

# INSURANCE CONFERENCE 2022

**STRENGTHENING RESILIENCE IN A CHANGING  
ECONOMIC LANDSCAPE – THE CASE OF INSURANCE**

**Topic: Expected Impact of AfCFTA on the Economic  
Landscape**

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**Organisation: African Union Commission**



# Presentation Structure

- Introduction
- The African Continental Free Trade Area (AfCFTA)
- How Does the AfCFTA Fit into Africa's Economic Development Agenda
- African Trade in Goods and Services
- Protocol on Trade in Services
- AfCFTA: Economic Impact And Its Benefits
- Strengthening Africa's Capacity to Trade

# The AfCFTA

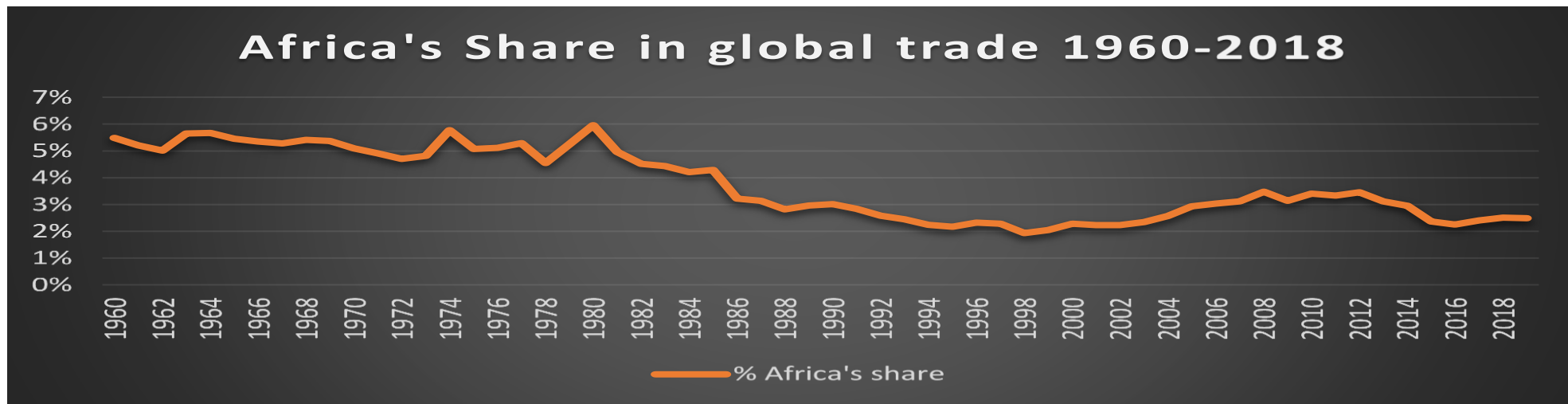
- The AfCFTA is the continent's most ambitious integration initiative
- The main objectives of the AfCFTA are:
  - create a single continental market for goods and services, with free movement of people and investments
  - expand intra-Africa trade across the regional economic communities
  - enhance competitiveness and support economic transformation
  - promote industrial development
- The FTAs of the 8 AU RECs have been recognised as building blocks of the AfCFTA

