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African Continental Free Trade Area (AfCFTA): Overview and Issues for Congress in Brief

August 1, 2022

Congressional Research Service

<https://crsreports.congress.gov>

R47197

CRS REPORT

Prepared for Members and
Committees of Congress



African Continental Free Trade Area (AfCFTA): Overview and Issues for Congress in Brief

The African Continental Free Trade Area (AfCFTA) is a framework agreement signed by 54 of the 55 members of the African Union (AU) that seeks to remove barriers to intra-African trade and investment through the phased negotiation and implementation of various commitments. The agreement aims to foster greater African regional economic integration, which lags behind that of other world regions, and to promote economic growth. Commitments include the eventual elimination of tariffs on 97% of tariff lines. Long-term goals are to create a single market for goods, services, and capital, including a common African customs union, and enable the intra-regional free movement of persons. Congress may have interest in the agreement and its implementation due to the AfCFTA's potential effects on U.S. economic relations with the region, and given congressional statements in support of efforts to improve African countries' ability to engage in international trade and mandates to the executive branch to use U.S. funds to help achieve this.

While the AfCFTA's primary goal is to increase trade within Africa, the successful implementation of the agreement could also benefit the United States and help attain longstanding and congressionally-supported U.S. policy goals in the region. It aims, for instance, to promote trade liberalization and market-oriented reforms within Africa, stimulate economic growth, and expand the size and diversity of African economies and markets. These objectives, if realized, could expand U.S. market access to the region, potentially decrease the need for U.S. development assistance in the region, and, increase reciprocal opportunities for U.S.-African trade and investment.

The United States, partly as directed by Congress, has provided assistance to expand Africa's intra-regional and global trade through various initiatives, and has supported the ongoing negotiation and implementation of the AfCFTA under both the Trump and Biden Administrations. Through the African Growth and Opportunity Act (AGOA, P.L. 106-200, as amended), which provides preferential U.S. tariff treatment to imports from eligible sub-Saharan African countries and is currently authorized through September 2025, Congress has stated its support for African regional integration efforts and directed the President to provide trade capacity building (TCB) assistance toward this aim. Congress also has supported and encouraged African countries' participation in and adherence to trade agreements at the World Trade Organization (WTO), including the Trade Facilitation Agreement (TFA), which share many common objectives with the AfCFTA.

In addition to the United States, other foreign governments and international organizations support the AfCFTA. The European Union (EU) has been a prominent partner in the AfCFTA's development and has funded such initiatives. China also has stated its support for the AfCFTA and, given its increasingly prominent position as an economic partner to many African countries, China may be particularly interested in the agreement's ongoing negotiation and implementation. In 2021, China's trade with Africa (\$254.0 billion) was nearly four times larger than U.S. trade with the region (\$64.1 billion). These governments and other African trading partners may seek to influence the nature of AfCFTA commitments in line with their own trade and foreign policy objectives. Currently, there appears to be no comprehensive reporting of U.S. foreign assistance specifically in support of the AfCFTA, which may make it challenging for Congress to evaluate how such U.S. support compares to or complements that of other African trade partners and whether U.S. assistance is sufficient to address congressional objectives in the region.

Many policymakers and economists view the AfCFTA as an ambitious trade policy initiative with considerable potential to stimulate economic development in Africa, if implemented as envisioned. The World Bank, for example, estimates that the AfCFTA could increase Africa-wide real income by 7% and potentially lift 30 million people out of extreme poverty by 2035. The first phase of the AfCFTA, which focuses primarily on goods and services trade liberalization, technically took effect on January 1, 2021, but little trading has actually occurred under AfCFTA rules due to pending and related negotiations on certain issues, notably on rules of origin. The ultimate success of the agreement may depend on the members' ability and political will to resolve the remaining issues under negotiation and fully implement the agreement's commitments.

R47197

August 1, 2022

Nicolas Cook

Specialist in African Affairs

Liana Wong

Analyst in International
Trade and Finance

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Introduction

Since 2019, the U.S. government has sought to spur intra-African trade, including by supporting the successful negotiation, implementation, and continuing development of the African Continental Free Trade Area (AfCFTA). The AfCFTA is a framework agreement signed by 54 of the 55 members of the African Union (AU), or all AU members except Eritrea, that seeks to remove barriers to intra-African trade and investment through the phased negotiation and implementation of various commitments. Forty-three signatories have ratified the agreement to date. While the AfCFTA's primary goal is to increase trade within Africa, the successful implementation of the agreement also could benefit the United States and help attain longstanding and congressionally-supported U.S. policy goals in the region. It aims, for instance, to promote trade liberalization and market-oriented reforms within Africa; stimulate economic growth; and expand the size and diversity of African economies and markets. If fully implemented, the AfCFTA could increase opportunities for U.S.-African trade and investment. U.S. firms active within Africa, for example, may be able to leverage regional growth as a source of new markets for U.S. goods and services. Implementation of the agreement also could potentially decrease the need for U.S. development assistance in the region.

The reduction and elimination of regional trade barriers and other improvements in African countries' ability to engage in international trade also could help diversify U.S. and global supply chains. In this sense, U.S. support for the AfCFTA could align with the Biden Administration's supply chain resilience initiatives, especially given the substantial African reserves of critical minerals and other natural resources important to U.S. economic growth and security. U.S. support for the AfCFTA also has the potential to demonstrate the depth and scope of the U.S. commitment to deepening U.S.-African economic and institutional collaboration relative to similar activity by U.S. global economic competitors. In the longer term, the AfCFTA may help Africa better withstand external shocks, making the region more resilient in the future to the types of challenges (e.g., food and fuel inflation and supply chain disruptions) it has faced as a result of Russia's war against Ukraine or the Coronavirus Disease 2019 (COVID-19) pandemic.

Congress may have interest in the agreement and its implementation due to the AfCFTA's potential effects on U.S. economic relations with the region, and given its statements in legislation in support of efforts to improve African countries' ability to engage in international trade and legislative mandates to the executive branch to use U.S. funds to help achieve this. The AfCFTA is widely supported among policy analysts, but the prospects for its successful implementation face a number of challenges, which Congress may consider in possible debates over U.S. support for the AfCFTA.

