Member States have ratified it and have deposited instruments of ratification.
- ❑ Official launch in Niamey, Niger on 07 July 2019



## Roadmap for AfCFTA Negotiations

### Road Map for Conclusion of Outstanding Work and Phase II Negotiations

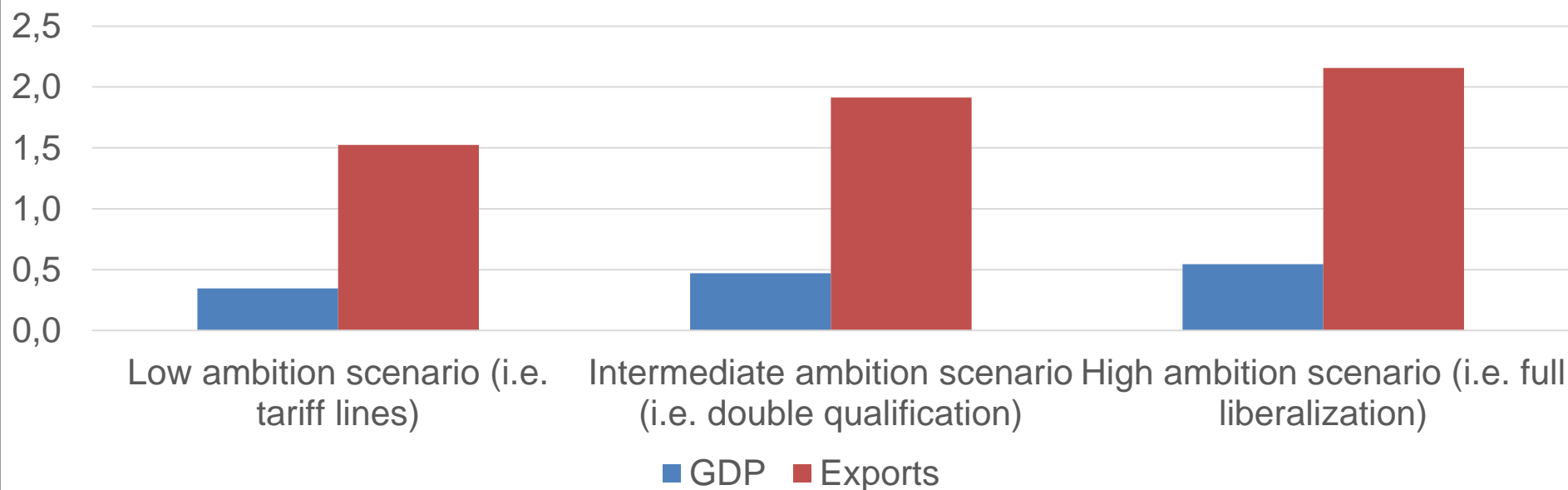
2019-2021



# AfCFTA modalities on goods: Implications for Africa/SADC

- From ECA's recent empirical assessment of AfCFTA modalities on trade in goods, both GDP and exports of Africa would increase (true for all countries)
  - The more ambitious the liberalization, the higher the gains *[between 0.35% (or US\$ 28 bn) & 0.54% (or US\$ 44 bn) for GDP and between 1.5% (or US\$ 40 bn) & 2.2% (US\$ 56 bn) for exports; depending on the ambition of the liberalization reform]*

