

# Trade and Market Update

## AfCFTA State of Play

### January 2021

The African Continental Free Trade Area (AfCFTA) is the largest free trade area in the world measured by the number of participating countries connecting 1.3 billion people across 55 countries with a combined Gross Domestic Product (GDP) of around US\$ 3.4 trillion. Full implementation of the AfCFTA will create an integrated African market for goods and services and ensure the free movement of people and capital across the continent.

#### Ratification

Multilateral Agreements like AfCFTA legally bind a nation to the obligations transcribed in the texts of the agreement and require recalibration of national laws and legislation in return. Hence it becomes imperative to seek the commitment and ratification of national parliaments. As of date 54 of the 55 AU member states have signed the agreement, while 35 countries have already ratified the AfCFTA, leaving only 19 countries to ratify and deposit instruments of ratification to the African Union Commission (AUC). Eritrea is the only African country that is yet to become a signatory of the agreement.

#### Phases & Structure of Negotiations

Negotiations under the AfCFTA are divided into two phases. Phase I has three protocols: (I) Protocol on Trade in Goods, (II) Protocol on Trade in Services, (III) and Protocol on the Rules and Procedures on the Settlement of Disputes. Phase II has Protocol on Competition Policy, Protocol on Investment and Protocol on Intellectual Property Rights. Negotiations on protocols under Phase II have not yet commenced.

Negotiations are underway for tariff concessions and rules of origin under the Protocol on Trade in Goods. As for the Protocol on Trade in Services, countries have begun discussions on schedules of commitments for trade in Services.

Schedules of Tariff Concessions and Rules of Origin are the corner stone for liberalization of trade in goods and establishment of a continental free trade area. On the one hand, Tariff Concessions identify which products will be liberalized and determine the period of phasing out tariff barriers. On the other hand, Rules of origin are used to determine a product's eligibility for preferential tariffs under a free trade agreement and have major implications for the extent of trade under the agreement and the growth of regional value chains. Therefore, Tariff Concessions and Rules of Origin go hand in hand in negotiations and in practice.

#### Schedule of Tariff Concessions

The AfCFTA outlines Tariff Elimination Modalities which determine the mechanism and criteria for trade liberalization. African countries are committed to remove tariff barriers on 90% of all tariff lines (traded goods) over 5 years for non-LDCs and 10 years for LDCs. The remaining 10% of goods are further divided to 7% representing 'sensitive products' which are to be liberalized over a period of 10 and 13 years for LDCs and non-LDCs respectively, while 3% of goods are excluded from tariff liberalization altogether. To date 18 countries have submitted their schedules for tariff concessions. The remaining countries have until June 2021 to submit their schedules on tariff concessions identifying 90% of their tariff lines.

PHASE I			
PROTOCOL ON TRADE IN GOODS	PROTOCOL ON TRADE IN SERVICE	PROTOCOL ON RULES AND PROCEDURES ON THE SETTLEMENT OF DISPUTES	
Tariff Concessions Rules of Origin	Schedules of Specific Commitments		Negotiations are ongoing
Customs Cooperation Trade Facilitation Technical Barriers to Trade	MFN Exemption Air Transport Services List of Priority Sectors	Working Procedures of the Panel Expert Review Code of Conduct for Arbitrators and Panelists	Negotiations have not yet started
Sanitary and Phytosanitary Measures Transit Trade Remedies	Framework on Regulatory Cooperation		
PHASE II			
PROTOCOL ON COMPETITION POLICY	PROTOCOL ON INVESTMENT	PROTOCOL ON INTELLECTUAL PROPERTY RIGHTS	

	Tariff Elimination Modalities			
	Coverage (%)		Transition Period	
	Tariff Line	Import Value	Non-LDCs	LDCs
General	90	90	5 Years	10 Years
Sensitive Products	7		10 Years	13 Years
Exclusion List	3	10	No Liberalisation	

