

BROWN BAG PRESENTATION

**GOVERNANCE SERIES
THE AFRICAN CONTINENTAL FREE TRADE AREA (AFCFTA)
HOW CAN ZAMBIA BENEFIT?**

START

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WHAT IS THE AFCFTA

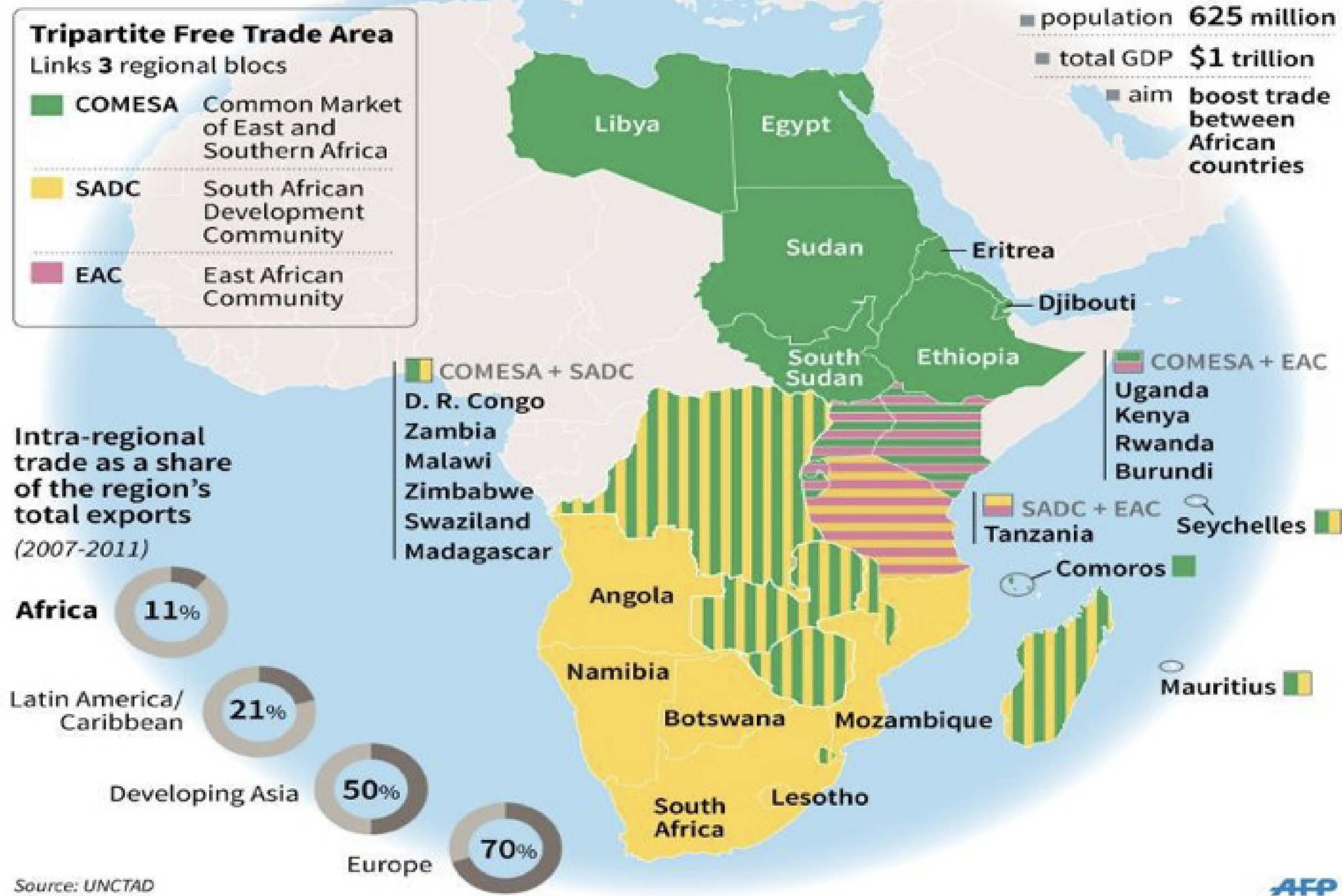
- The **African Continental Free Trade Area** (*AfCFTA*) is a flagship project of African Union Agenda 2063 and refers to a continental geographic zone in which goods and services are to move with, no restrictions; among member states of the African Union (AU).
 - The AfCFTA aims to boost Intra-African trade by providing a comprehensive and mutually beneficial trade agreements among the member states, covering trade in goods and services, investment, intellectual property rights and competition policy .
 - The agreement has been signed by member states of the African Union, bringing together 1.2 billion people with a combined Gross Domestic Product (GDP) of more than \$2 trillion.
 - The CFTA aims to **expand intra African trade**. It further aims to **Resolve the challenges of multiple and overlapping memberships** and expedite the regional and continental integration processes.
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WHAT IS THE AFCFTA

