

THE AFRICAN CONTINENTAL FREE TRADE AGREEMENT:

SITUATIONAL ANALYSIS AND KEY CONSIDERATIONS FOR INVESTORS

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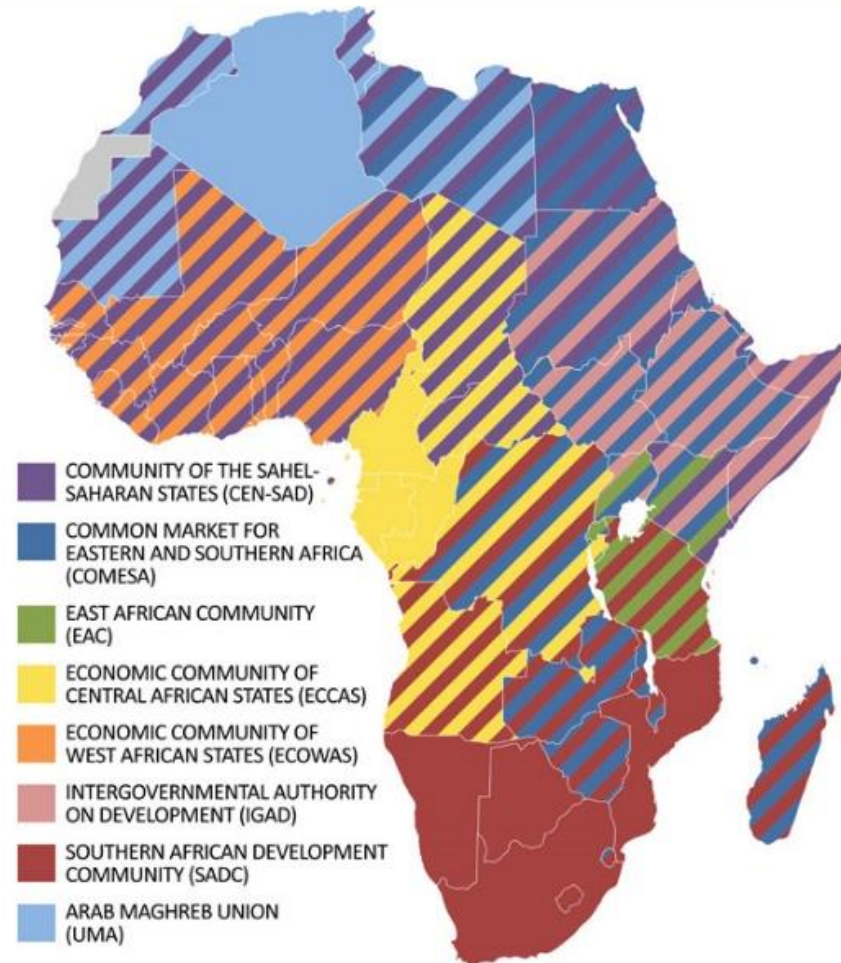
1. **The AfCFTA – Background and Objectives**
2. **AfCFTA – Potential**
3. **Current Status of Negotiations**
4. **AfCFTA and Investors: Key Considerations**



