



# Synergies between the African Continental Free Trade Area and EU-Africa Trade Agreements

**The African Continental Free Trade Area (AfCFTA)** is a free trade area founded in 2018. The AfCFTA will bring together all 55 Member States of the African Union covering a market of more than 1.3 billion people which is expected to grow to 3.4 billion by 2050. The AfCFTA will be **the largest free trade area**, in terms of the number of participating countries, since the formation of the World Trade Organization (WTO). Trading under the AfCFTA regime commenced on 1st January 2021.

EU concluded several trade agreements with the African countries, namely **five Economic Partnership Agreements (EPAs) with fourteen Sub-Saharan countries<sup>1</sup>** and **four Association Agreements with North African countries<sup>2</sup>**. They have been implemented over several years. **New Sustainable Investment Facilitation Agreements** are currently being negotiated with some African countries.

Even though these trade agreements and the AfCFTA cover different trade flows and are legally independent from each other. Yet there are considerable synergies between the two.

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## I. SHARED OBJECTIVES TO FOSTER TRADE AND INVESTMENT

The AfCFTA's main objective is to “**create a single market for goods and services with free movement of people and investments**” for Africa. The AfCFTA aims at developing regional and continental value chains to enhance socio-economic development, diversification and industrialisation. Outlining the objectives of African continental economic integration, the **African Union Agenda 2063**, also notes that the integration should lead to “**strengthening of Africa's place in global trade**”.

<sup>1</sup> EPA with Ghana; EPA with Cote d'Ivoire; EPA with Cameroon; EPA with ESA partners (Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe); EPA with SADC partners (Botswana, Eswatini, Lesotho, Namibia, Mozambique and South Africa).

<sup>2</sup> Algeria, Egypt, Morocco and Tunisia.

The EU being Africa's largest trading partner can play a significant role in it. The EU's trade agreements with Africa similarly – albeit with narrower scope and ambition – share the objective of integrating the respective markets by **removing import tariffs and lowering other trade barriers** between the EU and the African countries. The EU's Economic Partnership Agreements particularly **share the development objective of the AfCFTA and aim to support African regional integration.**

## II. TRADE AGREEMENTS RESPECTING WTO RULES

Both AfCFTA and EU-Africa trade agreements are anchored in **the multilateral rules-based system of the World Trade Organisation**. In fact, EPAs were also negotiated to render former EU trade preferences given to the African, Caribbean and Pacific (ACP) countries WTO compatible. Likewise, the AfCFTA will add a very substantial market opening to the WTO based system, which is even more significant as the AfCFTA signatories constitute over a quarter of the WTO membership.

## III. TRADE AGREEMENTS USING SIMILAR TOOLS

### 1. Reduction of import tariffs

The AfCFTA and the EPAs aim to **reduce the import tariffs in trade between the parties.**

- **All ACFTA member states** shall liberalize 90% of tariff lines over a period of 5 years, except the Least Developed Countries (LDCs) which liberalize over 10 years. Furthermore, 7% of tariff lines can be designated sensitive and shall be liberalized over the course of 10 years or 13 years for the LDCs. The remaining 3% of tariff lines, which shall not constitute more than 10% of trade volume, can be excluded from liberalization. AfCFTA tariff negotiations are still ongoing and many members have tabled their tariff offers, including regional offers from the Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the East African Community (EAC), the Southern African Customs Union (SACU).
- **The various EPAs** on the other hand are liberalizing around 80% of tariff lines in African partner countries, phased in over a long period of time, often around 15 years. Remaining sensitive tariff lines will not be liberalized. Like in the AfCFTA, tariff liberalization is differentiated by development status providing more leeway to less developed countries: South Africa liberalizes 94% and Cameroon 77% of their tariff lines. On the European side, African partner countries are granted full duty and quota free EU market access.

Implementing tariff liberalization and facilitating the effective use of trade preferences is not trivial for administrations: updating national tariff schedules, informing business, updating documentation and customs processes. Thus, experience with implementing the EU trade agreements may help to implement the other.

### 2. Rules of Origin

Rules of Origin determine the origin of a product and thus its **eligibility for preferential trade**. Rules of Origin in EPAs and AfCFTA are similar in terms of structure, main concept used for establishing of origin, possibilities for cumulation, and procedures. The AfCFTA rules include many elements of the recent modernization and simplifications of EU rules of origin, for example in the revised **Pan-Euro Mediterranean (PEM) Convention** or the new **Generalised Scheme of Preferences (GSP) rules of origin**. These hints can lead to further convergence for years to come, as modernised Rules of Origin enter more EU-Africa trade agreements.

