

## 2. AU ACTION PLAN ON THE ESTABLISHMENT OF A CONTINENTAL FREE TRADE AREA (CFTA)

The Abuja Treaty, which was signed in 1991 and entered into force in 1994, envisages the creation of an African Economic Community through a six-stage process. Two stages are complete, with the creation of regional economic blocs and the strengthening of intra-REC integration and inter-REC harmonisation. The remaining stages are in progress, including the consolidation of a free trade area and a customs union in each regional bloc. The last three stages of this process are at a continental level and entail the creation of a customs union, African Common Market (ACM) and an economic and monetary union, by 2028.

In June 2011 the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) formally launched negotiations for the establishment of an integrated market of 26 Countries at the second Tripartite Summit. In 2012 leaders adopted a Decision endorsing a Framework, Road Map and Architecture for a CFTA to:

- a) Finalise the COMESA, EAC and SADC Free Trade Area (FTA) initiative by 2014;
- b) To complete FTA(s) by Non-Tripartite RECs, by 2014;
- c) To consolidate the Tripartite and other regional FTAs into a CFTA initiative between 2015 and 2016;
- d) To establish the CFTA by 2017 with the option of reviewing the target date according to progress made.

Cluster-focused task teams have been established to meet the Tripartite FTA objectives, and the political momentum for regional integration has continued with meetings under the High level Trade Committee (HATC), the Custom Technical Committee and the technical working group for the elaboration of a continental set of Rules of Origin.

According to CGE simulations, the establishment of the CFTA, when accompanied by robust trade facilitation measures that make custom procedures twice as efficient and halve the time merchandise is retained in African ports, could expand intra-African trade flows by as much as 52% by 2022 (totaling US\$ 34.6 billion). Under the same scenario, estimates also show that the share of intra-African trade could more than double from its 2010 level of 10.2 percent to 21.9 percent in 2022. Furthermore, introducing non-tariff measures to ease trading across borders on top of a CFTA would offset potential real income losses (arising from removal of tariff barriers) as well as considerably reinforce the sophistication of intra-African trade, expanding substantially exchanges of manufactured products.

The intensification of efforts to establish a Tripartite FTA between COMESA, EAC and SADC communities is an encouraging move forward that provides a potential model for other RECs. The comprehensive Action Plan for boosting intra-African trade in the short, medium and long-term, and the Plan of Action of the Minimum Integration Programme will also help to foster economic convergence among African countries.

The CFTA, if achieved, would be a major further milestone towards the objective of a Continental Customs that can make available the finance necessary to facilitate the development of competent institutions and the Union. There are however still key challenges to overcome, including (i) addressing non-tariff barriers, (ii) improving productive capacities and financing and (iii) implementing the Programme of Infrastructure Development in Africa (PIDA). Sustained efforts towards the development of adequate human and technological capital in order to respond to Africa's industrialisation challenges are also paramount.