

## THE AFRICAN CONTINENTAL FREE TRADE AREA: WHAT IS IN IT FOR YOUNG AFRICANS?



### Towards One African Market

Dr. Akinwunmi Adesina, President of the African Development Bank (AfDB) once said “Africa is by no means a poor country. It’s just that Africa happens to have a lot of poor people”.<sup>[1]</sup> Indeed, there is no way a continent wherein lies 65% of the world's uncultivated arable land and wherein exist some of the world’s largest oil/gas reserves and solid mineral deposits as well as the largest youth concentration could be termed poor. And so, to find solutions to the paradoxical high level of poverty/underdevelopment in Africa and by extension, achieve the goals of African Union’s Agenda 2063, African leaders on March 21, 2018 signed a phenomenal agreement which birthed what would become the world’s largest free trade zone in terms of the number of participating countries since the establishment of the World Trade Organization, indeed, the African Continental Free Trade Area (AfCFTA).



The AfCFTA which effectively came into force on January 1, 2021 brings to an end the era when African countries inefficiently operated in silos and within fragmented economic blocs. It brings together and effectively opens up a market of 1.3 billion people across 55 African countries (hoping Eritrea joins) with a combined GDP of about \$3.4 trillion.<sup>[2]</sup> Hence, it not only creates a breath-taking/irresistible market size from an

investor perspective, but also signals the global community that Africa is ready for business and should no longer be perceived as a development destination, but as a highly profitable investment destination.

### **What Does The African Continental Free Trade Area (AfCFTA) Entail?**



Put succinctly, the AfCFTA guarantees the free movement of persons, goods, services, investments, intellectual property rights etc. across Africa. It seeks to reduce and ultimately eliminate tariff/non-tariff barriers to the movement of goods/services produced in Africa using predominantly raw materials sourced within Africa. Thus, the AfCFTA provides an enabling environment for the building of strong regional value chains. Through the establishment of a single market courtesy of the AfCFTA, investors no longer see 55 economic landscapes with diverse/unpredictable conditions. Rather, they now see a single economic bloc where they can invest at scale. Essentially, the AfCFTA seeks to make it possible for a leather manufacturer in Ethiopia to effortlessly access markets in Cairo, Lagos, Johannesburg etc. where he can get better value for his products.

### **What Does The AfCFTA Seek To Address?**

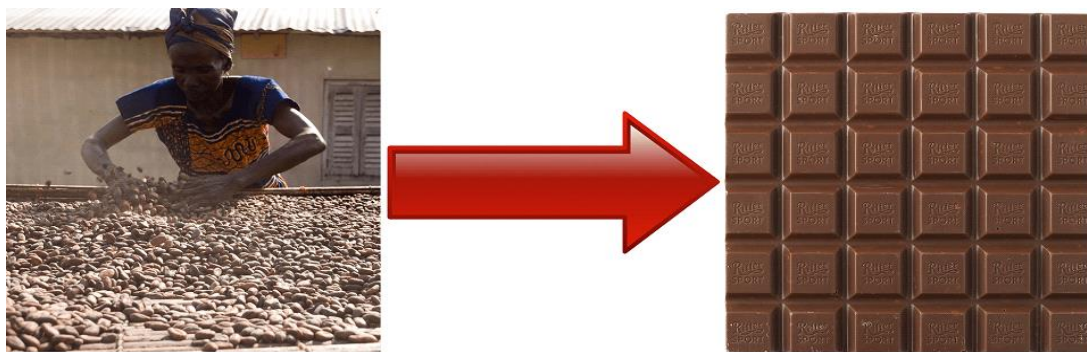


According to UNCTAD, while intra-African trade stands at 17%, intra-Asian and intra-European trades are as high as 59% and 68% respectively.<sup>[3]</sup> Also, Africa's participation



in global trade is less than 2%.<sup>[4]</sup> Interestingly, while inter-African trade is mostly commodity-based, intra-African trade is mostly value-added manufactured products. Therefore, boosting intra-African trade through AfCFTA will help build industrial value chains that allow us to be regionally/globally competitive and achieve economic diversification and inclusive growth.

To contextualize this, the UN Economic Commission for Africa projects that under the AfCFTA, intra-African trade could increase by over 52% by 2022.<sup>[5]</sup> Given that intra-African trade is predominantly manufactured products, suffice to say that we are set to witness astronomical increase in Africa's manufacturing capacity and a dramatic shift from commodity-based exports (with its attendant price volatility) to value-added exports.



This will tremendously increase our share of global trade and consign to history the days when Ghana and Cote d'Ivoire would produce over 60% of the world's cocoa beans, but, enjoy only 2% of the \$140 billion chocolate market.<sup>[6]</sup>

### **What Benefits Does The AfCFTA Hold For Africa's Young People?**

Undoubtedly, the benefits of the AfCFTA to Africa's youth are incredibly huge. Some of these benefits are discussed below.

