



# **African Continental Free Trade Area (AfCFTA)**

Overview from South African Perspective

01 February 2022

# Introduction

- AfCFTA integration objectives
- Strategic importance of AfCFTA and Africa to SA
- Benefits of the Agreement
- Key features of the AfCFTA
- Progress in the establishment of the AfCFTA
- Next steps



Creating One African Market



# AFRICAN INTEGRATION OBJECTIVES

## AFRICAN INTEGRATION OBJECTIVES

- African integration is a longstanding continental objective
- Integration is seen as essential to overcome the limitations of small fragmented economies established under colonialism
- SA takes a Developmental Integration approach, viz.: market integration with infrastructural development and industrial policy cooperation to foster regional value chains
- We recognize that the major barrier to intra-regional trade is not the tariffs per se but constraints in the real economy that include under-developed production structures and inadequate infrastructure



# STATE OF INTRA-AFRICA TRADE

## STATE OF INTRA-AFRICA TRADE

- Africa's share of world trade estimated at 3%.
- Intra-Africa trade stands between 16% - 18%, compared to intra-Asian trade at 52%, intra-North American trade at 50% and intra-EU trade at 70%.
- **Although Intra-Africa trade is low:**
  - Africa's exports to rest of the world is dominated by commodities – oil, minerals etc;
  - Africa is by far the second most important export market for most African countries behind Europe;
  - 7 African countries count Africa as their main export market and 25 count it as their second most important market;
  - Over three quarters of intra-African trade takes place within regional trading blocs; and
  - Intra-Africa trade largely in value-added manufactured products.

# STRATEGIC IMPORTANCE OF AFRICA TO SA

## STRATEGIC IMPORTANCE OF AFRICA TO SOUTH AFRICA

- Africa is a strategic and important market for SA
- SA's major export destinations are: the rest of Africa; the EU, and China, and account for almost 62% of SA's total merchandise exports.
- The African market was a destination for 26.3% of South Africa's exports in 2018.
- In 2019, South Africa's 55.6% of exports to Africa were manufactured products.
- SADC is the most significant African trading bloc for SA's exports and imports, and accounts for more than 70% of all SA's exports to Africa.
- Key markets in SADC are Botswana, Namibia, Mozambique, Zambia and Zimbabwe.

# BENEFITS OF THE AFCFTA

- Comprehensive Trade Agreement - facilitate and enhance intra African trade through:
  - Progressive elimination of tariffs
  - Rules to manage non tariff barriers
  - Facilitate cooperation on customs, trade facilitation and transit
  - Enhanced cooperation on technical barriers to trade and sanitary and phytosanitary measures
- Enhance legal certainty and predictability of market access
- Establish due process in resolution of trade disputes
- Can stimulate Africa's industrial development and employment
- Can enhance investor climate in Africa
- New market access opportunities

# Key Features of the AfCFTA

## KEY FEATURES OF THE AfCFTA

- The AfCFTA sets out a framework for tariff liberalisation across Africa, the harmonisation trade related rules to encourage greater flows of intra-African trade.
- Critically, it preserves current sub-regional arrangements such as SADC as building blocs
- The AfCFTA involves negotiations amongst Members/Regions without existing preferential arrangements in place
- Reciprocity but also variable pace for liberalization to take into account different levels of economic development across the continent



## AfCFTA - PROGRESS

- The AU launched the AfCFTA negotiations at 25<sup>th</sup> Summit on 15 June 2015 in Johannesburg
- The AU Heads of State adopted the legal instruments establishing the AfCFTA at Summit on 21 March 2018 in Kigali
- Extra-Ordinary Summit on 5 December 2021 operationalized the start of trade under AfCFTA preferences.
- 54 out of the 55 AU members signed (except Eritrea)
- 36 countries ratified the AfCFTA (as at 5 Feb 2021)

### Status of AfCFTA Ratification

#### AfCFTA Ratification Barometer On the way to entry into force

30 May 2019

The date for entry into force of the African Continental Free Trade Area (AfCFTA) Agreement has been set by the African Union Commission Chairperson. This date will mark thirty (30) days since the 22nd instrument of ratification was deposited.



Towards 22: Number of instruments of ratification deposited



Last updated: 30 April 2019

### AfCFTA



#### Towards the African Continental Free Trade Area

The African Continental Free Trade Area (AfCFTA) Agreement entered into force on 30 May 2019 for the 24 countries that had deposited their instruments of ratification with the African Union Commission (AUC) Chairperson. On 7 July 2019, at an Extraordinary Summit of the African Union, the operational phase of the AfCFTA Agreement was officially launched.

