

# **New Economic Opportunities under the African Continental Free Trade Agreement**

*Prepared by the California State Assembly Committee on Jobs, Economic Development, and the Economy  
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In May 2019, the African Continental Free Trade Agreement (AfCFTA) entered into force and thereby initiated the convergence of what will be the largest economic market in the world.<sup>i</sup> Once fully operational, the AfCFTA will establish a market of 1.2 billion people with a combined GDP of \$2.5 trillion.<sup>ii</sup>

This fact sheet provides a brief overview and launch pad for investors and businesses who want to conduct further research on the economic opportunities of an expanded U.S. and Africa trade relationship.

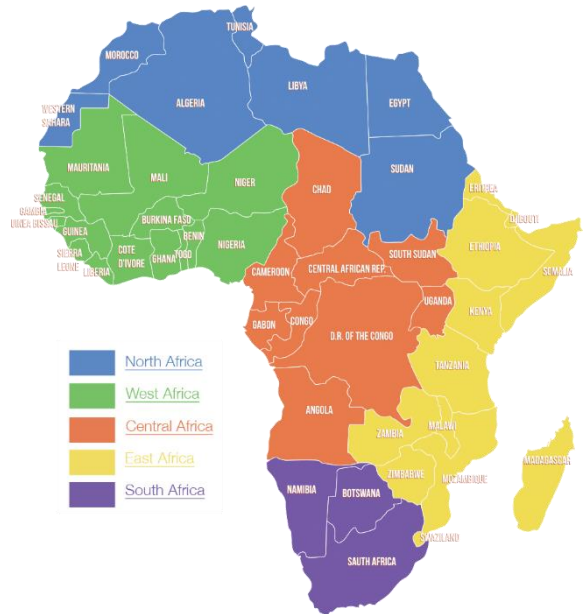
- The AfCFTA provides a framework from which the African nations can collaboratively work toward the elimination of tariffs on most goods, liberalize trade of key services, address nontariff obstacles to intraregional trade, and eventually create a continental single market with free movement of labor and capital.<sup>iii</sup>
- The AfCFTA represents a significant economic step forward for the member states of the African Union. According to the International Monetary Fund, implementation of the AfCFTA could be an economic game changer for the continent.<sup>iv</sup>
- The African Union is comprised of the 55 nations located on continental Africa and serves as the successor of the Organisation of African Unity.<sup>v</sup>

## **Agenda 2063 – Africa’s Master Plan**

- **Agenda 2063**, adopted in 2013 by the African Union, serves as a blueprint and 50-year master plan to transition African nations from developing nation status into equal economic partners within world markets. Founded on sustainable development and inclusive prosperity principles, Agenda 2063 leverages pan-African unity, continental and regional integration, and democratic governance and self-determination to power the transition for all African nations to become global economic players.<sup>vi</sup>
- Agenda 2063 serves as more than a vision and principles document – it also identifies key initiatives to accelerate inclusive economic growth and development. In addition to the AfCFTA, Agenda 2063<sup>vii</sup> calls for, among other projects:
  - An integrated high speed train network to connect all African capitals and commercial centers;
  - A continental commodities strategy to catalyze the transformation of Africa from being primarily a supplier of raw materials to other nations to a continent that uses its own resources to produce products that are available for domestic consumption, as well as to support African businesses in participating within global supply chains;
  - Removal of restrictions on the free movement of African citizens within all African nations;
  - Establishment of a single African air-transport market;
  - Creation of stable governing financial institutions to promote and sustain economic integration within Pan-Africa, such as an African Investment Bank; Pan-African Stock Exchange; an African Monetary Fund; and an African Central Bank; and

- Adoption policies and regulations to support a Pan-African E-Network to support transformative e-applications and services in Africa, including standards to address cyber security and support bio- and nanotechnology industries.
- The regional integration of the African Union has been hindered in the past by the multiplicity of inter-governmental organizations in Africa (currently 14) and overlapping memberships in the regional economic communities. The AfCFTA, as part of the broader implementation of Agenda 2063, offers a new path forward.

