



AfCFTA

AfCFTA: Where are we now?

AfCFTA: Where are we now?



The Africa Continental Free Trade Agreement (AfCFTA) which is aimed at creating a single continental market for trade in goods and services within Africa, was established in 2018, with 54 countries signing on to the agreement with the exception of Eritrea. The AfCFTA is the largest trade agreement in the world when assessed by the number of participating countries, with a combined GDP valued at \$3.4trillion. The agreement seeks to optimize natural and human capital resources in the continent by facilitating greater intra African trade and investment that would enable greater economic growth and improved productivity in Africa.

On January 1, 2021, the trade agreement came into effect; although full implementation has been hampered by the impact of the Covid-19 pandemic and continued negotiations of specific areas such as rules of origin, which was recently concluded. Following the conclusion of negotiations on rules of origin in January 2022, the adopted rules are expected to cover close to 87.7 percent of goods on the tariff line of AU member countries. The rule of origin is a significant factor in identifying products that qualify for free import duties and special trade tariffs under the agreement. According to UNECA, eliminating import duties and non-tariff barriers is projected to result in a 52.3% boost in Intra- African trade.

Over the past month, measures have been taken to address critical enablers that could support greater trade within Africa, one of which is the launch of the Pan-African Payments and Settlement System (PAPSS) in January 2022. PAPSS is an online payment solution designed to facilitate payment for transactions under the agreement without the use of a third-party currency such as the US dollar. The measure is expected to reduce the transaction cost associated with the use of third-party currencies in conducting trade and investment activities across different African countries. Ensuring that the settlement process under PAPSS is seamless, fast, and secure will be vital if businesses are to harness the proposed benefits of the agreement.

A cursory review of the Nigerian economy reveals that ahead of the full implementation of the AfCFTA, the government should work to improve the enabling infrastructure such as access roads to markets and logistics at the ports in order to reduce the cost of moving goods within the country. The agreement also offers Nigeria the opportunity to establish itself as a manufacturing hub within the region. Given the volatility associated with exports of crude oil, which is Nigeria's major source of foreign exchange, efforts must be made to support the growth of non-oil exports such as processed, manufactured goods, as well as reposition Nigeria as a hub for the provision of digital services to other countries in Africa. These digital services could include; call centers, financial-related services, and e-commerce. These measures could significantly improve foreign exchange inflows and support efforts to create jobs and wealth in Nigeria.

However, questions still remain on where Nigeria currently stands with implementation of the agreement. Although Nigeria has ratified the treaty, the National Assembly is required by law to domesticate a treaty or international agreement before such treaty can become enforceable or fully operational. Second, it is vital that Nigeria streamlines the documentation process for imports and exports and reduce the time it takes to validate applications by businesses. If these measures are taken, Nigeria may be able to leverage the benefits of the AfCFTA and establish itself as a major manufacturing hub in Africa.