

# AfCFTA — Boon or Bane for the Continent?

24 November 2022

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**Julian Hinz**<sup>1,2</sup>, Sonali Chowdhry<sup>1</sup>, Anna Jacobs<sup>1,2</sup> und Rainer Thiele<sup>1,3</sup>

<sup>1</sup>Kiel Institut für Weltwirtschaft

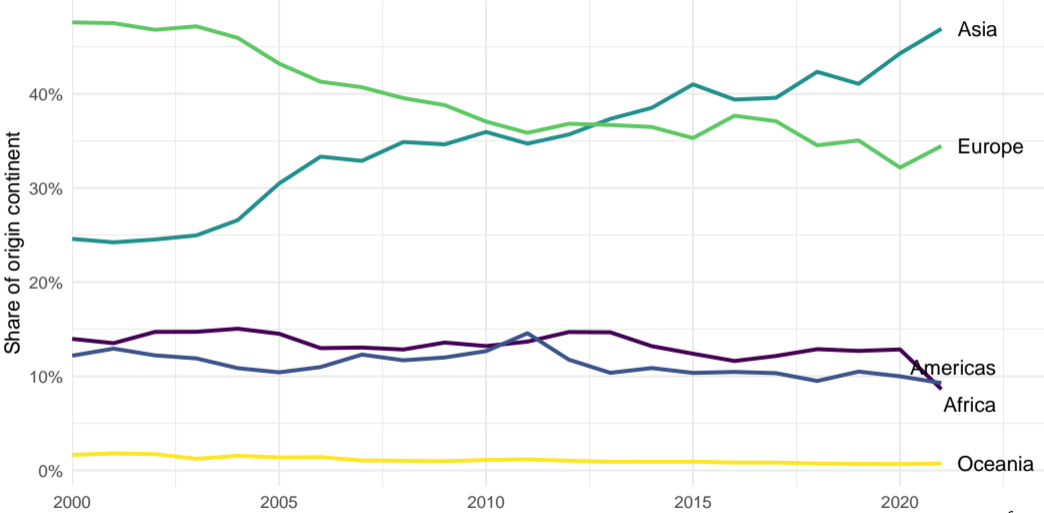
<sup>2</sup>Universität Bielefeld

<sup>3</sup>Universität Kiel

# 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

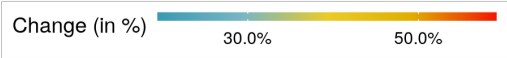
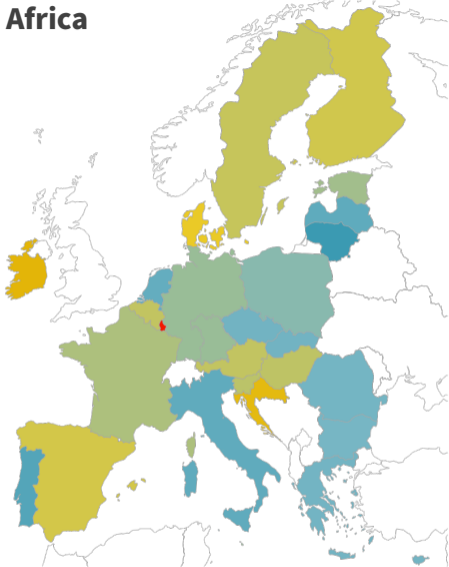
- **Scenario 1:** Negotiated tariff reductions only
- **Scenario 2:** Tariff cuts and *bilateral* NTB cuts
- **Scenario 3:** Tariff reductions and *multilateral* NTB cuts

## Overview of results

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
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 — Exports EU - Africa





## Impact on Europe

- Impact on European production: close to zero small share of European exports
- but: 29 % increase in exports to AfCFTA countries ( $\approx 0$  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

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