



ECA



# The African Continental Free Trade Area Agreement: Opportunities for Canada

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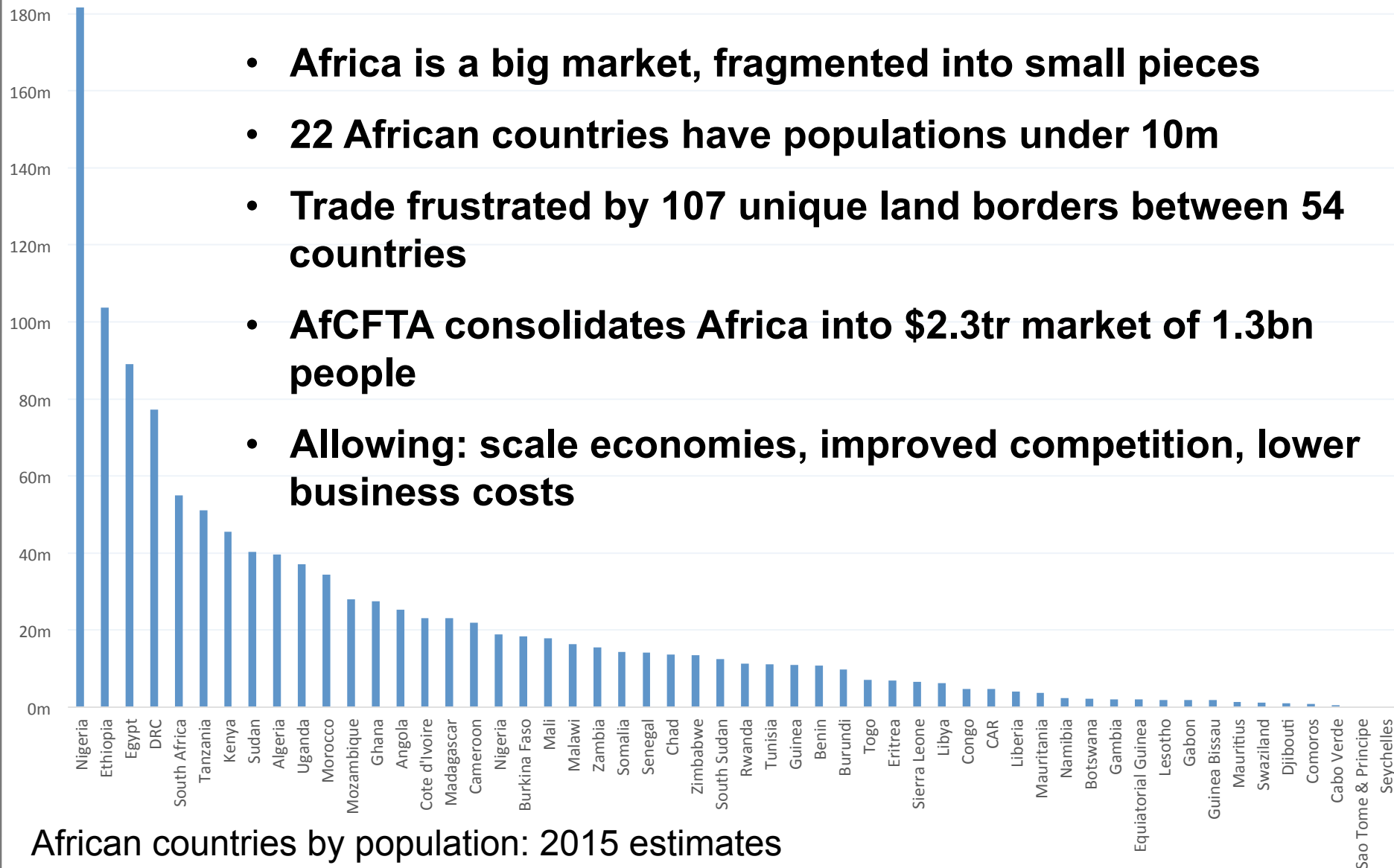
3rd Annual Investing in Africa Today

- **AfCFTA: rationale and update**
- **AfCFTA: opportunities for Canada**
- **Insights from the baseline profitability index**

