



# The African Continental Free Trade Agreement: Impact on SADC

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SADC-RTGS User Group Conference

10 June 2021



# Agenda

1.

Current  
status: Trade  
in Goods

2.

Current  
status: Trade  
in Services

3.

What it  
means for  
SADC  
banking  
sector

# Background

“It costs less to ship a car from Paris to Lagos than from Accra to Lagos.”

“Getting visas in Africa, especially for my African staff, is a nightmare.”

“Africa is an interesting market—but so fragmented. Many countries are just too small. How can I generate critical mass? Where should I start?”

“There is no ‘One Africa,’ but a collection of many different markets.”  
*Source: Boston Consulting Group Report – Pioneering One Africa (2018)*

*African Continental Free Trade Agreement aims to increase trade among member countries by reducing tariffs, non-tariff barriers and strengthening the business climate for investment*

# Background

## Regional Economic Communities

The African Union recognizes eight different RECs under its administration:

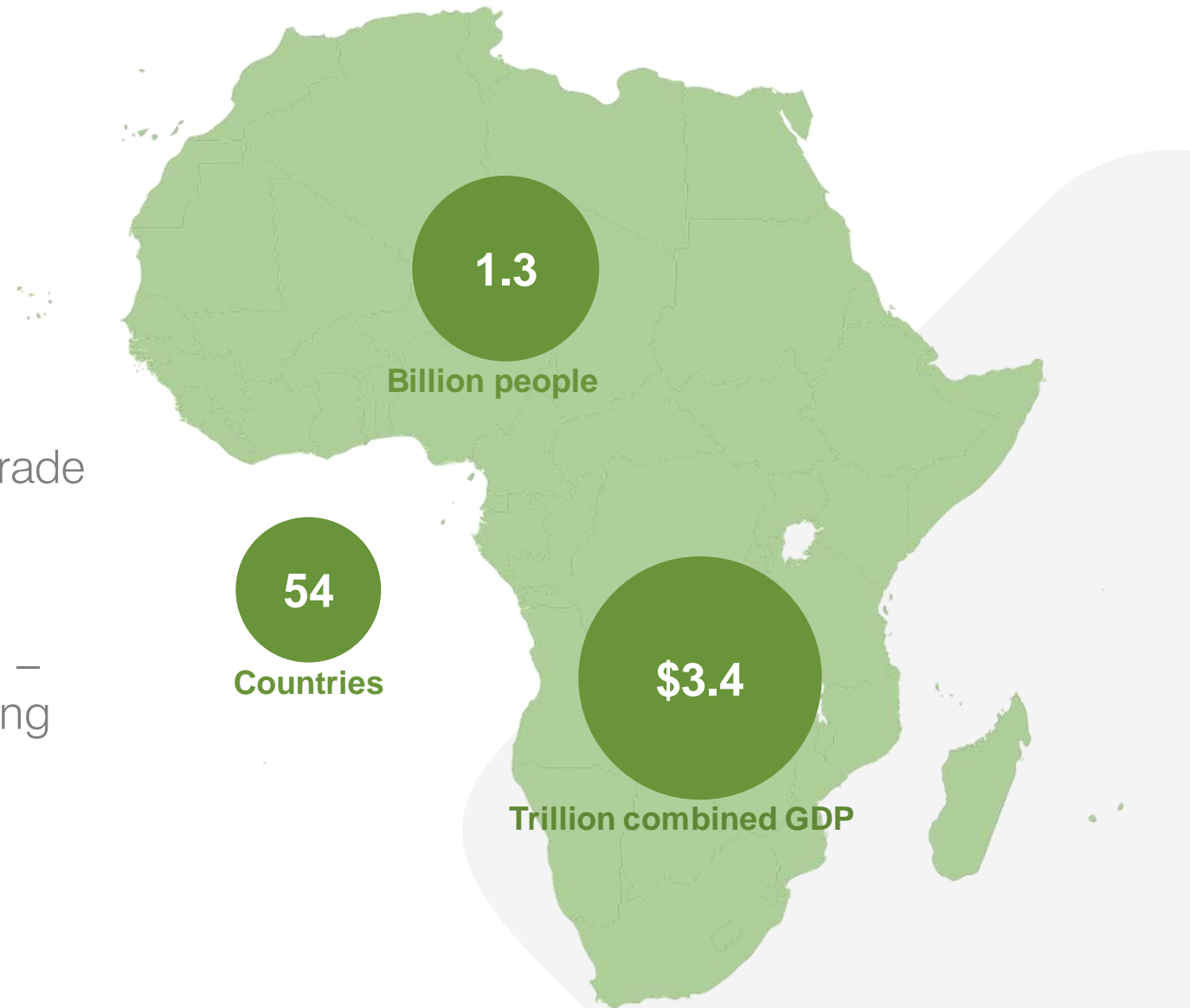
- Arab Maghreb Union (UMA)
- Common Market for Eastern and Southern Africa (COMESA)
- Community of Sahel-Saharan States (CEN-SAD)
- East African Community (EAC)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority on Development (IGAD)
- Southern African Development Community (SADC)
- Economic Community of Central African States (ECCAS)



