

Covid-19 as an opportunity for AfCFTA?

Why Germany should give high priority to supporting the African Continental Free Trade Area during the EU Council Presidency

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There is barely another region of the world in which the Covid-19 pandemic has revealed structural issues with global trade integration so clearly as in Africa. The continent's exports had already been impacted negatively by price turbulence on the international commodities markets at the beginning of the coronavirus crisis. At the same time, trade barriers led to considerable drops in imports of basic foodstuffs, medication and medical equipment. The African Development Bank expects the Covid-19 pandemic to lead to a 3.4 per cent drop in economic performance this year. One of the main keys to overcoming this crisis rests in the hands of the African nations themselves, namely the African Continental Free Trade Area (AfCFTA). Under Germany's Council Presidency, the EU should support African countries in this endeavour.

The Agreement Establishing the AfCFTA was ratified back in May 2019, paving the way for the world's largest free trade area. Originally set to launch this summer, the AfCFTA has been delayed by half a year due to the Covid-19 pandemic and is now due to commence on 1 January 2021. This delay in no way diminishes the fundamental importance of the free trade area. The AfCFTA is expected to accelerate the dismantling of trade barriers between African countries, stimulate intra-African trade, strengthen regional value chains and diversify economic structures. With this, it is also hoped that the AfCFTA will improve Africa's long-term integration into global trade.

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However, the continent's flagship project is still just a framework that needs to be filled with substance. In order to encourage trading of goods between African countries, there is a need to swiftly conclude the negotiations on tariff reductions, which have stagnated as a result of Covid-19. The rules of origin, that is, the conditions under which companies can take advantage of the reduced tariffs, are still to be negotiated. However, these key first steps will be insufficient to leverage the full potential of AfCFTA. Studies by the World Bank and the International Monetary Fund point out the need for further reforms in order to secure greater welfare gains. In particular, such reforms would include standardising non-tariff

trade measures, such as hygiene and technical requirements, introducing measures for simplifying, modernising and harmonising export and import processes, and launching initiatives to promote trade in services and e-commerce.

Considerable political involvement on the part of the African governments in implementing the AfCFTA and achieving its overall vision is key to addressing these structural issues. However, there is reason to fear that the impact and ripple effects of the Covid-19 pandemic could lead, at least for a time, to a shift in economic policy priorities. Cost-intensive infrastructure investments in particular could fall victim to efforts to combat the pandemic and calls for protectionist measures could grow louder. The postponement of the AfCFTA's launch is thus an opportunity and obligation of sorts for external partners to step up their support for this agreement.

The AfCFTA offers a new opportunity for African and European actors to engage more often with one another on a peer-to-peer basis. The AfCFTA could serve as a platform for a new political partnership based on mutual sharing of experiences in regional integration. In addition to promoting mutual economic interests, facilitating intensive cooperation between Africa and the EU would send a strong signal for multilateralism and global cooperation.

European and German development cooperation actors should place the AfCFTA at the heart of their trade policy support activities. They should take targeted action to drive implementation and consolidation of the free trade area. However, the EU's support to the AfCFTA can only be effective if it is geared to the needs and priorities of African countries, as well as being well coordinated. This assumes that the African states are focused on developing and implementing a continental support and investment agenda, that the EU measures are geared to this agenda, and that the EU does not push its own agendas and interests. From its own experience, the EU knows that single markets do not appear overnight and should therefore be a reliable partner for African stakeholders. The German EU Council Presidency should work to promote the creation of a shared platform for concerted, long-term support of the AfCFTA and efforts to encourage other European investment in Africa.