# AfCFTA Rationale



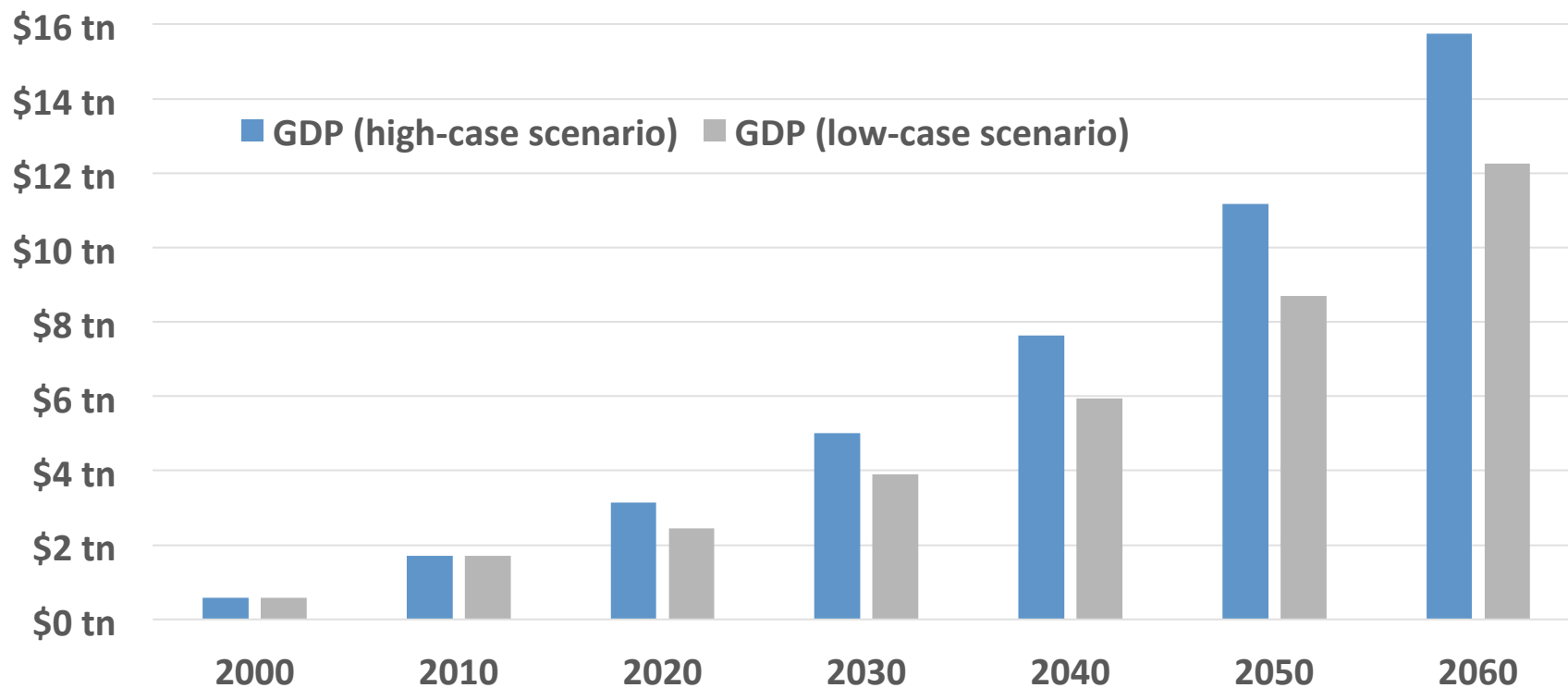
- Africa is a big market, fragmented into small pieces
- 22 African countries have populations under 10m
- Trade frustrated by 107 unique land borders between 54 countries
- AfCFTA consolidates Africa into \$2.3tr market of 1.3bn people
- Allowing: scale economies, improved competition, lower business costs



# AfCFTA Rationale



- It's a rapidly expanding market, with dynamic prospects
- 5/10 fastest growing countries were African in 2017
- GDP predicted to reach \$4tr by 2030







