

# How can AfCFTA implementation change African agricultural and food trade?

## Key findings of the AATM 2020 - agricultural and food-related issues in the AfCFTA

24 February 2021

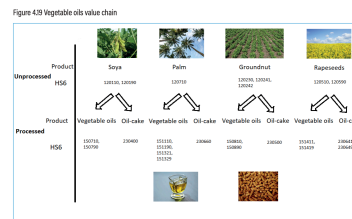
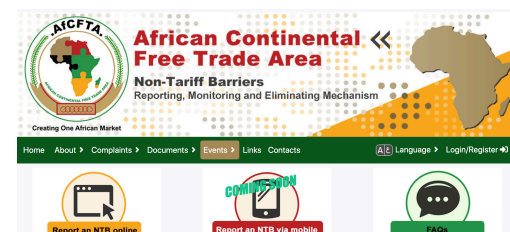
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# Overview

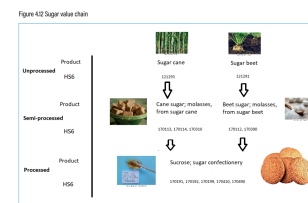
- Key issues raised in the Africa Agriculture Trade Monitor 2020
- Agriculture matters in the AfCFTA

# Key issues in the AATM – for the AfCFTA

- Deficient Infrastructure (trade in services agenda – eg transport regulation, regulatory cooperation, PIDA...)
- Non-tariff barriers ([www.tradebarriers.Africa](http://www.tradebarriers.Africa))
- Border-related Measures (Annexes on customs and border management, transit, customs cooperation, trade facilitation)
- Value chain developments
- Standards (quality assurance)



Source: Authors' elaboration.  
 Note: Photos from Tralac; numbers refer to Harmonized System 6 (HS6) codes.



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# Legal Architecture of the AfCFTA – a Free Trade Area

## Agreement establishing the AfCFTA

### Phase 1

Protocol on  
Trade in  
Goods

Protocol on  
Trade in  
Services

Protocol on Rules  
and Procedures  
on the Settlement  
of Disputes

#### Annexes

- Schedules of Specific Commitments
- MFN Exemptions
- Air Transport Services
- List of Priority Services
- Framework Document on Regulatory Cooperation

### Phase 2

Protocol on  
Investment

Protocol on  
Competition  
Policy

Protocol on Intellectual Property  
Rights

#### Annexes

- Working Procedures of the Panel
- Expert Review
- Code of Conduct for Arbitrators and Panellists