- Held on 21st March 2018 in Kigali Rwanda, was the 10th extraordinary summit of the AU assembly heads of state and government which also served as the signing ceremony of legal documents that was dedicated to the AfCFTA.
 - Many African countries expressed their willingness of materializing the continental development agenda of the AfCFTA as enshrined in the Agenda 2063.
 - Majority of the **50 African Countries** signed all the three legal instruments while some signed two and the others signed one of the three instruments 44 African leaders signed an agreement to create the African Continental Free Trade Area (AfCFTA).
 - It didn't help that Nigeria and South Africa, two large economies, have yet to sign the agreement.
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A common market spanning half of Africa

A step towards a continental free trade area



INSIGHT INTO REGIONAL TRADE

The ACFTA should be unthinkable without robust continental, regional and national programmes to effectively ensure infrastructure, industrial, agricultural, and technological development in the context of Agenda 2063 and the Sustainable Development Goals.

- In order to make a meaningful impact, the CFTA will have to improve the quality as well as the quantity of intra-African trade.
- Intra-African trade, currently comprises just 15% of the continent's total merchandise trade.

It is possible to state some common reasons why intra- African trade is low. The reasons include:

- Smaller economies,
- Smaller and fewer companies,
- Lower levels of technological and business sophistication,
- Market information shortages,
- Expensive and little money or credit,

What matters now is to design and implement high impact and immediate interventions, bearing in mind that volumes and values of intra-Africa trade are bound to increase as African economies grow bigger due to geographical contiguity and interconnectivity through economic infrastructure, and regional value chains and regulatory frameworks.



Africa should **not lose sight** of its own development path with initiatives such as the Continental Free Trade Area (CFTA) agenda and Open Skies Initiative; in view of the Chinese Belt and Road Initiative .

CHALLENGES AND OPPORTUNITIES OF THE AFCFTA

- Inadequate infrastructure,
- Low levels of industrialisation,
- Poor implementation record,
- High cost of doing business,
- Including corruption,
- Limited Technology, quality standards,
- Harsh business environment: expensive credit;
- low public labour productivity (“Govt. workers produce ‘public goods’ not ‘commercial one’);
- Inadequate infrastructure development investments (focus on roads recently);
- Member states have yet to agree on tariffs on all goods.