# AfCFTA Update

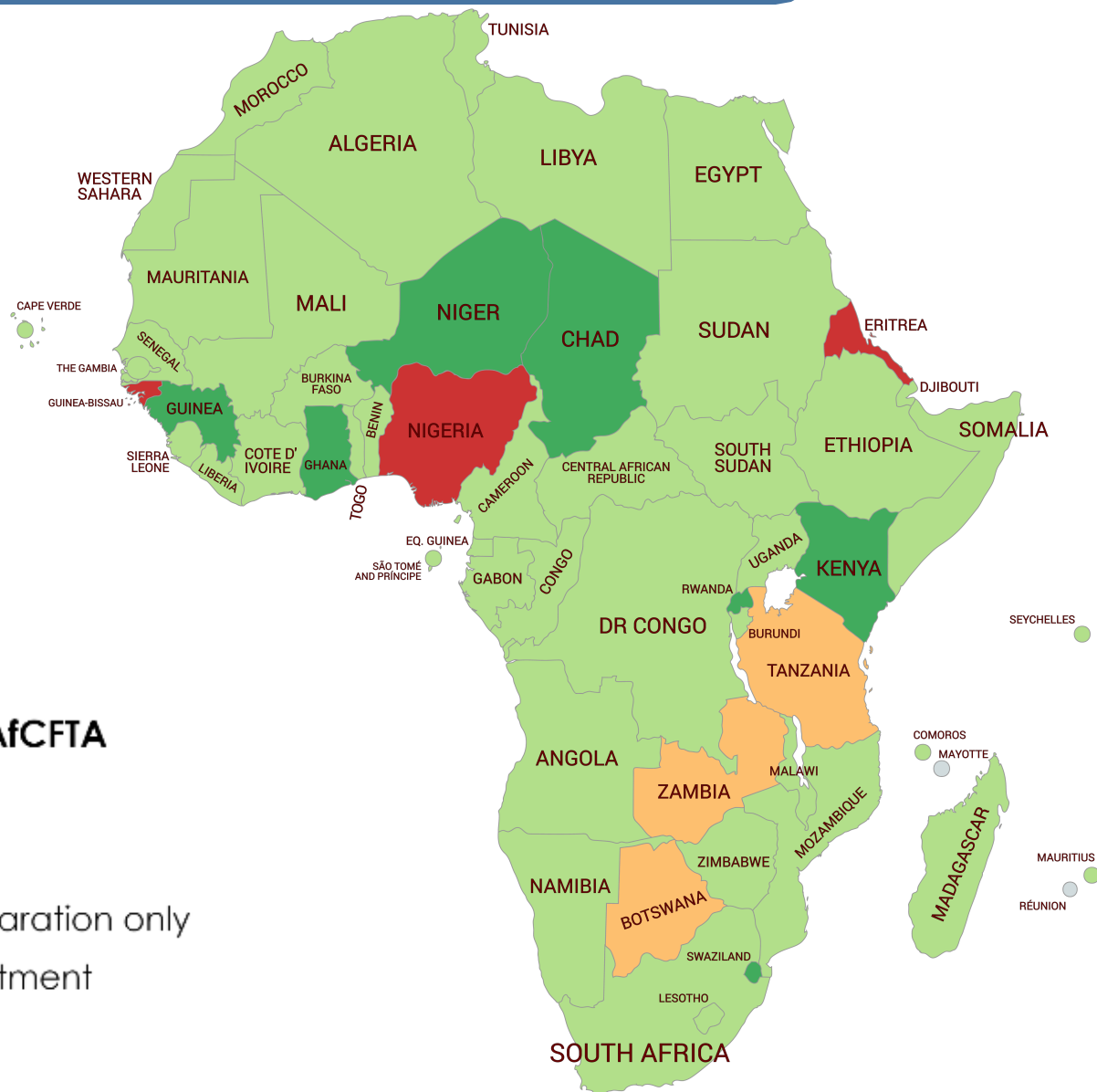


## Status update

- 7 ratifications
- 49 signings
- 3 further commitments (Kigali Dec)
- 3 without commitment

### State of the AfCFTA

-  Ratified
-  Signed
-  Kigali Declaration only
-  No commitment



## December AMOT / IATF

- Ministers give political conclusion to technical negotiations
- Resolve any outstanding impasses
- Intra-African Trade Fair gives private sector platform for developing trade links

## January Summit

- AU Heads of State review phase I negotiations
- Conclude Phase I negotiating issues
- Direction given to any outstanding Phase I negotiating issues

