

Impact of the African Continental Free Trade Area on Ghana: A Computable General Equilibrium Approach

Authors : Gordon Newlove Asamoah

Abstract : This study's objective is to determine the impact of the African Continental Free Trade Area (AfCFTA) on Ghana using computable general equilibrium (CGE) modelling. The trade data for the simulation was drawn from the standard GTAP database version 10. The study estimated the Ad valorem equivalent (AVE) of Non-Tariff Measures (NTMs) for the Ghanaian sectors which were used for the analysis. Simulations were performed to remove import tariffs and export taxes for 90% of the tariff lines as well as 50% of the NTMs for all the AfCFTA participating countries. The NTMs' reduction was simulated using these two mechanisms: iceberg costs, also known as import augmenting technological change (AMS), and exporter costs (AXS). The study finds that removing the tariffs and NTMs in the AfCFTA regions has a positive impact on Ghana's GDP, export and import volumes, terms of trade and welfare as measured by the equivalent variations. However, Ghana recorded a deficit of US\$4766.69 million as a trade balance due to its high importation bills. This is not by chance, as Ghana is an importer of high-value-added goods but an exporter of basic agricultural raw materials with low export earnings. The study also finds much larger positive impacts for the AfCFTA regions for both importers and exporters when the NTMs that work as iceberg costs and export costs are reduced. It further finds that by reducing the export cost that increases the cost of intermediate inputs, trade among the AfCFTA regions (intra-AfCFTA trade) is enhanced.

Keywords : impact, AfCFTA, NTMs, Ghana, CGE

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