



AFRICAN CONTINENTAL FREE TRADE AGREEMENT: ISSUES AND PROSPECTS FOR ECONOMIC INTEGRATION IN THE REGION.

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ABSTRACT

The increase in South-South Cooperation has the prospect of increasing knowledge transfer, enhancing policy coordination, and encouraging trading collaborations. The African Continental Free Trade Agreement (AfCFTA) is a step in the right direction towards enhancing South-South cooperation in Africa. This paper discusses the African Continental Free Trade Agreement, why it was created, the institutional frameworks, and its objective. This paper also considers certain issues that may arise with AfCFTA and the prospects to be derived from it. This paper also considers how Nigeria can position itself to be a winner in this Agreement and areas that Nigeria should be concerned about. This paper concludes with recommendations that would enable member states to create the right policies and provide the right infrastructures that will create more winners within the AfCFTA framework.

Keywords: ACFTA, Free Trade, Economic Integration, Region

INTRODUCTION

Paul Collier in *The Bottom Billion* posited that it goes beyond the aid that the North gives the South but it should include the North refraining from doing things that prevent development in the South. But I would like to add that the South should take steps to ensure that it is developed and not rely on the North to stop whatever hinders development. Creating and participating in international trade amongst them (south-south cooperation) is a step toward development.

The Organization of African Unity (OAU) was established on 25 May 1963 in Addis Ababa, Ethiopia. With 32 signatories, it was the first regional body in Africa. In 2002 it transformed into



the African Union and currently has 55 members.¹ During the 18th Ordinary Session of the African Union Heads of States and Government, which was held in Addis Ababa, Ethiopia, in January 2012, the African Continental Free Trade Area (AfCFTA) was established.

The African Continental Free Trade Area (AfCFTA) was established to encourage intra-economic trading in Africa in line with the South-South arrangement. AfCFTA is currently the largest trade organization due to the number of member nations. The target is to have a single continental platform that will promote socio-economic transformation in Africa. Africa has great economic potential and bountiful resources that are necessary for trade and rendering of services, with about 1.2 billion people, and an aggregate gross domestic product of US\$2.5 trillion.²

UNDERSTANDING ECONOMIC INTEGRATION

Economic Integration can be defined as an agreement or arrangement among countries, to reduce and ultimately remove tariff and non-tariff barriers to the free flow of trade in goods and services, and factors of production among each other.³ It is also referred to as regional integration since it may occur among neighbouring countries.

There are seven stages of economic integration and they are: a preferential trading area, a free trade area, a customs union, a common market, an economic and monetary union, and complete economic integration.³ It leads to a reduced cost of trade, and more available goods and services with a wide range of selection.

¹ Oyedele, T. *African Continental Free Trade Agreement: The real issues for Nigeria* Retrieved on May 16, 2021, from https://pwc-nigeria.typepad.com/files/african-continental-free-trade-area_what-you-need-to-know-and-realissues-for-nigeria_taiwo-oyedele.pdf

² Tshepidi M. (2019) The AfCFTA is a giant step forward. *The African Report*. July-August. 8

³ Kenton, W & Scott, G.2021. *Economic Integration*. Retrieved on Jul 22, 2021 from <https://www.investopedia.com/terms/e/economic-integration.asp>

³ Ibid



BACKGROUND STUDY

The African Continental Free Trade Agreement

It is an Agreement that establishes the African Continental Free Trade Area; it contains the protocols, annexes and appendices which are part of the Agreement.⁴ It is expected that this Agreement will reduce tariffs among member countries and have policies on trade facilitation and services, regulatory measures on sanitary standards, and technical trade barriers. Its full implementation is expected to reshape economic markets across Africa and boost output in the services, manufacturing, and natural resources sectors.⁵

This Agreement that established the African Continental Free Trade Area was signed in March 2018, in Kigali Rwanda. Some of the objectives of the establishment of the free trade area in Africa include the creation of a single market for goods and services, expediting the movement of persons, promoting industrial development, and sustainable and inclusive socio-economic growth, within the region.⁶ This Agreement came into force on 30 May 2019 after 24 countries had deposited their instruments of ratification with the Chairperson African Union Commission (AUC) according to the provisions of the Agreement.⁸ Trading commenced in January 2021.