### The Countries of the African Continent



- As noted previously, there are 55 independent nations located on the African Continent. The African Union divides the countries into five regional areas, which are described below. The Office of the U.S. Trade Representative, among others, sometimes divides the countries into North Africa and sub-Saharan Africa.
  - **Countries in North Africa:** People’s Democratic Republic of Algeria; Arab Republic of Egypt; Libya; Islamic Republic of Mauritania; Kingdom of Morocco; Sahrawi Arab Democratic Republic; and Republic of Tunisia.<sup>viii</sup>
  - **Countries in Eastern Africa:** Union of the Comoros; Republic of Djibouti; State of Eritrea; Federal Democratic Republic of Ethiopia; Republic of Kenya; Republic of Madagascar; Republic of Mauritius; Republic of Rwanda; Republic of Seychelles; Federal Republic of Somalia; Republic of South Sudan; Republic of the Sudan; United Republic of Tanzania; and Republic of Uganda.<sup>ix</sup>
  - **Countries in Central Africa:** Republic of Burundi; Republic of Cameroon; Central African Republic; Republic of Chad; Republic of the Congo; Democratic Republic of Congo; Republic of Equatorial Guinea; Gabonese Republic; and Democratic Republic of São Tomé and Príncipe.<sup>x</sup>
  - **Countries in Western Africa:** Republic of Benin; Burkina Faso; Republic of Cabo Verde; Republic of Côte d’Ivoire; Republic of The Gambia; Republic of Ghana; Republic of Guinea; Republic of Guinea-Bissau; Republic of Liberia; Republic of Mali; Republic of Niger; Federal Republic of Nigeria; Republic of Senegal; Republic of Sierra Leone; and Togolese Republic.<sup>xi</sup>
  - **Countries in Southern Africa:** Republic of Angola; Republic of Botswana; Kingdom of Eswatini; Kingdom of Lesotho; Republic of Malawi; Republic of Mozambique; Republic of Namibia; Republic of South Africa; Republic of Zambia; and Republic of Zimbabwe.<sup>xii</sup>
- In 2017, eight of the 20 fastest growing economies in the world were in sub-Saharan Africa.<sup>xiii</sup>
- Economic growth for all African nations was reported as 3.2% for 2018. Economic performance, however, varied significantly across the five subregions.
  - East Africa continues to be the fastest-growing subregion in Africa with a 6.2% growth rate fueled by government spending on infrastructure and higher domestic demand.
  - North Africa’s economy expanded by 3.7%, with economic activity driven by improvements in tourism revenues and rising agriculture production.

- West Africa, led by the Nigerian economy, grew by 3.2% due to the increase in oil revenue.
- The economies in the Southern African subregion constricted from 1.5% growth in 2017 to 1.2% in 2018. The subregion remains adversely affected by the economic performance of South Africa.
- Central Africa achieved a 2.2% growth rate in 2018, exiting recession of -0.2% in 2017.<sup>xiv</sup>
- Africa's economic growth is projected to increase slightly from 3.2% in 2018 to 3.4% in 2019 and 3.7% in 2020. A number of external factors are accredited for this moderate acceleration, including “a strengthening of global demand for Africa's products, as well as domestic factors, such as robust private consumption, sustained investments in infrastructure, and rising oil production.” Inflation declined in 2018 and is expected to decline further in 2019.

## Current U.S. Trade with African Nations

- The U.S. already has a range of international agreements that support U.S. businesses access to foreign markets, including African nations. These include:
  - **Foreign Trade Agreements:** In 2015, 47% of U.S. goods exports went to FTA partner countries. The U.S. currently has only 20 free trade agreements in force, only one of which includes an African nation – Morocco.<sup>xv</sup>
  - **Trade and Investment Framework Agreements (TIFAs),** which set strategic frameworks and principles for dialogue on trade and investment issues between the United States and the other parties to the TIFA. The U.S. has 11 TIFAs which include one or more African nations, including the: Angola TIFA; Common Market for Eastern and Southern Africa TIFA; the Economic Community of West African States TIFA; Nigeria TIFA, and South Africa TIFA.<sup>xvi</sup>
  - **Bilateral Trade Agreements:** There are currently eight bilateral trade agreements with an African Country, including with Egypt, Rwanda, and Senegal.<sup>xvii</sup>
- In 2018, total exports from the U.S. were valued at \$1.6 trillion. Exports to African nations were valued at over \$26 billion and represented 1.6% of all U.S. exports. Top exports included: transportation equipment; machinery (excluding electrical); agricultural products; chemicals; petroleum & coal products; food manufactures; and computer and electronic products. 51% of all exports from the U.S. to Africa were comprised of the first four categories of goods.<sup>xviii</sup>
- The U.S. imported \$2.5 trillion in goods in 2018, with \$27.5 billion (1.1%) being imported from African nations. While seemingly a small portion of U.S. imports, this represents a significant increase that is partially attributable to the implementation of the African Growth and Opportunity Act (AGOA) in 2000.
- The objective of AGOA is to expand U.S. trade and investment with sub-Saharan Africa, to stimulate economic growth, to encourage economic integration, and to facilitate sub-Saharan Africa's integration into the global economy. Under AGOA, substantial trade preferences are provided, as are preferences under the Generalized System of Preferences, which allow virtually all marketable goods produced in AGOA-eligible countries to enter the U.S. market duty-free.
- In 2017, imports from AGOA-eligible countries were up 68% over 2001. While petroleum products accounted for the largest portion of AGOA imports (69%), non-oil imports totaled \$4.3 billion, which is triple the amount from 2001. South Africa was the largest non-oil AGOA beneficiary. Non-oil industry sectors that experienced sizable increases between 2001 and 2017 include vehicles and parts, apparel, jewelry and parts, fruits, nuts, and footwear.

