

One Africa: Businesses need to drive the AfCFTA

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The African Continental Free Trade Area (AfCFTA) is the subject of much excitement and debate at the moment. All but one of the 55 countries making up the continent have signed the agreement, which has been drawn up to create a single African market for goods and services and facilitate the free movement of people, capital, goods and services between all participating countries.



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Given that the successful creation of such an African free trade area would make it the largest in the world since the formation of the World Trade Organisation, AfCFTA has understandably attracted a huge amount of attention. And while there are sceptics among the observers, analysts and commentators, the majority of people agree that this agreement represents a major driver of African growth, with the potential to fundamentally transform the continent thanks to the creation of a massive market comprising close to 3-billion people and a combined GDP of well over \$2trn.

What it'll meant to business

But while these big picture predictions are all good and well, many businesses across Africa are still wondering what, if anything, the successful implementation of AfCFTA will mean for them, and whether it is actually in their best interests to be supporting the initiative.

The short answer to that question is a definitive, yes. If for no other reasons than the fact that AfCFTA has the potential to create an intra-African trade market that most businesses would otherwise never have thought possible. The relevance of this becomes clear when you consider that estimates put the amount of exports on the continent to other African nations at less than 20% of total goods exports. The rest are going to other continents.

So, the fact that AfCFTA will effectively open up markets, literally next door to most African countries, and enable trade to take place at a fraction of the cost involved in dealing with completely separate continents, should have most businesses across Africa rushing to show their support of the agreement.

Of course, that's not to say that trade arrangement would mean African countries no longer have a need to trade globally. On the contrary, by bringing the countries on the continent together and facilitating ease of business, cost efficiencies and more integrated supply chains, AfCFTA has the real potential to make African businesses much more competitive globally.

Youth unemployment

Then, of course, successful implementation presents the potential for Africa to find a workable solution to its growing youth unemployment crisis. It is said that Africa will need to create around 30-million jobs every year, for at least the next 30 years, in order to position itself to fully capitalise on the massive youth dividend presented by its growing population. While a free trade Africa is by no means the silver bullet solution to the continent's youth unemployment challenge, it will almost certainly result in economies of scale, access to cheaper materials and business inputs, and enhanced regional value chains. And all of these are the building blocks for a business environment that is highly conducive to growth and investment - which are undoubtedly the two keys that will unlock the full potential of Africa's young employee base.

Come to the party

Given that AfCFTA presents all these compelling potential benefits for African businesses, it's difficult to comprehend why more businesses across the continent aren't loudly voicing their support of the agreement. The reason for this is almost certainly the fact that Africa has a long history of trying, but failing, to get all its countries to pull in the same direction. But while the scepticism is understandable, there is something very different about AfCFTA, not least the fact that 54 of the continent's 55 countries have already signed the agreement.

Of course, having numerous countries agree to a free trade area, in no way ensures its successful establishment. But what will go a long way towards doing that is the clear support of the businesses and organisations that are at the heart of that trade. Which is why, as AfCFTA enters its operational rollout phase, Africa's businesses need to come to the party.

While the agreement has largely been politically driven thus far, this operational phase will involve discussions and negotiations about vital customs and trade issues, including the rules of origin, tariff concessions, payments and settlements ecosystems, and various non-tariff barriers to implementation.

At the same time, African businesses should start positioning themselves to take full advantage of AfCFTA when it is officially implemented in the middle of 2020. This involves revisiting operational and growth strategies to include opportunities for possible investment into expanding their businesses across the continent, or at the very least, including businesses in other Africa countries in their value chains.

Ultimately, the main stakeholders in African trade are African businesses and investors. As such, their input into the design and operational implementation of AfCFTA is critical to its ultimate success. It is no longer enough for businesses on the continent to hope that all the benefits of free trade in Africa are opened up to them; now is the time for them to make that happen.

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