## 22nd Ratification

- Conference of State Parties meet to adopt AfCFTA Secretariat
- AfCFTA committees convene to begin implementation
- Tariff reductions initiate: 5 years (10 for LDCs) with longer transitions for sensitive products

## Phase II negotiations

- Intention to advance AfCFTA towards single market
- Technical preparations underway
- 21<sup>st</sup> century FTA issues: investment, competition policy and IPRs
- Possibility for e-commerce provisions

- New AfCFTA Investment Protocol envisaged to complement trade liberalization in a single economic space and boost investment for sustainable development
- The Protocol expected to be negotiated by end 2019



- Template seeks to balance investment protection (e.g. discrimination, expropriation) with obligations (e.g. CSR, development, environment)

# Investment opportunities under the AfCFTA : potential sectors



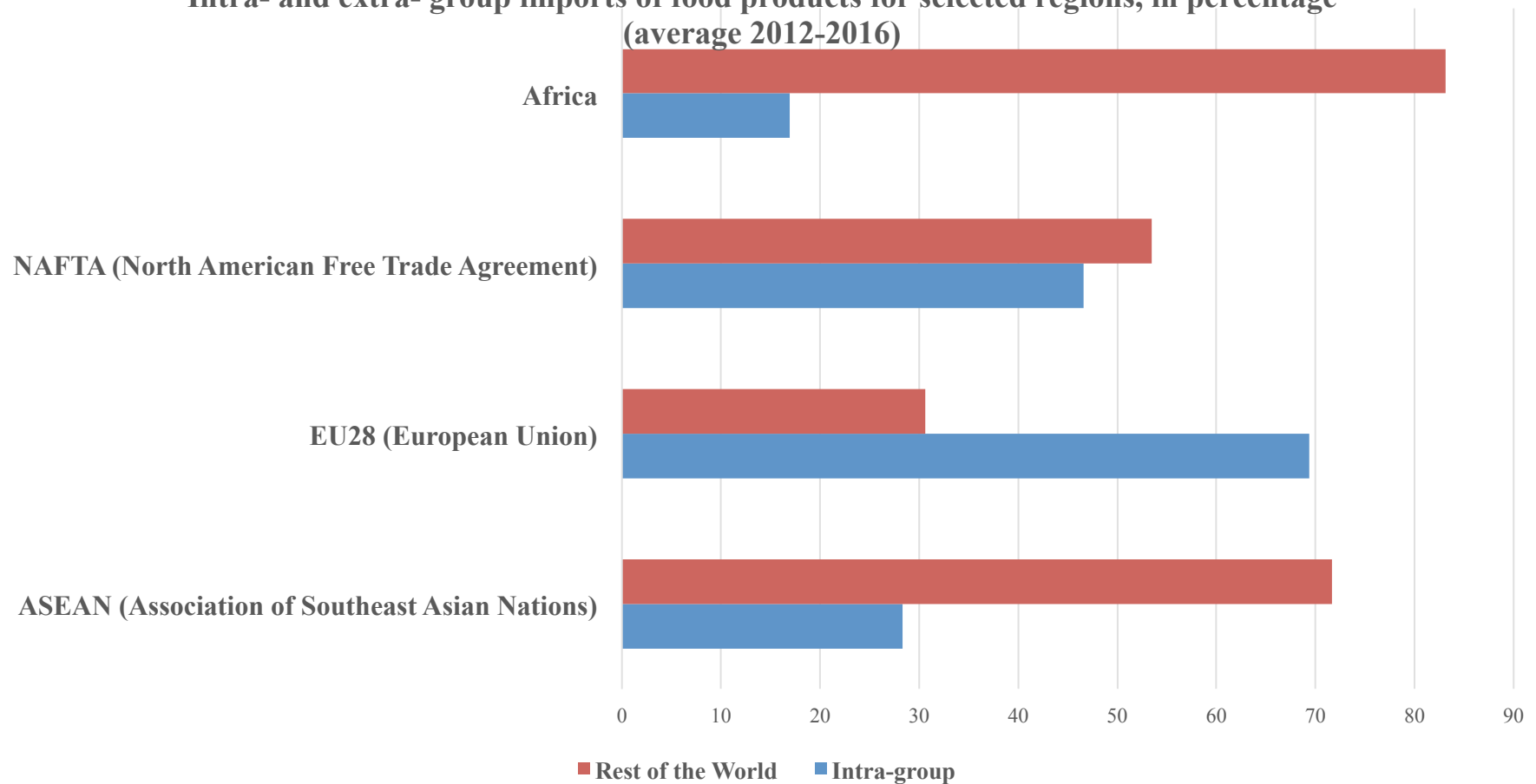
- Agro-food
- Manufacturing
- Sustainable wood
- Minerals and metals
- Services



