



## What can the AfCFTA add to Africa's trade liberalisation?

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Although the AfCFTA has entered into force, it is not yet possible to trade under this regime as tariff negotiations and the rules of origin for several products still need to be finalised. Article 19(2) of the AfCFTA agreement states that 'state parties that are members of other RECs, regional trade arrangements and customs unions which have attained among themselves higher levels of regional integration than under this Agreement shall maintain such higher levels among themselves'. Accordingly, a pertinent question is what happens with the RECs (recognised by the African Union) that do not currently have a trade regime (AMU, CENSAD, ECCAS and IGAD). A related question concerns those member states of existing RECs (COMESA and SADC) that are not members of that REC's FTA. If, in accordance with Article 19(2) current RECs remain in place with no further liberalisation where can the AfCFTA add to Africa's liberalisation?

Of the current 28 State Parties to the AfCFTA the 2018 trade data for 18<sup>1</sup> of which shows that intra-Africa imports are sourced mainly from fellow REC members. This can be for various reasons – preferential tariffs where a customs union (CU) or FTA is in place, geographical proximity and availability. However, availability is also the reason why goods like gold, rice, crude oil, steel products, vehicles and wheat flour are imported from outside CUs or FTAs irrespective of the duty levied. Uganda is the only country of those evaluated with a large portion (mainly gold, steel and vehicles) of intra-Africa imports sourced from outside the RECs it belongs to (EAC, COMESA and IGAD). Apart from Sierra Leone (50 percent of imports are intra-REC) imports for the rest of the countries are mainly sourced intra-REC.

Imports sourced from outside RECs are levied Most Favoured Nation (MFN) tariffs. Accordingly, these tariffs are the basis for the AfCFTA tariff negotiations. Some countries have room in their MFN tariff rates for offers of rate reductions to meet the ambition for the AfCFTA of at least a 90 percent of the tariff lines being duty-free. Other countries have limited room as most of their tariff lines are already duty-free or at very low levels. These include Mauritius (94 percent duty-free), SACU (Common External Tariff (CET – 55 percent duty-free)) and Egypt (60 percent 5 percent tariffs and lower). On the contrary, 69 percent of the tariff lines of São Tomé and Príncipe

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<sup>1</sup> Burkina Faso, Egypt, Eswatini, Gambia, Ghana, Ivory Coast, Kenya, Mauritania, Mauritius, Namibia, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Uganda and Zimbabwe.

have 10 percent tariffs, 59 percent of the ECOWAS CET and 50 percent of Mauritania’s tariff lines have 10 percent and 20 percent tariffs and 41 percent of the EAC CET have 25 percent tariffs.

**Table 1: % imports from outside RECs and MFN categories with highest % tariff lines and value of imports**

Country	Imports from outside the RECs it belongs to as % of total Africa imports	% of tariff lines in specific MFN tariff categories	MFN tariffs with highest % of value of imports
Uganda	59%	44% of TL = 25% tariffs	48% imports = duty-free
Sierra Leone	50%	50% of TL = 10-20% tariffs	72% imports = 5-20% tariffs
South Africa	42%	46% of TL = duty-free	98% imports = duty-free
Ghana	41%	48% of TL = 20% tariffs	47% imports = 5% tariffs
Kenya	35%	44% of TL = 25% tariffs	66% imports = duty-free
Egypt	30%	55% of TL = 5% and lower tariffs	96% imports = 5% and lower tariffs
Senegal	14%	39% of TL = 20% tariffs; 33% of TL = 5% tariffs	64% imports = 5%-10% tariffs
Rwanda	13%	40% of TL = 25% tariffs; 28% of TL = duty-free	34% imports = duty-free; 17% imports = 10%-20% tariffs
Ivory Coast	9%	47% of TL = 20% tariffs	79% imports = 5%-10% tariffs
Niger	8%	48% of TL = 5%-10% tariffs	54% imports = 15%-20% tariffs
Burkina Faso	8%	66% of TL = 10%-20% tariffs	49% imports = 5% tariffs
Mauritania	7%	56% of TL = 10%-20% tariffs	46% imports = 5% and lower tariffs
São Tomé and Príncipe	6%	69% of TL = 10% tariffs	46% imports = 10% tariffs
Gambia	2%	54% of TL = 20% tariffs	78% imports = 20% tariffs
Mauritius	2%	90% of TL = duty-free	74% imports = duty-free
Namibia	2%	44% of TL = duty-free	61% of imports = specific tariffs
Zimbabwe	0.2%	56% of TL = 10% and lower tariffs	73% of imports = 5% tariffs
Eswatini	0.1%	51% of TL = duty-free	61% imports = duty-free

Source: ITC MacMap and TradeMap (2020); tralac calculations

Comparing MFN tariffs with import data shows that extra-REC imports are mainly either duty-free or products with low tariffs. Most imports into South Africa, Mauritius, Kenya and Eswatini are duty-free while imports into Egypt, Zimbabwe, Mauritania and Senegal are mainly levied duties 5 percent and lower. However, there are some exceptions as most imports into some countries in west Africa are levied duties between 10% and 20%.

Except for a couple of countries, the data shows that currently there is limited extra-REC trade (limited trade coverage of MFN tariff lines by intra-Africa extra-REC trade) with trade predominantly in duty-free products or

products with lower tariff rates. Accordingly, these lower duty products (duties of 5 percent and 10 percent; up to 20 percent for certain countries) are where countries might benefit the most when it comes to the AfCFTA negotiations - these products form larger portions of the number of tariff lines traded and the value of imports and are less likely to be included in a country's list of sensitive products or products to be excluded. Accordingly, liberalisation of these tariff lines can benefit existing and potential future intra-Africa trade.