

# Economic consequences of the AfCFTA:

CEPII – 8 June 2023

Joint research:

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# Modelling AfCFTA in GE

- Reduction in transaction costs
  - Zero tariff among African countries in 97% products
  - Reduction of NTBs
- Expected impact of a shock to the matrix of trade costs
  - Trade creation
  - Trade diversion
  - GDP gains (change in relative prices, reduction in deadweight losses)
- Gains are
  - Model-dependent (structure, elasticities, social accounting matrices, estimates of NTBs)
  - Sensitive to the modelling of losses induced by NTBs
- Newly developed version of MIRAGE-e: “power” version including renewable energy
- Baseline: updated version of MaGE
- Scenario:
  - Tariffs phased out 2021-35
  - -50 % actionable NTMs in industry and in services (business, communication, financial, tourism and transport, health, education) over 2021-35
- Adjustment takes time: new equilibrium 2045 compared to baseline in 2045

# Impacts of the AfCFTA on African trade

- Initial intra-African tariffs
  - Agrifood : 18%
  - Manuf + energy : 8%
- AVE of initial NTBs
  - Agrifood: 55%
  - Manuf + energy: 44%
  - Services: 106%
  - Actionable: 50% of NTBs
- Gains from the AfCFTA centered on intra-African trade: +33%
- But intra-African trade is limited in the baseline and the simulation: overall impact on African exports is 5%

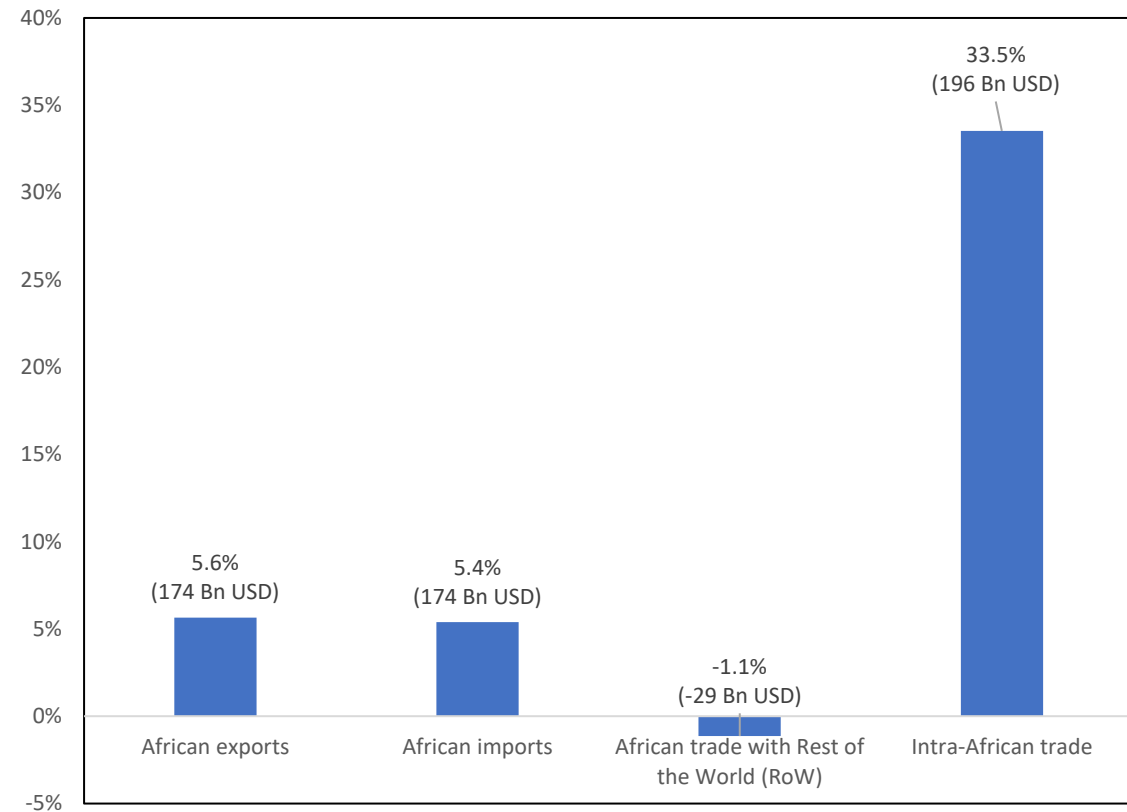


Figure 1: Changes in African trade following implementation of AfCFTA as compared to baseline - 2045