- **Effective implementation of the AfCFTA** is expected to boost value-added impacting intra-African trade with substantial increases in the agro-food sectors;
- ECA modelling estimates the expected increase in **intra-African trade in agro-food products to be is 20-30%**, depending on the ambition of trade liberalization (the more ambitious the greater the expansion of intra-African trade);
- Most product categories benefit especially **dairy products, meat products, sugar, rice, cereals, vegetables, fruit and nuts; beverages**

- **Agro-processing : Africa continues to depends heavily on the Rest of the World to meet its food demand...**

Intra- and extra- group imports of food products for selected regions, in percentage  
(average 2012-2016)

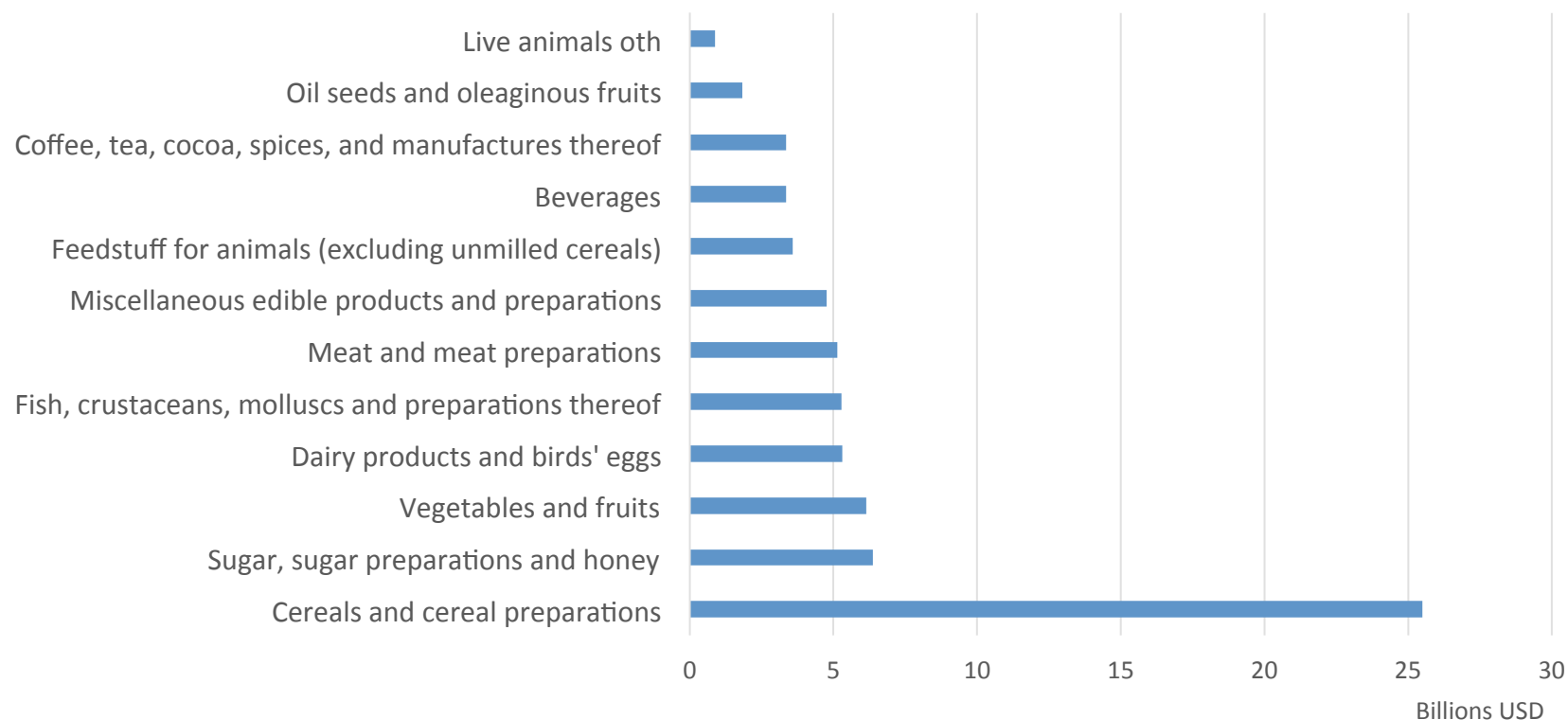


# Agro-food sector



Potential to produce and trade (through integrated African markets) agro-food products that are at present imported from outside the continent

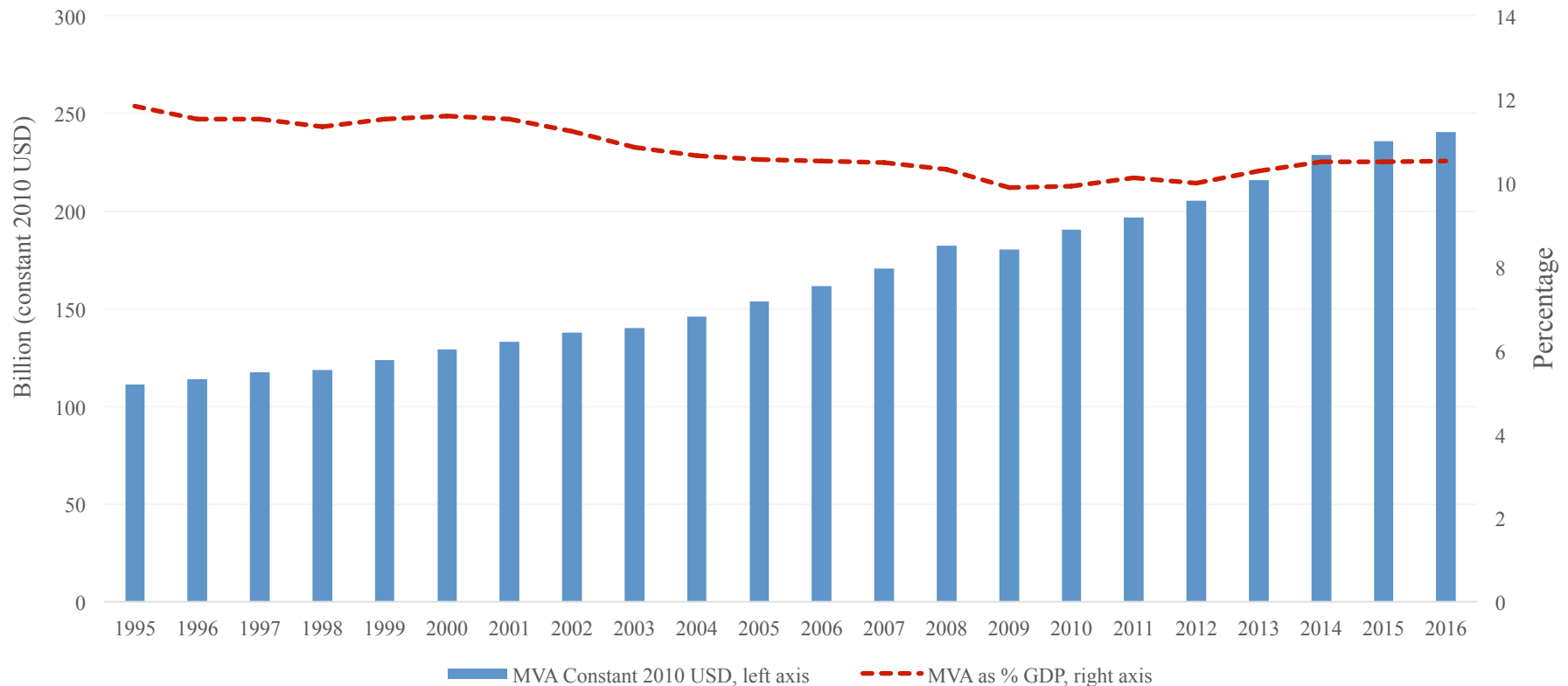
Africa's imports of food products, by groups (average, 2012 - 2016)  
in Billion USD