Background on U.S. Trade Initiatives in Africa

For many years, the U.S. government has supported a wide range of programs to help spur economic development and growth in Africa, one of the world's poorest regions, as well as to expand U.S. economic and trade relations with the region. Prominent among these efforts have been U.S. programs intended to expand trade and investment activity. Such programs, which align with goals established by Congress in legislation (e.g., P.L. 114-27), have sought to expand trade between Africa, the United States, and other global trade partners; improve African countries' global trade competitiveness; increase intra-regional African economic integration; and foster greater U.S. investment in Africa. Major initiatives include:

- U.S. trade preferences under the African Growth and Opportunity Act (AGOA, Title I, P.L. 106-200, as amended);¹
- trade capacity-building (TCB) assistance, as required under AGOA and as provided under a series of presidential initiatives and WTO-related activities over the past two decades;
- trade and investment promotion programs that provide finance, insurance, technical assistance, and/or other support for specific transactions or projects; and
- efforts to establish various U.S. trade and investment agreements in the region.

AGOA, enacted in 2000, provides duty-free access to the U.S. market for most U.S. imports from eligible sub-Saharan African (SSA) countries, building on similar benefits provided under the Generalized System of Preferences (GSP).² The President annually reviews and determines each country's AGOA eligibility based on statutory criteria (e.g., the beneficiary country's trade and investment policy, governance, and worker rights). In 2015, Congress extended AGOA's authorization for ten years to September 2025 (P.L. 114-27). AGOA also directs the President to provide TCB assistance to African countries. Three trade and investment "hubs" located in Africa and administered by the U.S. Agency for International Development (USAID) have hosted programs to increase use of AGOA, foster intra-regional economic integration, attract investment to Africa, and support U.S.-Africa trade and investment.

In addition to USAID, many U.S. agencies carry out TCB activities, (see "U.S.-AfCFTA Support and Broader U.S. TCB Efforts") and engage in broader trade and investment promotion efforts related to Africa.³ Since 2019, a presidential initiative known as Prosper Africa has sought to better coordinate these efforts. The initiative, launched by the Trump Administration and maintained by the Biden Administration, seeks to link U.S. firms with economic opportunities in Africa and African firms with U.S. opportunities; facilitate access to U.S. trade promotion services; and foster market-oriented reforms.⁴

The United States also has completed or made efforts toward negotiating several types of trade and investment agreements with countries in the region, including 16 Trade and Investment Framework Agreements (TIFAs) and nine bilateral investment treaties (BITs). TIFAs aim to provide a forum for high-level engagement on trade and investment issues with the goal of reducing barriers and expanding market opportunities, while BITs aim to protect U.S. foreign direct investment and promote economic growth by advancing non-discriminatory rules and other market-oriented policies.⁵ The United States has a free trade agreement (FTA) with Morocco, but there are no U.S. FTAs with SSA countries—FTAs include commitments to eliminate barriers to goods and services trade and establish enforceable trade rules on a range of issues (e.g., services,

¹ See CRS In Focus IF10149, *African Growth and Opportunity Act (AGOA)*, by Brock R. Williams.

² GSP expired at the end of 2021 and Congress continues to debate its potential reauthorization. See CRS In Focus IF11232, *Generalized System of Preferences (GSP)*, by Liana Wong.

³ These include the Millennium Challenge Corporation (MCC); the departments of Agriculture, State, Labor, and Treasury; the Trade and Development Agency; the Office of the U.S. Trade Representative (USTR); the U.S. International Development Finance Corporation; and the Export–Import Bank of the United States. CRS In Focus IF11016, *U.S. Trade Policy Functions: Who Does What?*, by Shayerah I. Akhtar.

⁴ See CRS In Focus IF11384, *The Trump Administration's Prosper Africa Initiative*, by Nicolas Cook and Brock R. Williams, and the Prosper Africa website (<https://www.prosperafrica.gov>).

⁵ See CRS In Focus IF10052, *U.S. International Investment Agreements (IIAs)*, by Martin A. Weiss and Shayerah I. Akhtar. For a listing of U.S. BITs, see U.S. State Department website. For a listing of U.S. TIFAs, see USTR website.

agriculture, intellectual property rights (IPR), investment, worker rights, and the environment).⁶ In 2020, the Trump Administration launched FTA talks with Kenya, but the Biden Administration has not continued the negotiations, and instead is pursuing a more limited initiative with Kenya on issues such as digital trade and regulatory practices.⁷

AfCFTA: Overview and Implementation

The AfCFTA is a framework agreement signed by 54 of the 55 members of the African Union (AU) that aims to remove barriers to intra-African trade and investment through the phased negotiation and implementation of various commitments (Figure 1). As of July 2022, 43 of the 54 signatories had ratified the agreement.⁸ AfCFTA members seek to eventually create a single market for goods, services, and capital, and to enable the intra-regional free movement of persons. Ultimately, the AfCFTA members seek to establish a single African customs union, which, like the European Union (EU), would require a common external tariff structure.

AfCFTA members have committed to eliminate tariffs on 90% of tariff lines over five years, or ten for the least developed countries. Of the remaining 10% of tariff lines, 7% are for “sensitive” products, to be phased out over a longer period, while 3% of lines may be excluded. The agreement is to complement and build upon existing integration efforts pursued by Africa’s eight AU-recognized regional economic communities (RECs). For example, RECs that have already formed full customs unions with a common external tariff among their members, such as the East African Community (EAC), provide joint tariff offers to the other AfCFTA parties.⁹

The first stage of AfCFTA implementation, which technically took effect January 1, 2021, focuses on lowering barriers to trade in goods and services and establishes a dispute settlement mechanism. This phase also covers trade facilitation, sanitary and phytosanitary (SPS) standards, non-tariff and technical barriers to trade, and trade remedies.¹⁰ AfCFTA Secretariat officials reported in mid-2021 that some trade began under the preferential AfCFTA rules, but was limited due to ongoing negotiations on certain Phase 1 issues.¹¹ For example, services trade commitments and rules of origin, which determine whether goods originate from within the AfCFTA and are eligible for preferential treatment, remain under negotiation.¹² The AfCFTA Secretary General,

⁶ U.S. FTA negotiations with the South African Customs Union (SACU) were held in the early 2000s but were unsuccessful. USTR, “Background Information on the U.S.-SACU FTA,” June 2, 2003.