# Destination of African trade with and without AfCFTA

- 2020: Intra-Africa trade share is low
- 2045, baseline: share of EU as a destination drops
  - More intra-African
  - China = EU27
- 2045, scenario:
  - More Intra-Africa
  - Slightly less to China and EU

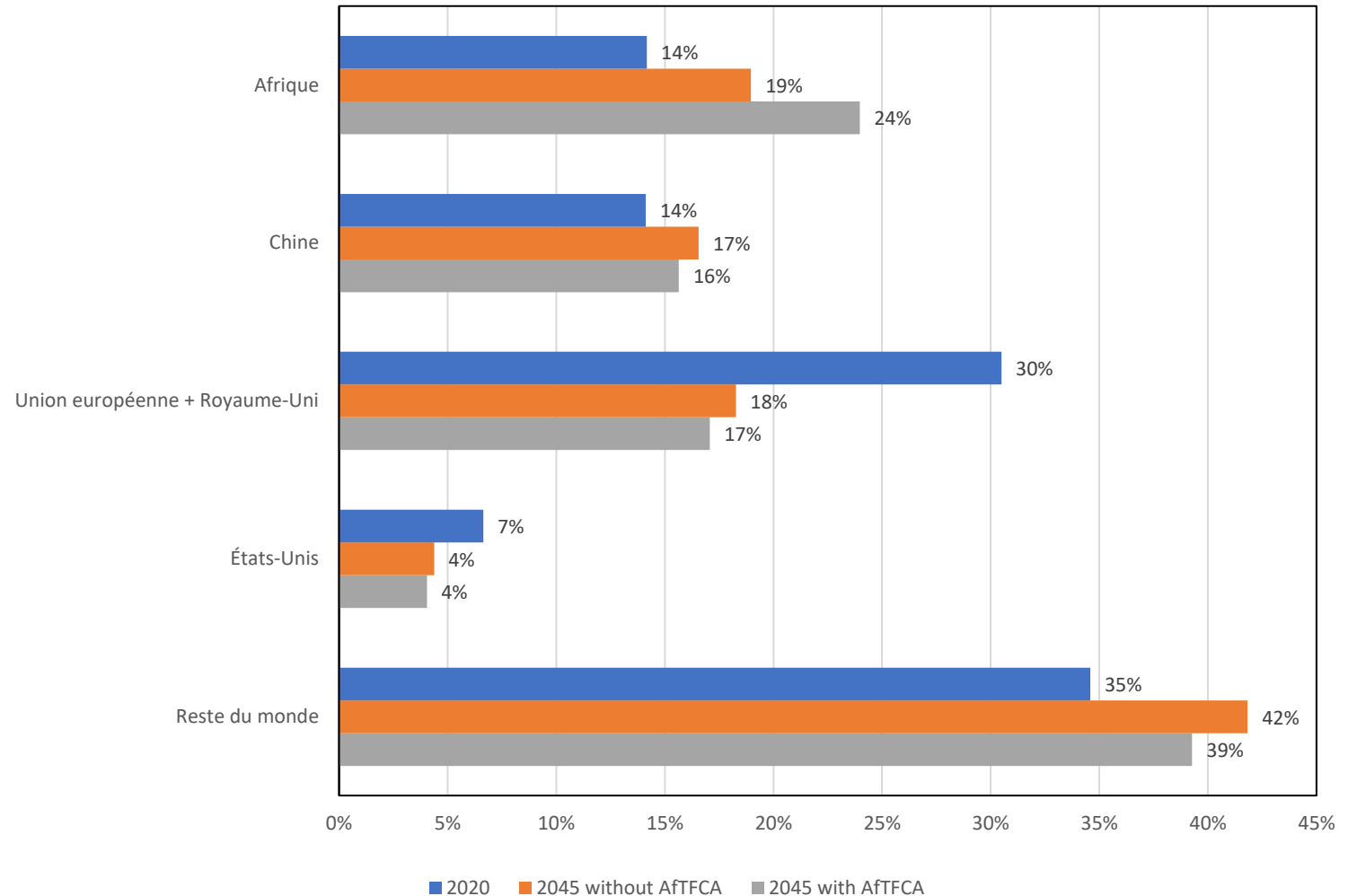


Figure 2: Destination of African exports (in percent of total)