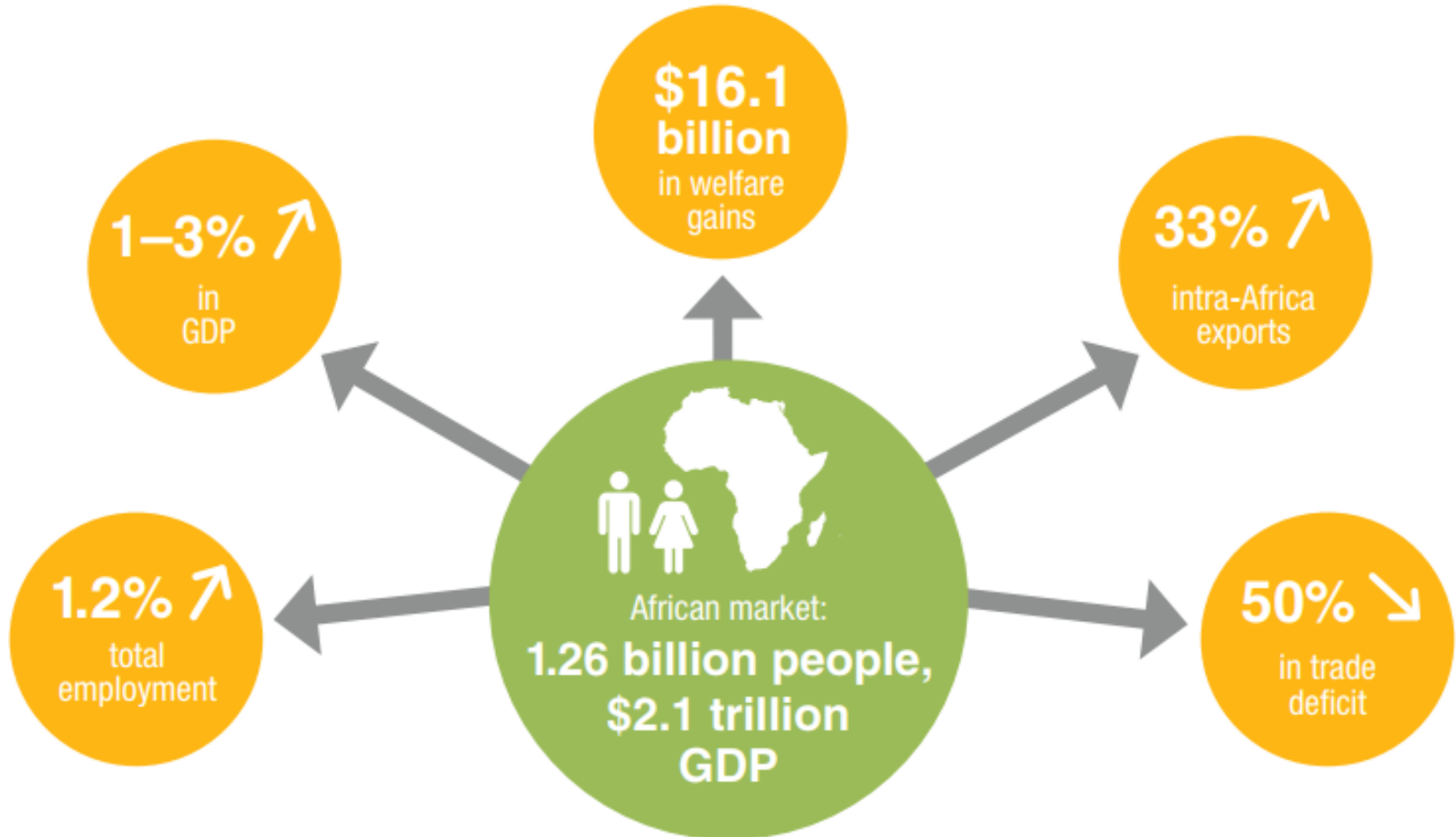
Creating One African Market

1. THE AfCFTA – BACKGROUND

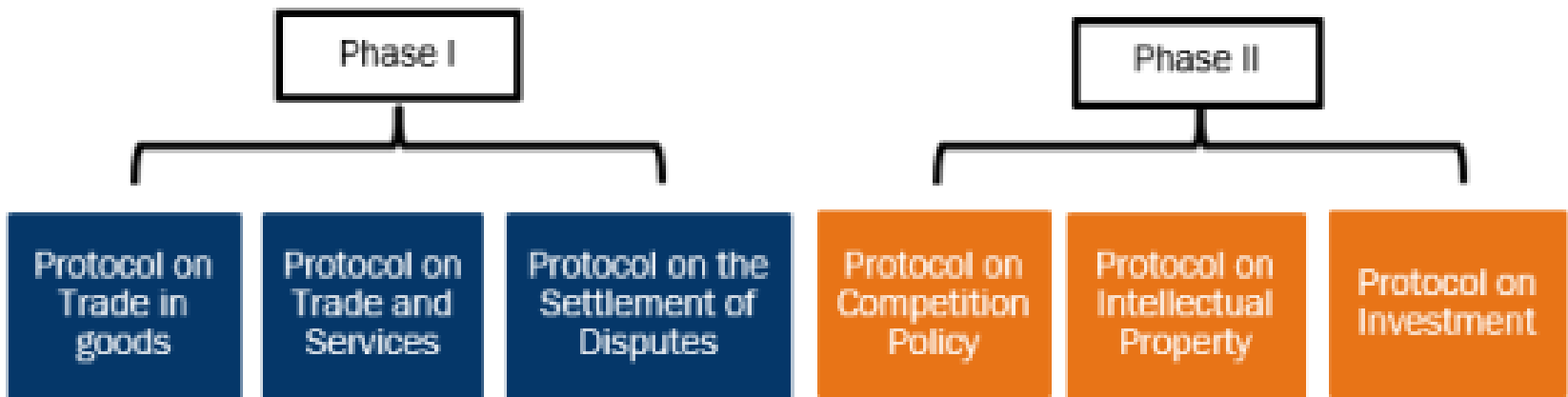
- Ambition from OAU - 1963
- Abuja Treaty – 1991
- 8 RECs – various stages of integration – FTAs, CU, Single Market, etc.
- AfCFTA
 - Increase intra-African trade
 - Improve trade governance
 - Ultimately – free movement of **goods, services, capital and people**



2. AfCFTA – POTENTIAL



Agreement Establishing the AfCFTA



- Phase 1 – Completed by June 2020
- Phase 2 – Nascent stage, completed by December 2020

3. CURRENT STATUS OF NEGOTIATIONS

- AU Niamey Summit – 7 July 2019
 - Launch of Operational Phase of AfCFTA
 - 5 operational instruments - RoO, Online negotiating forum, Monitoring and elimination of NTBs, Digital payments system, African Trade Observatory.
 - AfCFTA Secretariat based in Ghana
 - Trading under AfCFTA begin from 1 July 2020
 - 54 Signatories, 27 Ratification Instruments Deposited
- Outstanding Items – Specifics on RoO, Tariff Offers (Dec 2019), **Implementation** (Large economies lead)
- Services Protocol – 5 Priority Sectors
- Phase 2 Negotiations – Conclude by January 2021