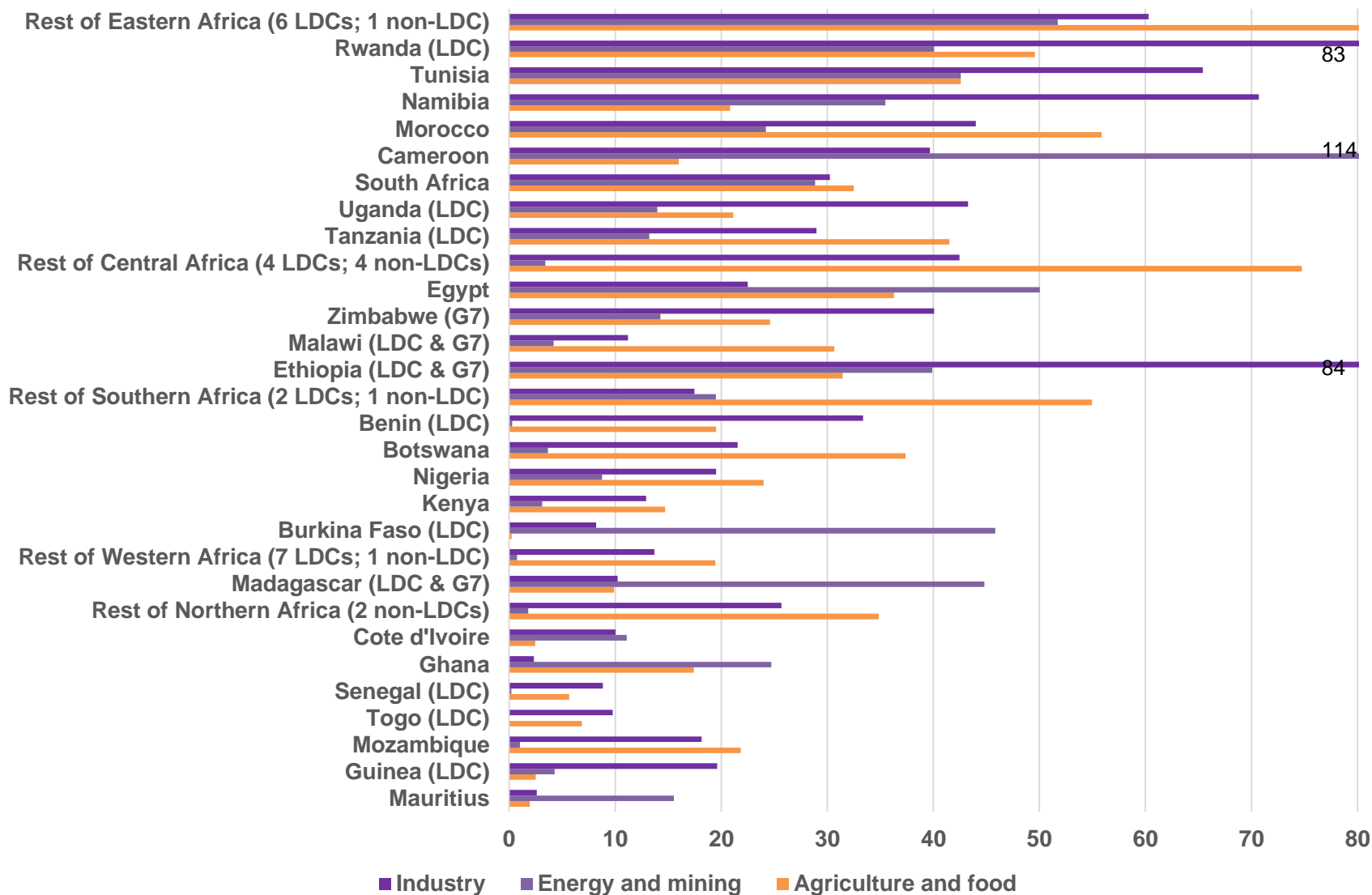
## Change in Africa's GDP and exports under various scenarios (as compared to baseline) – in 2040 - %



## AfCFTA modalities on goods: Implications for Africa/SADC

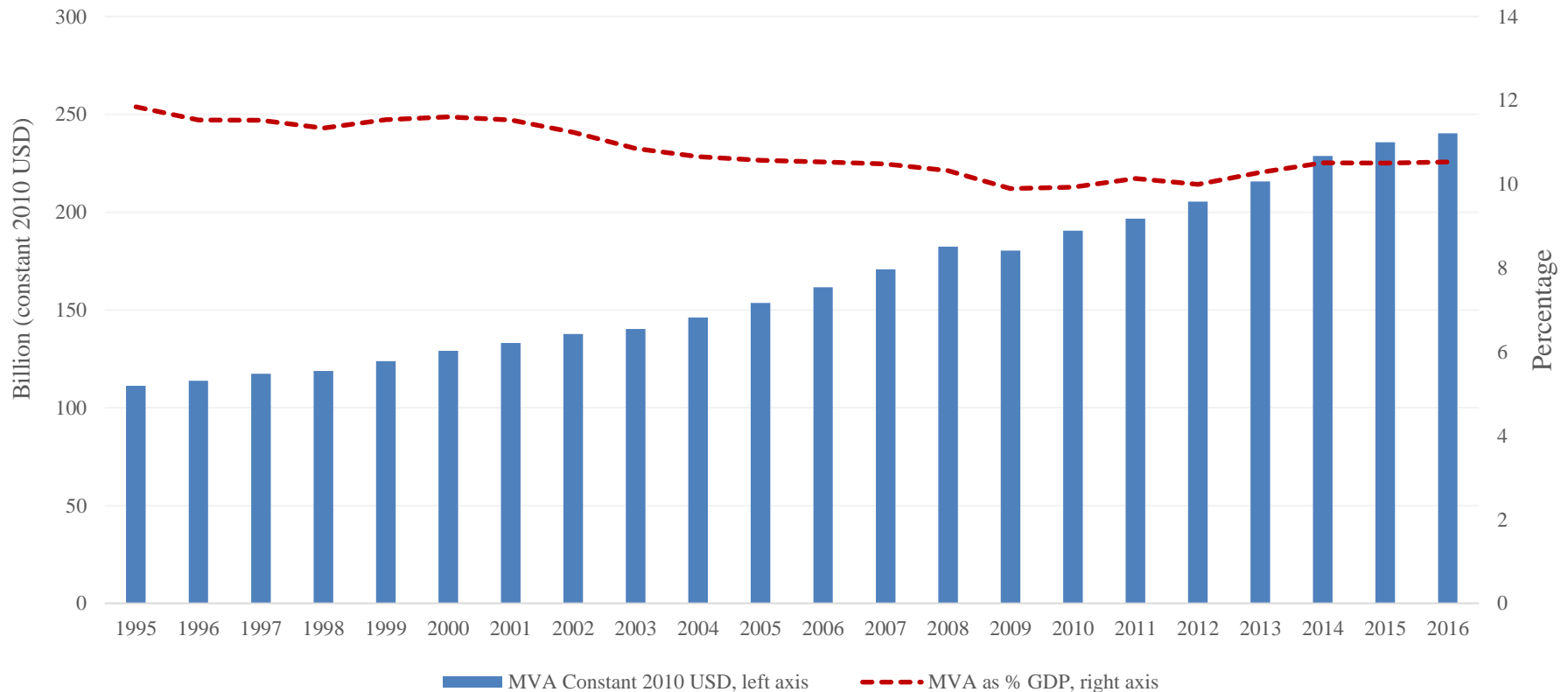
- **Benefits from AfCFTA very much centered on intra-African trade**
  - In relative terms, SADC getting larger overall increases in intra-African exports than Africa average (verified whatever the scenario)
  - 4-5% points higher increase under double qualification than tariff line approach
  - Differences at country level within SADC region, with gains ranging between 4% for Mauritius and 55% for Namibia.