# Current Status

## African Continental Free Trade Area

- Pan-African economic integration – aim to double intra-African trade by 2022
- Largest trade agreement in the world
- Negotiations on AfCFTA initiated in 2016 – moving quickly with strong political backing
- Officially launched (again) in July 2019 – trade in some products possible from 1 January 2021
- Secretariat in Ghana



# Current Status

## Trade in Goods

- Overall objectives
  - Liberalize 90% of tariff lines – 7% sensitive (longer implementation period) 3% excluded
  - Positive list approach for services – Members will indicate what they can liberalize
- Still need to agree technical details including rules of origin for 14% of goods in the HS tariff – automotive, sugar, clothing and textiles
- Trade possible in 86% of goods in the HS tariff
- Countries or customs unions have submitted tariff offers that are currently being considered to ensure reciprocity
  - SACU has offers from Egypt, Sao Tome & Principe, CEMAC, EAC, ECOWAS, DRC

# Current Status

## Trade in Services

- Process for trade in services commitments
  - a) Develop positive list of sector(s), subsector(s) and sub-subsector(s)
  - b) List derogations from market access for foreign providers and national treatment for each individual mode
    - a) Cross-border supply
    - b) Consumption abroad
    - c) Commercial presence
    - d) Presence of natural persons
  - c) Make commitments for market access, national treatment and additional commitments for each combination of the above
- Limitations on trade in services can vary, for example
  - Limitations on the number of suppliers
  - Limitations on the number of people employed
  - Limit on the participation of foreign capital

# Current Status

## Trade in Services

- Trade in Services Protocol entered into force 30 May 2019... however
  - Protocol is still incomplete, might take some time before services commitments are made due to positive listings
  - Liberalisation will only occur once State Parties schedule specific commitments on specific sectors
  - Five priority sector on which initial commitments should be made:
    - Business services
    - Communication services
    - **Financial services**
    - Tourism and travel
    - Transport
  - Member States have submitted initial offers and requests – some as regions (e.g. ECOWAS and EAC)
- Guidelines prioritise reciprocity and envisage the possibility of bilateral negotiations under the AfCFTA (may end up with two or more services schedules applying to different State Party partners)



# Current Status

## Trade in Services

- Offers need to cover all 5 priority sectors in order to be considered for negotiation
- Some initial offers have gone backwards on WTO commitments – not acceptable – aim is to improve access for AfCFTA member states
- Expect that there may be some progress announced at upcoming AU Summit in July 2021
- Observations:
  - **SADC Trade in Services Protocol will remain in place to govern trade in services among SADC countries**
  - **Process has had limited transparency and participation of the private sector**

# Current Status

## Opportunities versus questions

- Benefits of the AfCFTA are clear from all studies
- Implementation is key
  - Trade facilitation
  - Infrastructure development
  - Access to finance
  - Non-tariff barriers
- Impressive momentum around the AfCFTA but...
  - What does this really mean for business?
  - How will the agreement relate to other regional arrangements?
  - How will it be funded and enforced?

