



Ratification of the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA)

**PORTFOLIO COMMITTEE ON
TRADE AND INDUSTRY
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the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



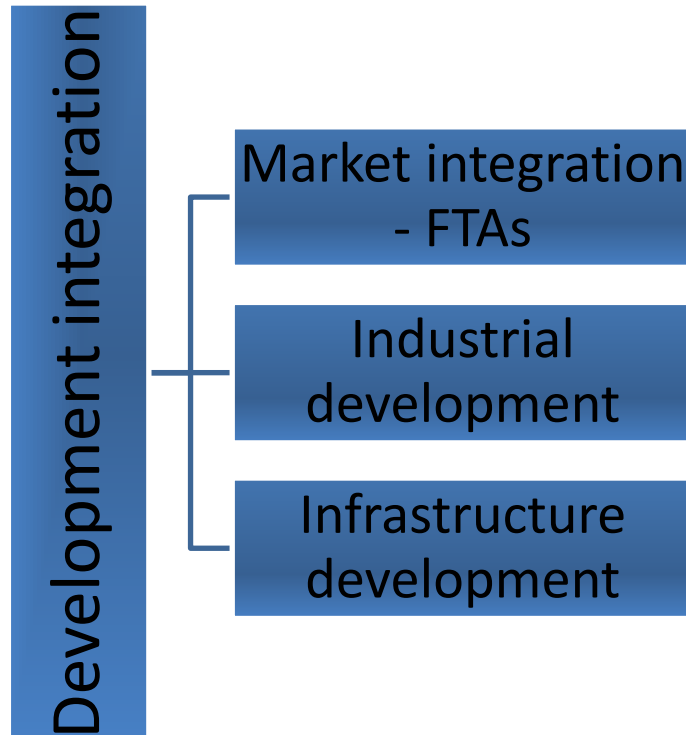
Background

- The Tripartite FTA was launched in June 2015 in Egypt.
- Negotiations of the legal texts (the main Agreement and its annexes) were concluded in May 2017.
- South Africa signed the Agreement in July 2017.
- 22 of 26 Member States have signed the Agreement.
- The Agreement will enter into force once it has been ratified by 14 Member States.
- Thus far only Egypt and Uganda have ratified the Agreement.



Basis for the TFTA

- Based on the development integration agenda that combines market integration with industrial and infrastructure development.
- Recognizes that the much advocated linear integration model is not suitable for countries of very different levels of economic development.
- Argues that major barriers to intra-regional trade are often inadequate infrastructure and underdeveloped production structures, rather than tariffs or regulatory barriers.



Purpose of concluding the TFTA

- The Agreement will facilitate:
 - harmonisation of trade regimes,
 - free movement of business persons, joint implementation of regional infrastructure projects and programmes;
 - development of regional value chains; and
 - legal and institutional arrangements for regional cooperation among the 26 countries who are members of COMESA, EAC and SADC.
- This ratification request only relates to the trade liberalisation element of the agreement.

Key Features of the TFTA

- Recognition of differentials in levels of economic development, i.e. Flexibility, Special & Differential Treatment.
- Variable geometry regarding pace of liberalisation across negotiating regions.
- Building on the existing *acqui* of the Regional Economic Communities (no backtracking).
- Objective to create a single TFTA market.

Potential Benefit for South Africa (1)

- Access to new and dynamic markets:
 - combined gross GDP of US\$1.2 trillion and
 - a combined population of approximately 626 million people, just over half the total African population and economy.
- Some TFTA countries are among the fastest growing economies in the continent, i.e. Rwanda, Ethiopia, Tanzania etc.
- South Africa will build on its current share of the African market and have access to a larger, more integrated, and growing regional market.
- This has the potential to stimulate industrial development, investment and job creation.
- It will promote intra-regional investment.

Potential Benefit for South Africa (2)

- When negotiations commence on the investment chapter, South Africa will advance that core provisions of *South Africa's Protection of Investment Act* must be taken into account.
- Legal certainty and predictability of market in TFTA.
- Legal protections for South African exporters i.e. Agreement makes provision for dispute settlement mechanism that is de-linked from national courts.
- Possibility for the TFTA having a “single-rule book” for trade, investment, IPR and Competition.
- The TFTA will boost intra-regional trade.

SA's trade with the TFTA countries

- South Africa's trade with TFTA countries represents about 16 % of SA's trade with the world.
- In 2017 total trade with TFTA countries was in the tune of US \$ 27,6 billion.
- A bulk of the trade is with SADC countries. After SADC, Egypt, Kenya, Ethiopia and Uganda feature as export destinations of potential.
- South Africa exports to Kenya account for 3,3 % of TFTA exports. South Africa in turn receives about 2% of its TFTA imports from Egypt.



The Negotiations Process (1)

- **the dti** leads the negotiations, with support and involvement of line function depts such as SARS, DAFF and DIRCO.
- In accordance with the constitution, negotiating positions were informed by consultations through the NEDLAC process.
- Legal opinions from DIRCO and DoJ endorsed signature of the Agreement.
- South Africa was the coordinator of the negotiations, on behalf of SACU.
- Negotiations are among Members States/regions that currently do not have preferential arrangements among themselves.
- SACU is currently negotiating tariff liberalisation with the EAC and Egypt.
- Other partners to negotiate with are Djibouti, Eritrea, Sudan.

The Negotiations Process (2)

- In addition to the tariff negotiations
 - ✓ there are efforts towards concluding a protocol on movement of business persons, which is a side agreement
 - ✓ an industrial development framework and plan of action have been adopted
 - ✓ there is ongoing work to cooperate on infrastructure development
- Phase II of the negotiations will address Trade in Services, Intellectual Property Rights (IPR), Investment and Competition Policy.

Concluding observations

- The TFTA has been used as a basis for engaging in the ongoing African Continental Free Trade Agreement (AfCFTA) negotiations.
- Ratification by South Africa will send a strong signal of South Africa's commitment to regional integration.
- Ratification will bring South African exporters a step closer to enjoying preferential treatment under the TFTA.