

# THE IMPLICATION OF COVID-19 ON THE IMPLEMENTATION OF THE AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT

By

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## OVERVIEW

The implementation of the African Continental Free Trade Area (AfCFTA) Agreement will make the African continental market the largest free trade area. As its implementation date arrives, global markets and countries in Asia, Europe and the Americas are currently being affected by the new coronavirus (COVID-19). The World Health Organisation (WHO) has declared the spread of COVID-19 a pandemic. This is having a multiplier effect on almost all aspects of human engagements including trade, finance, travel, employment, contracts etc. Although African countries have not been as affected as their non-African counterparts by the pandemic, the surge in the number of reported cases in Africa within the past week, (three (3) months to the take-off date of AfCFTA), is resulting in many African countries taking proactive steps to prevent the spread of the virus within their borders. In light of this, this commentary will be discussing the implications of Covid-19 on the implementation of the AfCFTA should the pandemic still persist.

## THE AFRICAN CONTINENTAL FREE TRADE AREA – A BRIEF INTRODUCTION

African countries agreed in 2018, to sign the AfCFTA Agreement in Kigali, Rwanda with the intention of facilitating the political and socio-economic integration of the continent and to allow for the free movement of

persons, capital, goods and services between the countries making up the African economic bloc. In an era where countries are entering into agreements to facilitate trade and grow their economies through mutual trade interaction, the AfCFTA's goal is no different - to promote in Africa, agricultural development, food security, industrialization and structural economic transformation by creating a single continental market governed by the free movement of business, people and investments.

However, the benefits - a larger market, more jobs, and an improved supply chain, that are to accrue from the implementation of the AfCFTA will only be made possible when all the countries have not only ratified the AfCFTA Agreement but have also followed through with policies that spur local productivity. This is more so in the face of the huge challenges which the AfCFTA will need to surmount before it can be successful - inefficient bureaucracy, poor infrastructure, persistent non-tariff barriers and other protectionist measures - and very recently, the Covid-19 pandemic.

## IMPLEMENTING THE AfCFTA IN A TIME OF COVID-19

The increase in the global cases of Covid-19, particularly its recent upsurge in African countries and the attendant effect of the pandemic on world trade and economy

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means that Covid-19 is a factor worthy of consideration when discussing the implementation of the AfCFTA especially in the event of the likely possibility that the pandemic and its effects persist past the expected date of take-off of AfCFTA, 1 July 2020.

At the core of the AfCFTA's objectives is the free movement of people, goods and services within the continent. Transportation is no doubt an essential factor for this free movement. With African countries declaring total or partial lock-down on travel and movement, it means that only the transportation of necessary goods and services, medical supplies and emergency supplies will be given priority. This is in addition to the fact that factories, offices, malls, schools, movie theatres, museums, gyms (and basically anywhere there could be a gathering of people) may most likely be restricted. Factories are important to the implementation of the AfCFTA. Covid-19 implies that African Union member countries may prioritize the manufacture of medical supplies and essential goods over other non-essential goods and the factories which manufacture those non-essential goods may most likely remain restricted until Covid-19 is declared contained. This may adversely impact the intercontinental trade of goods that are not medical supplies and essential services.

Having a protracted shutdown of factories and businesses will have the likely result of termination of many jobs, termination of cross-border contracts (which do not contain properly drafted force majeure provisions), decrease in the supply of luxury goods, decrease in the supply of non-essential services and an increase in the demand for and supply of essential services

such as medical services, emergency services and food providers.

For many in Africa who survive by earning daily wages and have little or no savings, a potential lock down would adversely affect their finances and their lives. Small businesses may be the hardest hit unless governments put in place emergency interventions and incentives to dampen the economic impact of Covid-19 such as postponement in principal and interest repayment for loans to SMEs for at least 6 months, increased credit support to the manufacturing sector especially sectors involved in the manufacture of essential and medical goods, tax breaks, delayed tax payments, reduction in interest rates etc. However, a government stimulus may amount to a further financial burden on countries such as South Africa which is already in the throes of a recession or Nigeria where dipping oil prices mean that government's projected earnings are at an all-time low.

In essence, the requirements for a successful containment of Covid-19 by African countries means that if the pandemic were to still persist by 1 July, 2020, the take-off date for trading under the AfCFTA may inevitably be postponed or suspended until further notice. This is because containing the virus may entail a restriction on international trade contrary to the principles of the AfCFTA Agreement. African countries however, have the option of concentrating more on manufacturing and trading in essential and medical goods and thereby creating a market for these if Covid-19 still persists by 1 July 2020.

## CONCLUSION



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Although the AfCFTA, if successfully implemented will be Africa's solution to a rising debt profile, increase in inflation and massive unemployment, the obvious hurdle facing the implementation of the treaty - failure to ratify the treaty - appears minuscule when compared to the fact that Covid-19 will necessitate African countries albeit involuntarily to adopt or rather, continue their protectionist policies of trade.