**The similarity of those rules can facilitate trade significantly** as African exporting or importing firms adhere to **similar procedures** when exporting to EU or to another African country, **making it easier to cater different markets**. Public authorities, such as customs will also save time and resources. Both the AfCFTA and EU-Africa trade agreements include wide-ranging **cumulation possibilities**, meaning rules of origin can be fulfilled collectively by several countries involved

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in producing an exported product. **The AfCFTA allows cumulation between all member states.** North African countries that are part of the **PEM Convention** with their relatively large industrial base are destined to lead on some African regional value chains to which experience in cumulation is essential.

Going forward, it is important to manage rules of origin effectively for achieving industrialization, as manufactured goods often include materials and components of other economies.

### 3. Other rules for trade in goods

**Technical Barriers to Trade (TBT)** and **Sanitary and Phytosanitary (SPS)** provisions in trade agreements ensure high level of quality and safety of products traded.

- On **TBT measures**, both EPAs and the AfCFTA agreements foresee the compliance with the WTO TBT Agreement. Even in the case when trade agreements envisage higher standards for TBT provisions, for example in the EPA with Eastern and Southern Africa (ESA), they are still based on the decisions and recommendations adopted by the WTO TBT Committee.
- Concerning **SPS provisions**, there has been a gradual convergence between EPAs and the AfCFTA. EPAs and the AfCFTA share many guiding principles, such as the respect of obligation under multilateral organisations including WTO SPS Agreement, recognition of equivalence, and technical cooperation. The AfCFTA seems to provide more details and cover new aspects comparing to EPAs.

EPAs entail very significant sections about cooperation in this field and the AfCFTA foresees a coordination role for its Secretariat and relevant African Union technical offices in SPS matters. In general, partner countries wishing to export to the EU market are required to fulfil **high quality and safety standards reflecting those adopted within the EU**. This is reflected in EU-African countries trade agreements like **EPAs**, which can have a **multiplier effect in terms of facilitating access to different markets**. In fact, once partner countries start producing high quality goods fit for the EU market, they are ready to export to different and less demanding markets as well.

**Trade defence mechanisms** in the Economic Partnership Agreements and the AfCFTA contain **trade remedies** that broadly follow **WTO models**. Using similar models can support the capacity and experience build-up to effectively implement those measure.

### 4. Mechanisms to foster regional integration

Currently, most of the intra-African trade takes place between **Regional Economic Communities' (RECs) members, underlining their importance for intra-regional trade**. For example, in 2020 53% of intra-African trade was among SADC members. The AfCFTA creates a **framework for African continental integration** and **aims at resolving the challenge of multiple and overlapping REC memberships**. While the AfCFTA agreement acknowledges the African Union recognized RECs as official pillars and a source of best practice, they are not parties to the agreement. The AfCFTA does not intend to replace the REC but builds on them, insofar as they should explicitly keep their *acquis* with respect to deeper integration and shall even advance where possible.



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Similarly, EPAs follow the objective of fostering regional integration where possible. Originally, they have been designed as **regional agreements** within the group of countries determined by the African partners. They also contain a **regional-preference clause** requiring EPA partner countries to extend EPA treatment not just to the EU but to each other.

The EPAs furthermore include far-reaching possibilities to **“cumulate” origin** between EPAs countries and beyond, facilitating the creation of African regional value chains. Thus, the EPAs, which do not cover intra-African trade flows, indirectly contribute to regional integration in the context of Regional Economic Communities and the AfCFTA.

## 5. Working with stakeholders

Engaging with business is paramount because trade agreements are useless if businesses do not utilize them. The EU consults stakeholders in the negotiations process of trade agreements, conducts various structured consultations during implementation and provides information on how to use the trade preference. The **EU’s Access2Markets** tool provides all necessary information for traders of the EU-Africa FTAs, such as applied tariff, import documentation and relevant technical standards. The **EU’s Rules of Origin Self-Assessment (ROSA)** tool allows individuals in simple steps to verify whether a product is reckoned as “originating” under the respective Rules of Origin and enjoys preferential tariff treatment.

The AfCFTA process initiates private sector engagement as well. The agreement text itself establishes for example **National Monitoring Committees** with private sector participation to eliminate NTBs. The African Business Council, created to represent African businesses on a continental level, has regular inclusive dialogues with the AU. Processes to draft national AfCFTA implementation strategies usually include elements of private sector consultations. Furthermore, the AfCFTA’s online non-tariff barrier online reporting, monitoring and eliminating mechanism calls on the input of small, medium and large companies, informal traders, women and youth business operators to help monitor non-tariff barriers.