The Agreement is a platform for further discussions on trade in goods and services, and trade-related issues such as competition, investments, and intellectual property rights amongst others. It covers three schemes:

1. The establishment of the African Continental Free Trade Area. The reason is to set out a liberalized market for goods and services. Through the movement of persons within the continent, elimination of tariffs and non-tariff barriers to trade in goods, progressive liberalization of trade in services, provision of dispute settlement mechanisms, institutional provisions for the management of the African Continental Free Trade Area, etc.

⁴ Article 1(b) Agreement Establishing the African Continental Free Trade Area

⁵ The World Bank. July 27, 2020. *The African Continental Free Trade Area*. Retrieved on May 16, 2021 from <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

⁶ Tralac. *African Continental Free Trade Area (AfCFTA) legal texts and policy documents*. Retrieved on May 16,

⁷ from <https://www.tralac.org/resources/our-resources/6730-continental-free-trade-area-cfta.html>

⁸ Article 23.1) Agreement Establishing the African Continental Free Trade Area



2. ⁹ A Protocol on Trade in Goods, which covers the general obligation, and schedules of tariff concessions. It aims to eliminate tariffs and non-tariff barriers progressively, the efficiency of customs procedures, trade facilitation and transit.
3. A protocol on Trade in Services, which covers general obligations, and schedules of specific commitments. To progressively liberalize trade in services based on equity, balance and mutual benefit, by eliminating barriers to trade in services.⁹

Membership of AfCFTA

As of February 2021, out of the 55 members of the African Union, only 54 had signed the AfCFTA Agreement, and out of the 54 states, only 35 states have ratified the agreement. Eritrea remains the only country yet to sign the Agreement.¹⁰

Nigeria was the 53rd country to sign the Agreement. The government's reason for not signing the Agreement initially was that it needed to consult with stakeholders such as the Nigerian Labour Congress and the Manufacturers Association and that it was "t because it rejected the trade accord.

¹¹ After several consultations with stakeholders in the country, Nigeria signed the Agreement on the 7th of July 2019. Though to many, Nigeria was once considered the country that took the front role in leadership over issues concerning African countries is gradually losing that position.

Reasons for the Creation of AfCFTA

As part of the African Union's Agenda 2063, the AfCFTA was formed with the objectives of creating a single continental market for goods and services and, the free movement of people and investments, which will expand intra-African trade within the continent thereby enhancing

⁹ International Trade Centre. (2018). *A business guide to the African Continental Free Trade Area Agreement*.

Retrieved on May 17, 2021 from

https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/AfCFTA%20Business%20Guide_final_Low-res.pdf

¹⁰ Baliño, S. 2021. *African Continental Free Trade Area completes the first month of trading*. Retrieved on May 17, 2021 from <https://sdg.iisd.org/commentary/policy-briefs/african-continental-free-trade-area-completes-first-monthof-trading/>

¹¹ Akinkugbe O.D. 2018. *Why Nigeria had good reasons to delay signing Africa's free trade deal*. Retrieved on May 17, 2021 from <https://theconversation.com/why-nigeria-had-good-reasons-to-delay-signing-africas-free-trade-deal100203>



competition and economic transformation in Africa.¹² At the 2012 AU Summit where the decision on the Establishment of a Continental Free Trade Area was adopted, the Action Plan on Boosting Intra-Africa Trade which was endorsed identified seven areas of cooperation namely: trade policy; trade facilitation; productive capacity; trade-related infrastructure; trade finance; trade information; and factor market integration.¹³

Objectives of AfCFTA

The objectives of AfCFTA are classified into two groups, the general and the specific objectives. The general objectives which are found in Article 3 of the Agreement recognized the importance of regional organizations like the ECOWAS and were crafted to respect the initiatives of the regional organizations.