⁷ CRS In Focus IF11526, *U.S.-Kenya FTA Negotiations*, by Brock R. Williams and Lauren Ploch Blanchard. USTR, “Launch of the U.S.-Kenya Strategic Trade and Investment Partnership,” July 14, 2022.

⁸ These member states include the Sahrawi Arab Democratic Republic or Western Sahara, which the U.S. government does not recognize as a state. For the ratification status and text of the agreement, see the AU webpage on the AfCFTA (<https://au-afcfta.org>); and Tralac, “Status of AfCFTA Ratification,” May 3, 2022.

⁹ Four RECs submitted their members’ offers in this manner. For more on regional integration efforts, see African Union (AU), *Towards an Integrated, Prosperous and Peaceful Africa*, 2019 African Regional Integration Report, 2019.

¹⁰ SPS measures relate to food, animal, and plant health, and safety. AfCFTA Secretariat, *Compiled Annexes to the on the Establishment of the Continental Free Trade Area* [sic], n.d.

¹¹ Pepina Gappah, “African Free Trade Area: 8 Months In,” event comments, Peterson Institute for International Economics, August 18, 2021.

¹² As of early 2022, 46 countries had made services trade commitment offers and rules of origin were agreed for 88% of tariff lines, with automobiles, textiles, and clothing still pending. Gerhard Erasmus and Trudi Hartzenberg, “Trade in Services Negotiations Update, *Tralac Blog*, April 11, 2022; and AfCFTA AU Assembly, *Decision on the African Continental Free Trade Area (AfCFTA)*, Assembly/AU/Dec. 831(XXXV), February 5-6, 2022.

Wamkele Mene, noted that logistical difficulties caused by COVID-19 and varying institutional capacities among members have contributed to the delays.¹³

In 2022, AfCFTA officials and signatory governments met to finalize an AfCFTA rules of origin manual, and to discuss AfCFTA regulations and the creation of an online “e-tariff” tool.¹⁴ Negotiations have also begun on Phase II commitments, covering investment, IPR, competition policy, and digital trade.¹⁵ To help facilitate AfCFTA trade, AfCFTA officials, in collaboration with Afreximbank—a public-private trade finance institution—launched the Pan African Payment and Settlement System (PAPSS), a regional platform for settling intra-African trade payments.¹⁶ The AU Assembly also recently mandated the negotiation of an AfCFTA Protocol on Women and Youth in Trade and the establishment of an AfCFTA Adjustment Fund to address potential disruptions (e.g., tariff revenue reductions) from AfCFTA trade liberalization.¹⁷

Some analysts have raised concerns over the difficulties in finalizing Phase I negotiations and the lack of progress on implementation to date.¹⁸ To expedite implementation, some observers have urged AfCFTA members to move forward with trading under AfCFTA rules and tariff concessions for the products for which negotiations have concluded and to facilitate AfCFTA trade among the largest African trading firms, which account for much of the region’s trade.¹⁹ Others also have called for expanded public awareness campaigns, as well as the creation of AfCFTA-specific customs forms and registries for trade logistics and supply chain firms.²⁰

Boosting Intra-Regional Trade to Increase Value-Added Production

An underlying goal of the AfCFTA is to increase intra-regional trade in Africa, which lags behind that of most other world regions. In 2020, 17% of African exports were to other African countries, compared to intra-regional trade shares of 30% in North America, 61% in Asia and Oceania, and 68% in Europe (Figure 1).²¹ The World Bank estimates that implementation of the AfCFTA could increase intra-African trade by 81%, elevate Africa-wide real income by 7% (worth a projected \$450 billion), and potentially lift 30 million people out of extreme poverty by 2035.²² However, the World Bank study and others suggest that the agreement’s tariff reduction effects will be limited unless they are accompanied by significant reductions in various non-tariff barriers (NTBs), including improved trade facilitation (e.g., more efficient and transparent customs procedures).²³ Rules on NTBs are included in the agreement, but they may be more challenging to implement than tariff modifications. The World

¹³ Kingsley Ighobor, “One Year of Free Trading in Africa Calls for Celebration Despite Teething Problems,” *Africa Renewal*, January 5, 2022.

¹⁴ WCO, “AfCFTA, EU and WCO Join Forces to Support Digital Transformation of Customs Work,” January 31, 2022; and Desiderio Consultants, “AfCFTA e-tariff book, what’s the state of play?,” May 19, 2022.

¹⁵ AfCFTA Secretariat, press release, January 29, 2022, at <https://twitter.com/AfCFTA/status/1487806904881582085>.

¹⁶ PAPSS is designed to enable cross-border payments in local currencies without requiring the use of intermediary exchanges of hard currency. AfCFTA Secretariat, “AfCFTA Press Briefing,” July 9, 2021; and Afreximbank, “Afreximbank and AfCFTA Announce the Operational Roll-out of PAPSS,” September 28, 2021.

¹⁷ AfCFTA Secretariat, *The Futures Report: Making the AfCFTA Work for Women and Youth*, 2020. AU Assembly, February 5-6, 2022, op. cit.

¹⁸ For example, see Jamie MacLeod and David Luke, *Breathing Life into the AfCFTA: Why the Details Matter*, International Institute for Sustainable Development, March 2, 2022.

¹⁹ Gerhard Erasmus and Trudi Hartzenberg, “Expediting the Start of Trade under the AfCFTA,” Tralac, May 25, 2022.

²⁰ Francis Mangeni and Andrew Mold Monday, “7 ways to accelerate implementation of the AfCFTA,” *Africa in Focus* Brookings Institution blog, June 13, 2022.

