

## South Africa's participation in the Guided Trade Initiative of the AfCFTA

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The negotiations to adopt the legal instruments of the African Continental Free Trade Area (AfCFTA) were launched in 2015. Four years later the AfCFTA founding Agreement and its Protocols on trade in goods and services and on dispute settlement entered into force. Tariff schedules and rules of origin proved more difficult to adopt. Without these two elements a Free Trade Area (FTA) cannot become operational. Preferential trade under AfCFTA rules has not yet started.

This delay resulted in a special initiative by the AfCFTA Secretariat to launch partial trade under AfCFTA preferences. During the 9th Meeting of the Council of Ministers of the AfCFTA held in July 2022, H.E. the Secretary General of the AfCFTA, Mr. Wamkele Mene proposed the *Guided Trade Initiative* (GTI). The aim was to test the operational, institutional, legal and trade policy environment of the AfCFTA, to allow commercially meaningful trading, and to send a positive message to African economic operators and firms about the AfCFTA. The original AfCFTA related promises referred to a continent-wide market of 1.3 billion people with a combined gross domestic product (GDP) valued at US\$3.4 trillion.<sup>1</sup>

The GTI was launched in Accra, Ghana on 7 October 2022. Eight State Parties participated: Cameroon, Egypt, Ghana, Mauritius, Kenya, Rwanda, Tanzania, and Tunisia. Others, who have had their Provisional Schedules of Tariff Concessions verified by the AfCFTA Secretariat, could join. The products that were traded included ceramic tiles, batteries, horticulture products and flowers, avocados, palm oil, tea, rubber, and components for air conditioners. A Committee was established to coordinate and operationalise GTI transactions, and Ad Hoc Committees were established in the participating State Parties.

To provide a legal basis for the GTI, the 7th Meeting of the AfCFTA Council of Ministers responsible for Trade adopted [\*Ministerial Directive 1/2021 on the Application of Provisional Schedules of Tariffs Concessions\*](#). This happened on 10 October 2021. The GTI is not foreseen in the AfCFTA Agreement.

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<sup>1</sup> See World Bank, 2022. [\*Making the most of the AfCFTA\*](#). Washington, DC.

Ministerial Directive 1/2021 was adopted by the Assembly of Heads of State and Government in February 2022.

In 2023, the AfCFTA Secretariat announced a decision for a second phase of the GTI, expanding the range of products and the participating countries. The official ceremony for the second phase of the GTI is scheduled for October 2024 and will be hosted by the Republic of Rwanda.

The most recent GTI trading events took place when Tanzania issued certificates of origin for a shipment of coffee to Algeria, Tunisia issued an AfCFTA certificate of origin for chemical and agrifood products exported to Cameroon, and when on 31 January 2024 the South African President and the Minister of Trade, Industry and Competition Trade launched a South African consignment of goods for export to Kenya and Ghana.<sup>2</sup> This followed on the publication on 26 January of a Government Gazette explaining the terms under which South Africa would participate in the GTI.<sup>3</sup> South African firms can now trade with firms in Algeria, Cameroon, Egypt, Ghana, Kenya, Rwanda, and Tunisia, since these countries have implemented Provisional Schedules of Tariff Concessions.

The relevant South African Government Gazettes contain useful information about how the GTI is implemented, that reciprocity is a critical element of what is in essence an interim trade regime, and how the GTI relates to the AfCFTA proper.

The following is recorded in the South African Revenue Service (SARS) notifications:

- The AfCFTA is a free-trade area, as outlined in the AfCFTA Agreement.
- SACU member states agreed on a common offer covering 90% of its tariff book in February 2023. The SACU offer was then formally submitted to the AfCFTA Secretariat for verification. The Extraordinary Session of the AfCFTA Council of Ministers held on 31 May 2023 in Nairobi, endorsed the SACU tariff offer. It was verified to be compliant with the modalities for tariff liberalisation, with South Africa committing to operationalise the AfCFTA with effect from the 31 January 2024.
- The following countries have finalised the necessary domestic legislation for the implementation of their respective tariff reduction commitments and are qualified to trade with South Africa under the AfCFTA: Algeria, Cameroon, Egypt, Ghana, Kenya, Rwanda, and Tunisia.

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<sup>2</sup> SARS, 2024. [Implementation of the African Continental Free Trade Area \(AfCFTA\) Agreement](#)

<sup>3</sup> [SA Customs and Excise Act, 1964: Amendment of Schedule 1 - Duties on Goods to which the African Continental Free Trade Area Relates \(Government Gazette No. 50045, 26 February 2024\)](#)

- SARS published the necessary legal instruments on 26 January 2024 and actual trade commenced on the 31 January 2024 for the approved published tariff offers to and from the countries mentioned above.
- Traders must register with SARS as exporters or producers before they can trade under this regime. The tariff phase-downs happen over for three years, calculated from 1 January 2021.
- SADC countries, that are parties to the SADC Trade Protocol, will continue to trade under the SADC Trade Protocol.
- The duties specified in the column headed “AfCFTA rate” shall be suspended if (i) State Parties do not show reciprocity on tariff coverage; (ii) State Parties do not implement tariff phase-downs in accordance with the adopted phase down periods applicable from 1 January 2021 covering 90% of their tariff lines; or (iii) there is reasonable doubt that – (a) a product meets the applicable rule of origin: (b) the documentation relating to the originating status of the products are valid; or (c) the other requirements of the Annex on Rules of Origin of the Protocol on Trade in Goods of the AfCFTA Agreement, as provided for in Article 36 of the Annex on Rules of Origin, have been complied with.
- In such instances the Minister of Trade, Industry and Competition will request the Minister of Finance in writing to suspend benefits of a State Party in circumstances set out in Note 7(i) and (ii).

The SACU Provisional Schedule of Tariff Commitments is implemented as contained in the AfCFTA column of the SACU Tariff Book. It is aligned with the implementation dates of the Provisional Schedule of Tariff Commitments of individual AfCFTA State Parties as approved by the AfCFTA Council of Ministers.

The requirements for GTI participation are that the participating country must be a State Party to the AfCFTA Agreement; it must have a Schedule of Tariff Concessions technically verified by the Secretariat and approved by the Council of Ministers as part of the Ministerial Directive on the application of PSTCs; this must have been gazetted according to the domestic law of the participating country; which must have established an *ad hoc* or Standing AfCFTA coordination committee; the Designated Customs Authorities must have been notified specimen stamps, and authorised signatures must have been submitted; the national authorities competent to certify originating products must have been

nominated; the local business community must have been mobilised and connected with other GTI members; and the non-tariff measures (NTMs) required for export and import must have been notified.

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