# What it means for SADC banking sector

Information – Services – Participation

Support for clients who are traders of goods – potential for higher level of exports and imports between African countries

Understand the implementation process – consider services and products offered for traders (e.g. trade finance)

Track progress and link to strategic plans for expansion - moving beyond SADC

Participate in trade in services negotiations

Monitor phase 2 negotiations – investment, competition policy and e-commerce

# AfCFTA – How business can use it

Practical application?



# Supporting Traders

## Questions for clients

### 1. Current state analysis

- Which countries do you currently export to?
- Which tariff headings do you use when exporting locally-manufactured products?
- Review current position, i.e. the countries exported to and products exported, and match these to the phase-down schedules for the countries outside SADC to determine the potential customs duty impact.
- Non-tariff barriers
- What is your future strategy in Africa?
- Who is your competition?

### 2. Manufacturing

- Will your locally-manufactured products meet the origin requirements?
- Threat of imports?

# AfCFTA – Implementation

## South African Example

### O. DUTIES ON GOODS TO WHICH THE AFRICAN CONTINENTAL FREE TRADE AREA RELATES

1. In this Note and for the purposes of Schedule No. 1, the expression "AfCFTA", or "State Parties" shall refer to the following non-SADC Member States unless otherwise specified in the General Notes in Part 1 of Schedule No. 1:

Country	Date of implementation	Phase down period
Arab Republic of Egypt	1 January 2021	5 years
Democratic Republic of Sao Tome and Principe	1 January 2021	5 years

2. The expression "AfCFTA Agreement" or "Agreement" shall refer to the Agreement establishing the African Continental Free Trade Area and its Protocols, Annexes and Appendices which shall form an integral part thereof.
3. This Agreement enters into force on 1 January 2021.
4. Any rate of duty specified in the AfCFTA column in respect of any heading or subheading of Part 1 of Schedule No. 1 which is lower than the rate of duty specified in the General column applies to imported goods to which such heading or subheading relates if such goods originate in the AfCFTA States or a specified AfCFTA State and comply with the other requirements of the AfCFTA Agreement.
5. For the purposes of entry of any imported goods at the lower rate of duty specified in the AfCFTA column the importer shall at the time of entry for home consumption of any consignment produce together with any documents required to be produced in terms of section 39 a valid proof of origin and proof of compliance with the territorial requirement in accordance with the provisions of Part F of the Schedule to the General Notes to Schedule No. 1.
6. The duties specified in the column headed "AfCFTA rate" shall be suspended if the following conditions to the SACU offer are not met -
- (i) Reciprocity from partners on overall tariff coverage and phase-down periods;
  - (ii) The five-year phase down period to Developing Countries is reciprocated;
  - (iii) LDCs have a phase-down period not exceeding ten years;
  - (iv) The phase down proposed by Customs Unions that include developing country members in their Membership, is reciprocated;
  - (v) Where offers are not made effective on 1 January 2021, including by retrospective application, the opening of the SACU market will be aligned to the implementation date of the trading partner, subject to technical scrutiny of that offer.
7. The suspension in terms of paragraph 6 will be the Minister of Trade, Industry and Competition submits written confirmation to the Minister of Finance that benefits of State Parties have been suspended.

