



Note

African Continental Free Trade Area: Promoting Intra-African Trade for Climate Change Mitigation and Adaptation

By Manuel Simon

Summary

This note discusses how increased levels of intra-African trade and other developments resulting from the implementation of the African Continental Free Trade Area (AfCFTA) can impact climate change mitigation and adaptation. The analysis shows that the AfCFTA can impact climate change mitigation and adaptation in various dimensions, both positively and negatively. Whether positive or negative impacts dominate depends partly on policy choices by member states.

Introduction

Trade and climate change issues are often discussed in isolation from each other.¹ Sustainable development can be advanced, however, by taking the linkages between the two into account. After all, challenges that countries face with regards to international trade and climate change are closely interrelated. By looking at the African continent, this note discusses, based on the linkages between trade and climate change related challenges, how increased levels of intra-African trade through implementation of the African Continental Free Trade Area (AfCFTA) can impact climate change mitigation and adaptation.

Many African countries face two interrelated challenges. First, they exhibit low levels of trade with other African countries, when comparing the figures to their trade with countries from other continents.² This makes African countries economically dependent on countries external to the continent, mainly in the Global North, and reinforces patterns of African countries exporting raw materials and commodities and importing manufactures.³ Second, many African countries face a disproportionately high vulnerability to climate change, in terms of both climate change mitigation and adaptation, i.e. with regards to their ability to reduce greenhouse gas emissions, and with regards to effectively addressing impacts of climate change.⁴ On the one hand, climate

change, especially when there is little room for adaptation, can have negative effects on trade between African countries, especially where agricultural products are concerned. Apart from making agricultural production more costly, trade costs of the products also escalate due to delays caused by extreme weather patterns such as landslides and floods. On the other hand, trade – whether it is intra-African trade or trade between African countries and countries external to the continent – can contribute to climate change, for instance by increasing greenhouse gas emissions.⁵

The AfCFTA, which became operational in July 2019, is celebrated for its potential to address the first of the challenges described, i.e. its potential to contribute to increased intra-African trade is widely acknowledged. In 2012 African Heads of State and Government agreed to establish the AfCFTA at the African Union (AU) Summit in Addis Ababa. When considering the number of countries involved, it is the largest free trade area in the world. Its overarching objective is to boost intra-African trade and thereby stimulate development on the continent. This objective should be achieved by eliminating tariffs and non-tariff barriers (NTBs) to trade in goods between African countries. Most importantly, tariffs on 90 percent of products traded within Africa should be removed.⁶

Beyond this overarching objective, the agreement also notes the promotion of sustainable

¹ Rashid S. Kaukab, 'Breaking Silos between Trade and Climate for the World's Most Vulnerable Countries', Trade 4 Dev News, 2019, <https://trade4devnews.enhancedif.org/en/open/breaking-silos-between-trade-and-climate-worlds-most-vulnerable-countries>.

² David Harary, 'African Free Trade Could Increase Resilience to Climate Change and Conflict', *New Security Beat* (blog), 2018, <https://www.newsecuritybeat.org/2018/10/african-free-trade-increase-resilience-climate-change-conflict/>; 'Boosting Intra-African Trade. Hindrances, Opportunities and the Continental Free Trade Area' (Bertelsmann Stiftung, 2017), <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/boosting-intra-african-trade/>.

³ 'Boosting Intra-African Trade'; Kwabena Nyarko Otoo, 'The Political and Economic Dimensions of the Continental Free Trade Agreement (CFTA)', n.d.

⁴ Harary, 'African Free Trade Could Increase Resilience to Climate Change and Conflict'; Richard Munang, 'The African Continental Free Trade Agreement: Making It Count for People

and Planet', *Africa Times*, 2018, <https://africatimes.com/2018/04/13/the-african-continental-free-trade-agreement-making-it-count-for-people-and-planet/>; 'Mitigation and Adaptation to Climate Change', accessed 23 March 2020, <https://www.activesustainability.com/climate-change/mitigation-adaptation-climate-change/>.

⁵ 'Climate Change, Food Security and Trade: Evidence from the East African Community', Briefing Paper (Geneva, 2014).

⁶ Otoo, 'The Political and Economic Dimensions of the Continental Free Trade Agreement (CFTA)'; 'Next Steps for the African Continental Free Trade Area', *Assessing Regional Integration in Africa* (United Nations Economic Commission for Africa, 2019), https://www.uneca.org/sites/default/files/PublicationFiles/aria9_en_fin_web.pdf; Théophile Albert, 'The African Continental Free Trade Agreement: Opportunities and Challenges' (Geneva: CUTS International, 2019), http://www.cuts-geneva.org/pdf/KP2019-Study-The_African_Continental_Free_Trade_Agreement.pdf.

development in line with the Sustainable Development Goals (SDGs) among its objectives.⁷ As climate action constitutes one of the SDGs, it is crucial to explore how the AfCFTA could contribute towards this goal.⁸

Considering the interrelation between trade and climate change related challenges in general and for African countries in particular, this note discusses ways through which the AfCFTA could impact climate change mitigation and adaptation, both positively and negatively.