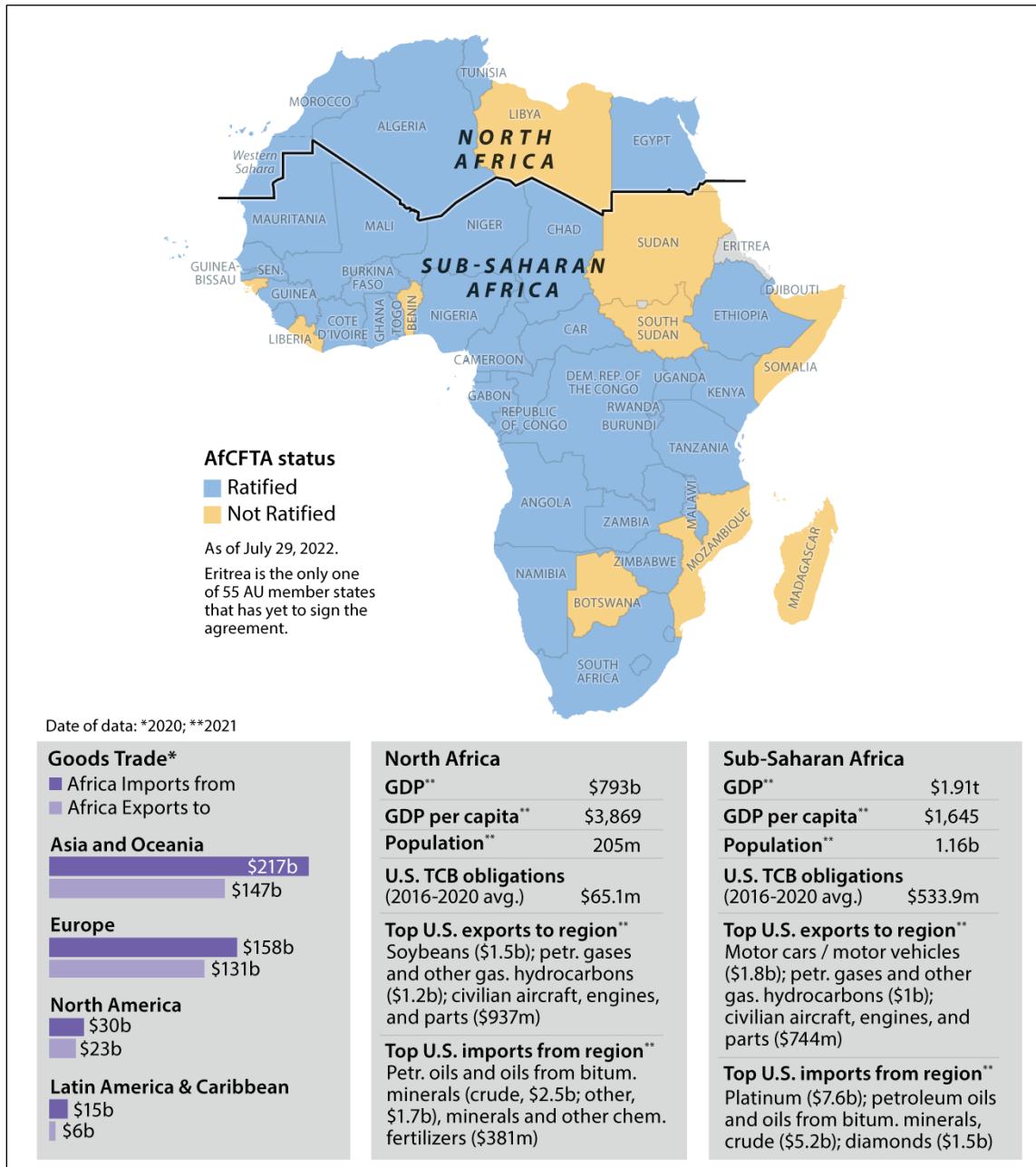
²¹ United Nations Conference on Trade and Development (UNCTAD), “Merchandise: Intra-trade and extra-trade of country groups by product, annual” and CRS calculations.

²² World Bank, *The African Continental Free Trade Area: Economic and Distributional Effects*, 2020.

²³ For example, a 2019 study by the IMF found that trade logistics/customs procedures and infrastructure are the most binding constraints on greater intra-African trade. IMF, *Sub-Saharan Africa Regional Economic Outlook*, p. 47.

Bank study estimates that of the 7% potential increase in real income resulting from the agreement, 0.2% would be due to tariff reductions, whereas 6.8% would be due to removal of NTBs and improved trade facilitation. The AfCFTA Secretariat has established an online mechanism for monitoring, reporting, and elimination of NTBs.²⁴

Figure 1. AfCFTA Ratification Status and African Trade Overview



Source: CRS, based on World Bank Development Indicators, USAID Trade Capacity Building database, Trade Data Monitor, African Union, and U.N. Conference on Trade and Development (UNCTAD).

²⁴ AfCFTA Secretariat, “AfCFTA Non-Tariff Barriers Reporting Mechanism,” at <https://tradebarriers.africa>.

Notes: The AfCFTA member states include the Sahrawi Arab Democratic Republic or Western Sahara, which the U.S. government does not recognize as a state (see CRS Report R45387, *Morocco: Background and U.S. Relations*, by Alexis Arieff). Trade capacity building (TCB) data shown for North Africa exclude regional funding allocated to the Middle East and North Africa region, totaling \$64 million between 2011 and 2020. GDP and GDP per capita data were not available for South Sudan, Eritrea, and Western Sahara and are excluded from calculations. Population data for Eritrea and Western Sahara were not available and are excluded from totals.

U.S. Assistance for AfCFTA's Development

The United States has provided technical support for the AfCFTA under both the Trump and Biden Administrations, but there appears to be no current comprehensive source of data on funding for U.S. activities specifically in support of AfCFTA's development and implementation. In 2019, Trump Administration and AU representatives signed a joint statement describing the AfCFTA as a common U.S.-AU goal.²⁵ The Office of the United States Trade Representative (USTR) and State Department officials hosted AU Commission (AUC) officials for a 2019 International Visitors Leadership Program on U.S. trade policy approaches and U.S.-AU cooperation on the AfCFTA. The USTR and delegation also held talks as part of the U.S.-AU High-Level Dialogue, during which "both sides reaffirmed their support for AfCFTA as a strategic means to increase Africa's competitiveness and attractiveness to U.S. business."²⁶

The 2019 AUC visit led to U.S.-sponsored workshops in 2020 on IPR, SPS rules, and digital trade pertaining to AfCFTA negotiations.²⁷ USAID, jointly with the nonprofit American National Standards Institute, also supported the AUC by providing a technical advisor, on a virtual basis, to aid the negotiation and implementation of commitments on technical barriers to trade and e-commerce issues. In 2020, USTR, the U.S. Patent and Trademark Office (USPTO), and the U.S. Copyright Office hosted a workshop for AfCFTA IPR negotiators and public and private sector stakeholders. USAID also sponsored a 2020 digital trade workshop for AUC staff, and the U.S. Department of Agriculture (USDA) aided implementation of the AfCFTA SPS policy framework, including by facilitating an AfCFTA SPS Committee. This followed USDA support for the development of a possible SPS-focused AU Food Safety Agency.