# Africa's manufacturing sector rising but could scale up with AfCFTA



- Africa's manufacturing sector is increasing but still has limited contribution to economic overall output;
- The sector has potential to further increase with AfCFTA : economies of scale and scope ; movements of people and capitals; efficiency gains;



## Sustainable wood-based industry

Primary wood processing :  
sawing and rotary cutting



- Predominance of the **primary** wood processing (sawing and rotary cutting);

- Increasing investments in secondary wood processing (moldings, profiles, parquet and ply)

- High value added segments in the tertiary wood processing (joinery and cabinet making) is **still to be fully exploited** – investments opportunities with expanded markets through AfCFTA;

- ... and potential for other by-products incl. pulp and paper

Secondary wood processing:  
moldings,  
profiles, parquet  
and ply



Tertiary wood processing :  
joinery and cabinet making

Limited players despite huge demand

## Potential in extraction and processing



Pictures of the Moanda Metallurgical Complex (CMM) in Gabon inaugurated in 2015 by COMILOG, subsidiary of the ERAMET Group (French multinational mining and metallurgy company)

Selected mineral/metals value chains	Countries
Copper and copper products	Zambia and DRC
Iron/steel	South Africa, Mozambique, Guinea, Cameroon, Sierra Leone
Bauxite / Aluminum	Guinea, Mozambique; Ghana
Manganese and by products	Gabon, South Africa
Diamonds and by products	Botswana, South Africa, Angola, Namibia
Rare earth metals	South Africa, Tanzania, Malawi, Mozambique.
Phosphate and by products	Morocco, Egypt, Algeria, Senegal, Tunisia
Gold and by products	Ghana, Mail, Burkina Faso, South Africa, Tanzania

## Services sector– enablers of the AfCFTA

### ICT and digital

telecom, tech parks and digital services e.g. Egypt, Rwanda, South Africa, Rwanda

### Tourism

transport, tour operations, hotels across Africa

### Logistics and Distribution

cargo air transport e.g. Ethiopia; maritime services e.g. Djibouti, Kenya , Togo, South Africa, Egypt

### Energy/renewable

(wind, solar, hydro) in Morocco, Ethiopia, South Africa, Senegal, Egypt

### Service sector

Critical to support natural resource base and manufacturing and make the AfCFTA work!

