

EXPANDING ECONOMIC OPPORTUNITIES: PAKISTAN AND THE AFRICAN CONTINENTAL FREE TRADE AGREEMENT

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



The African Continental Free Trade Agreement (AfCFTA) marks a significant milestone for the African economy, fostering regional economic integration, growth, and development across the Continent.¹ AfCFTA is a free trade agreement among African countries, which aims to create a single market for goods and services, promoting intra-African trade, and boosting economic integration across the Continent. The agreement was signed on 21 March 2018, in Kigali, Rwanda, and entered into force on 01 January 2021.² AfCFTA is considered as one of the largest free trade areas globally in terms of the number of participating countries. As of November 2022, fifty-four out of fifty-five African Union (AU) Member States had signed the AfCFTA, and forty-four had deposited their instruments of ratification.³ This agreement presents Pakistan with a unique opportunity to strengthen its trade and investment ties with African nations, creating new prospects for businesses, and fortifying overall economic bonds with Africa. Especially, it can play a pivotal role in the successful implementation of 'Engage Africa' policy, and

1 U.S. Department of Commerce. "African Continental Free Trade Area (AfCFTA)." International Trade Administration, U.S. Department of Commerce. <https://www.trade.gov/market-intelligence/african-continental-free-trade-area>

2 Ibid.

3 "African Continental Free Trade Area (AfCFTA)." African Union. Accessed June 14, 2023. <https://au-afcfta.org/>

further enhance avenues for mutually-beneficial collaboration. It would enjoy access to the African market, which comprises over 1.2 billion individuals and boasts a combined GDP, surpassing \$3 trillion.⁴

AfCFTA is primarily designed to establish a unified continental market for goods and services, facilitating the free movement of businesses, people, and investments. By dismantling trade barriers in order to promote and facilitate trade within Africa, the agreement aims to amplify intra-African trade by a projected 52.3% by the year 2035.⁵ This will open substantial opportunities for Pakistani businesses, allowing them to leverage their strengths and tap into an expanded market.

Pakistan and Africa have a long-standing history of diplomatic, economic, and cultural ties and these relations have strengthened over the span of time. Both Pakistan and African countries have also collaborated on regional and international platforms to address common challenges and promote mutual interests. Ties between Pakistan and Africa continue to evolve, driven by shared values, mutual respect, and a desire for regional and global cooperation.

In 2019, the “Engage Africa” policy was launched to expand Pakistan’s diplomatic footprint in Africa and deepen economic partnership with the Continent.⁶ This policy has helped revitalize and deepen Pakistan’s engagement with African countries, marking a significant shift in approach. The establishment of five new missions in Rwanda, Djibouti, Ghana, Uganda, and the Ivory Coast within a short span showcases Pakistan's commitment in this regard.

As part of this policy, three Trade and Development conferences have been held in Nairobi, Lagos and Johannesburg. Under AfCFTA, there are a number of areas which Pakistan can benefit from. One of the key advantages of AfCFTA for Pakistan is the elimination of trade barriers such as tariffs, quotas, and non-tariff barriers that can provide Pakistani businesses with access to a larger market in the Continent. This expanded market can lead to increased exports and economic growth. Upon implementation, Pakistan stands to gain preferential access to a market encompassing over 1.2

⁴ “Pak-Engage Africa policy has rejuvenated trajectory of relations with African countries, NA committee told.” The Nation.

<https://www.nation.com.pk/25-Oct-2022/pak-engage-africa-policy-has-rejuvenated-trajectory-of-relations-with-african-countries-na-committee-told/>

⁵ U.S. Department of Commerce. “African Continental Free Trade Area (AfCFTA).” International Trade Administration, U.S. Department of Commerce.

<https://www.trade.gov/market-intelligence/african-continental-free-trade-area>

⁶ “Pakistan Engage Africa Policy.” Institute of Policy Studies.

<https://www.ips.org.pk/wp-content/uploads/2022/02/07-Foreign-policy-Brief-9-Pakistan-Engage-Africa-Policy.pdf>

billion people, collectively representing a GDP exceeding \$3 trillion.⁷ Notably, Pakistan's textile and clothing industry, one of the country's largest export sectors, can benefit significantly from the removal of tariffs on textile and apparel products.

AfCFTA not only facilitates trade but also encourages investments and joint ventures between member countries. Pakistani businesses can leverage this opportunity to establish a presence in African markets, tapping into the Continent's growing consumer base and emerging sectors. The African Development Bank estimates an annual infrastructure investment requirement of around \$170 billion for Africa, offering significant prospects for Pakistani companies specializing in infrastructure development and related sectors.⁸

AfCFTA also presents Pakistan with an opportunity to diversify its exports. Currently, Pakistan's export base heavily relies on a few sectors such as textiles, clothing, leather goods, and sports goods. The African market, on the other hand, offers a wide array of opportunities across sectors such as agriculture, energy, infrastructure, and more. By diversifying its exports, Pakistan can reduce its reliance on a limited number of sectors and build resilience against external shocks.

