

Why AfCFTA is a Game Changer for International Trade and Economic Growth?

The African Continental Free Trade Area (AfCFTA) was founded in 2018 and the international trade agreement came into effect on the 1st of January 2021. It is a historic agreement that could not have come at a better time for Africa. It promotes free trade within the African continent by removing tariffs and other barriers from 90% of goods.

It creates a single, liberalized market, aiding the movement of people and capital, promoting sustainable and inclusive development, while encouraging healthy competition and overall economic and supply chain growth and brings members together to collectively resolve challenges. In the wake of the global pandemic, AfCFTA may be a game changer for Africa, allowing the continent to continue its growth trajectory despite the present challenges, as it:

Reduces Poverty

The World Bank expects AfCFTA to strengthen international trade resulting in regional income growing by 7%, lifting up to 30 million people out of extreme poverty by 2035.

Empowers Women

In Africa, women account for up to 70% of informal cross-border traders. Reductions in tariffs will allow these women to operate within formal channels, while also reducing the risk for harassment, violence, confiscation and imprisonment. Strengthening this sector of business will also create more employment opportunities for women.

Increases Trade Integrity

Defined as international trade transactions that are legitimate, transparent and properly priced, trade integrity in Africa has often been questionable as participants attempt to circumvent international trade barriers. AfCFTA removes these barriers and will allow for increased trade confidence and trust, especially as goods traverse borders from landlocked countries to international ports.

Insulates Against Covid

The ADB has stated that the GDP losses in Africa, due to covid, will be significant, up to 189 billion dollars in 2020 alone. Thus, AfCFTA will provide much needed opportunities to help African nations insulate themselves against the negative effects of the global pandemic.

Promotes Exemplary Cooperation

In the post-covid environment, whilst volume and value of trade has been affected in the short term, the importance of international trade and its agreements remains as high as ever, with growing volumes. Time will tell how effectively the world will re-build the supply chains and channels enjoyed in the pre-pandemic era. Ultimately, free trade agreements, supporting the efficient movement of goods, unencumbered by tariffs and excessive transport costs, through countries cooperating with near neighbours and far-distant trading partners is a positive step and a shining example of global cooperation, elevating the region on the world stage and its ability to trade competitively and efficiently.

A Focus on Africa

At Euro Exim Bank, the African Continent is one of our main focus areas, being home to some of the world's most promising emerging and frontier markets. Through our extensive range of trade finance products and our class-leading Exim Wave digital global trade settlement platform with over 150 world currencies, we are helping SMEs in Africa reach out to the rest of the continent and the world. Our product portfolio includes paper-based and digital bank guarantees, letters of credit, proof of funds and assisting established markets to buy competitively and efficiently from emerging markets.