### Finance, banking and Insurance

e.g. Nigeria, Mauritius, South Africa

### Health

care delivery, medical supplies manufacturing and distribution

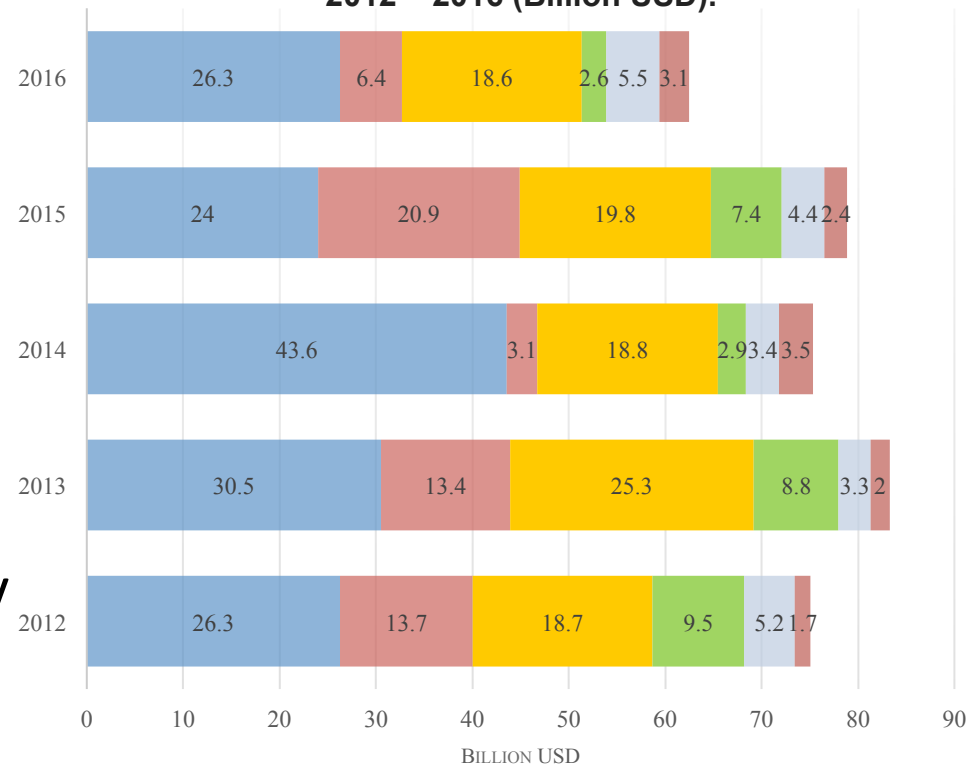
### Education

education, research, skilling in industrial revolution 4.0 technologies across Africa;  
Africa has skills gap of 4.3 million engineers; 1.6 million agric. scientists (ACBF)

## Infrastructure and logistics – enablers of the AfCFTA

- Limited private investment
- Most private investment in energy and ICT;
- Investments gap – annual investments need over 93 billion USD
- Potential opportunities in energy – all types – ICTs, railways, ports

Infrastructure financing commitment in Africa, by source 2012 – 2016 (Billion USD).



■ African national governments      ■ China  
■ Infrastructure Consortium for Africa (ICA)      ■ Private sector  
■ Arab Co-ordination Group      ■ Other bilateral /Multilaterals

Source: The Infrastructure Consortium for Africa. ICA (2017)



## Infrastructure and logistics : selected projects

Project	Region	Cost estimate (USD)
North South Corridor (roadways and railways network - 6,000 miles )	Eastern and Southern Africa	1 Billion
Tanzania's Bagamoyo Port (capacity of 20 million containers per year)	Tanzania (regional dimension)	\$11 billion
Konza Technology City	Kenya	14.5-billion
African Virtual University	eLearning network in over 27 African countries	---
Extension of Suez Canal	Egypt (regional dimension)	Up to 15 billion
Grand Inga Dam	Democratic Republic of Congo (regional dimension)	100 billion
Grand Ethiopian Renaissance Dam	Ethiopia (regional dimension)	4.8 billion

**Baseline Profitability Index (BPI)** by Prof Daniel Altman (NY Univ.) ranks markets for foreign investments based on :

*Asset growth*: how much an asset's value grows

*Preservation of value* : preservation of that value while the asset is owned

*Repatriation of capital* : bringing home the proceeds from selling the asset

Country	BPI rank 2015	BPI rank 2014
<b>African economies</b>		
Angola	107	111
Burkina Faso	52	23
Cameroon	83	75
Cape Verde	33	66
<b>Egypt</b>	<b>56</b>	<b>72</b>
<b>Ethiopia</b>	<b>22</b>	<b>27</b>
<b>Gabon</b>	<b>35</b>	<b>33</b>
<b>Ghana</b>	<b>5</b>	<b>8</b>
<b>Kenya</b>	<b>42</b>	<b>61</b>
<b>Morocco</b>	<b>27</b>	<b>42</b>
Mozambique	49	17
Nigeria	101	92
Republic of the Congo	97	105
<b>Rwanda</b>	<b>8</b>	<b>7</b>
<b>Senegal</b>	<b>26</b>	<b>40</b>
<b>South Africa</b>	<b>51</b>	<b>46</b>
<b>Uganda</b>	<b>19</b>	<b>13</b>
<b>Zambia</b>	<b>9</b>	<b>43</b>
<b>Selected economies outside Africa</b>		
Brazil	99	98
China	65	60
France	88	83
Germany	63	67
India	1	6
Qatar	2	4
Singapor	4	5

The logo features a white silhouette of the African continent on the left. To its right, the word "AFRICA" is written in a bold, white, sans-serif font, enclosed within a white rectangular box. Below this box, the word "FIRST" is written in a larger, bold, white, sans-serif font. The entire logo is centered against a background of vertical bars of varying heights, all in a lighter shade of blue.

# THANK YOU!

more info: [www.uneca.org](http://www.uneca.org)