Pakistan can explore opportunities to invest in transport infrastructure projects in Africa, such as roads, railways, ports, and airports. These investments can enhance connectivity, facilitate trade, and improve logistics efficiency within the Continent. Furthermore, it can develop and strengthen trade corridors, promoting efficient transportation routes and connectivity across the Continent. This can involve establishing transportation networks, logistics hubs, and customs cooperation to facilitate smooth trade flows and regional integration.

Islamabad can offer capacity-building programs and training initiatives to support the development of skilled professionals in the different sectors in African countries. This can include knowledge transfer, technical assistance, and vocational training programs to enhance the capabilities and efficiency of the African workforce in this field.

Within the African Continent, Pakistan can explore agricultural investment opportunities, such as large-scale farming, agro-processing, and technology transfer. By sharing its expertise in agriculture

⁷ Pakistan wants to nurture ties with African countries under Engage Africa policy: Sanjrani." Radio Pakistan. <https://www.radio.gov.pk/15-02-2023/pakistan-wants-to-nurture-ties-with-african-countries-under-engage-africa-policy-sanjrani/>

⁸ "African Development Bank approves \$20 million investment in private equity fund targeting infrastructure sector in Africa." African Development Bank. <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-approves-20-million-investment-private-equity-fund-targeting-infrastructure-sector-africa-61683>

and leveraging its strengths in crop cultivation and livestock, Pakistan can contribute to enhancing agricultural productivity and food security in African countries.

Another avenue for collaboration is Pakistan's pharmaceutical industry, which can help African countries to enhance healthcare access and promote local pharmaceutical manufacturing. This can involve technology transfer, joint ventures, and partnerships to support the development of Africa's pharmaceutical sector, including the production of affordable medicines and vaccines.

Pakistan and African nations can collaborate in agricultural and pharmaceutical research and development (R&D). Joint R&D projects can help focus on developing high-yield crop varieties, improving agricultural practices, and addressing healthcare challenges specific to the African context. Such collaborations can contribute to mutual learning and innovation in these sectors.

Pakistan can support the digitalization of transportation and logistics processes in Africa. This can include promoting the use of digital platforms for cargo tracking, customs clearance, and supply chain management, which can enhance transparency, efficiency, and reduce trade barriers.

To fully capitalize on the opportunities presented by the AfCFTA, Pakistan must address key challenges. This entails improving infrastructure, enhancing competitiveness, and forging stronger trade and investment ties with African countries. Notably, attention must be given to improving transport and logistics infrastructure, which is vital for facilitating efficient trade and investment.

The AfCFTA also offers avenues for technological collaboration between Pakistan and African countries. With Pakistan's expertise in areas such as information technology, it can play a vital role in supporting African nations in their technological advancements. Knowledge transfer, capacity building, and collaborative research and development initiatives can further strengthen the ties between Pakistan and African countries, fostering mutual growth and development.

Another area of potential collaboration between Pakistan and Africa lies in the field of renewable energy. Africa, with its abundant renewable energy resources including solar, wind, and hydropower, holds immense potential for renewable energy development. Pakistan, having made significant progress in its renewable energy sector, through the implementation of policies, such as the Renewable Energy Policy Framework and the introduction of feed-in tariffs and net metering. With the development of wind farms, solar parks, and the adoption of solar photovoltaic systems,

Pakistan can offer expertise and technology to support African countries in developing their renewable energy infrastructure.⁹

By effectively implementing the “Engage Africa Policy” while leveraging its strengths and tackling significant challenges, Pakistan has the opportunity to establish itself as a notable player in the African market. Pakistan’s new approach has the potential to reinforce its own efforts for economic growth while simultaneously contributing to the development and progress of the African Continent. To optimally realize the opportunities presented by the AfCFTA, it is crucial for Pakistan to follow a sustained, comprehensive engagement strategy encompassing myriad aspects, including trade facilitation, investment promotion and institutional cooperation. By proactively designing and implementing such a strategy, Pakistan can maximize benefits from the AfCFTA and strengthen its trade and development partnership with Africa.

⁹ “Pakistan Engage Africa Policy.” Institute of Policy Studies.
<https://www.ips.org.pk/wp-content/uploads/2022/02/07-Foreign-policy-Brief-9-Pakistan-Engage-Africa-Policy.pdf>