#### AfCFTA Ratification Barometer



Last updated: 6 May 2020



## AfCFTA – PROGRESS (2)

Legal Architecture agreed:

- Agreement establishing the AfCFTA: Main Agreement for Trade in Goods; Protocols, Annexes and Appendices
- Protocol on Trade in Services
- Protocol on Rules and Procedures for Settlement of Disputes
- Phase II negotiations will cover Competition, Intellectual Property, Investment and Digital Trade
- Agreement establishes a Secretariat (in Ghana, headed by a South African)

## AfCFTA – PROGRESS (3)

- Operationalising preferences requires finalising agreement on tariff offers and accompanying rules of origin.
- A 3 month intensive work programme to finalise this work by 1 July 2020 was agreed at the Summit in February 2020, but disrupted by the pandemic in March 2020.
- May 2020 Summit postponed to 5 December and HoS decided to operationalize AfCFTA preferential trade by 1 January 2021.
- Negotiations effectively restarted in September 2020, with SA chairing the meetings.

# PROGRESS CONTINUED

## DECISION OF THE 2020 SUMMIT – IMPLEMENTATION OF THE AfCFTA

- December Summit Decision took into account that AU Members were at different stages of readiness to operationalise preferential trade:
  - Not all had ratified, submitted tariff offers; and not all ROO were agreed.
  - However, ratifications were continuing and rules of origin negotiations were proceeding, and Members were preparing offers.
- Managed to agree on 81% of all rules of origin that determine how much of the value of the goods traded under preferences could be Made in Africa
- Critical to encourage a move up the value chain and ensuring more of the benefits of integration accrue to African producers, not to third parties.
- Number of offers was still low but started to arrive in larger numbers around the time of the Summit.

# Current status and Next steps

- All MS have however still not ratified the Agreement. As at September 2021, 39 countries out of 54 ratified the AfCFTA.
- Operationalising preferences requires finalising agreement on tariff offers and accompanying ROO. These negotiations have several areas of non movement, clothing and textiles, auto motives, edible oils
- Prioritization of submission and finalization of 90% tariff lines for liberalization (phase down). 7% sensitive products to be liberalized over a longer period. 3% exclusion list.
- Status of Tariff offers. To date, total of 42 offers from 10 individual MS and 4 Customs Unions, namely: SACU, CEMAC, ECOWAS and EAC submitted combined initial offers

# Current status and next steps

- Conclusion and finalization of outstanding negotiations on ROO
- As of October 2021, 87.8% of tariff lines (89 HS6 lines with agreed Rules of Origin)
- Products/Chapters still outstanding: Sugar, Clothing and Textiles, Edible Oils and Automotives
- Conclusion and finalization of services negotiations in the 5 priority services sectors (Business, Communication, Financial, Tourism and Transport)
- By October 2021, 43 MS have submitted services initial offers. 15 individual MS and 28 from 3 RECs namely; ECOWAS, EAC and CEMAC who have submitted combined offers respectively

# Next steps

- Finalization and adoption of offers/schedules on 90% level of ambition expected by end of 2021
- Market access opportunities for SA business will be confirmed (products/industries and treatment of goods)
- Variable geometry – market access in State Parties that have finalized tariff offers
- Remaining 7% and 3% to be confirmed in early 2022
- Conclusion of services negotiations on 5 priority sectors.
- Challenges in AfCFTA negotiations - e.g. implementation readiness, impact of COVID-10
- Summit on February 2022 will signal the start in trading though once Ministers meet in January 2022 trading may begin provisionally.

# SARS Readiness

- SARS trained officials at the Customs and Excise Branches dealing with Rules of Origin
- AfCFTA workshops were held virtually with stakeholders to socialise and sensitise trading community about agreement.
- Registration to trade under the AfCFTA is open and can be done digitally on the Registration, Licensing and Accreditation System.
- AfCFTA Certificates of Origin have been printed and distributed to Customs and Excise Branches.
- SARS will make the necessary legislative amendments to the Customs and Excise Act No 91 as amended as soon as negotiations are concluded.
- SARS will hold Technical workshops with Stakeholders once all outstanding matters have been concluded.
- Regular updates are published on the Rules of Origin page and AfCFTA queries can be submitted to [afcfta@sars.gov.za](mailto:afcfta@sars.gov.za) or [rulesoforigin@sars.gov.za](mailto:rulesoforigin@sars.gov.za)



**Thank you**