### **Promotion Of Entrepreneurship And Prosperity Among Africa's Youth**



The AfCFTA will surely be a game changer for Africa's young entrepreneurs in diverse ways. First, by creating such a huge market, the AfCFTA will attract tremendous investments into Africa, thus creating an enabling environment for creativity, innovation and entrepreneurship to thrive among our young people.

For instance, as we know, infrastructural inadequacy has been a major hindrance to Africa's entrepreneurship development. In fact, many businesses of young people in Africa fizzle away moments after launch because of poor infrastructure. The African Development Bank estimates that Africa's infrastructure gap is \$68-108 billion annually.<sup>[7]</sup> The AfCFTA will turn this infrastructure gap into lucrative investment opportunities because by opening up the African market, it establishes a strong business case for investors to invest in infrastructure projects at scale, thus enabling youths across Africa unleash their full potential and build global competitiveness.



Take for example, now that global competitiveness is moving from physical to digital products/services courtesy of the Fourth Industrial Revolution (4IR), a gigantic investment in a pan-African broadband infrastructure will provide low cost and reliable internet access across Africa, allowing young Africans from Lagos to Kigali, Cairo to Johannesburg to seamlessly collaborate and create disruptive tech projects consumable within and outside Africa, thus boosting our regional/global competitiveness in the 4IR. Indeed, the AfCFTA is Africa's foundation for the rapid emergence of youth-led tech-based unicorns in Africa.

Apart from facilitating entrepreneurship development through infrastructural transformation, the AfCFTA will expand business opportunities for young Africans by strengthening regional value chains. For instance, by creating an irresistibly large market that propels the influx of multinational businesses, the AfCFTA will generate tremendous demand for commodities and semi-finished products produced by African Small and Medium-scale Enterprises (SMEs). Most of these SMEs lack the capacity to

participate in regional value chains. However, by linking up with these multinationals, they can effectively participate in regional and ultimately global value chains.



As an example, Samson, a leather manufacturer in Ethiopia might lack the capacity to sell directly to the US market. However, if Samson, courtesy of the AfCFTA, can sell his leather to a car seat manufacturer in Lesotho who then sells the car seat to Volks Wagen in South Africa who eventually exports cars to the United States, then Samson has effectively participated in the regional/global automobile market.

Equally, the AfCFTA will promote youth entrepreneurship in Africa by increasing the chances of young African entrepreneurs accessing financing. Consider below a young Liberian, Sam's business case in 2017 before the AfCFTA and in 2021 when the AfCFTA has commenced:

Item	Sam in 2017 (Before the AfCFTA)	Sam in 2021 (AfCFTA in Force)
<b>Type of Business</b>	Palm Oil Processing and Packaging	Palm Oil Processing and Packaging
<b>Target Market</b>	Liberia	Africa
<b>Target Market Population</b>	5.2 million	1.3 billion
<b>Target Market GDP</b>	\$3.2 billion	\$3.4 trillion
<b>Target Market GDP Per Capita</b>	\$704	\$1,860
<b>Source of Raw Materials and Inputs</b>	Liberia, Malaysia, China, Japan	Liberia, Nigeria, Rwanda, South Africa

Clearly, the business case in 2017 addresses a tiny market, hence is not attractively ambitious. Also, the sourcing of raw materials is too far, hence the business has a higher potential for failure and by extension far less chance of securing financing compared to the business case in 2021 which has all the factors of production on its side.



## **Acceleration Of Post-Pandemic Recovery And Expansion Of Employment Opportunities For Young People**

Unarguably, young people constitute the population most affected by the COVID-19 pandemic. Protracted lockdowns, disruption of supply chains and premature closure of SMEs which account for over 80% of employment opportunities in Africa, witnessed due to the pandemic, unceremoniously rendered many youths jobless. However, young people can now smile as the AfCFTA will accelerate industrialization and restore broken supply chains, thus massively creating decent jobs across Africa and by extension lifting millions of youths out of poverty/hopelessness.

## **Promotion Of Inclusive Growth And Facilitation Of Access To Economic Opportunities For Young Women**



Statistics indicate that over 70% of people involved in cross-border trade in Africa are women<sup>[8]</sup> and most of them face harassment, seizure of goods and other forms of abuse while engaging in their trade. These limit their business success and capacity to scale. However, with the AfCFTA removing tariff/non-tariff barriers, our young women will be able to formalize their businesses, thereby avoiding the aforementioned risks and increasing their chances of accessing financing for their businesses.

Apart from those involved in cross-border trade, even young women in rural communities will also benefit from the AfCFTA. Here is an experience that illustrates this.

I work as marketing manager at [U&I Palm Enterprises](#), a Nigerian-based palm oil production/exporting company. Before now, Nigeria was our sole market and our annual

production capacity was limited to 10,000 metric tons. Hence, our only source of raw materials was our plantation.

