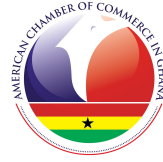




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Introduction

The [American Business Council](#) in partnership with [US-Africa Business Centre](#), [AmCham Ghana](#) and the [Africa Continental Free Trade Area](#) (AfCFTA) organized a webinar “**AfCFTA Implementation Post COVID-19**” on the 29th of May.

The main objective of the AfCFTA is to create a single continental market for goods and services, and enable free movement of people and investments, thus paving the way for the establishment of the Customs Union in Africa. Currently the continent has a combined GDP of US\$2.5 trillion, which can be grown by US \$1 trillion within the next decade through increased production by African industries. The AfCFTA will be fundamental for the achievement of this estimated growth.

With the current pandemic causing economic difficulties for the African Continent, [McKinsey](#) estimates that the GDP of Africa could contract by as much as eight (8) percentage points from the 3.9% growth forecast that was predicted for 2020.

The objective of the meeting was to hold conversations on the role of the AfCFTA as a stimulant for post-covid economic recovery and ways in which the AfCFTA can engage partners domestically and internationally to provide technical and financial support to countries in resolving critical issues. The webinar helped stakeholders and participants walk away with concrete ideas of the AfCFTA vision and how best to take advantage of its opportunities.

The pandemic has triggered worldwide panic as the number of victims explode and economies implode. Free movement of persons and social interactions have shriveled in the lockdown and the fear of its destructive impact increased, as unprepared federal governments and international agencies desperately scramble for solutions.

The pandemic has exposed the huge deficiencies in the public health systems of countries globally, particularly in Africa. It threatens devastating economic consequences as factories, businesses, global supply chains, and stock markets are shaken due to uncertainty. These are occurring on the verge of the AfCFTA commencement date of July 1, 2020.



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Highlights from the discussion

- **Improving productivity within Africa as opposed to dependence on exporting commodities:** In 2012, the African Union met in Accra to agree on the 'Boosting Intra African Trade Action Plan' and at the time of the plan Intra-trade was at about 11% but now at 18% which is significantly low compared to trade in the EU at 70%, Intra North-American trade at 49% and Intra-Asia trade at 35%. The objective of the plan was to place Africa on the path to industrial development, production of value-added goods and a degree of specialization in order to reduce her dependence on the export of primary commodities to the developed market.

For intra trade to take place, there needs to be a clear roadmap on infrastructural development of which Africa has a deficit of over \$100 Billion Dollars. The AfCFTA also sees the current crisis as an opportunity to make such investments happen as this will create a path for industrial development, provide jobs for the growing population, establish regional value chains and value-added goods across Africa.

- **Timelines for the Implementation of AfCFTA:** Currently 42 African nations are either under a full lockdown with border closure or a partial lockdown with border closures. African Heads of States are concerned about the safety of its citizens of which the AfCFTA Secretariat has taken this under consideration and have engaged the Heads of States of the ratified nations for a go ahead with the launch date or a postponement. A consensus is yet to be agreed upon. The AfCFTA is working with the African CDC and the Department of Trade and Investment of the AU to ensure that essential goods are moved across the borders despite the closure.
- **AfCFTA's plan to boost production:** One of the goals of the AfCFTA is to ensure the agreement benefits all ratified countries irrespective of the industrial or manufacturing capacity or GDP size. To this point, the AfCFTA will work on developing regional value chains. For example, the Automobile value chain in Southern Africa of which South Africa is engaged in assembling of the vehicles, while neighboring countries engage in manufacturing of car seats, catalytic converters and other components. This can be replicated across a region on any given sector but requires identifying the stakeholders in the value chain – private sector, trade and industrial policy makers, and civil society groups so that each member of the



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agreement benefits. This however would require discipline, time and an action plan.

- **Enforcement of guidelines at trade borders:** Customs procedures are always the challenging part of a trade agreement and more challenging when you have large countries with so many borders. AfCFTA plans to work with regional economic communities to ensure the capacity building is done in line with the AfCFTA rules and guidelines.
Empirical evidence shows that transshipment of goods causes job losses of which the AfCFTA is against. Fraudulent invoicing or entry of 3rd party goods into an AfCFTA market cannot be eliminated but procedures have to be created to make such acts difficult.
- **Penalties for Countries flouting the customs agreement:** If a State party is flouting the rules the affected country has a right to initiate action under the protocol of dispute settlement. In this ruling the country accused of flouting the rules will have to bring its measures in conformity with the agreement and if not done the country affected can retaliate based on the rules. The agreement also makes rules of origin requirements clear and very stringent.