The General objectives as found in Article 3 of the Agreement are:

- (a) To create a single market for goods, and services, facilitated by the movement of persons to deepen the economic integration of the African continent and by the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063;
- (b) To create a liberalized market for goods and services through successive rounds of negotiations;
- (c) To contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and RECs;
- (d) To lay the foundation for the establishment of a Continental Customs Union at a later stage;
- (e) To promote and attain sustainable and inclusive socio-economic development, gender equality, and structural transformation of the State Parties;

¹² The African- EU Partnership. 2019. *African Continental Free Trade Agreement (AfCFTA)*. Retrieved on May 17, 2021 from <https://africa-eu-partnership.org/en/afcfta>

¹³ Oyedele, T supra



- (f) To enhance the competitiveness of the economies of State Parties within the continent and the global market;
- (g) To promote industrial development through diversification and regional value chain development, agricultural development, and food security; and
- (h) To resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.¹⁴¹⁵

The specific objectives were set out for the full realization of the general objectives in Article 3. They are found in Article 4 of the Agreement and are stated as follows:

- (a) To progressively eliminate tariffs and non-tariff barriers to trade in goods;
- (b) To progressively liberalize trade in services;
- (c) To cooperate on investment, intellectual property rights, and competition policy;
- (d) To cooperate on all trade-related areas;
- (e) To cooperate on customs matters and the implementation of trade facilitation measures;
- (f) To establish a mechanism for the settlement of disputes concerning their rights and obligations; and
- (g) To establish and maintain an institutional framework for the implementation and administration of the AfCFTA.¹⁶

Institutional Framework for AfCFTA

The following institutions were established to facilitate the implementation of the free trade area as provided in Article 9 of the AfCFTA Agreement¹⁷:

¹⁴ African Union. 2021. *Agreement establishing the African Continental Free Trade Area*. Retrieved on May 26,

¹⁵ from <https://au.int/en/treaties/agreement-establishing-african-continental-free-trade-area>

¹⁶ Ibid

¹⁷ Ibid



The **Assembly** of the AU is the highest decision-making organ of the AfCFTA and shall provide oversight and strategic guidance on the AfCFTA, including the Action Plan for Boosting Intra-African Trade (BIAT). It also has the exclusive authority to adopt interpretations of this Agreement on the recommendation of the Council of Ministers. The decision to adopt an interpretation shall be taken by consensus. It consists of the Heads of State and Governments of member states.

The **Council of Ministers** ensures the effective implementation and enforcement of the Agreement and they shall take all measures necessary for promoting the AfCFTA objectives. The Council of Ministers shall report to the Assembly through the Executive Council of the AU. The Council consists of the ministers of the State Parties responsible for trade, and they provide strategic trade policy oversight and ensure effective implementation and enforcement of the AfCFTA Agreement.

The **Committee of Senior Trade Officials** implements the decisions of the Council of Ministers. It can establish committees or working groups to oversee the implementation of the Agreement, may request a Technical Committee to investigate any particular matter, direct the Secretariat to undertake specific assignments, work in collaboration with the relevant organs and institutions of the AU, promote the harmonization of appropriate policies, consider reports and activities of the Secretariat and take appropriate actions. It can also make regulations, issue directives and make recommendations. It consists of Permanent or Principal Secretaries as designated by each state member. It is responsible for the development of programs and action plans for the implementation of the AfCFTA Agreement.

The **Secretariat** shall be established by the AU Assembly, which shall decide its nature and approve its structure. The Secretariat shall be a functionally autonomous body within the AU system and will have an independent legal personality; autonomous of the AU Commission. Its funds shall come from the overall annual budgets of the AU. Its headquarters is in Accra, Ghana. It shall be responsible for coordinating the implementation of the Agreement.¹⁸

¹⁸ Trade Law Centre. Sept 13, 2019. *The Institutions of the African Continental Free Trade Area*. Retrieved on May 17, 2021 from <https://www.tralac.org/blog/article/14238-the-institutions-of-the-african-continental-free-tradearea.html>



ISSUES AND PROSPECTS FOR ECONOMIC INTEGRATION IN AFRICA

The African Union was formed for the political, social, and economic development of Africa. The creation of AfCFTA is to accomplish its economic goals and objectives for the region. The establishment of AfCFTA is not without issues for concern, but despite these concerns, there are also prospects to be achieved within the region.