In October 2021, USTR Katherine Tai noted several U.S. programs being developed to support the AfCFTA, including workshops for African officials focused on assistance for IPR negotiations and "to help prepare African entrepreneurs for the upcoming digital trade negotiations."²⁸ U.S. and AfCFTA officials have also expressed support for U.S.-AU collaboration in support of the planned AfCFTA protocol on the inclusion of women and youth in trade.²⁹ Other reported U.S. assistance includes USDA support for a technical advisor embedded with the AUC to assist with the SPS policy framework, and plans to develop cross-border trade infrastructure projects in the region under the Millennium Challenge Corporation's (MCC's) regional compact initiative.³⁰

²⁵ USTR, "Remarks of Ambassador Mahoney at the 2019 AGOA Forum in Abidjan, Côte d'Ivoire," August 5, 2019.

²⁶ USTR, *Congressional Budget Submission*, FY2022, May 2021.

²⁷ USTR, *2021 Trade Policy Agenda and 2020 Annual Report*, March 2021.

²⁸ USTR, "Readout of Ambassador Tai's Participation in the Virtual AGOA Ministerial Meeting," October 20, 2021.

²⁹ USTR, "Readout of Ambassador Tai's Meeting with AfCFTA Secretary General," December 13, 2021.

³⁰ USTR, *2022 Trade Policy Agenda and 2021 Annual Report*, March 2022.

U.S.-AfCFTA Support and Broader U.S. TCB Efforts

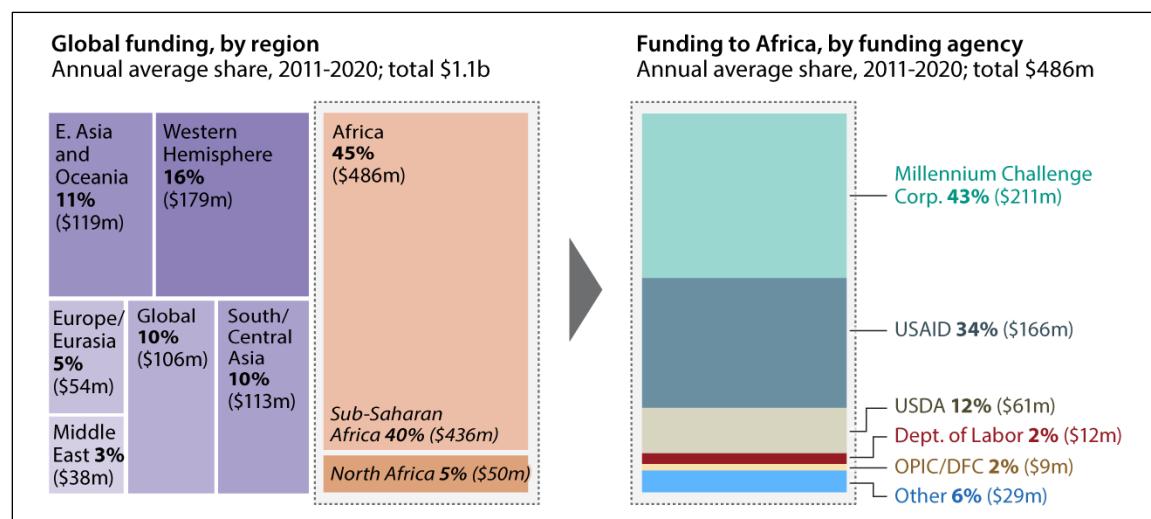
U.S. support for the AfCFTA is an element of broader U.S. TCB efforts, which refer to a range of activities that support foreign countries' ability to engage in international trade. The United States uses TCB activities to encourage market-based economic development and reform and to increase U.S. opportunities for trade and investment abroad. USAID is a lead administrator of U.S. TCB assistance, though some 20 agencies also administer TCB funding or implement TCB programs. USTR manages interagency U.S. support for the AfCFTA through its coordinating role in the interagency Trade Policy Staff Committee.³¹ Coordination of U.S. TCB efforts is of ongoing concern to Congress (see Division J, Title VII, Section 708 of P.L. 116-94).

The original AGOA legislation directed the President to provide specific technical assistance to enhance SSA countries' ability to participate in international trade and noted congressional support for African regional integration efforts (see Sections 102 and 122 of P.L. 106-200). Through reauthorizations of and amendments to AGOA, Congress renewed this directive (see Section 10 of P.L. 108-274 and Section 104 of P.L. 115-167). U.S. assistance to the AfCFTA may address such mandates.

USAID maintains a database documenting U.S. government funding for TCB activities (AfCFTA-related funding is not specifically identified).³² During 2011-2020, Africa accounted for the largest regional share (45%) of U.S. TCB activities, with an annual average of \$486 million in obligated assistance (Figure 2).³³ Agencies providing the largest shares of funding included MCC (43%) and USAID (34%). Of total TCB support, nearly two-thirds targeted trade-related infrastructure and agriculture activities. TCB assistance for trade integration, the category most akin to the types of U.S. assistance provided in support of the AfCFTA, accounted for \$2.6 million annually from 2011 to 2020, or less than 1% of total TCB funding to Africa during that period (Table 1).

Figure 2. United States TCB Funding by Region

(includes breakout by agency for Africa, in \$ millions)



Source: CRS with data from USAID TCB database.

³¹ USAID response to CRS inquiry, December 2021.