## Current California Trade with Africa

- If California were a country, it would stand among the ten largest economies in the world, with a 2018 state GDP of \$2.9 trillion (5<sup>th</sup> largest in the world).<sup>xix</sup> In 2018, California imports and exports totaled \$620 billion in products, representing 15.7% of total U.S. imports and exports.<sup>xx</sup>
- Exports out of California were valued at \$178.4 billion in 2018, representing 10.7% (\$1.6 trillion) of total U.S. exports and rendering the state the 28<sup>th</sup> largest exporter in the world.<sup>xxi xxii xxiii</sup>
- California was the 6<sup>th</sup> largest exporter to Africa in 2018, exporting over \$1 billion in goods. The chart below shows the top 10 exporting states to Africa over the past three reporting years.<sup>xxiv</sup>

U.S. Exports to Africa by State			
State	2016	2017	2018
United States	22,274,482,959	22,064,990,632	26,052,183,717
Texas	4,784,620,864	5,095,800,727	6,006,960,442
Louisiana	1,845,007,033	2,115,400,896	3,233,120,162
Washington	2,313,119,897	1,184,637,412	1,696,847,238
Georgia	1,074,568,941	942,823,342	1,261,874,728
Illinois	874,234,152	949,541,783	1,212,047,035
<b>California</b>	<b>1,251,933,063</b>	<b>1,006,474,276</b>	<b>1,049,734,744</b>
New Jersey	652,397,832	712,297,715	828,736,013
New York	741,090,258	794,129,704	811,732,562
Florida	524,501,244	582,764,868	719,895,686
Maryland	746,545,913	652,750,828	709,647,500

*Source:* International Trade Administration; accessed 9/27/2019

- The top five exports from California to Africa in 2018 were: computer and electronic products (\$200,724,498); transportation equipment (\$154,072,053); agricultural products (\$142,032,716); machinery, except electrical (\$109,642,003); and chemicals (\$103,241,473).<sup>xxv</sup>
- Total imports into California were valued at \$441.1 billion in 2018, representing 17.3% of total U.S. imports and ranking the state the 13<sup>th</sup> largest importer in the world.<sup>xxvi</sup>

<sup>i</sup> International Monetary Fund <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419> accessed 9/26/2019

<sup>ii</sup> International Monetary Fund, <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419>; accessed September 26, 2019

<sup>iii</sup> International Monetary Fund <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419> accessed 9/26/2019

<sup>iv</sup> International Monetary Fund <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419> accessed 9/26/2019

<sup>v</sup> African Union <https://au.int/en/overview>; accessed 9/27/2019

<sup>vi</sup> African Union <https://au.int/en/agenda2063/overview>; accessed 9/26/2019

<sup>vii</sup> African Union <https://au.int/en/agenda2063/flagship-projects>; accessed 9/27/2019

<sup>viii</sup> African Union <https://au.int/en/overview>; accessed 9/27/2019

<sup>ix</sup> African Union <https://au.int/en/overview>; accessed 9/27/2019

<sup>x</sup> African Union <https://au.int/en/overview>; accessed 9/27/2019

<sup>xi</sup> African Union <https://au.int/en/overview>; accessed 9/27/2019

<sup>xii</sup> African Union <https://au.int/en/overview>; accessed 9/27/2019

<sup>xiii</sup> International Monetary Fund <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419> accessed 9/26/2019

<sup>xiv</sup> United Nations <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2019/>; accessed 9/26/2019

<sup>xv</sup> Office of the U.S. Trade Representative <https://ustr.gov/trade-agreements/free-trade-agreements>; accessed 9/27/2019

<sup>xvi</sup> Office of the U.S. Trade Representative <https://ustr.gov/trade-agreements/trade-investment-framework-agreements>; accessed 9/27/2019

<sup>xvii</sup> Office of the U.S. Trade Representative [https://tcc.export.gov/Trade\\_Agreements/Bilateral\\_Investment\\_Treaties/index.asp](https://tcc.export.gov/Trade_Agreements/Bilateral_Investment_Treaties/index.asp); accessed 9/27/2019

<sup>xviii</sup> International Trade Administration <http://tse.export.gov>; accessed 9/27/2019

<sup>xix</sup> Bureau of Economic Analysis, Gross Domestic Product by State <http://www.bea.gov>; accessed July 19, 2019

<sup>xx</sup> United States Census Bureau, State Imports for California <http://www.census.gov/foreign-trade/statistics/state/data/imports/ca.html>; accessed March 10, 2018

and United States Census Bureau, State Exports via California <http://www.census.gov/foreign-trade/statistics/state/data/ca.html>; accessed March 10, 2018

<sup>xxi</sup> U.S. Census, State Exports via California <http://tse.export.gov>; accessed March 9, 2018 and the CIA Fact Book [www.cia.gov](http://www.cia.gov); accessed March 18, 2019.

<sup>xxii</sup> CalChamber, <https://advocacy.calchamber.com/international/trade/trade-statistics/>; accessed March 18, 2019

<sup>xxiii</sup> CIA Fact Book <https://www.cia.gov>; accessed March 19, 2019

<sup>xxiv</sup> International Trade Administration <http://tse.export.gov>; accessed 9/27/2019

<sup>xxv</sup> International Trade Administration <http://tse.export.gov>; accessed 9/27/2019

<sup>xxvi</sup> U.S. Department of Commerce <http://tse.export.gov>; accessed March 19, 2019 and CIA Fact Book, <https://www.cia.gov/>; accessed March 19, 2019.