

THE CONTINENTAL FREE TRADE AREA (CFTA)

PREPARED BY SEPTEMBER 2020



Research and Analysis Division
©2020 Policy Monitoring and Research Centre (PMRC)
info@pmrczambia.net | www.pmrzambia.com



SUBSCRIBE NOW: info@pmrczambia.net

INTRODUCTION



- The Agreement establishing the Continental Free Trade Area (CFTA) was presented to African leaders for signature on 21st March 2018 in Kigali, Rwanda.
- The CFTA covers a market of over **1.2 billion people** and a gross domestic product of more than **US\$2 trillion**.

1.2 BILLION
people with a combined Gross domestic product (GDP) of more than
US\$2 TRILLION



Source: <https://theadv.com/big-trillion-dollars/468166/>



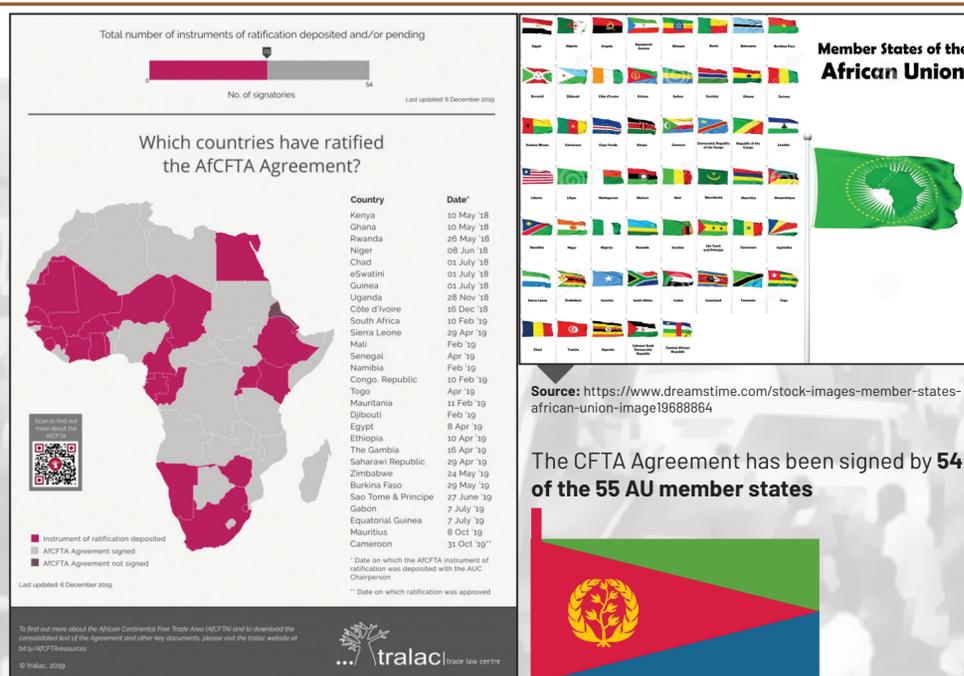
- The large number of participating countries means the CFTA would be the world's largest free trade area since the formation of the **World Trade Organisation**.

- The Economic Commission for Africa estimates that the CFTA has the potential both to boost intra-African trade by 52.3% by eliminating import duties, and to double this trade if non-tariff barriers are also reduced.

OBJECTIVES

- The primary objective of the CFTA Agreement is to create a single market for goods and services **which also allows for the free movement of business and natural persons**.
- The market also seeks to promote sustainable socio-economic and industrial development as well as increase the competitiveness of African economies on the global market.
- In view of the number of Regional Economic Communities (RECs) across the continent, the CFTA further aims to resolve the challenges of multiple and overlapping memberships.
- Other objectives of the Agreement **include the promotion of gender equality, regional value chain development, agricultural development, food security and ultimately, the establishment of a Continental Customs Union**.
- The objectives of the CFTA Agreement are to be fulfilled through, amongst others, the liberalisation of trade in goods and services; co-operation in matters related to investment, competition, trade and customs; the creation of systems that deal with resolving conflict and institutions to govern the CFTA.

STATUS OF RATIFICATION AND ENTRY INTO FORCE OF AGREEMENT



Source: <https://www.dreamstime.com/stock-images-member-states-african-union-image19688864>

The CFTA Agreement has been signed by **54** of the 55 AU member states

ERITREA
has yet to sign

30 of the 55 member states have ratified the Agreement

ZAMBIA
has yet to ratify the Agreement



THE AGREEMENT ENTERED INTO FORCE
on the **30th of May 2019**, which was **30 days after the deposit of the 22nd instrument of ratification**.

- Notably, the agreement only entered into force for the countries which had deposited their instruments of ratification.

Trade under the **CFTA was set to begin on 1st July 2020**, but as a result of **COVID-19** this date has been postponed. A new date for the commencement of trade has yet to be declared.

-THIS EVENT HAS BEEN-
POSTPONED
-WE'RE SORRY-

HOW WOULD THE CFTA BENEFIT AFRICAN COUNTRIES?

- It could lead to a significant long-term welfare gain for African countries. United Nations Conference on Trade and Development (UNCTAD) suggests that the elimination of all tariffs between African countries would result in an annual tariff revenue loss of US\$4.1 billion but would create an overall annual welfare gain of US\$16.1 billion in the long run.



- The free movement of business and natural persons would bring about spill over effects from countries that may develop new technologies and skills in response to the single continental market demands.
- The establishment of CFTA could also resolve the challenges of multiple and overlapping memberships by encompassing the RECs across the continent and progressively harmonising and integrating their activities.
- The CFTA may result in increased food security through reduction to barriers on trade in agricultural products.
- The CFTA may result in an increased rate of diversification and transformation of Africa's economy and the continent's ability to supply its import needs from its own resources.

RECOMMENDATIONS FOR ZAMBIA



- The Ministry of Commerce, Trade and Industry is urged to build the capacity of Zambian firms to compete in the continental market by implementing strategic policies to encourage investment in the manufacturing sector. Special focus should be given to Industrial policy, Trade policy and other policies related to the cost and ease of doing business.

- Support must be provided for small scale producers to avoid crowding out by a market run by the private sector. Small scale producers may adapt to the post-CFTA market through enhanced technical, managerial and financial skills to meet industry standards.
- Government is urged to conduct research on and prioritize sectors where the country has comparative advantage and build domestic production capacity.
- There is need to **increase sensitization** about the CFTA and the impact of Zambia joining because this will equip businesses and manufacturers in strategically positioning themselves to benefit from CFTA.