The recent **EU-African Business Forum 2022** co-led by the African Union, the European Commission, and African and European business organization such as the African Business Council has shown the potential for synergies, not only for administration to learn from each other how to approach business but also creating African-European business cooperation strengthening intra-African trade.

## 6. Dispute settlement and institutional setup

Dispute settlement procedures are a part of the EU trade agreements with the African partners. The AfCFTA Agreement also includes a dispute settlement mechanism for disputes arising between the AfCFTA State Parties concerning their rights and obligations. While **the provisions of these dispute settlement mechanisms are specific to each agreement, their overall objective is the same** - to establish an effective and efficient mechanism for avoiding and promptly settling any dispute between the Parties concerning the interpretation and application of the Agreement with a view to reaching, where possible, a mutually agreed solution.

Both AfCFTA and EU-Africa trade agreements set up **various institutions to implement, monitor and take decisions on the respective trade agreements**. Especially **technical level specialized committees**, for example on trade facilitation and customs cooperation, are similar in AfCFTA and EPAs. Experience gained in setting up institutions in EU-African trade agreements can facilitate this process in the AfCFTA context, and vice versa. Discussing, often common, implementation challenges will help to strengthen thematic capacities.

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## 7. Future negotiation agendas

Many commentators acknowledge that **the experience of negotiating EU-Africa trade agreements and the associated capacity build-up among African partners has supported facilitating AfCFTA negotiation**. Going forward, the AfCFTA is negotiated in successive phases: the currently on-going negotiation phase one on trade in goods, trade in prioritized service sectors and dispute settlement is followed by phase two, i.e. negotiations on intellectual property rights, investment, and competition policy and phase 3 on E-Commerce.

Likewise, African EPAs offer the possibility for a potential deepening covering topics that are typically part of comprehensive free trade agreements, some of which are also part of phase 2 and 3 of the AfCFTA. In fact the EU is currently negotiating a **deepening of the EPA with the Eastern and Southern African partner states** covering investment, trade in services, digital trade, public procurement, intellectual property and trade and sustainable development. This potential convergence of regulated areas under the AfCFTA and EU-Africa trade agreements can strengthen the respective commitments.

## 8. Trade and Sustainable Development

Linking trade with sustainable development is an important agenda, because trade liberalization with or in Africa should not lead to a “race to the bottom” in terms of social and environmental standards, working conditions, or economic sustainability. Thus, the EU’s Economic Partnership Agreements with African partners are guided by the **central objective of strengthening sustainable development outlined by the Cotonou Partnership Agreement and its successor**.

Advancing this agenda, the first African EPA to hold deepening negotiations, **the EPA with the Eastern and Southern African countries**, will substantiate the commitments and negotiate a **Trade and Sustainable Development (TSD) Chapter**. TSD chapters include binding commitments to **environmental, social and labour standards**.

The AfCFTA signatories agreed to “**promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties**” as a general objective of the AfCFTA. To “promote sustainable development in accordance with the **Sustainable Development Goals (SDGs)**” is furthermore a specific objective of the **Protocol on Trade in Services**.

Those commitments are reinforcing each other and can contribute to a level playing field in the African as well as in the European-African market, can support protecting African and European citizens and natural resources.



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## IV. EXPECTED ECONOMIC OUTCOMES

- Building the African continental value chains of the AfCFTA will also rely on economies of scale to make **specialization and accompanying investments economically viable**. The EU market's firms and roughly 450 million consumers can provide purchasing power in addition to the one of Africa's growing middle class, investments and private sector cooperation. In fact, the EPAs have successfully linked the African and European parties' markets. Between 2009 and 2021, African EPA countries' exports to the EU has increased by 91%, whereas exports of trade with non-EPA countries in Sub Sahara Africa increased only by rough half of it.
- EU-Africa trade agreements can also contribute to the **diversification of trade**. Diversification take time, but African EPA partner countries have achieved to grow the value of their exports of processed products by 126% between 2009 and 2021. Export capacities of African EPA countries will help to drive the trade of processed and manufactured goods under the AfCFTA.
- A central objective of the AfCFTA is to **foster industrialisation**, which often relies on foreign direct investment (FDI). The EPAs support attracting FDI. Between 2013 and 2019, the total of EU FDI stocks in African EPA countries has increased by 18.3% while over the same period, the stocks of EU FDI in non-EPA countries in Sub Sahara Africa has decreased by 6.2%. The EU's new sustainable investment initiative furthermore aims to mobilize more investment by offering stand-alone sustainable investment agreements or modernise existing trade agreements in conjunction with EU development cooperation. In fact, Angola has started to negotiate the first ever Sustainable Investment Facilitation Agreement.