Issues that May Hinder Economic Integration in Africa

1. A lot of African countries fall under the Least Developed Countries (LDCs), which are suffering from trade supply constraints and though liberalizing trade is necessary for economic development. Liberalization of trade will not lead to development in the economy until these LDCs overcome trade supply constraints.¹⁹
2. There is also the issue of resistance from countries' specific domestic interest groups based on the fear that they may lose out to more competitive neighbours.
3. The issues of Africa's poor road and rail links, political unrest, excessive border bureaucracy, and petty corruption prevalent in certain African countries are also of concern.²⁰
4. There are also concerns about increased competitive pressure. A lot of African markets are traditional economies relying on agriculture as their source of income; they do not have what it takes to compete with large Agricultural businesses from more developed countries. The fear is that they may lose their farms and this may lead to unemployment, poverty, and crime.
5. SMEs may suffer because consumers prefer to patronize cheaper goods and services, this may mean that local businesses may lose sales to foreign businesses that can lower the cost of their products while leveraging on the reduction in importation tariffs.

¹⁹ Attia, S. 2019. *AfCFTA: Opportunities and challenges*. Retrieved on May 17, 2021 from <https://news.cgtn.com/news/3d3d774e7863544f34457a6333566d54/index.html>

²⁰ World Economic Forum. 2021. *African free trade bloc opens for business, but challenges remain*. Retrieved on May 17, 2021, from <https://www.weforum.org/agenda/2021/01/african-free-trade-bloc-business-challenges/>



6. There is a concern that there may be harsh working conditions for labourers from underdeveloped countries who might have to work long hours under harsh conditions without basic amenities to earn incomes to support their families.
7. There are also environmental concerns that may arise if due to competition companies begin to disregard the environment during production, or while disposing of their waste so they can cut costs.
8. Africa has heterogeneous economies; the concern here is how these economies can be harmonized under one Agreement in a continent with different levels of development. A continent where fewer countries contribute over 50% to its GDP while others make insignificant contributions to the GDP. As of 2018, Nigeria, South Africa, and Egypt were contributing over 50% of Africa's GDP.
9. Protection of intellectual property of patents, inventions, and new processes is a major concern for African countries without intellectual property laws. This may lead to business ideas and trade secrets being stolen.²¹
10. Most African States are economically indebted to the Bretton Woods Institutions and this is a serious concern because the conditions guiding the loans may affect the effective implementation of AfCFTA. Also, African countries that have economic ties with advanced nations and have signed treaties with them may not be able to effectively implement the AfCFTA agenda.²²
11. There is also the effect of neocolonialism on certain territories in Africa. France still has a stronghold on her colonies and this might affect the commitment to the AfCFTA agenda. The dependence of some of these countries on their colonial masters for economic survival, post-independence, shows that what they have might just be mere flag independence and it may affect their commitment to AfCFTA.²²
12. The African Growth and Opportunity Act was introduced by the USA to provide African states with special access to markets in the USA, as well as Everything But Arms introduced by the European Union to do away with duties on goods other than arms from

²¹ Akeyewale R. 2018. *Who are the winners and losers in Africa's Continental Free Trade area?* Retrieved on May 18, 2021, from <https://www.weforum.org/agenda/2018/10/africa-continental-free-trade-afcfta-sme-business/>

²² Adeyi E.M. 2018. Impact of global public policy on Africa. *Africa Journal of Identity and Governance*. 1. 1: 1314



less developed countries are two economic windows that may be cogs in the wheel of progress of AfCFTA. This is because some of the eligibility for these economic advantages includes reciprocal arrangements from the benefitting countries.²³

13. China has gradually become an alternative to the Bretton Woods Institutions, with investments in different sectors of the economies of African countries. With its generous terms of operation, many African countries have strong economic ties with China. These economic ties with China may affect total commitment from these countries if the terms under the AfCFTA Agreement are not as generous as the ones with China.²⁴
14. There have also been concerns about the impact South Africa's membership in BRICS would have on AfCFTA, but President Cyril Ramphosa stated that AfCFTA's implementation would lead to investment opportunities from members of BRICS. So AfCFTA should expect infrastructural contributions from BRICS.²⁴

Prospects for Economic Integration in Africa

1. There will be the creation of new markets under AfCFTA, for African companies which would enable them to increase their customer base, create new products and services and allow them to invest in innovative ideas.
2. It would lead to economic growth because manufacturing currently contributes just about 10% to Africa's GDP, having a successful continental free trade area would bridge this gap thereby creating a bigger manufacturing sector that would create more jobs and alleviate poverty.
3. Restrictions on foreign investments would be lifted, leading more investors to come into Africa, which would boost the economy, expand local businesses, and support local industries with capital that can stimulate banking systems within the continent.
4. Multinational Companies with their expertise would be able to partner with indigenous companies in training them on the best practices to develop raw materials and acquire current technology from them.

