

Effects of the African Continental Free Trade Area on Food Security

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- The African countries are deepening their economic integration by launching the world's largest free trade area, the African Continental Free Trade Area (AfCFTA).
- This Policy Insight presents scientific evidence on the impacts of the AfCFTA on agri-food industries and food security in Africa.
- The AfCFTA deepens African economic integration by boosting intra-African trade throughout the continent. It potentially generates vibrant growth and transformation at scale.
- Output of agricultural and processed food products concentrates in African countries driven by comparative advantages, while some of the countries increase their imports.
- Incomes of the African households in most regions rise, although moderately, increasing average food consumption throughout the continent.
- Food prices increase in several regions, but are outbalanced by higher wages, ultimately resulting in increased purchasing power for food.
- By 2035, the AfCFTA could reduce undernourishment in Africa by 1 million people.

1. What's the issue?

Africa is engaged in a lively growth and transformation pathway. Some steps towards catching up with more developed countries could be achieved through a higher integration of the African economies. Thus far, African countries have traded disproportionately with non-African countries, which has contributed to slowing down the continental economic integration. Moreover, the trade has been unbalanced in value added terms as well: in exchange for natural resource and raw material exports, Africa imports much of its manufactured commodities. This unbalance is a major obstacle for industrialisation of Africa and holds back the incomes of African people.

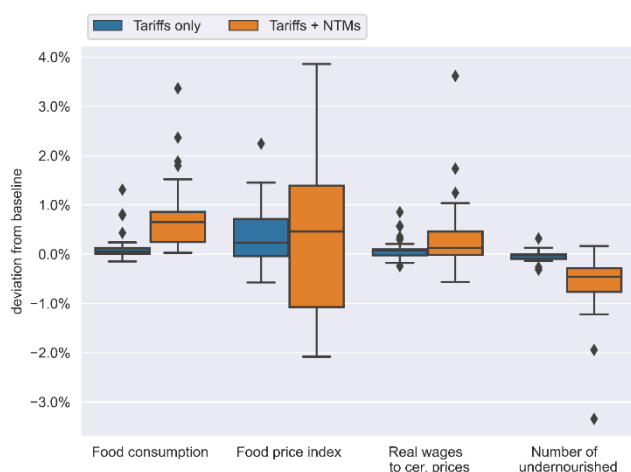
Part of the situation can be explained by African nations' trade policies that have favoured non-African nations as trading partners, e.g. by setting higher tariff rates for intra-African imports. The problem is well acknowledged and the process for a better integration of African nations was initiated by the African Union (AU) in the Abuja treaty in 1991. The African Continental Free Trade Area (AfCFTA) is an important milestone in this development. After delayed initiation of trading within the AfCFTA due to Covid-19 pandemic, trading under the AfCFTA could start later this year.

2. Why is this important for Europe?

The AfCFTA is expected to result in a better integrated continental economy, which is less dependent on non-African partners. The European Union (EU) will benefit from a more stable and more productive trading partner with which it already has good relations. The EU could also strengthen this partnership by providing assistance for the implementation of the AfCFTA.

3. Our study

This study evaluates the economic effects of the AfCFTA with the dynamic Computable General Equilibrium (CGE) model MAGNET. The analysis accounts for import tariff cuts and non-tariff measure (NTM) elimination and harmonisation. This study focuses on agri-food sectors to assess the AfCFTA's potential in contributing to Africa's food security. Food security remains one of the most pressing issues in Africa. In 2020, 282 million Africans were undernourished, which is one third of the global amount. The economic integration achieved by the AfCFTA could enhance food security by making the continent-wide trade of food commodities more efficient and responsive to market signals.



4. Results and policy implications

The economic effects of the AfCFTA are positive, although the GDP increase is moderate (0.4% in 2035 in the AU level). Intra-African trade increases considerably, and the shares of intra-African trade increase by 2.5 and 3 percentage points for imports and exports, respectively (from 12% and 14% in the baseline, respectively). The bulk of the income gain is achieved by NTM harmonisation, whereas the impacts of tariff cuts are more moderate.

Output of agri-food commodities increases at the African level, although unevenly. Countries that have their comparative advantages in other industries increase their food imports. This is especially the case in resource rich countries that increasingly export their products to other African countries.

The effects on food security are nevertheless almost uniformly positive. Food consumption increases throughout Africa, and the number of undernourished people decreases by one million by 2035. Although the decrease is moderate considering the total number of undernourished, it coincides with a higher income growth.

This study also finds evidence of increasing food prices in several regions of the continent, but in all cases, the wages increase more than food prices. Thus, purchasing power for food is positively affected throughout.

What could policymakers do?

1. Maintain the existing trade relations with Africa and enhance them within the new realities of the AfCFTA: increased potential of the African food industry and manufacturing sectors creates new trade opportunities.
2. Assist the undertaking of the FTA and its operation.
3. Address new vulnerabilities generated by the AfCFTA through resilient policy coherence for development e.g., by emphasising preparedness for market disruptions that could pose food security risks.
4. Ensure the reduction of non-tariff measures that limit the flow of goods across borders.



Read more

European Commission, Joint Research Centre, Simola, A., Boysen, O., Ferrari, E., et al., Potential effects of the African Continental Free Trade Area (AfCFTA) on African agri-food sectors and food security, Publications Office of the European Union, 2021, <https://data.europa.eu/doi/10.2760/531308>

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