### Phase 3

Protocol on  
Ecommerce

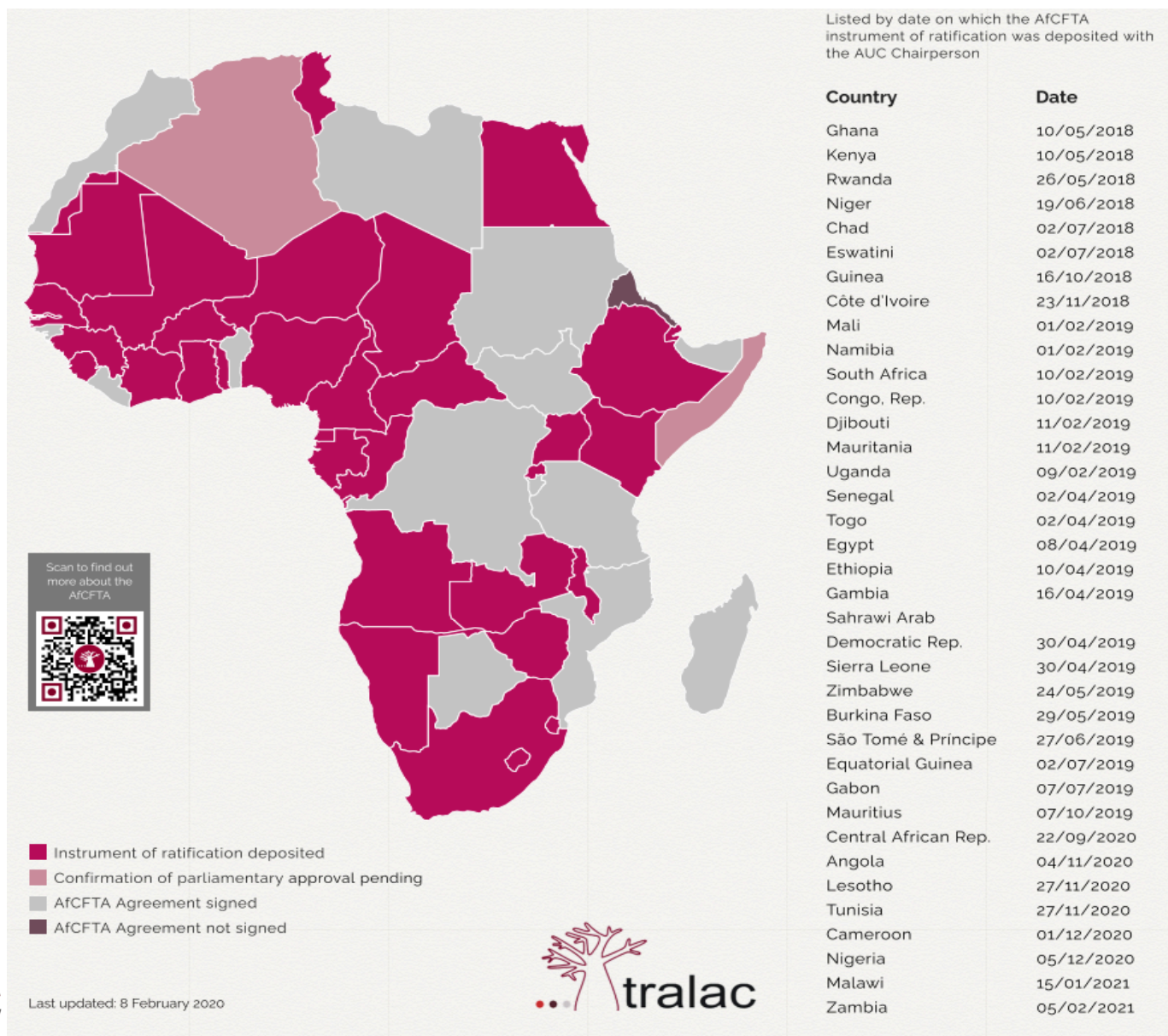
#### Annexes

- Schedules of Tariff Concessions
  - Rules of Origin
  - Customs cooperation and mutual administrative assistance
  - Trade Facilitation
  - Non-tariff barriers
  - Technical Barriers to Trade
  - Sanitary and Phytosanitary Measures
  - Transit
  - Trade Remedies
- Guidelines for implementation of Trade Remedies

**Agriculture matters**



# Ratification update



# Update on the AfCFTA

- Launch of trade on 1 January 2021 (Decision of Extraordinary Session of AU Assembly 5 Dec 2020): an ‘interim arrangement’ - details are end (domestic implementation processes)
- **Phase 1** negotiations continue (aim to complete tariff and RoO negotiations by mid-2021)
- **Phase 2:** investment, competition policy, IPR
- **Phase 3:** e-commerce

