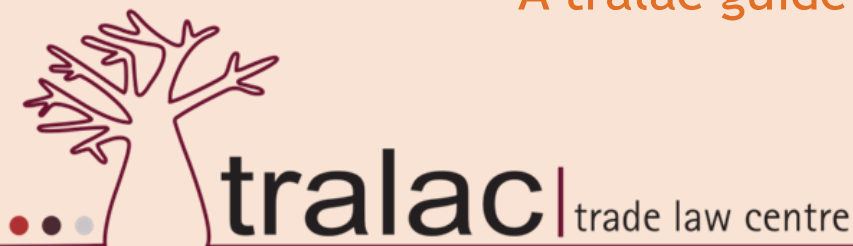


# The African Continental Free Trade Area

A tralac guide



# Where does the AfCFTA fit in Africa's development agenda?

The Agreement establishing the African Continental Free Trade Area (AfCFTA) was signed at the 10th Extraordinary Summit of the AU Assembly on 21 March 2018 in Kigali, Rwanda.

The AfCFTA is the continent's most ambitious integration initiative. The main objectives of the AfCFTA are:

- create a single continental market for goods and services, with free movement of business persons and investments
- expand intra-Africa trade across the regional economic communities and the continent in general
- enhance competitiveness and support economic transformation

Eight RECs have been officially recognised as building blocs of the AfCFTA: ECCAS, ECOWAS, EAC, SADC, COMESA, AMU, CEN-SAD and IGAD.

Agenda 2063 is Africa's framework for structural transformation. It builds on, and aims to facilitate the implementation of existing continental initiatives (AIDA, PIDA, BIAT and CAADP). The establishment of AfCFTA, single African air transport market (SAATM) and free movement of people are Agenda 2063 flagships. The AU has adopted legal instruments for effective implementation of these flagship projects. Importantly, the UN Agenda 2030's 17 SDGs are in the 20 goals of Agenda 2063. By implementing Agenda 2063, Africa will also meet its global commitments under the SDGs.





# Architecture of the AfCFTA

The AfCFTA Agreement is a framework agreement, covering Trade in Goods and Services, Investment, Intellectual Property Rights and Competition Policy.

The Protocols on Trade in Goods, Trade in Services, Investment, Intellectual Property Rights, and Competition Policy, as well as Dispute Settlement, form an integral part of the Agreement. The Protocols on Trade in Goods and Trade in Services, each have a number of Annexes covering substantive disciplines.

Trade in Goods and Trade in Services are being negotiated in Phase 1; with negotiations on a number of issues (e.g. tariff concessions, rules of origin for goods and schedules of specific commitments for services) still ongoing.

Phase 2 of the negotiations will cover Investment, Competition and Intellectual Property.

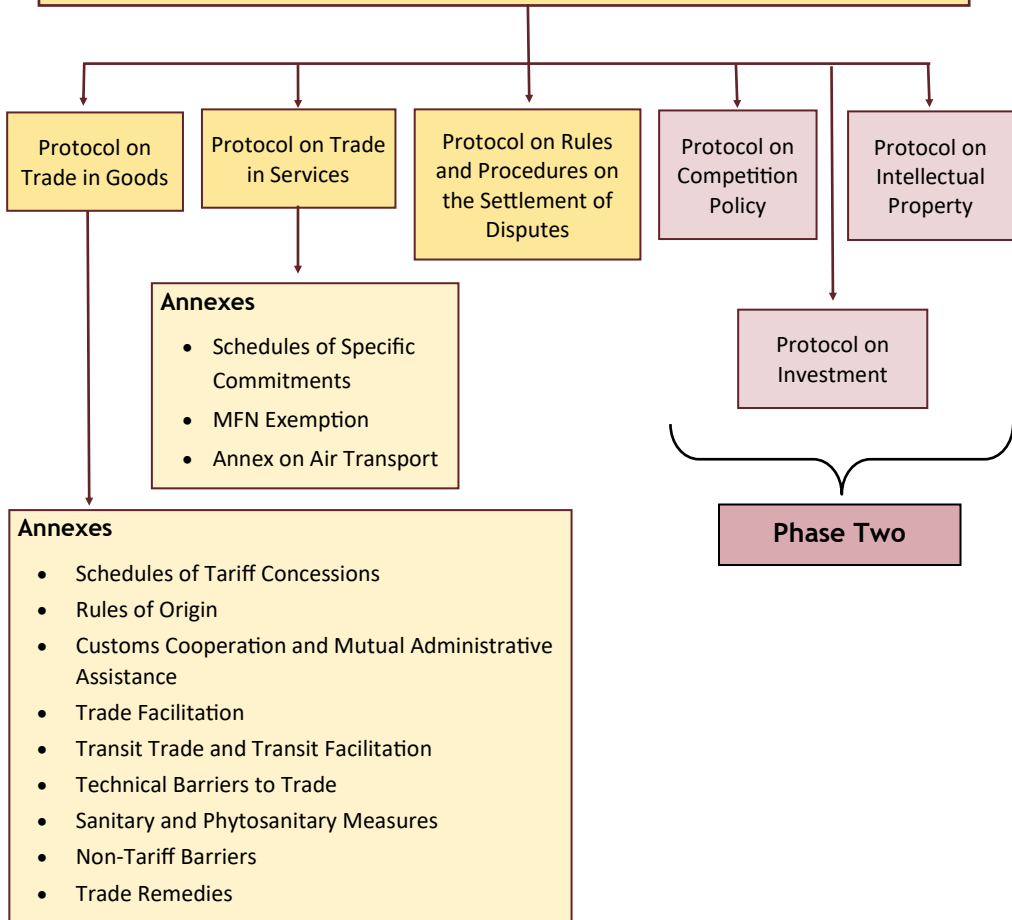
The legally-scrubbed documents (signed on 16 May 2018) are available to download on the tralac website:

- ⇒ [Agreement establishing the African Continental Free Trade Area](#)
- ⇒ [Compiled Annexes to the AfCFTA Agreement](#)

Additional legal texts, resources and publications are available on the **AfCFTA Resources page**.



# Agreement establishing the AfCFTA



# Institutions of the AfCFTA

**The Assembly of Heads of State and Government** is the highest decision making organ and provides oversight and guidance on the AfCFTA.

**The Council of African Ministers responsible for Trade** has authority to take decisions on all matters under the AfCFTA Agreement, and works in collaboration with the relevant AU organs and institutions.

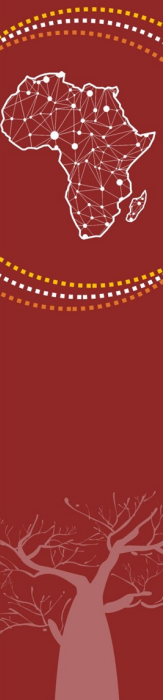
**The Committee of Senior Trade Officials** is a high-level working group consisting of Permanent, Principal Secretaries or other officials designated by each member state. It is responsible for the development of programmes and action plans for the implementation of the AfCFTA Agreement.

**The AfCFTA Secretariat** is the administrative organ to coordinate the implementation of the AfCFTA. It will work autonomously within the AU system but will be supervised by the AU Commission's Chairperson and will receive funding from the AU budget.

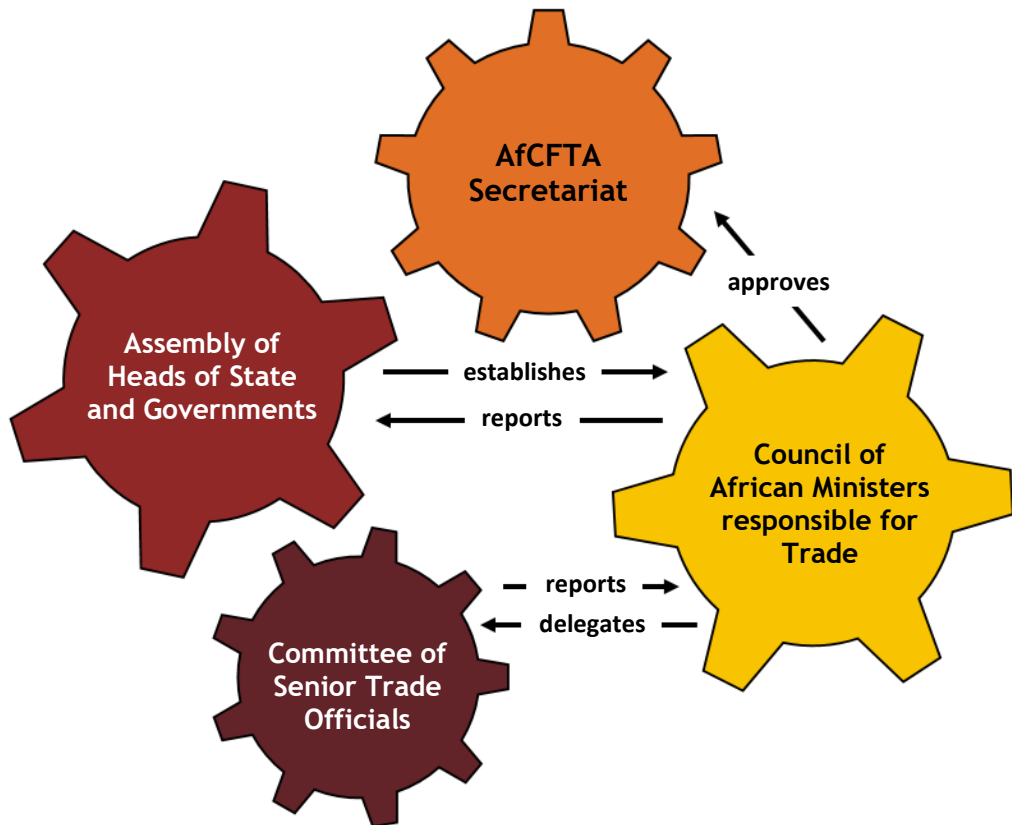
A number of other **committees** are established by the AfCFTA, including:

- ⇒ Committee for Trade in Services
- ⇒ Committee for Trade in Goods
- ⇒ African Union Sub-Committee of the Directors General of Customs
- ⇒ Sub-Committee on Trade Facilitation
- ⇒ Committee on Rules of Origin
- ⇒ Committee for Technical Barriers to Trade
- ⇒ Committee for Non-Tariff Barriers
- ⇒ Committee on Trade Remedies
- ⇒ Committee on Sanitary and Phytosanitary Measures

A Dispute Settlement Body is also provided for in the Agreement.



# AfCFTA institutional architecture



# Intra-African trade at a glance

The AfCFTA will bring together 55 African countries with a combined population of more than 1.2 billion people, including a growing middle class, and a combined gross domestic product of more than US\$3.4 trillion in 2016.

Intra-African trade remains low by comparison with other regions such as Europe and Asia. In 2016, intra-African exports accounted for 17.6% of Africa's total exports.

The total value of intra-African trade – based on total exports – decreased from \$86.6 billion in 2014 to \$60.4 in 2016.

South Africa is the largest exporter by far followed by Nigeria and Egypt. SADC members dominate imports.

## Most traded goods in Africa at HS2 level

### Mineral fuels #1



### Precious metals #2

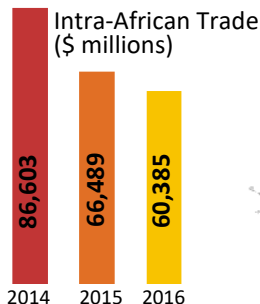


### Machinery #3





# 17.6% of Africa's exports remain on the continent



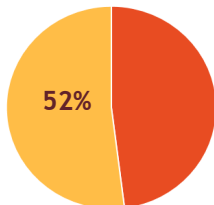
## Top 3 Exporters

35.4% South Africa  
7.7% Nigeria  
4.7% Egypt

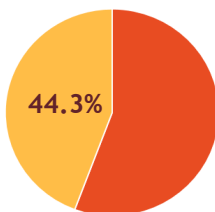
## Top 3 Importers

20.9% South Africa  
7.8% Namibia  
7.4% Botswana

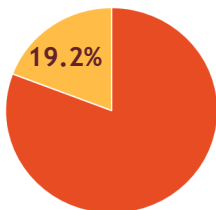
## Plastics



## Machinery



## Share of exports remaining in Africa



## Vehicles

Sources: tralac calculations, ITC Trademap 2016

# Agricultural trade

In 2016, intra-African agricultural trade was valued at \$12,477 million representing some 20.7 % of total intra-African exports and 22.7 % of intra-African imports.

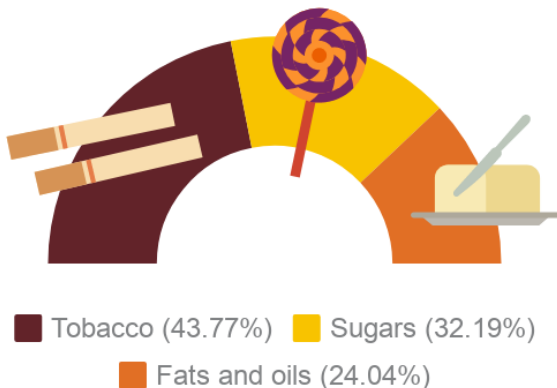
South Africa dominates both exports and imports; with its exports slightly more than double its imports from Africa.

Zimbabwe is the second main exporter and third main importer.

Africa's most significant agricultural export by value is coffee, followed by tea. Cereal is Africa's most important agricultural import.

Tobacco dominates intra-African exports, followed by sugars, fats and oils.