How the AfCFTA Could Positively Impact Climate Change Mitigation and Adaptation

Implementing Technologies On A Larger Scale

As mentioned above, the AfCFTA aims to boost economic development on the continent through increased intra-African trade. One of the underlying rationales is that increased economic specialisation becomes possible due to the strengthening of regional, cross-border value chains. Domestic firms can, due to the lower tariffs and NTBs, access larger regional markets and, in doing so, gain from economies of scale. For instance, they can implement technologies on a larger scale. Under these technologies can fall agricultural and industrial technologies that enable economic actors to withstand climate change, and to pursue industrialisation in a way

that is less damaging for the environment.⁹

Reducing Transportation-Related Environmental Pollution

When considering transportation-induced CO₂ emissions, regarding increased levels of intra-African trade in isolation can lead to the assumption that the AfCFTA leads to increased levels of pollution. After all, increasing levels of trade requires more transportation, which leads to rising CO₂ emissions. However, trading distances within Africa and among African countries tend to be smaller than those between African countries and countries on other continents. This means that, under the condition that increased intra-African trade is accompanied by a reduction in trade between African countries and countries external to the continent, transportation-related CO₂ emissions are likely to fall.¹⁰ This is even more likely to be the case if the agreement leads to increased trade within African sub-regions (e.g. Western or Southern Africa) as opposed to trade between distant sub-regions.

Cooperating On Sanitary and Phytosanitary (SPS) Measures

The AfCFTA envisions to strengthen cooperation on SPS measures and implement a common SPS policy.¹¹ SPS measures are addressed in an annex to the agreement's protocol on trade in goods.¹² These measures intend to protect human and animal health (sanitary measures) and plant health (phytosanitary measures).¹³ Amongst others, they set limits to the use of toxic pesticides, and thereby limit the risks to biodiversity resulting from the use of pesticides.¹⁴

⁷ 'Agreement Establishing the African Continental Free Trade Area' (African Union, 2019), <https://au.int/en/treaties/agreement-establishing-african-continental-free-trade-area>.

⁸ 'Sustainable Development Goal 13', Sustainable Development Goals Knowledge Platform, 2019, <https://sustainabledevelopment.un.org/sdg13>.

⁹ Harary, 'African Free Trade Could Increase Resilience to Climate Change and Conflict'; Albert, 'The African Continental Free Trade Agreement: Opportunities and Challenges'.

¹⁰ Albert, 'The African Continental Free Trade Agreement: Opportunities and Challenges'.

¹¹ José Luis Gutiérrez Aranda, 'Continental Free Trade Agreement: An Internal Battle for Trade Liberalization', *Africa*

Europe Faith and Justice Network (blog), 2018, <http://aefjn.org/en/continental-free-trade-area-agreement-an-internal-battle-for-trade-liberalization/>; Harary, 'African Free Trade Could Increase Resilience to Climate Change and Conflict'.

¹² Albert, 'The African Continental Free Trade Agreement: Opportunities and Challenges'.

¹³ 'Understanding the Sanitary and Phytosanitary Measures Agreement', World Trade Organization, 1998, https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm.

¹⁴ Albert, 'The African Continental Free Trade Agreement: Opportunities and Challenges'.

The resulting positive impact on biodiversity can, by means of the ecosystem services that it supports, make contributions to climate change mitigation and adaptation.¹⁵

How the AfCFTA Could Negatively Impact Climate Change Mitigation and Adaptation

Increasing Land Use and Deforestation Through Higher Agricultural Production

The AfCFTA is likely to significantly increase trade in agricultural products between African countries.¹⁶ This can be accompanied by increased agricultural production, leading to increasing land use by producers.¹⁷ This could have negative impacts on climate change mitigation if deforestation becomes necessary to obtain the needed land, leading to reduced absorption of CO₂. In Africa, compared to other continents, small-scale agriculture significantly drives deforestation, and overall, agriculture constitutes the dominant driver of deforestation in the world. However, this trend can be reduced if synergies and complementarities among land use for agriculture and forest are enhanced, for instance by promoting integrated land use approaches.¹⁸

Increasing CO₂ Emissions When Industrialising Without Climate-Friendly Technologies

Increased intra-African trade can help to bring about economic diversification and industrialisation for the member states. Industrialisation, if pursued without the adoption of climate-friendly technologies, can lead to an acceleration of climate change. Also urbanisation, which accompanies industrialisation, is traditionally linked to accelerating climate change.¹⁹ Whether or not trade-induced industrialisation has climate change mitigating or accelerating impacts depends, amongst others, on which industrial activities the countries focus on in their industrialisation strategies, and which technologies they adopt.²⁰

Harming Import-Competing Producers, and Therefore Limiting Their Ability to Adapt to Climate Change

More trade between African countries can also pose serious challenges to import-competing producers. Especially import-competing Micro, Small and Medium Enterprises (MSMEs) and small-scale farmers face higher trading costs when comparing them to larger companies. Economic actors dependent on agriculture are particularly vulnerable to climate change.²¹ When these actors are being exposed to increasing competition resulting from the AfCFTA, they are likely to suffer more severely from the climate change induced problems. After all, due to the increasing economic burdens it becomes more

¹⁵ 'Climate Change and Biodiversity', Convention on Biological Diversity (Secretariat of the Convention on Biological Diversity, 2019), <https://www.cbd.int/climate/>.