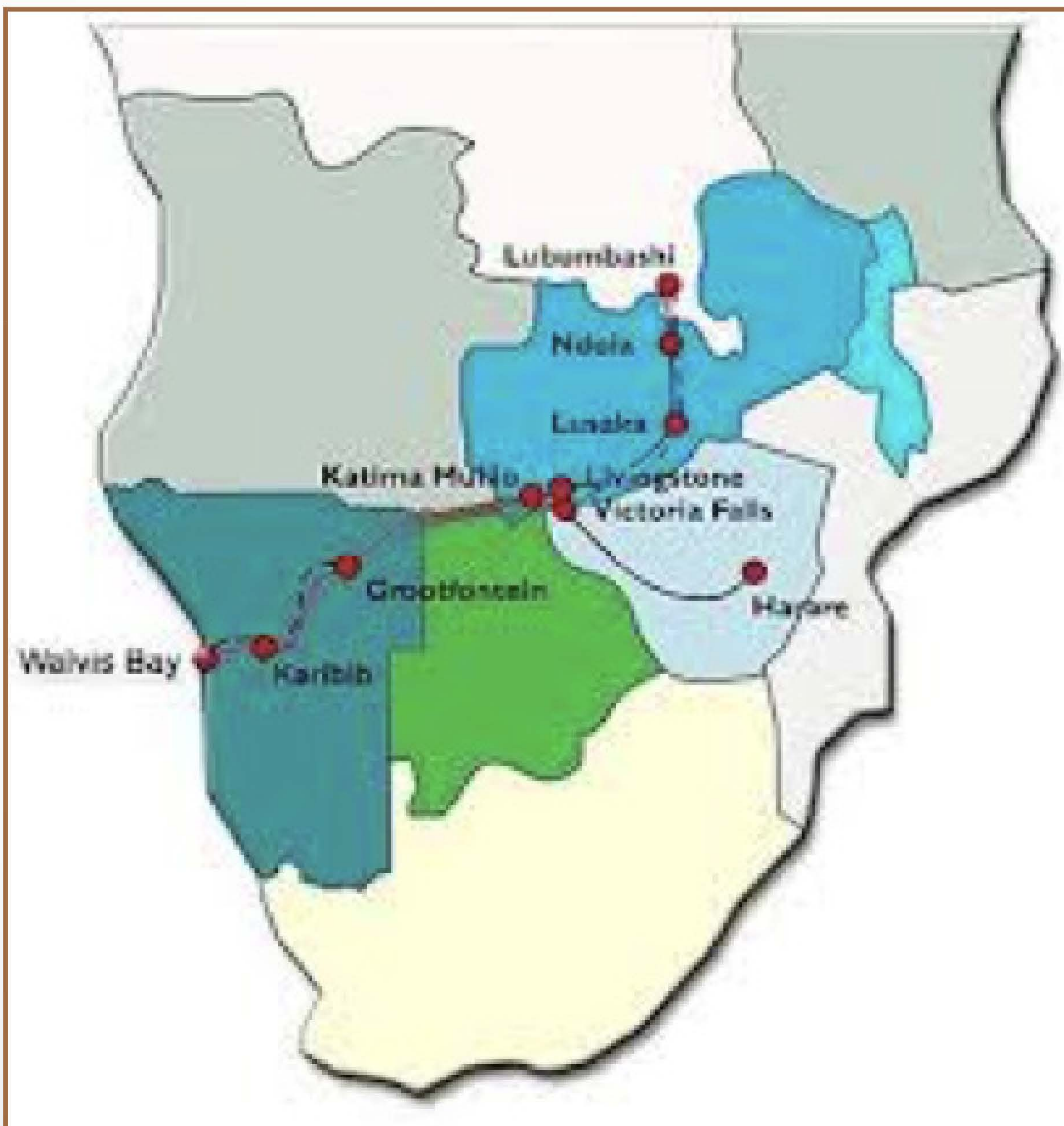
Increased challenges from free movement of people e.g. *human trafficking, smuggling of illegal products*

Zambia should focus on SADC market within AfCFTA, but should first fix the local environment for doing business.

OPPORTUNITIES OF THE AFCFTA

- Potential trade benefits include a larger market;
- About **270 million people** (*or 133 million urban dwellers*) become part of Zambia's continental export market;
- Creating bigger and integrated regional market for **African products**;
- It can **improve access cheaper raw materials** and **intermediate inputs**;
- Improving conditions for forming regional **value chains and integrating to global value chains** (GVCs);
- Allowing consumers to have access to cheaper imported products from other African countries;
- Improved opportunities around Finance and capital;
- Increased **opportunities of sharing of skills, knowledge, technology** and of regional best practices.

HOW ZAMBIA CAN POSITION HERSELF



Understanding Zambia's import and export

According to CSO, Zambia's trade deficit decreased by 48.8% from K1,620 million recorded in June 2018 to K829 million in July 2018. This trade deficit means that the country imported more than it exported in nominal terms.

Exports decreased by 6.1 % from K8,570.3 million in June 2018 to K8,048.5 million in July 2018. The decrease in the value of Exports is mainly attributed to the drop in the Traditional Exports

Figure 1 Major Export destinations (USD millions)