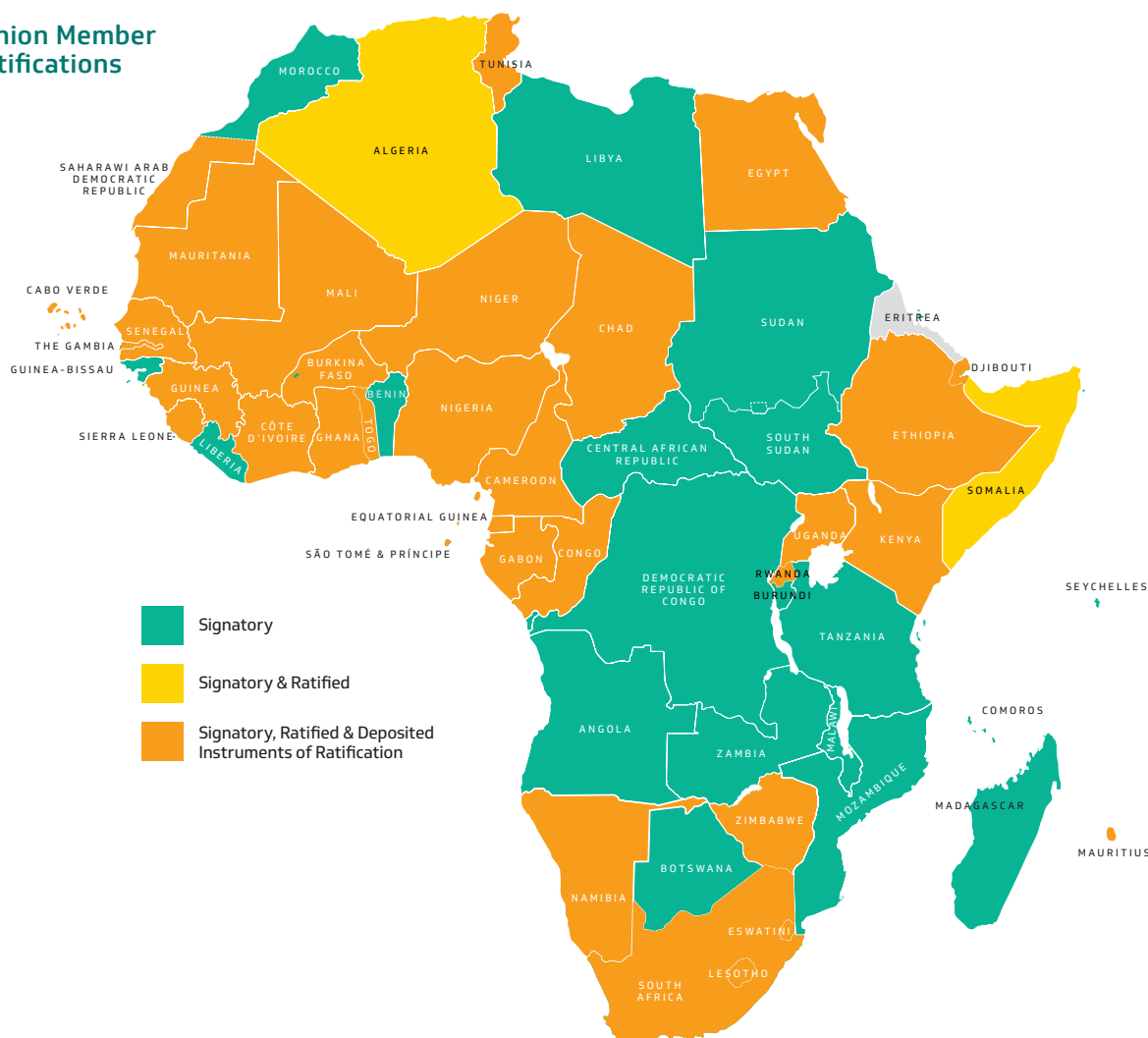
## Rules of Origin

Negotiations on Rules of Origin were slowed down at the start of COVID-19 Pandemic. Some AfCFTA Member States have observed that they will need the Rules of Origin completed before finalising the tariff offers as there is a link between the Rules of Origin and the Tariff Offers. As of date 81% of Rules of Origin have been negotiated with the remainder expected to be completed by June 2021.

## Trade in Services

The AfCFTA identified the five initial priority sectors for trade in services: Business services; Communications; Finance; Tourism and Transport. The negotiations on Trade in Services are ongoing and Member States are in the process of conducting national consultations in respect of their initial offers. A total number of 12 countries have submitted their initial services offers.

## African Union Member States Ratifications



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