# Impact on intra-African trade by sector

- Agrifood largest potential (see initial tariffs above)
- Industry:
  - limited complementarities
  - low initial tariffs
  - High initial NTBs
- Services:
  - good potential
  - noisy measure of NTBs
  - uncertainty on actionability
  - uncertainty on effective reduction

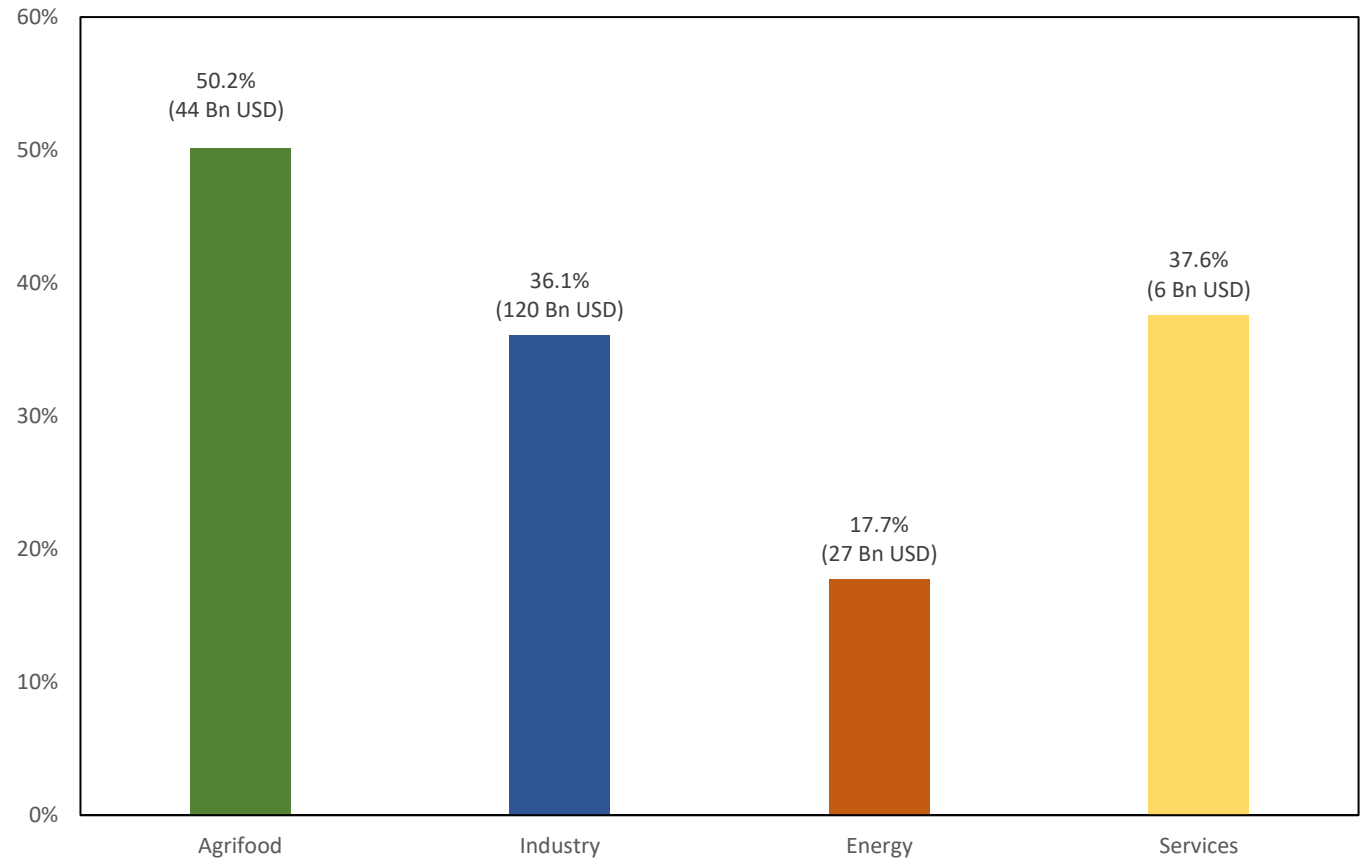


Figure 3: Changes in intra-African trade by sector, following implementation of AfCFTA as compared to baseline, % 2045

# Impacts of AfCFTA on GDP and sectoral production

- African GDP expected to grow by 0.94 percent (US\$ 108 billion) with AfCFTA by 2045.