²³ Ibid

²⁴ Ibid

²⁴ South African Government News Agency. Nov 14, 2019. *AfCFTA to open BRICS investment opportunities*. Retrieved on Jun 4, 2021, from <https://www.sanews.gov.za/south-africa/afcfta-open-brics-investment-opportunities>



5. The process of importing raw materials from other countries within the continent would be made easy also there would be a reduction in costs when importing from other African countries. This would enable small businesses to expand their production.²⁶
6. There would be an increase in market efficiency and a reduction in the cost of doing business by offering opportunities for economies of scale.
7. Having a single market in Africa will boost intra-African trade and increase the cumulative GDP. The UN Commission for Africa (UNECA) estimates that the implementation of the agreement could increase intra-African trade by 52% by 2022 and African export.
8. There will be higher value-added jobs and exports, technological specialization and exchange of such technology within the African Continent.
9. A single currency under the CFTA is possible and would help with the unstable exchange rate in most African countries.

Competition Law under AfCFTA

Competition law is a necessary component of trade and, overall economic governance. It aims to promote competition and enhance market outcomes for consumers and corporations. Economic integration in Africa, which can be achieved through the reduction of tariff and non-tariff barriers, enables firms to use strategies and engage in businesses that transcend national borders.

Article 4 c) of the Agreement establishing the African Continental Free Trade Area states that Member States shall “cooperate on competition,” as well as other areas such as investment and intellectual property rights.

An important principle adopted by Member States in Article 5 of the AfCFTA is the "preservation of the acquis." For competition policy, this means building on what exists already in the regional economic communities (RECs). There is considerable variation across RECs, in terms of level of amnion and institutional arrangements, ranging from cooperation among



national competition authorities to regional laws (or regulations) and in some cases regional competition authorities.²⁵

Some of the benefits of a competition framework under AfCFTA include the following,²⁶

- a. It will provide a forum that will develop and strengthen existing national competition regimes: this framework under the AfCFTA, can serve to strengthen existing competition regimes at both national and regional levels. Because not all countries with competition laws have working enforcement regimes in Africa.
- b. It will provide countries with the power to police international anti-competitive conduct with effect on African markets: this cooperation on competition policy within the AfCFTA can also reduce enforcement costs and increase countries' bargaining power at the global level. Big cartels that could not be announced at the national or regional level can be revealed under this framework.
- c. It will address State interventions that restrict competition: including a provision on state monopolies and the extent to which state monopolies can enjoy a monopoly, the AfCFTA can curb state interventions that are unjustifiable and lead to anti-competitive conduct such as bid rigging and price control.
- d. It will provide a forum for cutting-edge research, capacity building and training on competition law and policy in Africa: Cooperation on competition policy under the AfCFTA will provide a forum in which cutting-edge research on enforcement of competition law and policy in Africa can be undertaken. This research should include the success stories of existing competition regimes and the challenges they face to inform the countries that have recently enacted competition laws or those contemplating enacting competition laws.

²⁵ Hartzenberg, T. 2019. Cooperation on competition in the AfCFTA. Retrieved on Jul 22, 2021 from https://www.tralac.org/blog/article/14078-cooperation-on-competition-in-the-afcfta.html#_ftn1

²⁶ Kigwiru, V.K. 2020. The cooperation on competition policy under the African Continental Free Trade Area (AfCFTA). *Manchester Journal of International Economic Law* .1-33



Relevance of ECOWAS within the AfCFTA Framework

There are concerns that Regional Economic Communities like the ECOWAS would not be relevant anymore with the introduction of AfCFTA. It is not likely that AfCFTA will replace Africa's existing regional economic communities (RECs). The AfCFTA Agreement has recognized the RECs as building blocks for the AfCFTA. It also envisages that RECs that have already achieved economic integration – as is the case for the Economic Community of West African States (ECOWAS) – will continue to apply their regional trade policies for intra-regional trade. Since a large part of intra-African trade is conducted within RECs, these institutions will continue to play a central role in the African trade landscape. They will also contribute to the implementation of the Agreement.²⁹