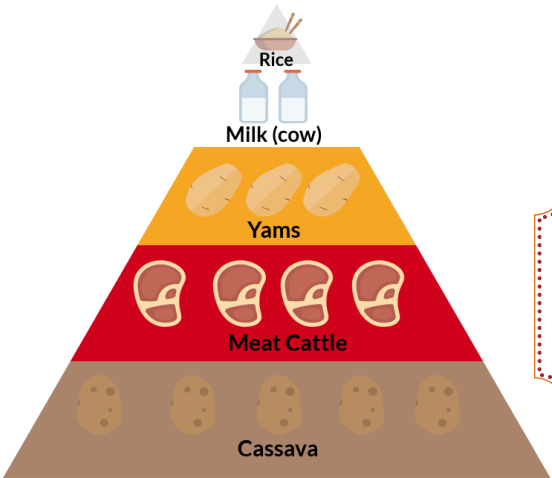
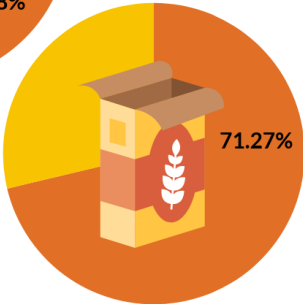
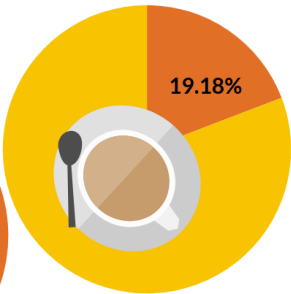
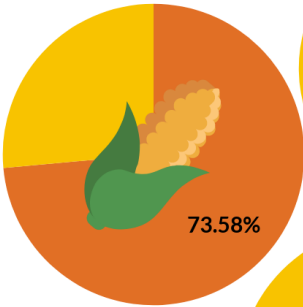
Around half of these exports remain on the continent.



# Intra-African agricultural trade

Less than 20% of coffee and tea exports stay in Africa

The bulk of Africa's cereal products remain on the continent



**Top exporters**  
South Africa  
Zimbabwe  
Egypt

**Top importers**  
South Africa  
Kenya  
Zimbabwe

Top 5 agricultural products (2016)

Sources: ITC, FAO, tralac 2016

# Non-agricultural trade

Non-agricultural goods make up around 80% of Intra-African trade.

Intra-African non-agricultural exports are dominated by **mineral products** – mineral fuels and oils, gold, diamonds, natural gas, butane and copper.

There is also significant intra-African trade in **motor vehicles** used to carry goods, with South Africa as the major exporter.



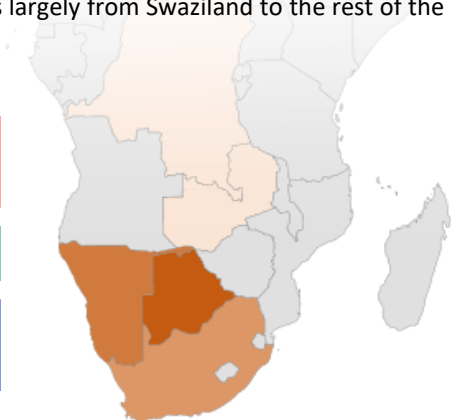
**Electrical energy** is also an important intra-African export – with Mozambique exporting the most of megawatt hours, but South Africa dominating exports in terms of value.

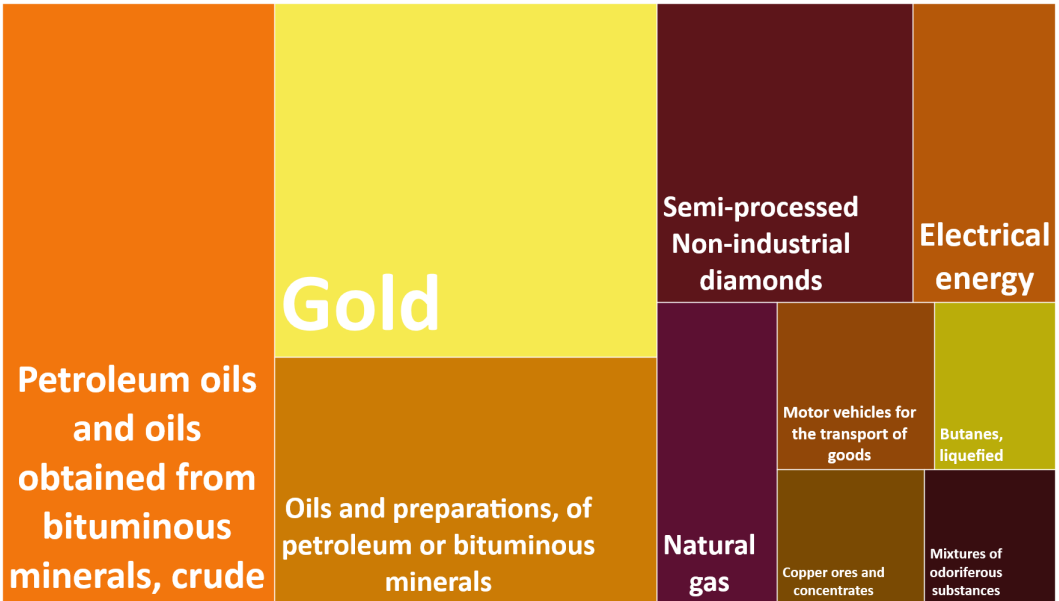


Rounding out the top ten non-agricultural goods exports from African countries to other African countries is 'mixtures of odiferous substances' – driven by **soft-drink concentrate** exports largely from Swaziland to the rest of the continent.