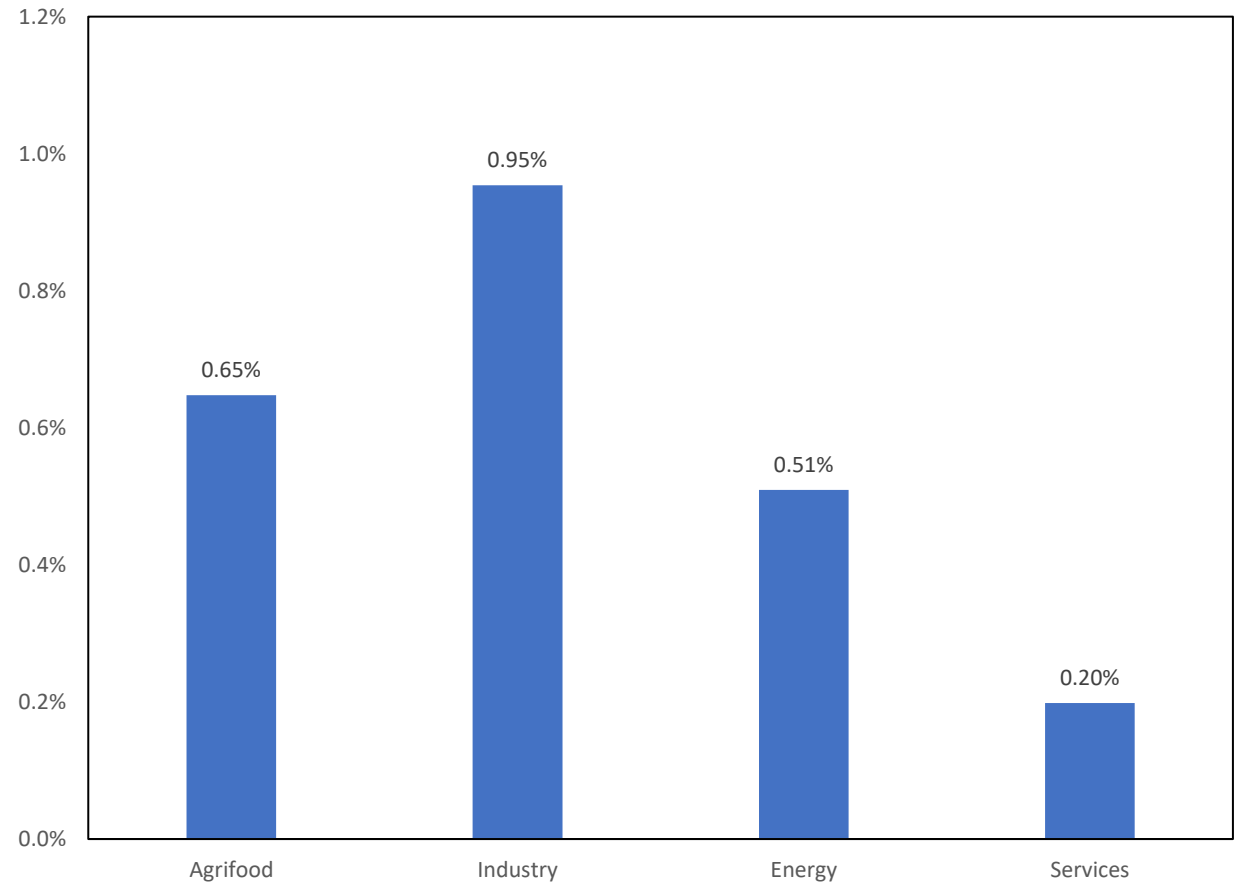


Figure 6: Changes in by sector following implementation of AfCFTA - 2045

# Pending issues

- Compatibility of African NDCs & AfCFTA.
  - AfCFTA + climate policy: African emissions -18%
    - where the African countries reach 100% of their *unconditional* NDCs and 25% of their conditional NDCs. (GDP +0.4% compared to BAU)
  - AfCFTA + uniform US\$ 25 carbon price: African emissions -25%
    - Carbon price covering all countries and sectors in Africa (GDP +0.3 resp.)
- Complementarity of trade and infrastructure reforms
  - Static GE model + geolocalized infrastructures (ports, roads,...) and optimization of transport times + Program for Infrastructure Development in Africa
  - AfCFTA +0.6% GDP → AfCFTA & PIDA +2.0% GDP