4. AfCFTA AND INVESTORS: KEY CONSIDERATIONS

1. Importance of RECs

- RECs differing levels of integration – the AfCFTA will not negate this.
- FTA will offer businesses the most preferential tariff rates – will be able to use any of the existing frameworks
- Eventually AfCFTA will replace REC arrangements.
- TFTA making good progress

RECs	Free Trade Area	Customs Union	Single Market
AMU	X	X	X
CEN-SAD	X	X	X
COMESA	✓	X	X
EAC	✓	✓	✓
ECCAS	✓	✓	X
ECOWAS	✓	✓	X
IGAD	X	X	X
SADC	✓	X	X

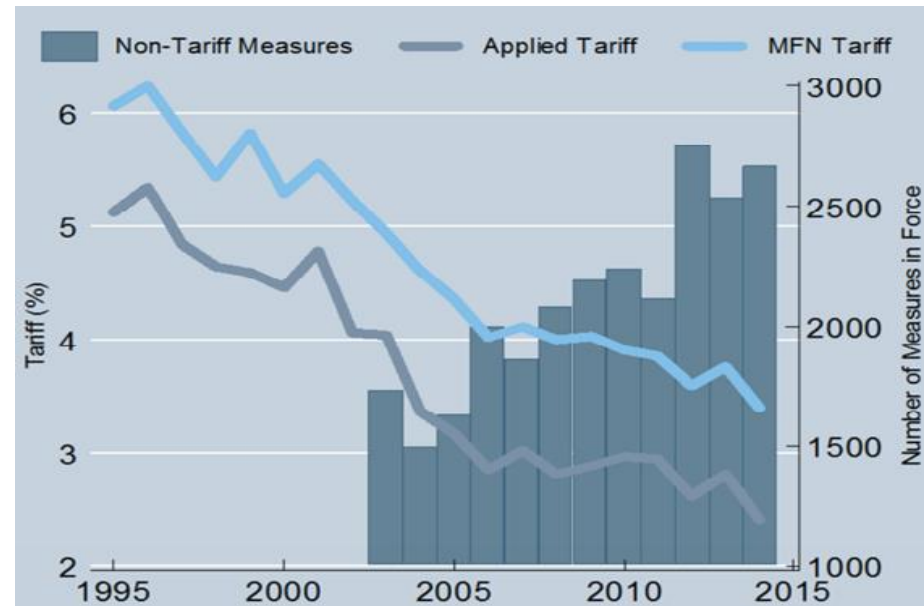
2. Tariff Liberalisation and Phase-down

- Tariff liberalisation – 90% / 7% / 3%
- ‘sensitive’ and ‘excluded’ - critical to national food security, national security, fiscal revenue, livelihood and industrialisation

Country Classification	Tariff Reductions		
	Non-sensitive products (90%)	Sensitive Products (7%)	Excluded Products (3%)
Non-Least Developed Countries	Fully liberalise over 5 years	Fully liberalised over 10 years	No Cut
Least Developed Countries	Fully liberalised over 10 years	Fully liberalised over 13 years	No Cut
Group of Seven - Djibouti, Ethiopia, Madagascar, Malawi, Sudan, Zambia and Zimbabwe	85% fully liberalised over 10 years; additional 5% liberalised over 15 years	Fully liberalised over 13 years	No Cut

3. Non-tariff Measures

- Tariffs not key cost considerations – NTMs
 - Especially where shared competitiveness – agricultural goods, textile and clothing
 - Better developed economies impose most NTMs
- Businesses should not neglect the impediments posed by NTMs play.
- NTB Monitoring Mechanism



4. Rules of Origin

- RoO determines the level of local content required in order for products to benefit from tariff concessions
- Strict vs Flexible
- Sectoral differences – Automotive, T&C, Fisheries
- AfCFTA in favour of strict – product specific
- Customs enforcement – key concern for domestic businesses

5. Winners and Losers – Countries and Sectors

- Countries
 - LDCs – tariff losses, trade remedies
 - MICs – most favoured – better infrastructure, manufacturing hubs
- Sectors
 - Agricultural products such as dairy, fruit and vegetables; and textile, clothing and footwear goods
 - national food security, national security, fiscal revenue, livelihood and industrialisation

6. Protocol on Services and Phase 2 Negotiations

- Pre-establishment and post-establishment issues – services deals with pre-establishment issues (e.g. market access); Phase 2 deals with post-establishment issues – IPR, Competition, Investment Protection
- Negotiations slow – complex, less experience
- 5 Priority Services Sectors Identified – transport, communications, financial services, tourism and business services
- Phase 2 – Submit Legal texts to Summit in January 2021
 - Details on provisions still unclear, but scope to address issues that have stalled in the WTO – IPR on indigenous knowledge, or digitisation and e-commerce issues

THANK YOU