

African Free Trade Area - new era for Africa

Negotiations around the establishment of a single free trade area, spanning across 26 nations known as the Tripartite Free Trade Area have been finalised, with the launch expected in May 2015.



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In light of Africa Day, celebrated on 25 May annually that aims to promote economic and cultural prosperity on the continent, it is important to note that the creation of this trade block is a positive step towards improved investment flow and the facilitation and flow of goods in the region.

According to Jonathan Horn, MD of Maersk Line Southern Africa, this Free Trade Area will promote active trade between South Africa and the rest of the continent. "The growing African economy offers South African companies vast opportunities and the establishment of one trade zone and economic community will only increase the opportunities available on the continent."

The main objective of the establishment of the Free Trade Area is seemingly to strengthen and deepen economic integration of the southern and eastern Africa region. "It will allow the enhancement of trade facilitation and improve the flow of goods in the region by reducing bureaucratic complexity, lowering transit times and the cost of trading."

Africa is home to one of the fastest growing middle classes in the world, with many countries experiencing strong economic growth and rising disposable income. "The region therefore presents a wealth of untapped opportunities for South African consumer-focused businesses looking to expand beyond borders.

"Although the region offers so much potential, intra-African trade links remain weak." According to research conducted by Ecobank, only 12% of regional trade is conducted with other African countries. This is in comparison to Europe, where 60% of trade is conducted with its own continent.

"This highlights the opportunity to improve trade between South Africa and the rest of Africa, as well as how local companies can stand to benefit from exploring the region. The Tripartite Free Trade Area will reduce risks associated with trade in the region and essentially make Africa an easier place to do business - an opportunity that South African companies should explore."

As a result, businesses will face less bureaucracy, red tape and administration costs when trading within the area, and should see improved operational efficiencies of border crossings and seaports. "These are all important factors which will result in economic development and expanding inter-regional trade. The business community will benefit from an improved trade regime, which will reduce the cost of doing business with the rest of Africa," he concludes.

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