ISS | AFRICAN FUTURES

The AfCFTA

The AfCFTA scenario

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Last updated 19 April 2024 using IFs v7.84

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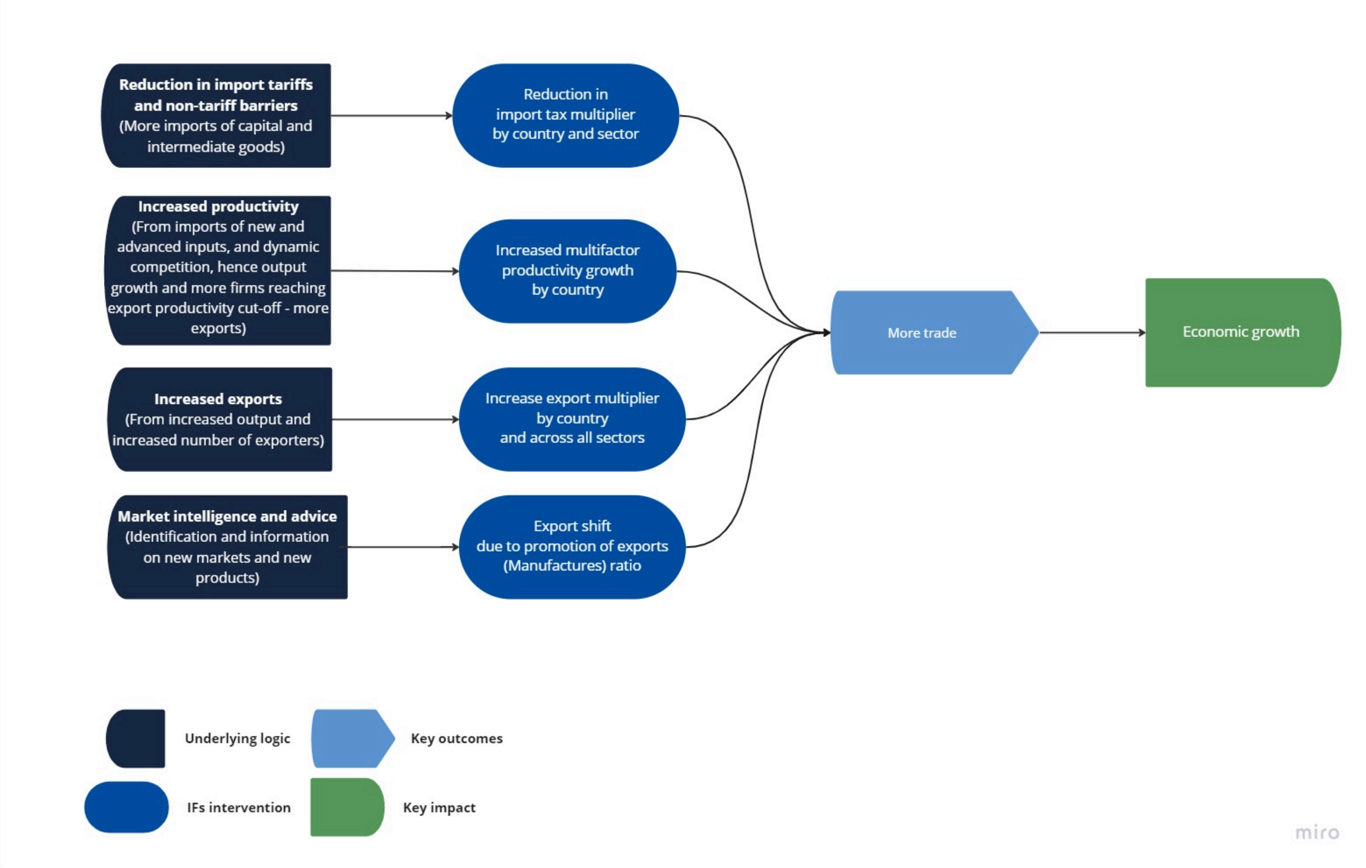
Much hope has been placed in the AfCFTA as a vehicle to boost trade and assist in the transformation of African economies towards the production of higher-value goods and services. It is expected to increase both international exports and intra-Africa trade, unlocking greater opportunities for local and global businesses to enter into and expand throughout new markets across the continent. In the annexure , we list the estimations and calculations on its potential impact from the African Development Bank, the African Export-Import Bank, the UN Conference on Trade and Development (UNCTAD) and others.

The AfCFTA scenario below using the International Futures (IFs) forecasting platform and those done by others reveal an unprecedented opportunity for local and global businesses to invest in African countries and to the development of crucial local and regional value chains in the continent.

Modelling trade in IFs presents a number of challenges. The most important is that it uses a pooled model for trade, meaning that countries each trade with a pool that reflects the rest of the world and not directly with one another. The current version of IFs does not allow us to model the impact of the AfCFTA scenario specifically at the intra-continental level. Based on the theoretical and empirical literature, we rely on various proxies to emulate the impact of expanding trade in Africa, as presented in Chart 13 below.

Chart 13: The AfCFTA scenario



We calibrate the combined impact in accordance with the lower end of the modelling in the trade literature and the interventions differ by country. Collectively, these four interventions (reduction in import tax multiplier, increase in multifactor productivity, export multiplier and export shift) simulate the impact of the full implementation of the AfCFTA, if imperfectly so.

Our AfCFTA scenario assumes that the implementation of the AfCFTA starts earliest in 2024, hence allowing for the impact of the COVID-19 pandemic to ease and that tariffs are reduced over the subsequent agreed time periods for the LDCs, the non-LDCs and the G6 countries, in line with current expectations. Since the time period for eliminating the tariffs under the sensitive and excluded products is not yet determined, we apply the same time as for their non-sensitive products. The interventions in IFs, therefore, ramp up from 2024 to 2035 and is then maintained to 2043.

This is an exceptionally optimistic forecast for an agreement as complex and politically fraught as the AfCFTA. However, if leaders manage to stick to their commitments and take African citizens, businesses, labour and other stakeholders along with them, the impact will be substantial.

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Cite this research

Blessing Chipanda and Jakkie Cilliers (2024) The AfCFTA. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/thematic/08-afcfta/ [Online Resource] Updated 19 April 2024.

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 oce 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.

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