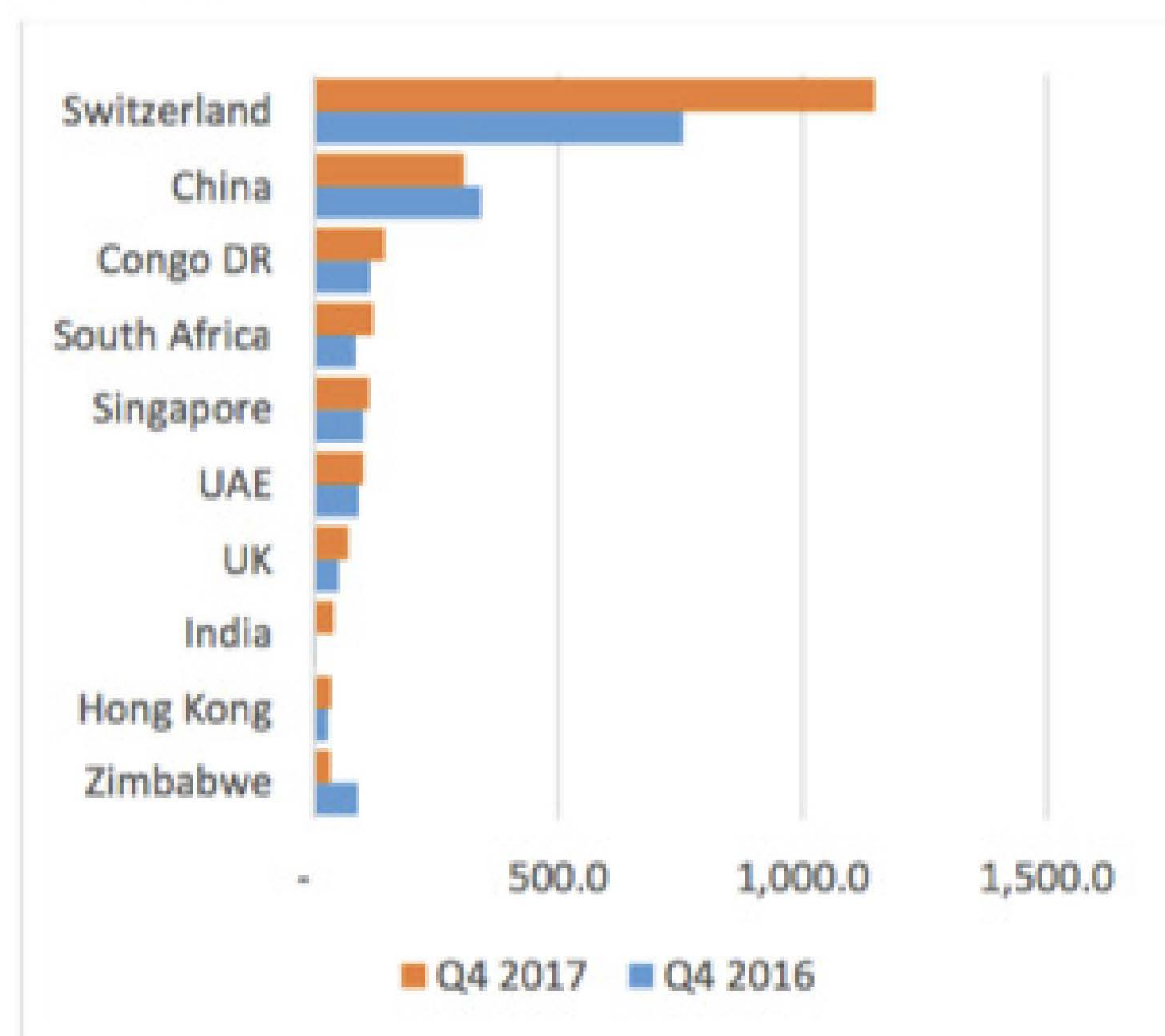