Agreement incorporated into SA law on 31 December 2020

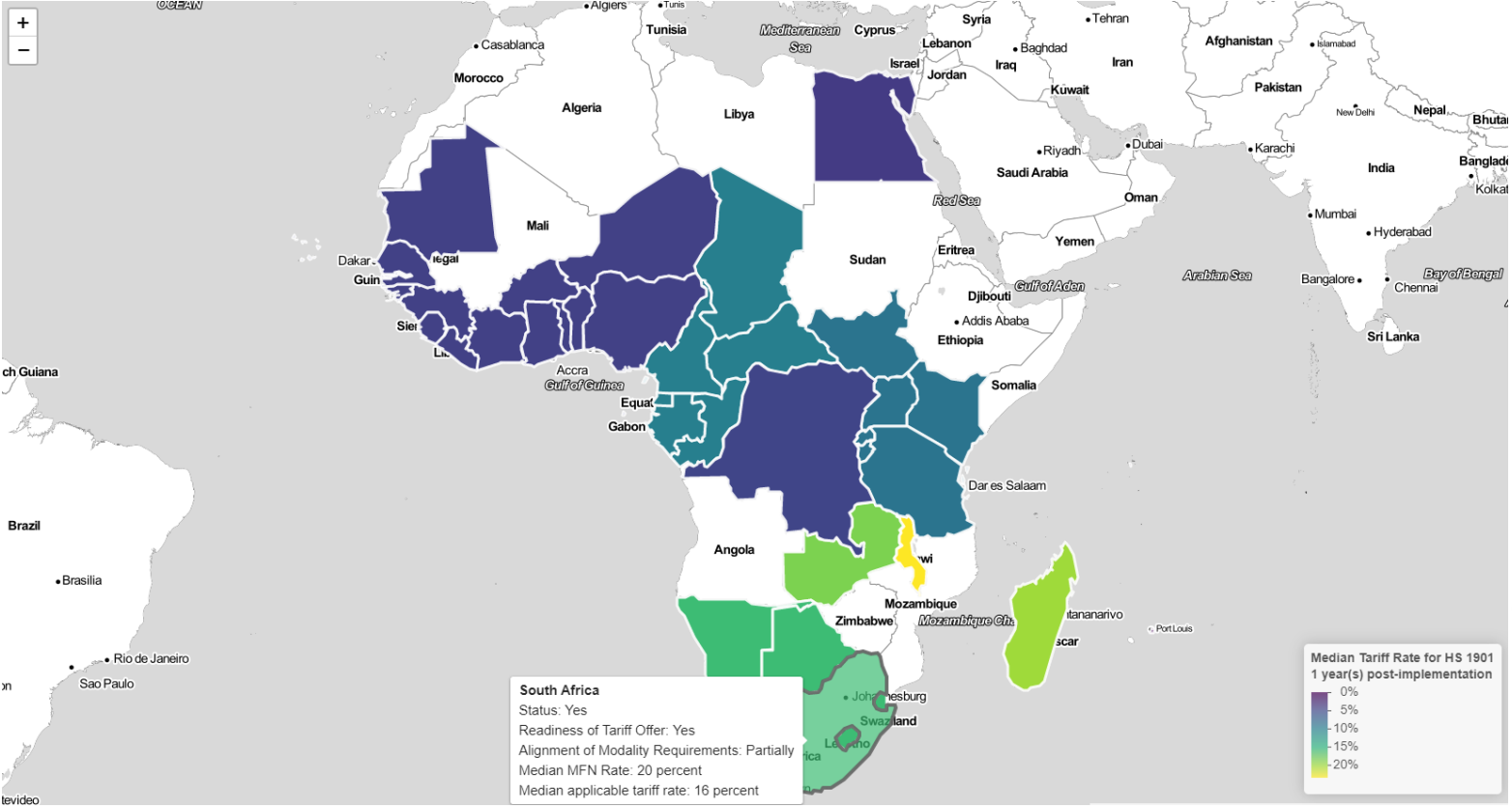
- SA legislation amended
- Rules of Origin incorporated
- Date of effectiveness specified

### Suspensive conditions:

1. Reciprocity
2. Phase-down/time period commitment reciprocated
3. Reference to less-developed countries (different time commitment)
4. SACU market

