

The African Continental Free Trade Area

How Much Progress Has Been Made to Date?

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African Trade Developments

- History of African trade dates back to the 1600s – albeit external with the developed countries.
- By design supports low intra-African trade.
- Resulting in poor infrastructure and regulatory frameworks, uncertainty and high transport costs.
- Developed countries still dominate African trade.
- There has been a move toward trading with emerging nations.
- About 17% of Africa's exports remain in the continent with SADC accounting for a large share in 2016 (Source: Tralac).
- When North Africa is removed the figure goes up significantly. East African intra-regional trade is over 25%.

African Continental Free Trade Area (AfCFTA)

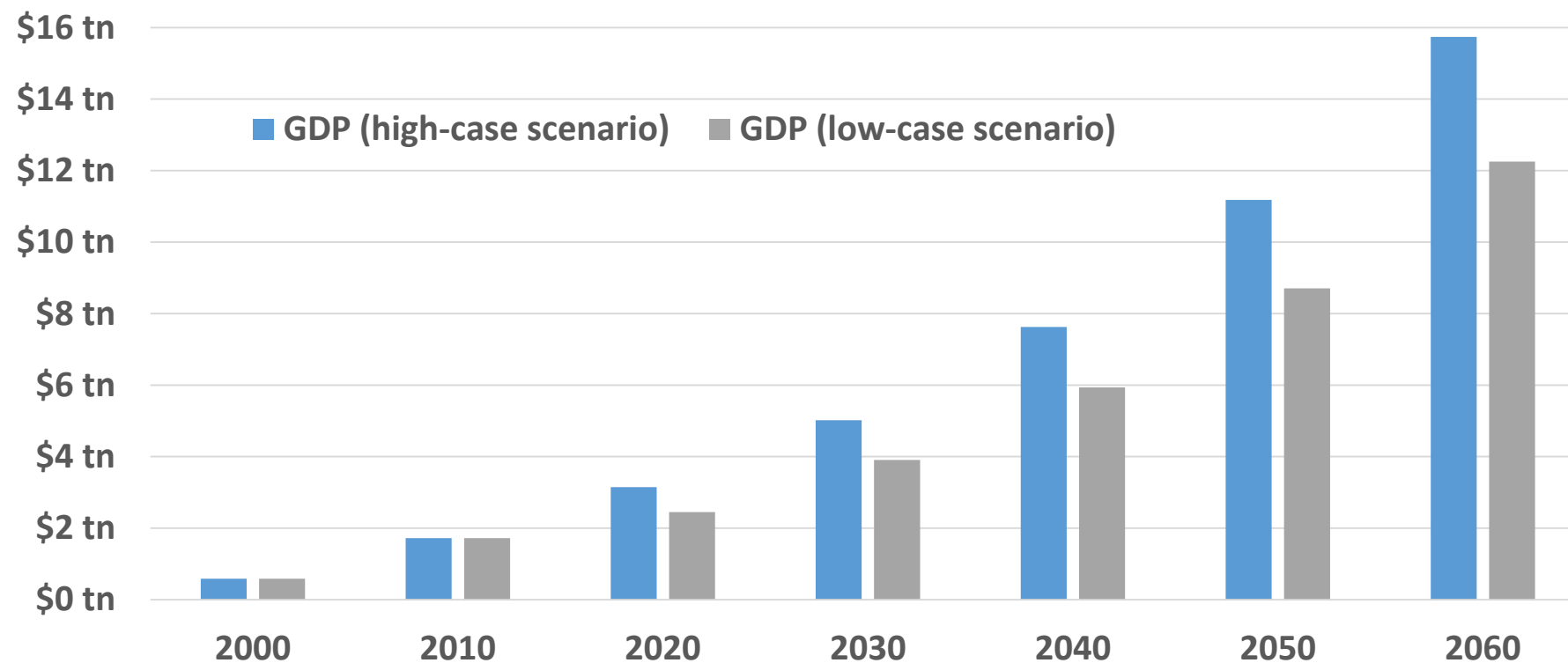
- A single continental market for goods and services.
- Expansion of intra African trade through free trade and cooperation agreements.
- Sustainable economic development, job creation and integration of Africa into the global economy – economies of scale.
- Focus on export diversification and development of value chains.
- Value to be derived from trade facilitation through lowering of costs and improved efficiency, transparency and predictability.
- Elimination of non-tariff barriers, more harmonised standards and regulations and improved compliance.

