The AfCFTA
Impact of regional trade agreements

Blessing Chipanda and Jakkie Cilliers
Impact of regional trade agreements

For the last half-century, regional trade agreements (RTAs) have been a major and recurring means of eliminating trade barriers. The evolution of RTAs has tracked policy developments and has become an important feature through which to advance trade for almost all World Trade Organization (WTO) members. The number of RTAs and the global share of trade covered under them have substantially increased over the last three decades. The recent AfCFTA reflects this trend, which is the world's largest free trade area in terms of membership as it brings together 54 African countries and eight regional economic communities (RECs).

Promoting a free trade area following an RTA may help African countries implement domestic reforms and open up to competitive market pressures at a sustainable pace, thus facilitating their economic integration into the world economy. It would also benefit the multilateral process by promoting trade openness and competitive liberalisation of international trade relations.

Economic welfare gains from these preferential trade agreements (PTAs) stem from resources flowing to their most productive uses and lower consumer prices. However, creating a RTA does not necessarily guarantee the improvement of member states’ welfare, as it may come at a cost. The preferential removal of tariffs may lead to trade diversion, where imports shift away from the most efficient supplier to the country receiving preferential treatment. Such diversion can generate an inefficiency in world production, leading to welfare losses for member and non-member countries. It can harm member states if the changes in consumer welfare gains are too small to outweigh the cost of inefficient production. In contrast, trade welfare gains are achieved when a RTA shifts production from inefficient domestic providers to efficient RTA members (trade creation).
Donors and sponsors

Reuse our work

- All visualizations, data, and text produced by African Futures are completely open access under the Creative Commons BY license. You have the permission to use, distribute, and reproduce these in any medium, provided the source and authors are credited.

- The data produced by third parties and made available by African Futures is subject to the license terms from the original third-party authors. We will always indicate the original source of the data in our documentation, so you should always check the license of any such third-party data before use and redistribution.

- All of our charts can be embedded in any site.

Cite this research

About the authors

Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

Dr Jakkie Cilliers is the ISS’s founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the ISS. His 2017 best-seller Fate of the Nation addresses South Africa’s futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa’s future depends on today’s choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa’s capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.