¹⁶ Vera Songwe, 'Intra-African Trade: A Path to Economic Diversification and Inclusion', *Brookings* (blog), 2019, <https://www.brookings.edu/research/intra-african-trade-a-path-to-economic-diversification-and-inclusion/>.

¹⁷ 'Africa's Continental Free Trade Area in The Face of Climate Change', *The African Executive* (blog), 2019, <https://africanexecutive.com/article/read/10380>.

¹⁸ 'State of the World's Forests. Forests and Agriculture: Land-Use Challenges and Opportunities' (Rome: Food and Agriculture Organization of the United Nations, 2016), <http://www.fao.org/3/a-i5588e.pdf>.

¹⁹ Chigbo A. Mgbemene, 'The Effects of Industrialization on Climate Change' (Fulbright Alumni Association of Nigeria 10th Anniversary Conference Development, Environment and Climate Change: Challenges for Nigeria, University of Ibadan, Ibadan, 2011), 12–15, https://www.researchgate.net/profile/Chigbo_Mgbemene/publication/318888520_THE_EFFECTS_OF_INDUSTRIALIZATION_ON_CLIMATE_CHANGE/links/5983a456458515b420c9665c/HE-EFFECTS-OF-INDUSTRIALIZATION-ON-CLIMATE-CHANGE.pdf.

²⁰ 'Africa's Continental Free Trade Area in The Face of Climate Change'.

²¹ Kaukab, 'Breaking Silos between Trade and Climate for the World's Most Vulnerable Countries'.

difficult to adapt to climate change.

Conclusion

The analysis shows that increased intra-African trade through the AfCFTA has implications for climate change mitigation and adaptation in various dimensions. Transportation-induced pollution is likely to increase if increasing intra-African trade is not accompanied by a reduction of trade between African countries and countries outside of the continent. Intensified industrialisation, which can be brought about by increased intra-African trade, can lead to higher CO₂ emissions. Furthermore, higher agricultural land use, which would become necessary for increased agricultural production, can cause deforestation.

However, these climate change accelerating impacts can be mitigated or reversed: For instance, technologies can be adopted that enable economic actors to pursue their activities in a less environmentally-harmful way. On top of mitigating the climate change accelerating impacts of industrialisation, technologies can also enable economic actors to adapt to climate change and maintain high levels of economic productivity. The ability of certain economic actors to use technologies helping them to adapt to climate change can, however, be compromised through increasing competition resulting from intra-African trade. In particular, those economic actors that are dependent on agriculture and are exposed to increasing competition from other African countries can find it increasingly difficult to adapt to climate change due to the economic burdens resulting from the foreign competition.

Overall, the AfCFTA can impact climate change mitigation and adaptation both positively and negatively. Whether positive or negative impacts dominate depends partly on policy choices by member states, in particular on how the complex interdependencies between trade and climate related challenges that African countries face are taken into account. The following policy

recommendations focus on how member states can leverage the AfCFTA to increase intra-African trade and contribute to climate change mitigation and adaptation at the same time.

Policy Recommendations

1. Integrate climate change adaptation and mitigation policies and measures into trade integration policies and measures. In particular, ensure regular and holistic consultations among both trade and climate change policy makers and other relevant stakeholders to monitor and effectively respond to the impact of AfCFTA implementation on climate change mitigation and adaptation.
2. Invest in implementation of technologies that enable economic actors to pursue agricultural and industrial activities in a way that causes little environmental harm and to adapt to climate change.
3. Promote synergies and complementarities among land use for agriculture and forest, for instance by promoting integrated land use approaches.
4. Encourage and support economic actors to comply with SPS standards, for instance by developing a robust quality infrastructure with regards to quality assurance, standardisation and certification, amongst others.
5. Focus primarily on trade with African countries from the same sub-region to reduce transportation-induced CO₂ emissions. In addition, if the intra-African trade satisfies the local demand, reduce the trade with countries external to the continent.
6. Support MSMEs dependent on agriculture and small-scale farmers to help them adapt to climate change under increasing competition from other African countries.

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37-39, Rue de Vermont, 1202 Geneva, Switzerland
geneva@cuts.org • www.cuts-geneva.org
Ph: +41 (0) 22 734 60 80 | Fax: +41 (0) 22 734 39 14 | Skype: cuts.grc

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