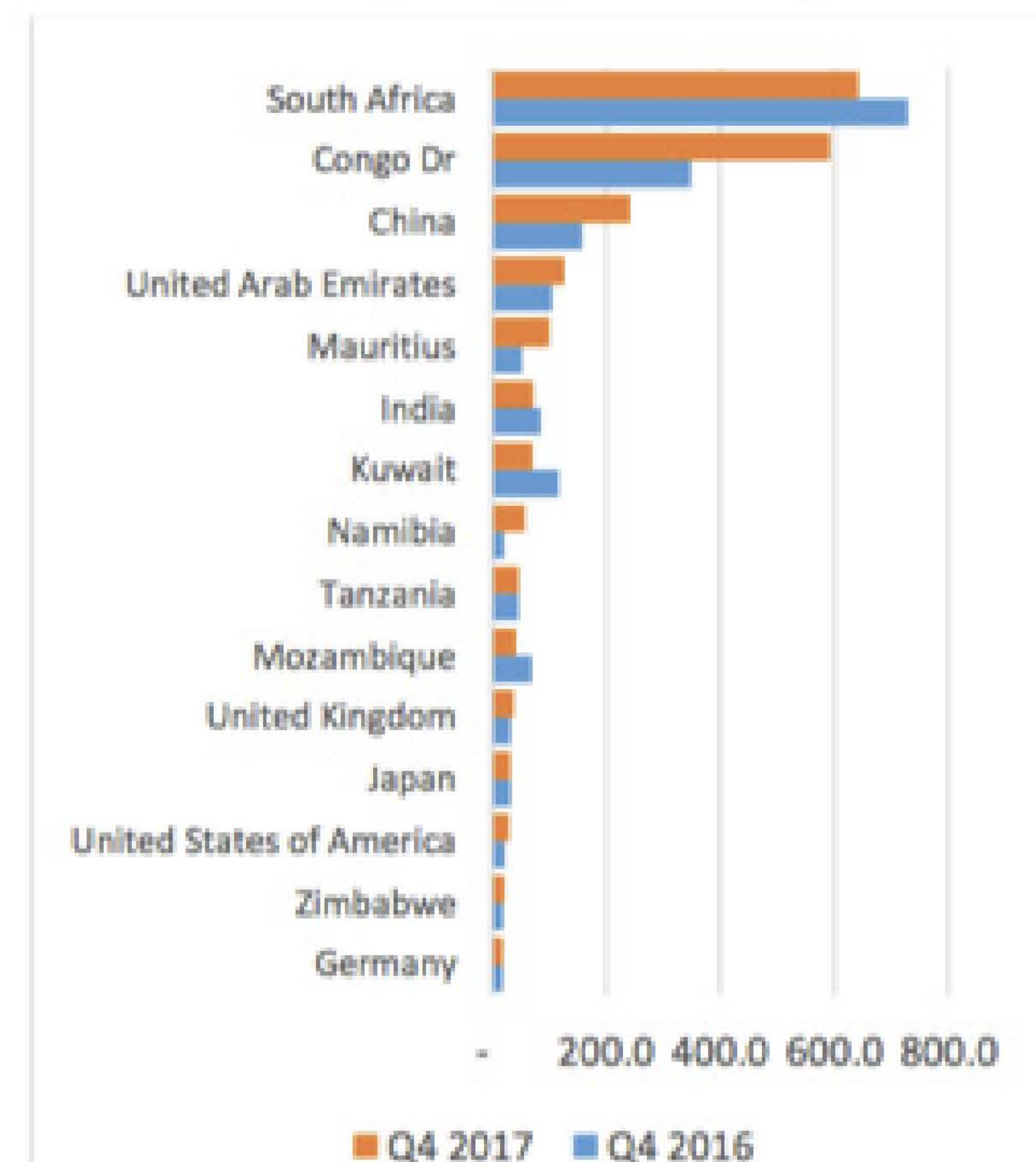