# Change in African countries/regions' exports to Africa by main sectors



# Africa's manufacturing sector rising but could scale up with AfCFTA

- Africa's manufacturing sector is increasing but still has limited contribution to economic overall output;
- The sector has potential to further increase with AfCFTA : economies of scale and scope ; movements of people and capitals; efficiency gains;



## SADC Minerals and metals: Potential in extraction and processing



Pictures of the Moanda Metallurgical Complex (CMM) in Gabon inaugurated in 2015 by COMILOG, subsidiary of the ERAMET Group

Selected mineral/metals value chains	Countries
Copper and copper products	Zambia and DRC
Iron/steel	South Africa, Mozambique
Bauxite / Aluminum	Mozambique
Manganese and by products	South Africa
Diamonds and by products	Botswana, South Africa, Angola, Namibia
Rare earth metals	South Africa, Tanzania, Malawi, Mozambique.
Gold and by products	South Africa, Tanzania

## SADC: most common exports

	Africa	World	SADC
1	Light oils and preparations, of petroleum or bituminous minerals which $\geq 90\%$ by volume "incl. ...	Petroleum oils and oils obtained from bituminous minerals, crude	Non-industrial diamonds unworked or simply sawn, cleaved or bruted (excluding industrial diamonds)
2	Non-industrial diamonds unworked or simply sawn, cleaved or bruted (excluding industrial diamonds)	Non-industrial diamonds unworked or simply sawn, cleaved or bruted (excluding industrial diamonds)	Light oils and preparations, of petroleum or bituminous minerals which $\geq 90\%$ by volume "incl. ...
3	Petroleum oils and oils obtained from bituminous minerals, crude	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes	Petroleum oils and oils obtained from bituminous minerals, crude
4	Electrical energy	Bituminous coal, whether or not pulverised, non-agglomerated	Electrical energy
5	Copper ores and concentrates	Copper, refined, in the form of cathodes and sections of cathodes	Copper ores and concentrates
6	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...	Copper, unrefined; copper anodes for electrolytic refining	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold ...
7	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured	Ferro-chromium, containing by weight $> 4\%$ of carbon	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes
8	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	Tobacco, partly or wholly stemmed or stripped, otherwise unmanufactured
9	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston ...	Chromium ores and concentrates
10	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, with a basis of ...	Light oils and preparations, of petroleum or bituminous minerals which $\geq 90\%$ by volume "incl. ...	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, with a basis of ...

## PEB of SADC to Africa

2117 products make up SADC's Potential Export Basket to Africa.

These products offer higher potential for intra-African trade.

	Category of product (According to HS Chapters: two digit)	Number of products
1	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	237
2	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	118
3	Organic chemicals	115
4	Fish and crustaceans, molluscs and other aquatic invertebrates	84
5	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	62
6	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	61
7	Articles of iron or steel	60
8	Iron and steel	53
9	Wood and articles of wood; wood charcoal	46
10	Miscellaneous chemical products	43



## Infrastructure and logistics : selected projects

Project	Region	Cost estimate (USD)
North South Corridor (roadways and railways network - 6,000 miles )	Eastern and Southern Africa	1 Billion
Tanzania's Bagamoyo Port (capacity of 20 million containers per year)	Tanzania (regional dimension)	\$11 billion
Grand Inga Dam	Democratic Republic of Congo (regional dimension)	100 billion

- Conclusion of Outstanding Work on Phase I;
- Conclusion of Phase 2 Legal Instruments on Investment, Intellectual Property Rights and Competition Policy by June 2020;
- Establishment of the AfCFTA Institutions: Including AfCFTA Secretariat, National Committees and various Subcommittees;
- Stakeholders Engagement at all Levels, including establishment of A Consultative Dialogue Framework.
- National AfCFTA Strategy at country level is key to leverage opportunities and mitigate associated short term risks!



# THANK YOU!

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