

INTRODUCTION

THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA): BOOSTING INTRA-AFRICA TRADE

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One of the objectives of the Organization of African Unity (OAU) was the establishment of an integrated market in Africa. Later, the vision of an integrated market was codified in the Abuja Treaty, which set out a roadmap for Africa's integration, culminating in a single market in Africa. The Agreement Establishing the African Continental Free Trade Area (AfCFTA) has been signed by 54 countries and has been ratified by 28 countries, thereby entering into force on May 30, 2019. With the entry into force of the AfCFTA, Africa has taken a significant step towards meeting the vision of an integrated market.

At the moment, intra-Africa trade stands at 18%, with most of that trade being in agricultural products. Africa's low rate of internal trade is attributable to limited industrial and manufacturing capacity, leading to lack of specialization in exports. In general, Africa's economy is characterized by market fragmentation, small national economies, over-reliance on the export of primary commodities, a narrow export base, and high regulatory and tariff barriers to intra-Africa trade. The result is a very low percentage of intra-Africa trade, and a significant reliance on the export of primary commodities to the traditional markets of the north.

Given this context, the AfCFTA—as a legal construct—offers Africa the best opportunity to confront the significant trade and economic development challenges of our time. It has the potential to enable Africa to significantly boost intra-Africa trade, improve economies of scale, and establish an integrated market based on a common legal framework. It has the potential to be a catalyst for industrial development, placing Africa on a path to exporting value-added products, improving Africa's competitiveness both in its own markets and globally.

The COVID-19 pandemic has exposed the risks of reliance on a single supply chain for trade and investment. The World Bank projects that economic growth in Sub-Saharan Africa will sharply decline from 2.4% in 2019 to between -2.1% and -5.1% in 2020, the first recession

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in the region in the last twenty-five years. The analysis further states that the disruption will cost Africa between USD 37 and 79 billion in output losses arising from a number of factors, including value chain disruptions, tourism, remittances, capital flight, direct impact on health systems, and containment measures.

Amidst the gloom, however, Africa should seize the opportunity to undertake transformative reforms. First, Africa should reconfigure supply chains by accelerating the establishment of regional value chains to place the continent on a path to value-added production. Second, the pandemic challenges Africa to review its Intellectual Property Rights regime and to reposition it such that intellectual property is leveraged to accelerate Africa's industrial development, particularly in the area of generic drug manufacturing. In 2019 alone, Africa imported USD 15 billion worth of pharmaceuticals products, which underscores the demand for a vibrant generic drug industry in Africa, advancing the continent's industrial development objectives.

Africa has a combined GDP of USD 2.5 trillion and a population of over a billion people, making it a substantial market from a regional and foreign investment point of view. Post-COVID-19, the AfCFTA promises to be Africa's economic recovery plan, with a specific focus on industrial development.