# References

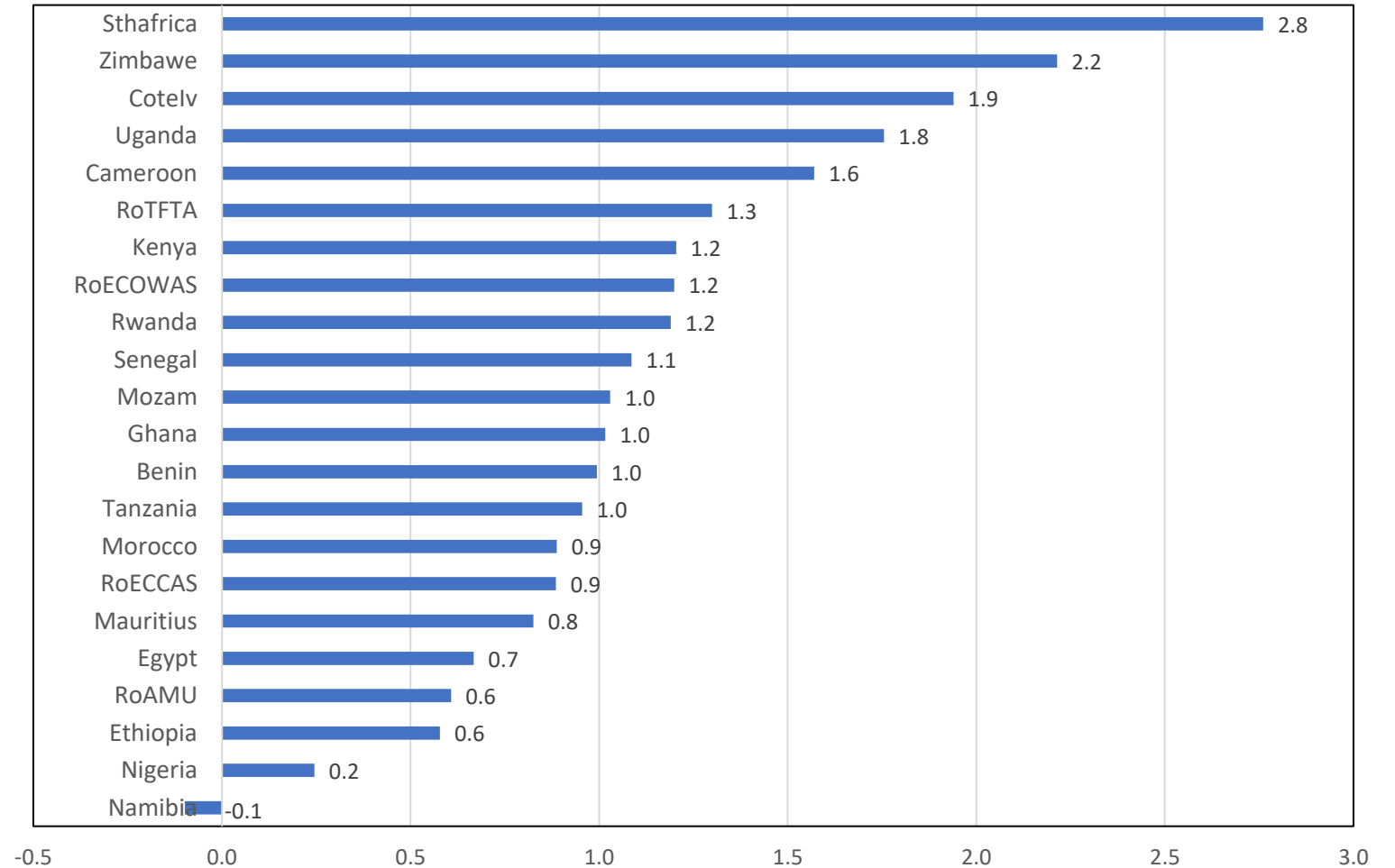
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Thank you



# Impact on GDP by country

- Gains for all African countries, except Namibia



# MIRAGE-POWER Structure

