

AfCFTA — Boon or Bane for the Continent?

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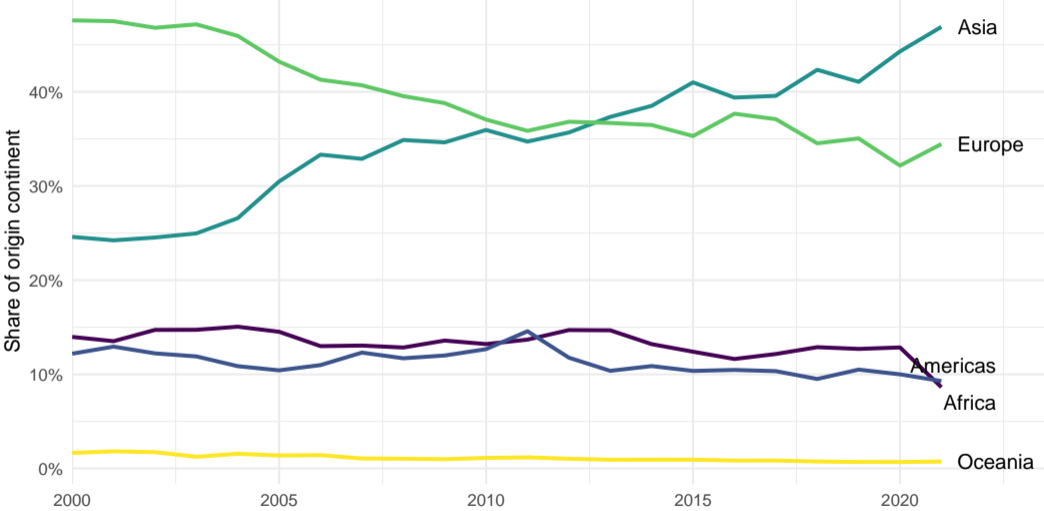
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Context of AfCFTA

- AfCFTA: elimination of 97 % of tariffs
- 1.3 billion people and a GDP of 2.5 trillion USD
- Low integration on the African continent, “missing trade”
- Simulation study by IfW and GIZ

/ Chowdhry, Hinz, Jacobs & Thiele (2022)

Origin of African Imports over time



Status quo

- Europe displaced by Asia as most important trading partner in last 20 years
- African integration low: high potential
- Germany-African trade differs from other EU members
- High concentration of trade in Africa: South Africa and North African countries
- Growth with stable composition of trade in goods/services and primary/secondary income

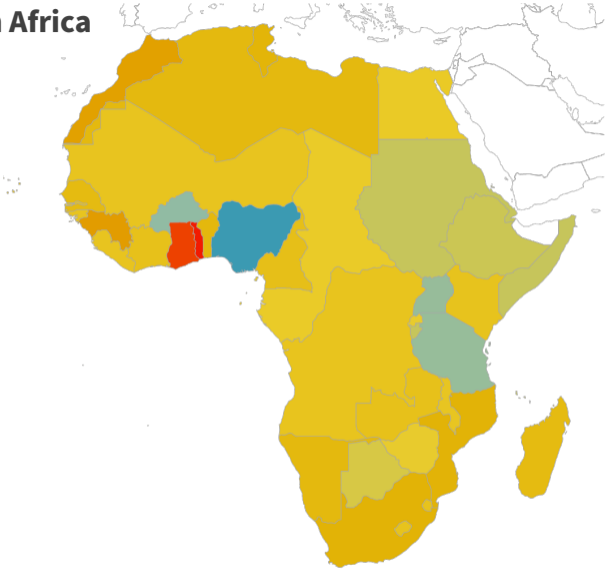
Simulation

- **Scenario 1:** Negotiated tariff reductions only
- **Scenario 2:** Tariff cuts and *bilateral* NTB cuts
- **Scenario 3:** Tariff reductions and *multilateral* NTB cuts

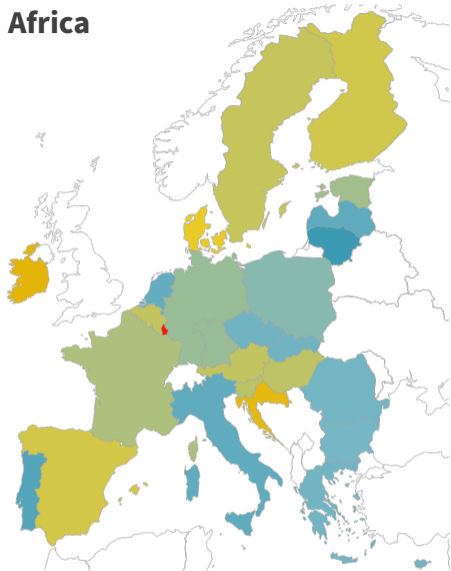
Overview of results

	Scenario 1	Scenario 2	Scenario 3
Change in global exports	0.37 %	17.4 %	22.9 %
Change in intra-African exports	0.38 %	23.0 %	19.9 %
Change in customs revenue	-6.42 %	-38.7 %	15.5 %
Change in income	0	11.6 %	18.7 %
Change in production (real)	0.3 %	24.0 %	29.9 %
Change in African exports to the EU	-0.56 %	-21.6 %	36.3 %
Change in EU exports to Africa	-0.11 %	-13.8 %	32.1 %

Scenario 3 — GDP in Africa



Scenario 3 — Exports EU - Africa



Change (in %)

30.0%

50.0%

Impact on Europe

- Impact on European production: close to zero small share of European exports
- but: 29 % increase in exports to AfCFTA countries (0 in S1 and S2!)
 - / large intra-African effects

Take-aways

- Only tariff reductions: Very small impact
- Tariff cuts + bilateral NTB cuts: Strong economic impact, but large displacement effects
- Tariff cuts + multilateral NTB cuts: Strongest economic impact
 - / largest (positive) impact on for African and European economies