**South Africa** is the

source of **34.5%** of intra-Africa non-agricultural exports





### Road Vehicles

In 2016 intra-Africa road vehicle exports represented **4% of total intra-Africa exports** and were valued at \$2.5b

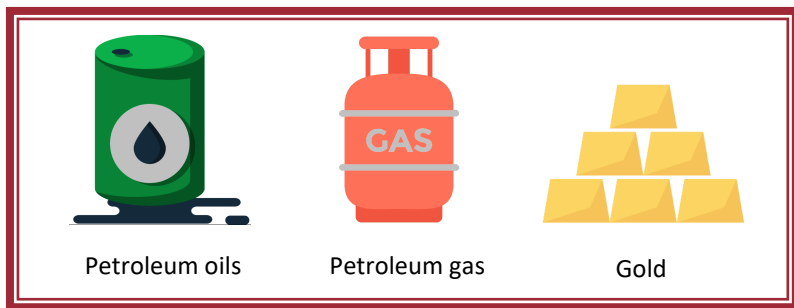
Of that, 34% were exports of vehicles used to carry goods and 30% were passenger vehicles (not including buses)



# Trade in Commodities

Commodities including both agricultural and non-agricultural goods are an important part of the African trade.

Most traded commodities include:



According to data from 2016, 28% of petroleum oils remain on the continent. Nigeria is the largest petroleum oil exporter with a share of 73% of intra-African exports. South Africa is the most important importer with 58% of the African petroleum oils.

Algeria is the largest petroleum gas exporter with a 64% share of intra-African exports. Tunisia, Morocco and Egypt each import around one fourth of Africa's petroleum gas.

Gold is mined and exported from all over the continent, Mali being the biggest exporter with a 31% share.

### **Petroleum oils**


- Nigeria; largest exporter (73% of intra-African exports)
- South Africa; biggest importer (58% of African petroleum oils)

### **Petroleum gas**

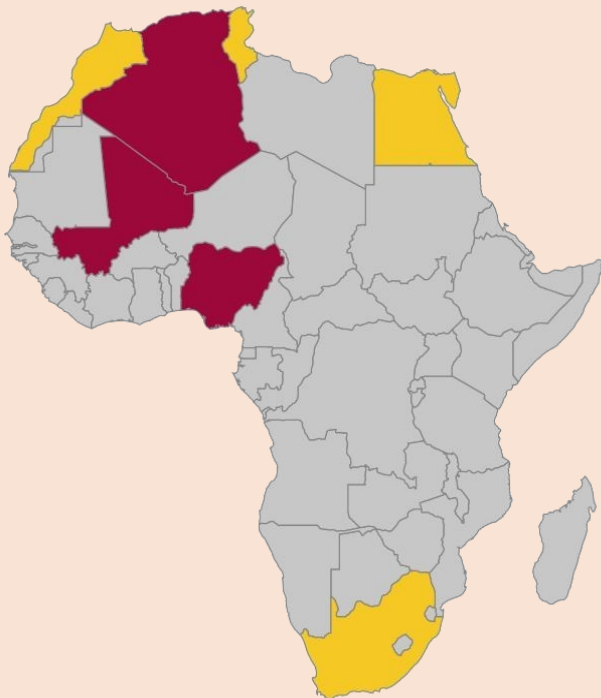
- Algeria; largest exporter (64% of intra-African exports)
- Tunisia, Morocco and Egypt import around 1/4 of Africa's petroleum gas

### **Gold**

- Mali; biggest exporter (31% of intra-African exports)