Though the AfCFTA was negotiated by individual states, the ECOWAS common external tariff (CET) formed the basis for the ECOWAS member states' tariff negotiations within the AfCFTA framework. The Commission also participated in a broad range of regional consultations on the AfCFTA, including with the private sector and civil society organisations, which helped to consolidate the interests of actors in the private sector.³⁰

It can also support its member states in harmonising customs practices through its regional revised customs code. The Commission can promote the use of its non-tariff barrier (NTB) reporting mechanism and related institutional structures that are part of the ECOWAS free trade area.³¹

NIGERIA AND AfCFTA

How Nigeria Can Benefit from AfCFTA?

On the 11th of November, 2020, Nigeria's membership in the African Continental Free Trade Area was ratified by the Federal Executive Council. Trading under the AfCFTA came into effect on 1st January 2021, though full implementation is subject to negotiation of certain aspects of the



²⁹ Bisong, A. 2020. ECOWAS and the role of the RECs in AfCFTA implementation. Retrieved Jul 22, 2021 from, 2020 <https://ecdpm.org/great-insights/african-continental-free-trade-area-agreement-impact/ecowas-recs-afcftaimplementation/>

³⁰ Ibid

³¹ Ibid

Agreement. Nigeria is bound to gain from the opportunities under the AfCFTA and some of them are:²⁷

1. Increased Job Opportunities

The creation of a single liberalized market for trade in services under AfCFTA, Nigeria with an abundance of professionals in the construction, technology, and financial sectors will see an increased movement of professionals from Nigeria to countries with a demand for these professionals.²⁸

2. Economic Market Size

With the largest economy and population in Africa, Nigerian manufacturers can expand into other African Countries. Nigerian investors can benefit from the markets of other African countries due to the provision of free movements of goods and services within member states under AfCFTA.²⁹

3. Supply Chain Infrastructure

Nigeria can take advantage of the supply chain network; because manufacturers and sellers would need a distribution chain that delivers their goods to desired markets. Investing in distribution and logistics would be beneficial to the Nigerian economy, noting that Nigeria is not landlocked and

²⁷ Alex-Adedipe, A. & Atanda, O. November 20, 2020. *Nigeria: AfCFTA and trade benefits to Nigeria*. Retrieved on June 1, 2021 from <https://www.mondaq.com/nigeria/international-trade-investment/1007942/afcfta-and-tradebenefits-to-nigeria#:~:text=Nigeria%3A%20AfCFTA%20And%20Trade%20Benefits%20To%20Nigeria&text=The%20Agreement%20establishes%20a%20single,streamline%20trade%20on%20the%20continent.>

²⁸ Ibid

²⁹ Ibid



with its many waterways can make use of transportation through the waterways.³⁰ Nigeria is one of the basin countries of the Gulf of Guinea and it can make use of its access to the water for economic benefits.

4. Creation of Awareness among Micro, Small, and Medium Scale Enterprises

A representative survey was conducted of 1800 MSMEs in five Nigerian states covering the socio-cultural zones in the country to evaluate the awareness of AfCFTA. It was gathered that two-thirds of the MSMEs surveyed did not know about the existence of the Agreement. Lack of awareness among MSMEs which are the backbone of the Nigerian economy can lead to Nigeria being a loser in this Agreement.³¹

5. Improvement in Infrastructure

Nigeria needs to improve and invest in targeted infrastructure and facilities that will lower the cost of local production and the transportation of goods to compete favourably in AfCFTA.³²

6. Items of trade

Before Nigeria became dependent on oil and very few commodities for export, Nigeria had large quantities of groundnut, cocoa, rubber, palm kernel, etc to other countries. Nigeria can increase its items of trade to include ginger, textiles, garlic, cotton, poultry, honey, etc. This would enable Nigeria to diversify its economy and increase its income.

7. The Lake Chad Basin

Nigeria is one of Lake Chad's basin countries with access to the lake, Nigeria can increase its agricultural activities such as irrigation farming, fishing, and cattle rearing, and use the products for trade in the AfCFTA.