However, just 6 months into the commencement of trading under the AfCFTA, we have already received purchase interests from businesses in 3 African countries. Consequently, we have expanded our input supply and engaged more suppliers, many of whom are young women operators of smallholder oil palm plantations and cottage palm oil mills. By buying the commodity directly from them, we have essentially removed the middlemen, thereby making these young women more profitable. Most importantly, we have enabled them participate in regional value chains despite their smallholder status.



Among testimonies received from these young women is that their postharvest losses have reduced drastically, thereby skyrocketing their profit margins. According to them, these new opportunities will allow them effortlessly pay their children's academic and healthcare bills, expand their mills, hire more labour and create economic prosperity in their communities.

### **Reduction Of Insecurity In Africa**

Young people suffer the most during incidences of insecurity in Africa. For this reason, the AfCFTA whose implementation will facilitate the elimination of the risk factors for insecurity in Africa is good news for African youths. For instance, by boosting industrialization and by extension creating millions of decent jobs across Africa, the AfCFTA will create meaningful engagement for youths, thus discouraging them from violence/crime. Also, by promoting trade integrity and discouraging smuggling through customs regulations harmonization, the AfCFTA will check illicit arms trade and the proliferation of narcotics identified as promoters of insecurity in Africa.

### **Boosting Food Security And Eliminating Malnutrition In Africa**

Malnutrition has been identified as top among reasons why we have so many stunted youths in Africa.<sup>[9]</sup> Malnutrition impairs the development of the grey matter infrastructure which young people need in order to be creative, innovative and entrepreneurial. The AfCFTA therefore emerges as a good deal for African youth since it will dramatically transform Africa's agriculture and boost food security on the continent.





Africa hosts 65% of all the world's uncultivated arable land and witnesses postharvest losses which can feed 300 million people, far above the 246 million people across Africa that sleep hungry every day.<sup>[10]</sup> Also, the AfDB estimates that the size of the food/agriculture market in Africa by 2030 will be worth \$1trillion.<sup>[11]</sup> These are resounding business cases for investment into Africa's food/agricultural market and the AfCFTA will play a vital role by facilitating investors' access to this huge market.



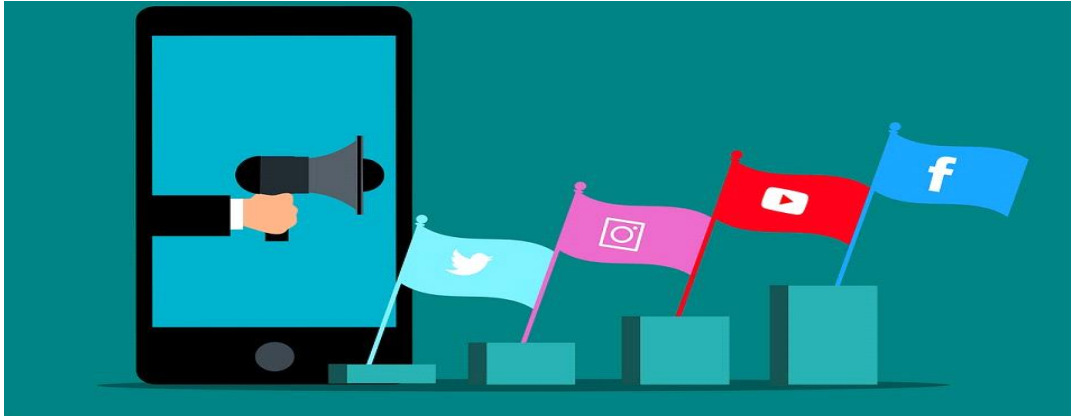
With massive investment into Africa's agricultural value chains courtesy of the AfCFTA, our capacity to produce agricultural commodities, process them into finished/semi-finished products, store and distribute them within/outside Africa will remarkably increase leading to lower postharvest losses and greater food security across Africa.

### **How Can Young Africans Support The Implementation Of The AfCFTA**

Having considered the immense benefits the AfCFTA holds for youths in Africa, we must rally support for its full implementation.

First, education is key. Unfortunately, many African youths do not understand the provisions and benefits of the AfCFTA to Africa's youths. Therefore, we must leverage the social media to disseminate the right information about the AfCFTA. When our youths understand these benefits, they are more likely to hold their governments accountable for implementing the AfCFTA.





Second, we must directly contribute to policy making by engaging with all relevant stakeholders in trade policy formulation with focus on tariff/non-tariff reforms and the harmonization of customs procedures to limit customs delays and accelerate movement of goods/services across Africa.



Finally, we must support the development of trans-national infrastructure as the AfCFTA cannot be successful without adequate infrastructure. The AfDB and other Multilateral Development Finance Institutions are leading the way but young people must lend their support and help protect these infrastructures from vandalization/cannibalization.

## **Conclusion**

It is undeniable that the AfCFTA is the best thing to happen to Africa and by extension her youth, especially now that efforts are in top gears to recover from the huge economic impact of the COVID-19 pandemic. The benefits young people stand to enjoy are numerous. Hence, we must all lend our support towards ensuring the successful implementation of the African Continental Free Trade Agreement across Africa.

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