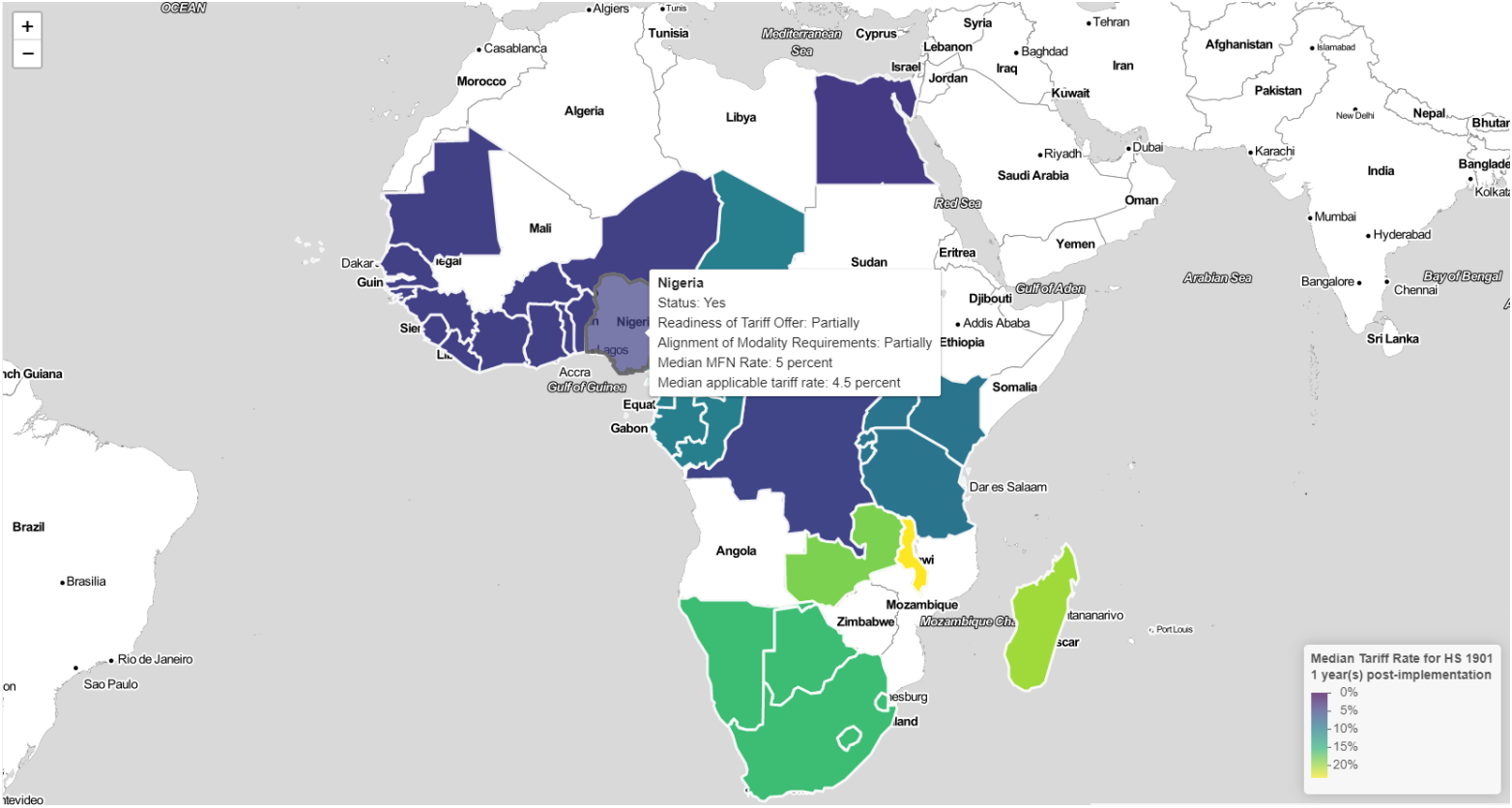
# AfCFTA – Tracking progress

Other considerations?



# AfCFTA – Tracking progress

## Other considerations?





# Trade in Services Negotiations

What are the next steps?

Participate as an industry. The process is far from complete

Access the offers on the table and ask questions

Compare against current trade in services with other African countries and strategic plans for expansion

Engage with trade negotiators – either directly or via organised processes at national and regional levels (e.g. SADC Business Council)

Seek technical advice from experts

# Next Phase of Negotiations

## Beyond goods and services

AfCFTA is intended to move beyond traditional trade in goods and services rules

Will progress beyond current SADC coverage

Phase 2 will cover:

- Investment
- Intellectual property rights
- Competition policy
- E-commerce



Thank you!

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