 **Top exporters**

 **Top importers**

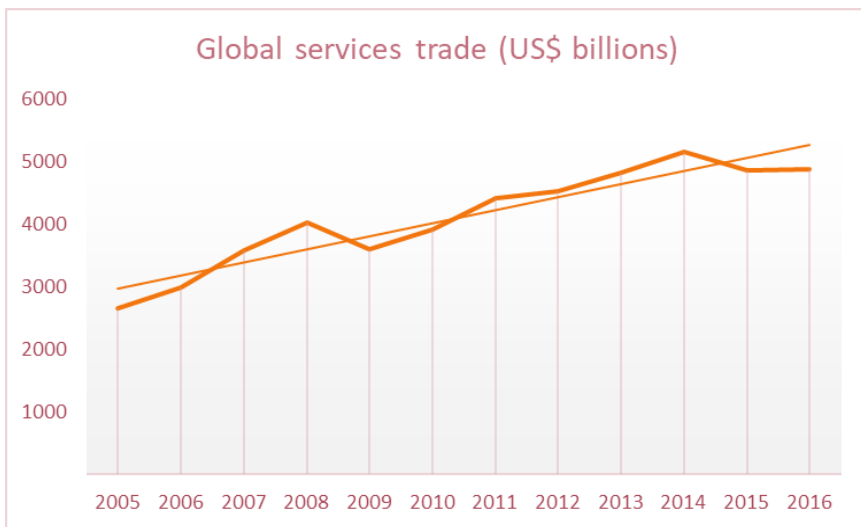


# Trade in Services

Currently, African services trade is low, and intra-African services trade is lower still. However, given the worldwide increase in services trade over the past few decades, this suggests there is potential for growth.

While services trade more broadly has been slowing, in Africa goods related services grew significantly in 2016 (8.8%) albeit from a low base.

Services negotiations are included in phase 1 of the AfCFTA negotiations. The implementation of services liberalisation commitments and regulatory reform will be critical to achieve the aims of the African integration agenda.



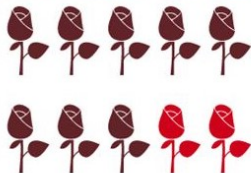


Services trade  
restrictiveness is  
**4x higher**  
in Africa  
than OECD  
countries



Only 2% of world services  
exports originate from Africa

80% of the price of  
Ethiopian roses is  
attributable to  
embedded services



Africa's top services exports  
(2016)



Travel  
\$35 b



Transport  
\$26 b

Services  
account for  
**1/3**  
of total  
employment



### Top services exporters

**Morocco**  
**South Africa**  
**Egypt**

### AfCFTA Priority Sectors



Financial services



Tourism



Transport



Business services



Communication

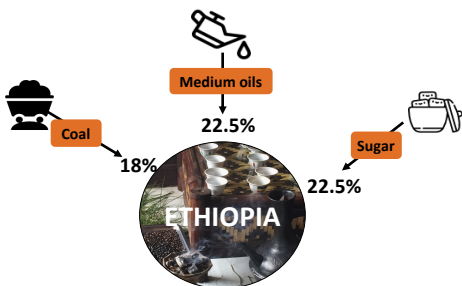
### Top services importers

**Egypt**  
**South Africa**  
**Angola**

# Intra-African tariffs

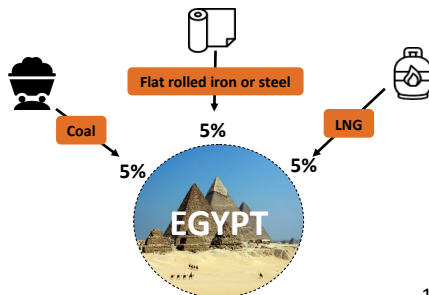
Many African countries trade under the free-trade areas of their regional economic communities (RECs), with reduced or zero tariff preferences and members of fully fledged customs unions such as SACU trade duty free with one another. Tariffs are therefore highest between those countries that do not already have a preferential agreement in place.

## Non-REC intra-Africa tariffs

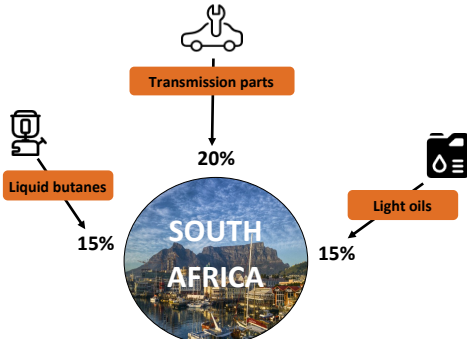
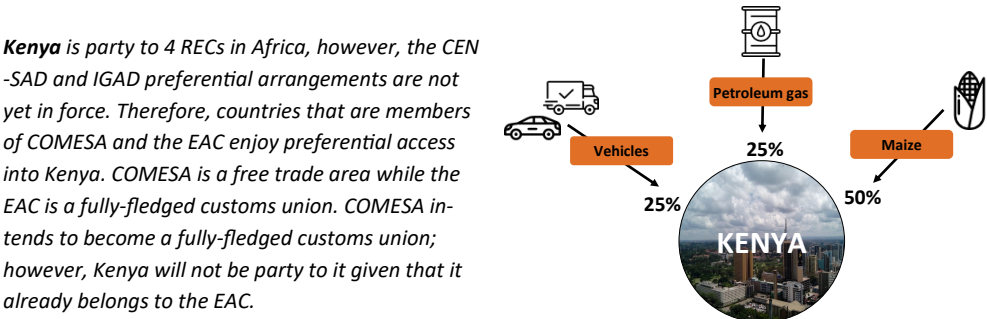