AfCFTA– An Opportunity For Business

- The target market for the AfCFTA is projected to increase by over a third by 2030, to 1.7 billion people.
- 35% or 600 million of the projected market will be middle class (ITC, 2018).
- Resulting in increased investment and higher consumer spending.
- Access to raw material and input material for value addition.
- Opportunity for the development of new industries.
- Facilitating investment.
- Africa's GDP projected at between \$4 and \$5 trillion by 2030.

AfCFTA– An Opportunity For Business

Africa's Gross Domestic Product at current market prices (US\$ trillion), forecasts



source: UNECA

AfCFTA– Why Private Sector Participation?

- Currently minimal participation by African business as a stakeholder.
- Low private sector influence in trade policy decisions.
- Social dialogue and interest groups involvement is instrumental in developing an effective trade policy.
- Well informed lobbying strategies gain favourable policy outcomes.
- When organised, even smaller industry groups have an ability to mobilise and influence, e.g. Farmers in the US, Europe, Japan.
- The increase in anti-multilateralism another cause for private sector to actively influence governments.
- Current trade wars which impose new trade restrictions.
- Imbalance in the level of participation by different industries leads to imbalanced trade agreement gains.
- Industries with strong mobilising strategies and those who have active associations have a stronger voice.

AfCFTA– How to Get Involved?

- Industry association memberships.
- Partnership with government and social partners at a national level.
- Understanding the processes of regional integration for effective advocacy.
- Ongoing research to inform the industry, the public and influence government and negotiation positions.
- Partnerships with international (African) business organisations.
- The AfroChampions Initiative as an official platform of exchange between the African private sector and the African Union.
- Other Continental organisations include:
 - The Pan African Chamber of Commerce and Industry (PACCI) which aims to play an advocacy role in the continental economic integration.
 - The Association of SADC Chambers of Commerce & Industry (ASCCI) for effective participation by organised business in the SADC region.

AfCFTA - Implications for Manufacturing in SADC

- AU member states agreed to remove 90% of their tariffs on goods over a period of between 5 and 15 years.
- 90% of tariff lines could result in different values of import liberalisation across MS, which may limit economic gains.
- No clarity on whether the 90% relates to tariff codes or the share of the country's total value of imported products.
- The remaining 10% is to be split between sensitive and excluded products. No agreement on the percentage to be excluded or treated as sensitive and liberalised over an extended period.

AfCFTA - Implications for Manufacturing in SADC

- The principle of building on the acquis has been adopted.
- Tariff negotiations will most likely be held bilaterally only with Member States that have no existing trade arrangements.
- Possible new market access.
- The Rules of Origin criteria include value addition, change of tariff heading, as well as product specific rules.
- Influence by private sector in strengthening the African value chains in the area of RoO.
- Value addition within the continent presents opportunities for industrialization and job creation.

Tripartite Free Trade Area(TFTA)

- Tripartite Free Trade negotiations also underway.
- Phase I agreement Annexures have been finalised incl. Customs Cooperation, Rules of Origin, Trade Remedies, Dispute Settlement Mechanism, Non-Tariff Barriers and Sanitary and Phytosanitary Measures.
- Phase II of the negotiations covers annexures such as Trade in Services, Competition Policy and Consumer Protection and Intellectual Property Rights.
- In tariff negotiations Member States are not re-opening any existing tariff trade arrangements.
- Outstanding TFTA Rules of Origin are currently being developed as part of a built-in agenda.
- Over 60% of the product specific rules have been developed.

THANK YOU!



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