³² USAID, Trade Capacity Building Database, at <https://tcb.usaid.gov/dashboard.html>.

³³ All data on TCB assistance are from USAID's TCB database and values are in constant 2020 dollars.

Notes: U.S. TCB obligations shown for North Africa exclude funding allocated to the overall Middle East and North Africa (MENA) region, totaling \$64 million between 2011 and 2020. OPIC refers to the Overseas Private Investment Corporation. In December 2019, OPIC's functions were subsumed into the new Development Finance Corporation (DFC).

Table I. U.S. TCB Funding to Africa, by Category

(millions of constant 2020 \$'s, FY2011-FY2020)

Category	Total	Annual Average
Trade-related Infrastructure	1,722.8	172.3
Trade-related Agriculture	1,288.8	128.9
Competition Policy, Business Environment, and Governance	500.7	50.1
Trade-related Labor	295.7	29.6
Trade Promotion	165.9	16.6
Enterprise Development	162.2	16.2
Financial Sector	131.7	13.2
Other Trade Capacity Building	130.2	13.0
Sanitary and Phyto-sanitary Measures (SPS)	100.0	10.0
Environmental Standards and Trade	98.9	9.9
Customs Operations	87.3	8.7
Trade-related Tourism	67.7	6.8
Technical Barriers to Trade (TBT)	45.3	4.5
FTAs and Trade Integration	25.8	2.6
WTO Accession and Compliance	15.9	1.6
Intellectual Property Rights (IPR)	10.3	1.0
Trade-related Services (excluding Tourism)	9.0	0.9
Trade-related Procurement	4.3	0.4

Source: CRS with data from USAID TCB Database.

Notes: Excludes funding to allocated to the overall MENA region, totaling \$64 million from 2011-2020.

International Support for the AfCFTA

Multiple donor governments and international organizations have provided support to the AU and AfCFTA member countries to assist with AfCFTA negotiations and implementation. For example, the U.N. Economic Commission for Africa (UNECA) published a guide on AfCFTA national utilization strategies, and has partnered with the AfCFTA Secretariat to promote trade as a stimulus for post-COVID-19 economic recovery efforts.³⁴ The International Trade Centre (ITC), a multilateral agency with a joint mandate with the World Trade Organization (WTO) and the U.N., established SheTrades AfCFTA, a program to build the capacity of women-owned businesses to

³⁴ AU, “African Trade Observatory,” n.d.; UNECA, et al., *Guidelines for Developing African Continental Free Trade Area National Strategies*, 2021; and AfCFTA press release, March 29, 2021.

use the AfCFTA.³⁵ The AU also launched an African Trade Observatory, with EU assistance, to help track AfCFTA implementation, regional integration, and tariff negotiations.³⁶

The EU, a major donor to AfCFTA support efforts, provided €74 million (approximately \$79.9 million) for such initiatives during 2014-2020, and further assistance remains ongoing.³⁷ This includes support for facilitating the AfCFTA negotiation process; AfCFTA advocacy and country ratification; tariff classification harmonization and strengthening IPR; development of AfCFTA national implementation strategies; rules of origin implementation by African customs services; SPS system capacity-building; and establishing regional geographical indications for products.³⁸

Other international support for the AfCFTA includes the following.

- The UK government signed a Memorandum of Understanding (MoU) with the AfCFTA Secretariat in September 2021, to support AfCFTA implementation and African intra-regional trade and investment.³⁹ Funding for this initiative totals £35 million (~\$45.5 million) between 2021 and 2026.⁴⁰
- The German-government-owned development corporation, GIZ, administers programs to assist with AfCFTA negotiation preparation and implementation, policy research and advice, and stakeholder outreach and training.⁴¹ Funding for activities totals €34.5 million (~\$37.3 million) between mid-2020 and mid-2024.
- Canada is funding a \$15 million program for UNECA's African Trade Policy Centre to support AfCFTA development.⁴²
- Denmark is funding a \$3.8 million program for AU AfCFTA-implementing institutions and UNECA.⁴³

In addition to AfCFTA-specific assistance, other institutions provide estimates of African countries' broader trade facilitation progress and gaps. For example, the WTO maintains a database on WTO member countries' implementation of WTO Trade Facilitation Agreement (TFA) commitments, which share AfCFTA's goals of lowering trade costs and improving customs operations.⁴⁴ Forty-four of the 55 AU members are members of the WTO, and 40 have

³⁵ This project is one of a wider array of ITC female trade participation promotion projects, including a number in Africa. See ITC web resource "SheTrades AfCFTA," at <https://www.shetrades.com/en/projects/shetrades-afcfta>.

³⁶ African Union, "African Trade Observatory," at <https://ato.africa/en>.

³⁷ Africa-EU Partnership, *African Continental Free Trade Area (AfCFTA): Ongoing EU Support* [Factsheet], n.d. Exchange rate calculations based on exchange rates sourced through FRED, Federal Reserve Bank of St. Louis.

³⁸ European Economic and Social Committee, *7th EU-Africa Economic and Social Stakeholders' Network*, March 2, 2021; European Commission, *EU Aid for Trade Progress Report 2021*, 2021; and Pan-African Geographical Indications Information Hub (africa-gi.com).

³⁹ *Business & Financial Times* (Ghana), "AfCFTA Secretariat Signs Landmark Agreement with UK Government," September 13, 2021.

⁴⁰ UKAid Development Tracker, "African Continental Free Trade Area Support Programme," September 20, 2021.

⁴¹ GIZ stands for Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation). GIZ, "The African Continental Free Trade Area: Development and More Economic Resilience through a Unified African Market," [project summary] July 2021; see also country or sub-region-specific project summaries (e.g., for Ethiopia, Ghana, and the EAC) and GIZ AU Office, *Annual Report 2020*.

⁴² Canadian Government, "Prime Minister Trudeau Announces Additional Support for Hard-Hit African Economies," May 18, 2021.

⁴³ Danish Foreign Affairs Ministry, *Support to the African Continental Free Trade Area*, December 6, 2019.