***Egypt** grants duty-free access to all imports from its trading partners under PAFTA and the Arab-Mediterranean FTA. COMESA FTA member states apply differential tariff dispensations to the different members of the FTA. Egypt does not have any tariff reductions for eSwatini or DRC. The country grants preferential duty rates to COMESA non-FTA members (Ethiopia and Eritrea) and Uganda.*

***Ethiopia** is not a member of the WTO. However, Ethiopia is a signatory of COMESA; IGAD and the Tripartite Free Trade Area. While Ethiopia is a member of COMESA and IGAD, **it is not part of the COMESA FTA**, currently IGAD does not have a trade agenda and, while the TFTA is still under negotiation, Ethiopia is not engaged in any negotiations.*

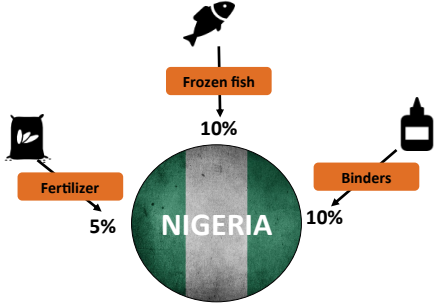


*Kenya is party to 4 RECs in Africa, however, the CEN-SAD and IGAD preferential arrangements are not yet in force. Therefore, countries that are members of COMESA and the EAC enjoy preferential access into Kenya. COMESA is a free trade area while the EAC is a fully-fledged customs union. COMESA intends to become a fully-fledged customs union; however, Kenya will not be party to it given that it already belongs to the EAC.*



*South Africa is a member state of both SACU and SADC. SACU is a customs union with duty-free intra-SACU trade and a common external tariff applicable to all goods entering from outside the Union. 13 SADC member states are in a Free Trade Arrangement; Comoros, Angola and DRC are yet to join. Most of the goods imported into South Africa from SADC member states enter duty-free. The only exceptions are wheat flour, sugar, second-hand clothes and tyres.*

*All of the goods imported into Nigeria from ECOWAS member states enter duty-free. However, imports from other countries, including those that are members of CEN-SAD are subject to duties.*



# MFN tariffs for key

	Cement, salt, earths & stones etc	Mineral fuels & oils	Inorganic chemicals, rare earths etc	Fertilizers
	HS25	HS27	HS28	HS31
<b>Angola</b>	50	20	20	2
<b>Botswana</b>	10	20	20	0
<b>Cabo Verde</b>	10	20	0	0
<b>Cameroon</b>	20	20	20	5
<b>CAR</b>	20	10	20	10
<b>Chad</b>	20	20	20	5
<b>DRC</b>	20	10	5	5
<b>Djibouti</b>	26	26	26	2
<b>eSwatini</b>	10	20	20	0
<b>Gabon</b>	20	20	20	5
<b>The Gambia</b>	20	10	20	5
<b>Ghana</b>	20	10	10	0
<b>Guinea</b>	20	20	10	0
<b>Guinea-Bissau</b>	20	10	20	5
<b>Lesotho</b>	10	20	20	0
<b>Liberia</b>	25	15	25	2.5
<b>Madagascar</b>	10	20	5	0
<b>Mauritania</b>	20	20	13	5
<b>Mozambique</b>	20	7.5	2.5	2.5
<b>Namibia</b>	10	20	20	0
<b>Nigeria</b>	20	10	20	5
<b>Rwanda</b>	25	25	25	0
<b>Sierra Leone</b>	30	20	5	5
<b>Tunisia</b>	20	20	20	0
<b>Zambia</b>	25	25	0	0
<b>Zimbabwe</b>	20	45	10	25



# intra-African imports

	Plastics	Precious stones & metals	Iron & steel	Nuclear reactors etc	Electricals	Vehicles other than railway
	HS39	HS71	HS72	HS84	HS85	HS87
Angola	50	50	30	50	50	50
Botswana	20	20	10	30	25	30
Cabo Verde	30	40	0	30	30	50
Cameroon	30	30	30	30	30	30
CAR	30	30	30	30	30	30
Chad	30	30	30	30	30	30
DRC	20	20	20	20	20	20
Djibouti	26	26	26	26	26	26
eSwatini	20	20	10	30	25	30
Gabon	30	30	30	30	30	30
The Gambia	20	20	20	20	20	20
Ghana	20	20	20	20	20	20
Guinea	20	20	20	20	20	20
Guinea-Bissau	20	20	20	20	20	20
Lesotho	20	20	10	30	25	30
Liberia	15	25	5	25	25	50
Madagascar	20	20	15	20	20	20
Mauritania	20	20	20	20	20	20
Mozambique	20	20	7.5	20	20	20
Namibia	20	20	10	30	25	30
Nigeria	20	20	20	20	20	35
Rwanda	25	25	25	25	35	25
Sierra Leone	20	20	10	20	20	30
Tunisia	20	20	20	20	20	20
Zambia	25	25	30	25	25	25
Zimbabwe	40	40	25	60	60	60

Sources: WTO, ITC Trademap

# Infrastructure

Reliable infrastructure is key for the private sector to trade successfully. Improvements in this field have been identified as crucial to boost intra-African trade. It is addressed on both the continental and regional levels.

