


tralac Annual Conference 2023




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What have we learned from the AfCFTA guided trade initiative?

Launched on October 7, 2022, the African Continental Free Trade Area Guided Trade Initiative (GTI) aims to operationally kick-start trade under the Agreement.

The legal basis for the AfCFTA GTI is provided for in Article 13 (3-j) which mandates the Council of Ministers to make regulations, issue directives and make recommendations in accordance with the provisions of the AfCFTA Agreement. It is within this framework that the Ministerial Directive of the 7th Meeting of the AfCFTA Council of Ministers responsible for Trade that held on 10th October 2021 was issued. According to a release issued by the Secretariat, this initiative is considered by the AfCFTA Secretariat as a solution-based approach intended to achieve its goal through matchmaking businesses and products for export and import between the interested State Parties in coordination with their national AfCFTA implementation committees. The State Parties involved in the AfCFTA GTI include ***Cameroon***, ***Egypt***, ***Ghana***, ***Kenya***, ***Mauritius***, ***Rwanda***, ***Tanzania*** and ***Tunisia***.

Three major objectives underpin the AfCFTA Guided Trade Initiative, notably:

1. to allow commercially meaningful trading under the AfCFTA;
2. to test the operational, institutional, legal and trade policy environment under the AfCFTA; and
3. to send an important positive message to African economic operators.

In accordance with Article 3(g) of the AfCFTA Agreement on the general objectives, the agreement seeks to promote industrial development through diversification and regional value chain development, agricultural development and food security. The choice of products for the GTI reflected the desire to meet this target and roll out the protocol on trade in goods in a manner that allows for coordination, identification of challenges and benchmarking on best practices from other State Parties involved in the GTI. Goods currently traded under the AfCFTA Guided Trade Initiative include ceramic tiles, tea, coffee, processed meat products, corn starch, sugar, pasta, glucose syrup, dried fruits, and sisal fibre, amongst others.

What have we learned from the GTI?

The effective exportation on October 7, 2022 to Accra, Ghana of different products eligible under the GTI by all the eight State Parties engaged in the Initiative generated momentum across the continent and triggered waves of enthusiasm on the promises of the AfCFTA.

Cameroon's first exports under the AfCFTA included tea (*HS Code 090220*), Safflower (*HS Code 120760*), and dried pineapples (*HS Code 080430*). To accelerate the implementation of the GTI in Cameroon, the Minister of Trade on September 8, 2022 designated the Cameroon National Shippers' Council (CNSC) as host institution of the Ad Hoc Sub-Committee in charge facilitating the implementation of the AfCFTA GTI. Pursuant to this, the General Manager of the CNSC established the Ad-Hoc sub-Committee with which includes members from the private and public sectors. Some of which are the Ports Authorities, Standard and Quality Agency, SME Promotion Agency, Association of Manufacturers, Business Women Association, Logistics service providers, Airport Authority and the Ministry of Trade. The Ad-Hoc Sub-Committee's mandate is to support the AfCFTA National Implementation Committee in the successful realisation of the AfCFTA GTI by conducting match making for businesses in Cameroon with those in other State Parties under the initiative. It also involves conducting market intelligence, carrying out capacity building programs for shippers as well as sensitisation campaigns, monitor import/export under the AfCFTA, liaise with focal points in State Parties to generate commands for Cameroonian products and produce an exporter guide under the AfCFTA amongst others.

Priority areas identified by the Ad-Hoc Sub-Committee include capacity building of members to bridge information gap, sensitisation of businesses, a survey of 281 SMEs in various sectors of production on export readiness within the GTI, the establishment of a list of businesses classified as export ready and market research using market access map of the International Trade Centre.

With this phase completed, the GTI Ad-Hoc Sub-committee is now looking for partners to support SMEs with eligible products to participate in match making events such as trade fairs, exhibitions, fora and showrooms.

The GTI has enabled Cameroon to identify key sectors with existing potential to immediately generate gains under the agreement and those with medium and long-term potential to contribute significantly to the country's trade competitiveness.

Businesses have equally expressed the desire to import under the GTI but were confronted with two major challenges, notably non-eligibility of the exporting country and non-liberalisation of products, at this stage by the Economic and Monetary Community of Central African States (CEMAC). The case of Granular Urea *HS Code 31021000* (fertiliser) distributor who was previously importing from Ukraine and as a result of the ongoing war, has now decided to explore the Nigerian market where Dangote fertiliser is producing Granular Urea. Their import to Cameroon could not be processed under the AfCFTA rules due the fact that Nigeria has not completed domestic processes and made available the AfCFTA tariff book at the border and an AfCFTA Certificate of Origin.

Another case involved is that of a Shipper wishing to import other plasters *HS Code 25.20.20.90* from Tunisia which a State Party in the GTI. However, it happens that, CEMAC's tariffs offers in the e-tariff book published by the AfCFTA Secretariat indicate a phase-out period of 13 years but with start of effective tariff dismantling from the 6th year which is 2026. The applicable MFN rate is 10% and under the agreed modalities of tariffs liberalisation, it is expected that CEMAC should apply a 0.77% tariff reduction each year to achieve zero tariff by 2033.

Export from Cameroon under GTI has been relatively timid and this confirms the famous saying that the benefits of trade agreements are not automatic. Complementary policy measures are required for Cameroon to fully take advantage of the AfCFTA. Infrastructure required to test products before certification by the Standard and Quality Agency is critical and the need for mutual recognition arrangements while waiting for a continental framework is urgent.

Production capacity is required to meet large scale demands for goods in importing countries. Financial institutions need to be informed of the huge opportunities offered by this continental market liberalisation scheme so as to redesign their credit portfolios to suite new demand triggered by the AfCFTA and play a critical role for its success. Export finance schemes are necessary at this stage to support SMEs access new markets and meet with the cost of logistics required to ship goods across the continent.

The development of Special Economic Zones which has proven to be a successful approach to boost domestic production for export should be prioritised within the AfCFTA national strategy.

Policy reforms in export procedures, business registration, SME support and other related areas could play booster role in the capacity of business to prepare for the 1.3 billion consumer market.

Best practices currently being implemented by Ghana, Kenya, Rwanda, and others could help fast-track the implementation of the AfCFTA in Cameroon.

As we look forward to phase II of the GTI, lessons should be drawn from the experience of the past seven months to better strategise as many State Parties are joining the commercially meaningful trade under the AfCFTA. Building on the best practices is essential but innovating on contextual challenges is important as there is no one size fit all solution.

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