³⁰ Ibid

³¹ CIPE. Dec 10, 2020. *Continental integration & the Nigerian economy: the effect of the African Continental Free Trade Area on medium small and micro-scale enterprises in Nigeria*. Retrieved on Jun 1, 2021, from <https://www.cipe.org/resources/continental-integration-the-nigerian-economy-the-effect-of-the-african-continental-free-trade-area-on-medium-small-and-micro-scale-enterprises-in-nigeria/>

³² Eleke, D.C. January 4, 2021. *Nigeria can only benefit from AfCFTA with improved infrastructure*. Retrieved on Jun 1, 2021 from <https://www.thisdaylive.com/index.php/2021/01/04/nigeria-can-only-benefit-from-afcfta-withimproved-infrastructure/>



8. Focus on its Comparative Advantage

International trade allows for specialization and lower costs to consumers. Focusing on our comparative advantage means we can maximize production and efficiency, which leads to greater potential profit and economic growth. Nigeria should focus more on what it produces best.

Areas That Nigeria Should Take into Concern

1. Reduction in the Country's Revenue

If tariffs are eliminated, the amount earned by the government would be reduced. However, the government can prevent this by focusing on increasing exports of goods and services to other member states.

2. Potential Rise in Smuggling Activities in Nigeria

Nigeria has more than a few borders that could be porous, leading to smuggling activities. AfCFTA may expose Nigeria to more smuggling activities. Nigeria would have to work with its neighbours in imposing strict penalties for smuggling.

3. Enabling Laws

It is believed that Nigeria does not have the enabling laws to regulate its local affairs more so its international affairs. This might create risks in doing business under AfCFTA. Not forgetting the fact that section 12 of the Nigerian Constitution requires that treaties involving Nigeria would have to be domesticated before they can have any force of law in Nigeria. Nigeria needs to ensure that it has the enabling laws that would regulate AfCFTA within the country.

4. Job Loss

Though it is expected that more jobs will be created, there is also the possibility of job loss. This is because there would be migration from other member states into Nigeria, and this would lead to competition for jobs within the area. Nigeria should create strategies that would protect the interests of its citizens.

5. Downfall of Smaller Companies



Small companies may be unable to compete with well-established international companies, which have the required infrastructure and funds. Nigeria should create internal policies that would protect the interests of these small companies in the free trade area.³³

6. Creation of Social Safety Nets

To minimize unemployment distress from the open markets transition, Nigeria needs to develop social safety nets. As Nigeria becomes liberalised under AfCFTA, workers in sectors without competitive advantage will face unemployment is need to reallocate workers to the newly growing sectors.

RECOMMENDATIONS AND CONCLUSION

5.1 Recommendations

1. A conducive and enabling environment should be created to attract investors so they can make long-term investments in the AfCFTA market.
2. SMEs should be provided with supportive measures that will assist them in scaling up operations within AfCFTA so they can supply quality goods and services.
3. Stakeholders such as policymakers, policy implementers, and market players should have the mindset that AfCFTA is their new home market. Having this mindset would help in the creation of a single African market.³⁴
4. Participating countries should create efficient and participatory institutional architecture that would create comprehensive policies that would protect and include the most at-risk economies in the continent.
5. Participating countries should create policies that would address the concerns of interest groups, encourage healthy competition, ensure strict adherence to environmental laws on

³³ Obi-Chukwu, U. July 8, 2019. *How AfCFTA affects every Nigerian business*. Retrieved on Jun 1, 2021, from <https://nairametrics.com/2019/07/08/how-afcfta-affects-your-business-benefits-and-disadvantages/>

³⁴ Muchanga A.M. 2020. Preparing for trade under the AfCFTA Agreement. *ECDPM Great Insights AfCFTA* 9.1: 47 https://ecdpm.org/wp-content/uploads/ECDPM_Great_Insights_AFCFTA_Vol9_issue1.pdf ⁴⁰ Akeyewale, R. *supra*



waste disposal, and protect intellectual property. This would increase the impact of the trade deal.⁴⁰

Conclusion

AfCFTA is currently the largest free trade area in the world, and this paper has considered the objectives for the creation of AfCFTA, the issues that may arise, prospects that may be derived from this agreement as well as the global impacts on the Agreement. This paper specifically discusses how Nigeria can benefit as well as areas that should be of concern to the Nigerian government. It is expected that AfCFTA will strengthen South-South cooperation in the African continent.

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