It is also in the interest of countries as the Heads of State look forward to creating a positive investment climate, overcoming market segmentation, and enhancing economies of scale. If a country does not play by the rules it defeats the objective.

- **AfCFTA's role in fight against counterfeits and parallel trade during the pandemic:** These are substandard goods and the AfCFTA Secretariat will need to work closely with Customs officials. This will be one of the biggest challenges to tackle.
- **Platform for Private Sector to engage in dispute settlements:** Companies would not be able to engage directly with the AfCFTA on dispute claims but can be espoused by the Ministry of Trade and Investment of that Country.
- **Mid to long term plan by the AfCFTA:** As an institution that oversees and monitors the agreement, its staff and institution must be credible and apolitical. Dispute settlement would be paramount as this is critical in boosting investor confidence.
- **Protocols for Ecommerce and practices regarding DST:** On the request of Heads of States to negotiate the rules in Africa, AfCFTA will look at the digitization of trade in general. An integral part of the agreement implementation will include



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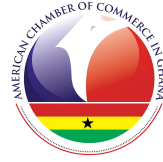
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establishing rules that ensure digitization, introduction of digital platforms to facilitate trade and customs procedures. Currently certificate of origin is done manually which can be digitized and made efficient.

- **Update on the Pan African Payment Settlement Systems:** The Afrexim Bank will be providing the resources for the establishment of the payment and settlement system which will be cost effective, created by Africans and made freely available for ratified countries.
- **Incorporation of Private Sector recommendations in the rules and standards of the AfCFTA:** The Annex on technical barriers to trade and other standards are a mechanism for resolving Non-Technical Barriers to trade. They are set rules agreed for how countries should generate public health standards, consumer protection and others. This is also done at the level of the WTO. On the roles of engagement, the area of focus will be industrial development which needs Private Sector engagement in order to show their capacity across all sectors.
- **Programs to develop the value chain:** Article 3 of the AfCFTA agreement requires the AfCFTA Secretariat to take measures in establishing regional value chains in Africa and to take steps to enhance industrial development in Africa. The AfCFTA would first identify the strengths and weaknesses of the State Parties and then mobilize investors to establish a fund to invest in the value chains identified.
- **Financial Compensation for Countries that lose out on trade but comply to the AfCFTA rules:** There will be winners (those with industrial capacity) and losers in trade. Some will experience short to midterm revenue losses through trade liberalization. Afrexim Bank has offered an adjustment facility of \$1 billion for ratified countries. AfCFTA is currently negotiating the modalities and will be part of the implementation.
- **Timelines on the improvement of intra-trade in Africa:** The goal of the African Union by 2030 is to improve intra trade by 50%.
- **Other COVID-19 related challenges:** Currently, trade protectionism has increased globally due to the pandemic and a huge demand for ventilators and PPEs and as a result, nations have flouted the rules. One of the challenges will be implementation and compliance of the AfCFTA standards and rules. Although, Heads of States have demonstrated the political will to implement and abide by the rules. Another will be the border officials in a remote part of a country who might apply or not apply the rules of the AfCFTA.



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- **AfCFTA's optimism:** Most developed Countries have introduced economic relief packages to reinject dynamism and growth in their economies. For example, the United States and the European Union. African nations do not have either the monetary policy space or the fiscal policy to provide such substantial economic relief packages. For Africa, implementation of the AfCFTA is its economic relief package. By estimates of the World Bank, Africa's economy will contract between 2-5% but if there is a boost around intra trade and investment, Africa can experience some growth.

Next Steps

- Identifying the regional value chains across the economic blocs in Africa through on ground research and stakeholder engagements.
- Identifying the kinds of jobs that will be needed from now to 2030 and creating a plan to boost capacity working with identified stakeholders.
- Setting up an industrial development forum comprising private sector and trade and industrial policy officials.
- Engaging private sector experts on best tools and techniques to curtail invoice fraud and trans-shipment at the borders.
- Working with stakeholders to create awareness on the AfCFTA benefits and creating a platform or portal that shares updates from the AfCFTA Secretariat.
- Capacity building for the Customs officials of ratified nations.
- Identifying the needs of the AfCFTA and pulling resources to ensure the AfCFTA Secretariat achieves its goals.

This webinar was sponsored by Procter and Gamble, Jumia and Google.