The Logistics Performance Index (LPI) – developed by the World Bank – is based on a questionnaire sent to professionals in the logistics sector. It ranks the countries in the areas of customs, international shipments, quality and competence, tracking and tracing, timeliness and infrastructure.

In the global ranking Rwanda climbed from the third last position (#148) to position #62 within 9 years.



Dwell time in Mombasa port decreased from 13 days in 2006 to 2-3 days in 2016



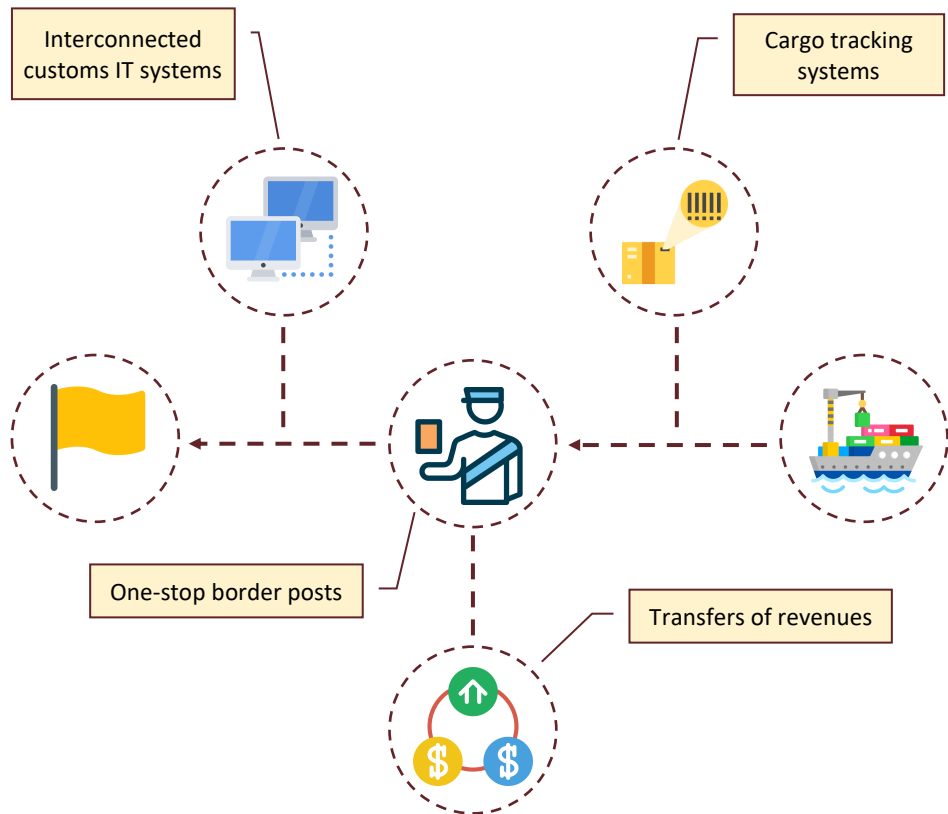
Border clearance time at Malaba between Kenya and Uganda fell from 24 hours (December 2012) to 6 hours (January 2013)



Time to move cargo from Mombasa to Kampala dropped from 18 days to 3 days and costs decreased by 50% between 2013 and 2014.



## Measures to improve logistics in a Single Customs Territory



# About tralac

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Trade Law Centre (**tralac**) is a public benefit organisation based in the Western Cape region of South Africa. We develop technical expertise and capacity in trade governance across Africa.

We are committed to the principles of rules-based governance at the national, regional and international levels. We believe that better governance and strong institutions are essential elements for inclusive and sustainable growth.

**tralac's** activities are anchored on three pillars:

- i) inform stakeholders through quality, accessible analysis and information provision;
- ii) capacitate individuals and institutions through partnerships that focus on capacity in institutions; and
- iii) empower, especially marginalised stakeholders to participate more effectively in trade policy and governance debates and processes.



[www.tralac.org](http://www.tralac.org) | [info@tralac.org](mailto:info@tralac.org) | [@tradelawcentre](https://twitter.com/tradelawcentre)

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