



# The AfCFTA

## Introduction

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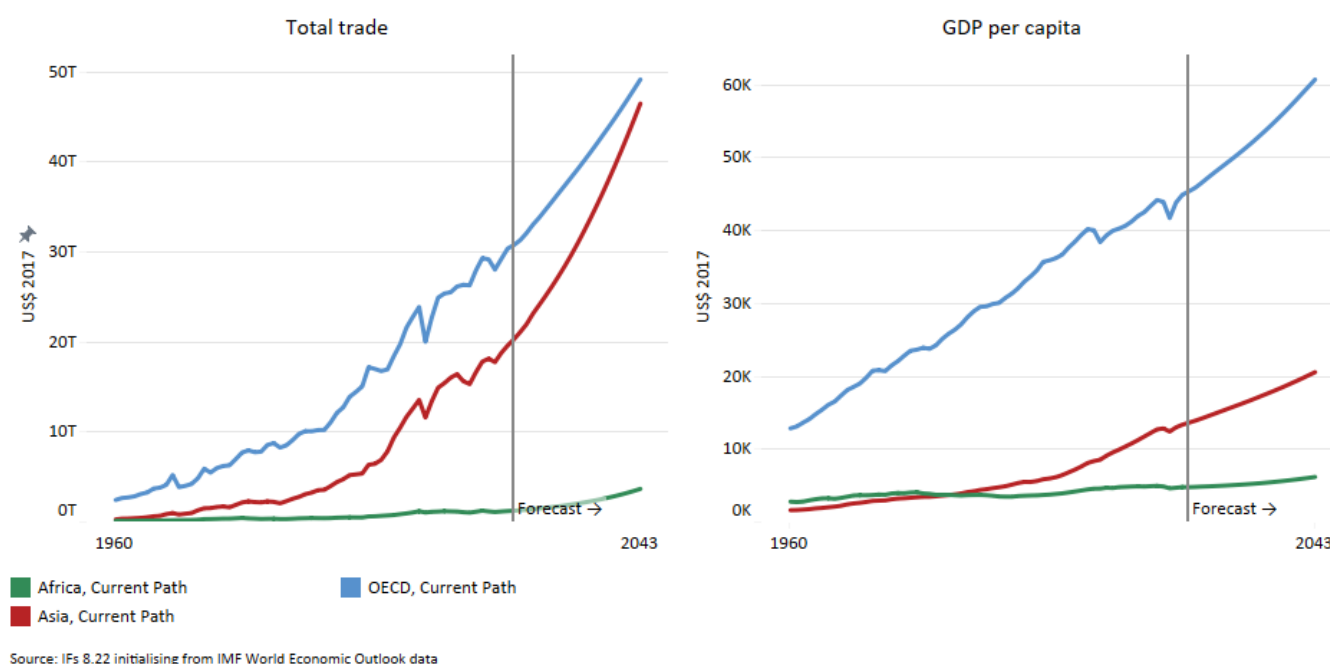
## Introduction

Trade liberalisation (or the extent to which an economy is considered to be open), either globally, continentally or regionally, is an important avenue for countries to boost productivity and output levels. Trade liberalisation can boost productivity and innovation activities, and hence output growth in several ways. For example, it can boost productivity and innovation through knowledge or technology transfer, increasing the quality and variety of inputs available to domestic producers. It can also strengthen competition in the liberalised sector(s), putting pressure on domestic producers to lower prices, improve efficiency and absorb advanced [foreign industrial technologies](#).

Much of the wealth of many developed countries today is related to the extent to which globalisation allowed for trade expansion. For example, the success of the economy of the United Kingdom (UK) followed from its 18th industrial revolution and subsequent export performance through foreign trade. The UK's industrial revolution subsequently provided the basis for industrial development in Western Europe, the United States (US), and other developed countries today. Similarly, the economic welfare gains of East Asian countries, such as China, Japan, Hong Kong, Korea, Singapore and Taiwan, are all linked to globalisation. These countries efficiently utilised imported industrial technologies that enhanced domestic productivity and innovation, eventually expanding the value of their exports. However, importing industrial technologies and knowledge must be [complemented by connecting](#) infrastructure, institutions, human capital and financial development.

Africa is failing to maximise globalisation and remains the poorer region of the world (see Chart 1). Although Africa has 18.2% of the world's population, it has only about 2.9% of global GDP. Its trade is underperforming both in volume and content. Despite its trade having grown in the previous years. Its share of world exports has remained low, stagnant and heavily skewed towards primary goods, despite signing many trade agreements, including the African Growth and Opportunities Act (AGOA) with the United States, Economic Partnership Agreements (EPAs) with the European Union and various trade-investment agreements with China. In 2023, its exports represented only 2.2% of world exports.

Chart 1: Total trade and GDP per capita, 1960-2043



This is the story for most African countries. With few exceptions Africa is failing to add value to its primary or commodity

goods. For example, countries like Ghana and Côte d'Ivoire produce about 53% of the world's cocoa. Yet, shops in these countries are stacked with chocolate imports from Switzerland and the UK. The continent's participation in global value chains (GVCs) is hampered by high dependence on primary exports. Primary goods are characterised by volatile prices and lack both technological dynamism and local economic linkages; hence, over-dependence on primary goods translates into slow growth.

The forecast in Chart 1 indicates that the trade and GDP per capita between Africa and other world regions will continue to widen. In the Current Path (or business-as-usual scenario), Africa's total exports are forecasted to account for just about 3.5% of world exports by 2043, while the continent's GDP per capita will increase to US\$6 197, a 29.3% increase (equivalent to US\$1 403) compared to 2023. With the full implementation of the AfCFTA agreement, the continent's total exports will increase to 4.4% of the world's total exports by 2043, and the GDP per capita will increase to US\$6 602, a 6.5% increase relative to the Current Path forecast in the same year.

The full implementation of the AfCFTA agreement would assist African countries in diversifying their export markets to other world regions. Amongst others, because Africa relies heavily on fossil fuels for its production and distribution the AfCFTA would reduce exposure to the European Union (EU) Carbon Border Adjustment Mechanism (CBAM) that take full effect in January 2026. Under the CBAM, the European Union will require importers of certain carbon-intensive goods to pay for their products' embodied carbon emissions. The policy could have a significant impact on the competitiveness of African countries that export these goods to the EU.

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## 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. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. 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.