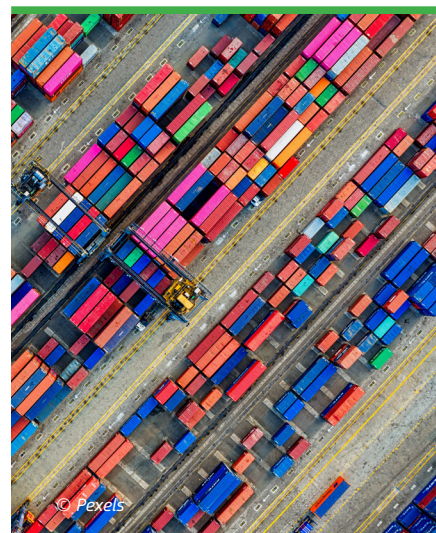
## V. COMMON CHALLENGES

EU-African and inner-African trade faces similar challenges, for example in the areas of non-tariff barriers, trade facilitation and or lack of investment in continental infrastructure. The EU's Economic Partnership Agreements as well as future Sustainable Investment Agreements are **supported by EU development cooperation**. Training customs or trade officials or enhancing electronic customs systems in the context of EU-Africa trade agreements will have positive spill-over effects for facilitating inner-African trade.

Moreover, the EU has always directly supported economic integration processes in Africa by for example strengthening business environment, investment climate in the continent and its regions, boosting job creation and helping countries in Africa tapping into the full potential of economic integration and trade. In fact, the AfCFTA agreement explicitly foresees **a role for development partners to support providing technical assistance and capacity building** to help state parties to implement the AfCFTA, for example in the areas of trade in goods and services.

The same logic applies to **private sector traders**: Having learned to seize export or import opportunities, to adhere to quality standards, to fill necessary forms and arrange logistics in one context will make it easier to apply it to the other context.

Looking back, all the countries that have EPAs with the EU have worked on their competitiveness and capacities, building administrative, productive and trading capabilities. Likewise, they have partnered with the EU in building their capacity for implementation, which is equally relevant to the AfCFTA. Thus, the European Union considers support to the AfCFTA and to the EU's current trade agreements with African countries to be **complementary and mutually reinforcing**.



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## VI. CONCLUSION: A SHARED STRATEGIC VISION

The Joint Declaration of the last EU-Africa Summit in Brussels on 17-18 February 2022 highlighted the common objective “to promote trade and investment in Africa, thereby contributing to sustainable development, growth and job creation.” This article has shown that there are considerable synergies between the EU-Africa trade agreements and the AfCFTA. Furthermore, the EU is ready to engage on dialogue on EU-Africa trade policy and has therefore proposed a High-Level Dialogue on Regional Integration between the European Commission and the African Union Commission.

While some discussion points on the AfCFTA and the EU-Africa trade policy synergies will have to be based on an advanced and implemented AfCFTA, the EU will in the meantime keep supporting the negotiations and implementation of AfCFTA strongly. EU support come through the **AfCFTA Pan-African program**, the newly established **Technical Assistance Facility** and indirectly through the **Neighbourhood, Development and International Cooperation Instrument (NDICI) Global Europe** and through the **Global Gateway**, supporting the AfCFTA in key areas, for instance facilitation of AfCFTA negotiations, creation of the AU Trade Observatory, improving systems for Intellectual Property Rights, developing AfCFTA national implementation strategies, enhancing the effective application of Rules of Origin by customs administrations or strengthening the governance of Africa’s SPS Systems.

The Joint Declaration also read that “the existing trade agreements between the EU and some African countries have contributed to the strengthening and deepening of trade and economic development between the two continents. We will work gradually towards the progressive and mutually beneficial integration of our respective continental markets”.

Against this background the EU supports not only the geographical ‘widening’ and ‘deepening’ of existing EPAs and Association Agreements – which also responds to African demands – but the **long-term vision of establishing a continent-to-continent agreement, taking up the aim of the AfCFTA to establish a Continental Customs Union and negotiate as a single bloc**. However, for the moment, there is no contradiction in working in parallel at both regional and continental levels.