Figure 4: Zambia's Q4-2017 Top Source Countries for Imports (USD millions)

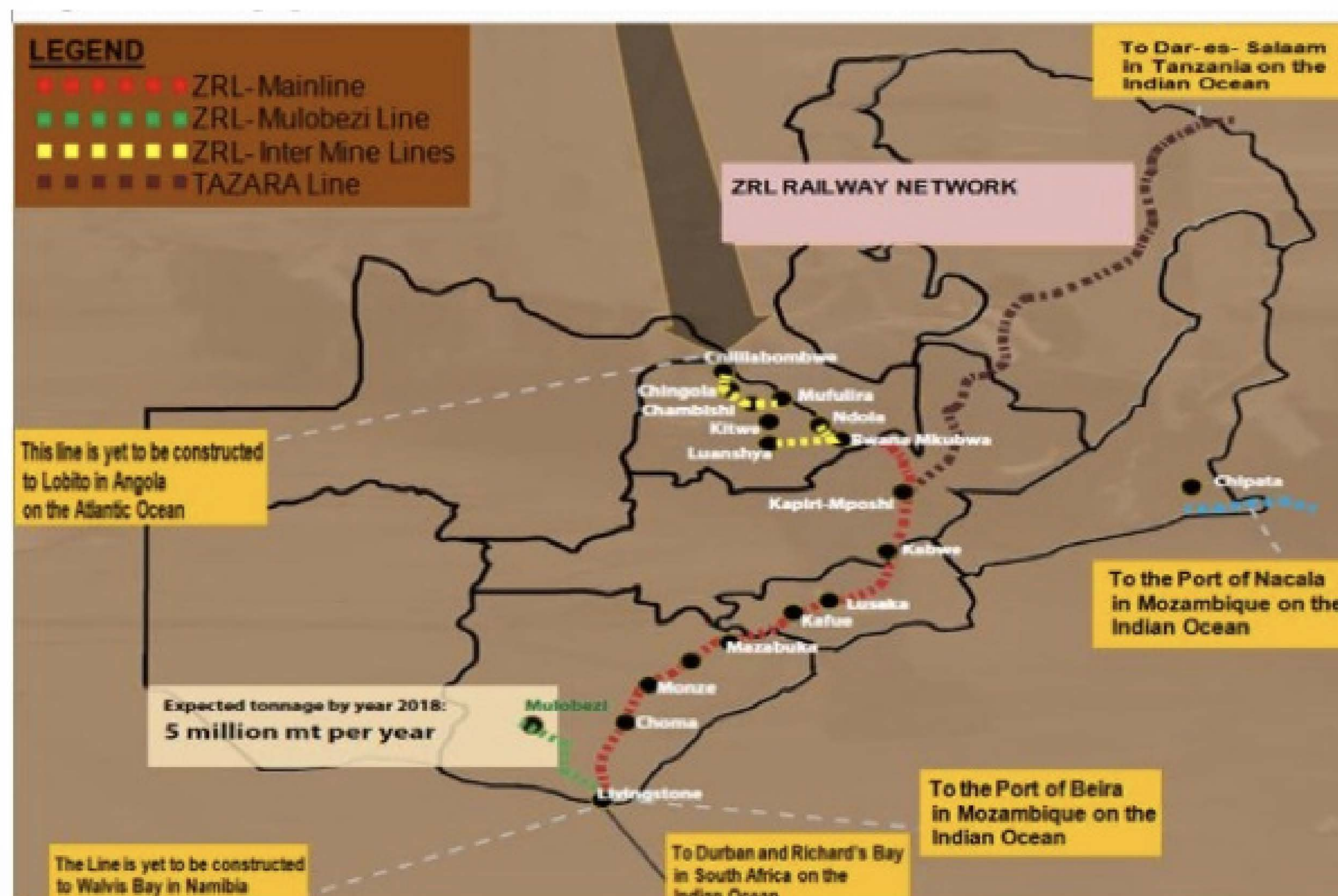


The **top SIX** destinations for Zambia's exports, from highest to lowest, were **Switzerland, China, Congo DR, South Africa, Singapore, and the United Arab Emirates**. Exports to these countries accounted for 80.0% of total exports (BOZ).

The top five export commodities were copper and articles thereof; inorganic chemicals; cereals; other base metals, cements, and articles thereof; and works of art.

- Build capacity of Zambian firms to compete in the Continental Market.
- Implement progressive and consistent policies and encourage investment in manufacturing (Industrial Policy, Tax Policy, Trade Policy, Cost and Ease of Doing Business Export, private sector driven).
- Prioritize sectors where Zambia has comparative advantage and build domestic production capacity e.g. Agro-processing, Mining.
- Reinforce National Brand and Strengthen Regional Marketing Campaign.
- Increase sensitization on the CFTA to building consensus and understanding on the impact of joining.
- Lobby for regional infrastructure projects under Tripartite FTA, and build into CFTA there after.

- Zambia's priorities in its trading arrangements is currently focused on interventions that promote value addition, diversification and job and wealth creation.
- In order to achieve this Zambia has recently developed an export strategy that is focused on ensuring beneficiation for the domestic industry and manufacturing products that will be able to meet the demand of the CFTA countries.



Opportunities for diversification in the production of Zambian products and exports can be created through improved access to regional and international markets. Under the first strategy, the Seventh National Development Plan consents to improve trade facilitation through efficient, transparent and predictable trade facilitation.

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THANK YOU



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