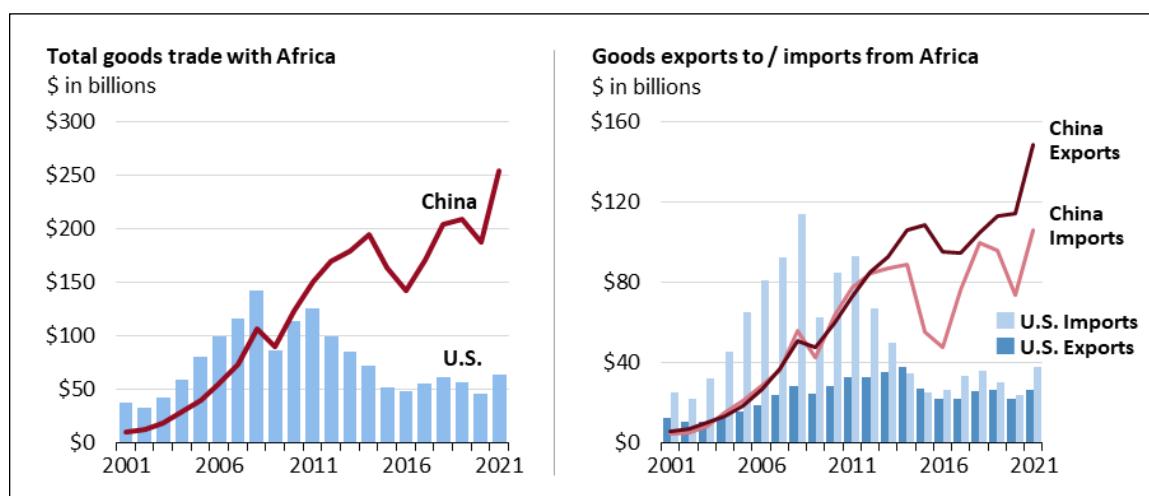
⁴⁴ See CRS Report R44777, *WTO Trade Facilitation Agreement*; and WTO, "Trade Facilitation Agreement Database."

ratified the TFA.⁴⁵ The WTO also provides technical assistance and capacity building for developing and least-developed country members to aid with TFA implementation.

China's Engagement with the AfCFTA

Over the past two decades, increasing Africa-China trade and investment ties have drawn concern from U.S. policy and lawmakers (Figure 3).⁴⁶ At issue are concerns over lost U.S. export opportunities, potential effects on U.S. economic ties with the region, and U.S.-China global strategic competition. U.S. officials have emphasized economic linkages and potential dependencies resulting from China's One Belt, One Road (OBOR) Initiative and its trade-centered infrastructure loans in the region.⁴⁷ At \$254.0 billion (\$148.1 billion in exports and \$106.0 billion in imports), China-Africa trade in 2021 was nearly four times as large as U.S.-Africa trade, at \$64.1 billion (\$26.6 billion in exports and \$37.5 billion in imports).⁴⁸ Bills introduced in the 117th Congress include measures to address concerns over U.S. strategic competition with China globally, including in Africa (e.g., H.R. 3524 and S. 1260, among others). While many non-African countries and businesses may benefit from the AfCFTA, some experts view China's government and state-owned firms as particularly well-positioned to do so.⁴⁹

Figure 3. U.S. and Chinese Trade in Goods with Africa



Source: Data from U.S. Census Bureau and China Customs Statistics via Trade Data Monitor.

To date, China's public statements on the AfCFTA have been limited, but supportive. In October 2021, the AfCFTA Secretariat and the Chinese government signed an MoU establishing an expert group on cooperation. A statement on the MoU asserted that the group "is expected to collaborate in areas that will include experience-sharing on intellectual property rights, customs procedures, digital trade and competition policy."⁵⁰ In the same statement, AfCFTA Secretary-General Mene

⁴⁵ WTO, *Strengthening Africa's Capacity to Trade*, 2021; and WTO TFA Database, "Ratifications," April 19, 2022.

⁴⁶ See for example, "China in Africa: Unequal Partnership," *The Economist*, special report, May 29, 2022.

⁴⁷ See CRS In Focus IF11735, *China's "One Belt, One Road" Initiative: Economic Issues*, by Karen M. Sutter, Andres B. Schwarzenberg, and Michael D. Sutherland.

⁴⁸ Data from U.S. Census Bureau and China Customs Statistics sourced via Trade Data Monitor.

⁴⁹ Linda Calabrese, "China-Africa Economic Relations: The BRI, the AfCFTA, and the Rest of the World," Italian Institute for International Political Studies, July 29, 2021, among others.

⁵⁰ Foreign Affairs Ministry of China, "AfCFTA to Gain from Chinese expertise," October 29, 2021. The MoU was

said that “China has been providing financial assistance to the AfCFTA Secretariat since its establishment, and support on aspects touching on IPR, investment, competition policy, and digital trade would be critical for the impending AfCFTA Phase II negotiations.” Mene also asserted that the “AfCFTA will produce new trading and investment opportunities for China in various economic sectors, including agro-processing, automobiles, and financial technology.”

Outlook and Selected Issues for Congress

Many policymakers and economists view the AfCFTA as an ambitious trade policy initiative with considerable potential to stimulate economic development in Africa if fully realized, in alignment with U.S. trade and foreign policy goals in the region. In previous legislation, Congress has endorsed efforts to spur Africa’s global and regional trade, including through Africa-specific trade facilitation programs and preferential tariff treatment under AGOA. As Congress potentially considers future efforts to support U.S.-African trade relations, it may examine how such initiatives relate to the AfCFTA and the extent to which U.S. support for the AfCFTA may further congressional goals in the region. Selected issues for Congress include the following.

Prospects for AfCFTA. The ultimate success of the AfCFTA likely depends on the members’ ability and political will to resolve the remaining issues under negotiation and fully implement commitments. The region faces numerous challenges in this regard, including participants’ vastly divergent institutional capabilities and economic interests, and ongoing regional tensions unrelated to trade. African countries’ slow implementation of commitments under the WTO’s TFA suggests the region may have similar difficulty in implementing the AfCFTA.⁵¹ Congress may consider the likelihood that AfCFTA members are able to fully realize its ambitious objectives and how U.S. assistance may affect these prospects.