# How AfCFTA Fits into the AU Agenda



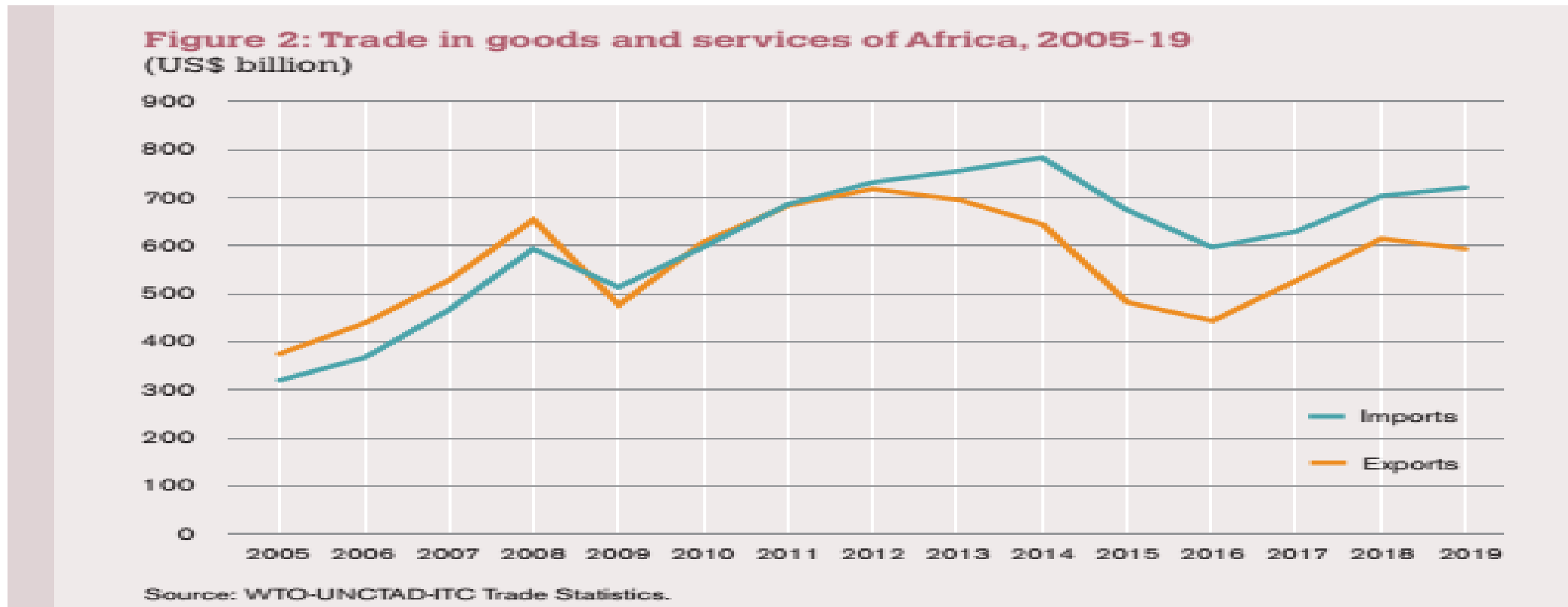
*Source: TRALAC AfCFTA Guide*

- Africa's Share in global trade has been consistently low & declining for almost six decades at an average of 3%
- This is because of substantial export erosion emanating from Africa's continued trading in raw materials
- These have declined in both value due to discovery of new sources as well synthetic substitutes.



**Figure 1: Africa's share in global trade (WTO trade data)**

African trade in goods and services fluctuated in value terms over the 2005-19 period (see below)



- Intra-African trade is estimated to average 15% of total African exports, and Africa represents 6% of developing economies' total merchandise exports.
- Over half of Africa's exports are estimated to be fuel & mining products; about 25%, manufactured goods; and 15%, agricultural products
- Between 2005 and 2019, Africa's commercial services exports nearly doubled in value (WTO, 2021).
- The export potential of Africa is undermined by a significant dependence on primary commodities, which account for about 70% of extra-African exports

# Trade in Services

- The implementation of services liberalisation commitments and regulatory frameworks under the AfCFTA will be crucial for achieving the objectives of Africa's integration agenda.
- State Parties have decided to schedule commitments in 5 priority sectors, as a starting point: *financial services, travel, transport, business services and communications.*



## Exports: 5 priority services sectors (2020)



**Travel  
services  
(23%)**



**Transportation  
services  
(27%)**



**Financial  
services  
(2%)**



**Business  
services  
(11%)**



**Telecommu-  
nication services  
(3%)**



**Other  
services  
(34%)**

Source: AfCFTA Tralac Guide, March 2022

# Protocol on Trade in Services

## Annexes

- Schedules of Specific Commitments
- MFN Exemption(s)
- Air Transport Services
- List of priority sectors
- *Framework document on Regulatory Cooperation*

## AfCFTA: Economic Impact And Its Benefits

- The main objective is *to create a single continental market for goods and services, with free movement of business persons and investments, thus pave the way for accelerating the establishment of the African Customs Union.*
- Implementation of the AfCFTA aims to provide an anchor for long-term reforms and regional integration.
- The agreement creates the largest FTA in the world measured by the participation of 1.3 billion people across 55 countries with a combined GDP of US\$3.4 trillion.
- World Bank, estimated that AfCFTA can contribute to lifting of additional 30m people from extreme poverty & 68m people from moderate poverty by 2030.
- Real income gains from full implementation of the agreement could increase the African economy by 7% equating to US\$450 billion.

## **Strengthening Africa's Capacity to Trade**

- We have all been impacted by the detrimental effects of the pandemic on commercial activity.
- Africa is highly susceptible to global macroeconomic events.
- The continent's exports decreased greatly during the 2008 global financial crisis, an outcome which has been repeated during the pandemic, in response to low demand for African-produced inputs.
- Africa's exporting capacity is highly contingent on the ability of its major trading partners, notably China and the European Union, to resume production
- Trade on the continent has also been hindered by currency depreciation, as capital has exited to more secure environments, primarily US dollar-backed assets.

## The Key Role of the AfCFTA

- In order to mitigate interruptions in globalised trade, the nascent role to be played by the AfCTFA is critical.
- The Secretariat of the AfCTFA noted the ability of the agreement to act as an economic stimulus, in the absence of fiscal and monetary capabilities of national jurisdictions to release actual stimulus themselves.
- *Expected Economic Boost and Trade Diversity.* UNECA estimates that AfCFTA will boost intra-African trade by 52.3% once import duties and non-tariff barriers are eliminated.

*“The AfCFTA is a stimulus for Africa’s socio-economic recovery from the COVID-19 crisis, and a driver of sustainable development particularly for women and youth in Africa,” said Ms. Joy Kategekwa, Strategic Advisor to the Assistant Administrator and Regional Director of the United Nations Development Programme (UNDP).*

## Concluding Remarks

- The AfCFTA presents a unique opportunity for Africans to use trade as a vehicle for Africa's economic transformation including development finance, while allowing the continent to set its own rules.
- The Aid for Trade tool is a crucial means to build sufficient supply-side infrastructure in Africa. Such infrastructure is needed to achieve economic diversification
- Digital connectivity infrastructure is highlighted in the context of COVID-19, as it is needed to underpin the remote working activities of small-to medium enterprises in Africa.
- Need for practical economic empowerment interventions specifically for women-led businesses under the AfCFTA post Covid-19
- Africa also needs the effective functioning of the Regional Economic Communities (RECs) if the AfCFTA is to achieve the desired outcomes

**THANK YOU**