



United Nations
Economic Commission for Africa



AfCFTA

What you need to know

Frequently Asked
Questions & Answers

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Introduction

Exercising its mandate to promote the economic and social development of its member States and foster intra-African integration, the United Nations Economic Commission for Africa (ECA) has been relentlessly supporting the effort to establish and operationalize the African Continental Free Trade Area (AfCFTA) since the inception of the idea in 2012. ECA's support to the AfCFTA project is led primarily by the Regional Integration and Trade Division (RITD), which works closely with all other ECA divisions, sub-regional offices (SROs) and the African Institute for Economic Development and Planning (IDEP).

The African Trade Policy Centre (ATPC) is a specialized centre of excellence within RITD that conducts cutting-edge trade policy research and analysis, offers capacity building support to member States, and promotes consensus building around key strategic ideas. Established in June 2003, the ATPC works to strengthen the human and institutional capacities of African Governments to formulate and implement sound trade policies and participate

more effectively in trade negotiations at the bilateral, regional, and multilateral levels. ATPC also works closely with key stakeholders in the field of trade policy, including the private sector, civil society, and academia, to ensure that trade policy serves the interests of the general public for sustainable and inclusive development.

Using its research and policy analysis function, ATPC has established itself as the authoritative source of original insights on Africa's trade policy options, scenarios, and likely outcomes. ATPC has assisted the AfCFTA process from its inception by making the case for it, technically supporting the negotiations, and engaging in relentless campaigns to get the agreement ratified following its adoption. Since the AfCFTA Agreement entered into force, too, the ATPC has been supporting State Parties to develop and execute inclusive national AfCFTA implementation strategies.

Now that AfCFTA has become – at least technically – part of national law and regulation in over 85% of

the AU member States, ATPC is currently focusing on how to take the AfCFTA a step closer to the ground so that the ordinary African citizen can make sense of what the free trade area is all about and exploit its opportunities. Indeed, the AfCFTA will realize its potential to the full only if Africans, and particularly the African business community, understand, own and take advantage of it. However, we also know that the African business landscape is predominantly made up of small and medium enterprises (SMEs), including women-owned businesses, who lack the capacity to invest in understanding

the opportunities created by the AfCFTA. This information asymmetry needs to be bridged over time.

In this regard, ECA is pleased to launch this information booklet, titled *AfCFTA: What You Need to Know*, which asks sometimes highly technical questions about the AfCFTA and attempts to answer them in a language that is accurate but also non-technical and accessible at the same time. The overall objective of this information booklet is to help enhance awareness about the AfCFTA among the business community and the general public.

The Framework of the African Continental Free Trade Area (AfCFTA)

1) What is the AfCFTA? What is it about, and what does it aim to achieve?

The 'AfCFTA' stands for the African Continental Free Trade Area which was established in 2018 via the Af-CFTA Agreement as negotiated by Member States of the African Union (AU). To understand what the Af-CFTA is one must first understand what a Free Trade Area (FTA) is.

An FTA is an arrangement between two or more countries which seeks to create conditions for the free flow of trade amongst themselves.¹ In practice this means countries establishing FTAs agree not to charge import tariffs, i.e. taxes on imported goods, or other barriers from other members of the FTA bloc.

To better understand an FTA, it is useful to compare it with the related concept of a customs union. A customs union is defined as the substitution of a single customs territory for two or more customs territories

with free movement of goods across borders within the customs union and a common external trade regime towards third parties². Put differently, a customs union is a trade arrangement in which a group of countries charge a common set of tariffs to those countries outside the union while granting free trade among themselves. Like an FTA, therefore, a customs union also aims to create conditions for the free movement of goods among the parties to the agreement that established the customs union. However, unlike an FTA, a customs union establishes a common external trade regime, which means all the parties to the customs union apply the same tariffs and related regulations on goods coming from outside the customs union. As a result, a customs union is deeper and more ambitious than an FTA.

¹See GATT Art. XXIV:8(b).

²Ibid

FTAs and customs unions are collectively referred to as regional trade agreements (RTAs), or preferential trade agreements (PTAs). The AfCFTA establishes an FTA among its State Parties in the sense that each country that is a party to the AfCFTA Agreement works towards creating conditions for increasingly free flow of trade. But the AfCFTA is not a customs union yet because each of the State Parties retains the policy space to freely set their own external tariffs and other regulations vis-à-vis third countries, i.e. non-African countries as well as African countries that are not yet parties to the AfCFTA Agreement.

Note, however, that the above description focuses exclusively on trade in goods because the General Agreement on Tariffs and Trade (GATT) of 1947 that first established the multilateral trading system – and therefore first introduced these concepts – was limited in its ambition to goods. The AfCFTA is much more ambitious; it already covers goods, services, and dispute settlement, and aims to bring several new areas of regulation into its remit – including investment, intellectual property, competition policy, digital trade, and women and youth in trade. More will come on each of these below. Indeed, a key objective of the AfCFTA is to lay the foundations for a Continental customs union and a single market.

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