U.S. Funding for AfCFTA Support. There appears to be no current comprehensive source of data on funding for U.S. activities specifically in support of AfCFTA’s development and implementation. This gap may present a challenge to congressional oversight. Based on the types of assistance U.S. agencies report to have provided to the AfCFTA (e.g., workshops and advisors), U.S. funding in support of the AfCFTA is likely significantly lower than that provided by some other donor governments (notably the EU). Congress may consider requiring additional reporting from the executive branch on U.S. AfCFTA assistance, and with such data, could consider whether current funding is sufficient to meet U.S. objectives, which may include promoting alignment between new AfCFTA rules and WTO and U.S. trade agreement objectives.

International Assistance Coordination. Multiple foreign development partners support the AfCFTA. To avoid duplication of efforts, make effective use of scarce resources, elevate the representation of U.S. views, and promote effective collaboration with like-minded donor governments, Congress may consider how to foster greater coordination among and with such partners. While such coordination reportedly exists on an ad hoc basis, an official cooperative forum, formally involving AfCFTA and development partner (e.g., EU and U.S.) officials, could act as a channel to clarify African needs and address capacity gaps. Such coordination may be

signed in the context of ongoing Chinese-African relations pursued through the Forum on China-Africa Cooperation (FOCAC), which comprises China and all African countries except Eswatini. FOCAC via Foreign Affairs Ministry of China, “Forum on China-Africa Cooperation Dakar Action Plan (2022-2024),” November 30, 2021.

⁵¹ WTO members in Asia and Latin America have implemented roughly three-quarters of their TFA commitments to date, in line with the global implementation rate, compared to half of commitments implemented among African WTO members. The TFA allowed developing countries to set their own implementation schedules. WTO, “Trade Facilitation Agreement Database,” at <https://tfadatabase.org/implementation/comparisons>, accessed July 13, 2022.

important in areas in which the United States and other AfCFTA development partners may have differing trade regimes and policy priorities.⁵²

Expertise and Education Needs. A deficit of expertise reportedly exists among many AfCFTA signatories regarding highly technical matters in the negotiations, which may affect countries' ability to implement AfCFTA commitments.⁵³ In addition, extensive education may be needed if private sector actors, including entrepreneurs in Africa's large informal micro-enterprise sector, are to take advantage of the AfCFTA and comply with new trade rules. Technical assistance to date reportedly has focused heavily on the AfCFTA Secretariat and various AUC departments, rather than at the national and regional level.⁵⁴ Congress might consider whether U.S. advisory engagement at the national and regional levels would assist U.S. agencies in monitoring and helping to address AfCFTA implementation challenges.

Automation and Digital Infrastructure. Enhanced automated and online processing of trade-related tasks could reduce transaction costs, and potentially decrease the administrative discretion of low-level officials, which may lower the risks of corruption. Efforts at greater customs automation also align with multilateral trade obligations under the WTO TFA. U.S. digital resource companies may be well placed to help build the technological infrastructure needed for such improvements. Congress may consider the adequacy and focus of existing U.S. government tools to support U.S. businesses in accessing such opportunities.⁵⁵ Some Members may see a need for greater U.S. government support for such activities to act as a counterweight to Chinese firms' roles in building African information technology networks and infrastructure.⁵⁶

Relation to AGOA. The AGOA preference program has been a primary congressional initiative aimed at enhancing U.S.-African trade relations. However, participation in AGOA is statutorily limited to SSA countries, while the AfCFTA also includes the countries of North Africa. This divergence in regional focus between the AfCFTA and AGOA could be an impediment to the development of intra-African supply chains and greater intra-African trade. Congress may consider whether various reforms to AGOA's regional focus could address such concerns, such as broadening the program to include North African countries or changing AGOA's rules of origin, to allow for cumulation among all AfCFTA participants.

U.S. Influence in Establishing Trade Rules and U.S. Trade Negotiations in Africa. The United States historically has led in establishing trade rules through the WTO and in U.S. FTAs with various global trade partners, including on issues such as services trade liberalization, IPR protection and enforcement, worker rights, environmental protections, and digital trade. Given the growing number and importance of regional trade negotiations that do not involve the United States, such as the AfCFTA (or the CPTPP or RCEP agreements in Asia⁵⁷), Congress may

⁵² For example, EU and U.S. trade policy approaches often differ with regard to geographical indications and certain digital trade issues. For more, see CRS Report R44556, *Geographical Indications (GIs) in U.S. Food and Agricultural Trade*, by Renée Johnson and CRS Report R46732, *EU Digital Policy and International Trade*, by Rachel F. Fefer.

⁵³ Kingsley Ighobor, "One Year of Free Trading in Africa Calls for Celebration Despite Teething Problems," *Africa Renewal*, January 5, 2022.

⁵⁴ CRS discussions with U.S. trade officials.

⁵⁵ See CRS In Focus IF10673, *U.S. Trade and Development Agency (TDA)*, by Shayerah I. Akhtar, and CRS In Focus IF11436, *U.S. International Development Finance Corporation (DFC)*, by Shayerah I. Akhtar and Nick M. Brown.

⁵⁶ Aubrey Hruby, "Africa's digital infrastructure is the next playing field for great-power competition," *Atlantic Council AfricaSource* blog, November 29, 2021.

⁵⁷ See CRS In Focus IF12078, *CPTPP: Overview and Issues for Congress* and CRS In Focus IF11891, *Regional Comprehensive Economic Partnership (RCEP)*.

consider how the United States can ensure U.S. trade policy priorities continue to influence the development of new global trade rules, including in Africa. Options to address this concern might

include greater U.S. prioritization of new U.S. trade agreement negotiations with countries or regional blocs in Africa. Congress has directed the President to seek reciprocal trade liberalization agreements in SSA (e.g., P.L. 106-200, P.L. 114-27), but the United States has yet to successfully conclude such an agreement.

Effectiveness of U.S. TCB. The United States obligated an annual average of \$486 million in general TCB funding to African countries during 2011-2020. Congress may consider whether sufficient tools and metrics exist to evaluate the effectiveness of this foreign assistance in achieving congressional goals.

Author Information

Nicolas Cook
Specialist in African Affairs

Liana Wong
Analyst in International Trade and Finance

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