To be completed by end 2021

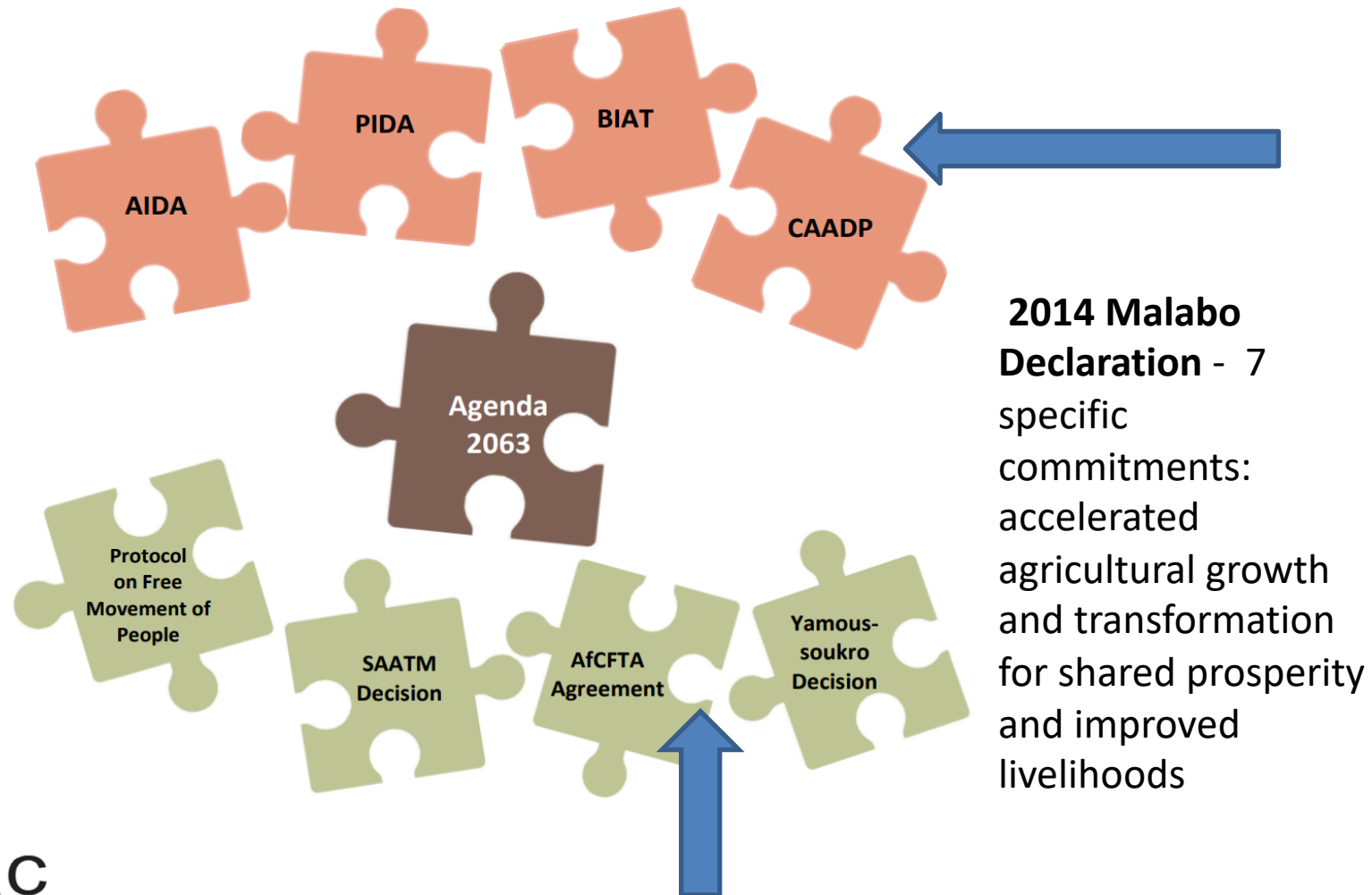
# Trade in Services negotiations

- 5 priority services sectors (financial, communication, transport, professional services and tourism)
- Offers of specific commitments for priority sectors (WTO members work from GATS commitments; non-WTO members take status quo as the baseline)
- It is possible to add additional sectors (AfCFTA is member-state driven) - interest to include distribution services has been noted

# AfCFTA also a flagship project of the AU

## What does this mean for agriculture?

### Linkages across Agenda 2063

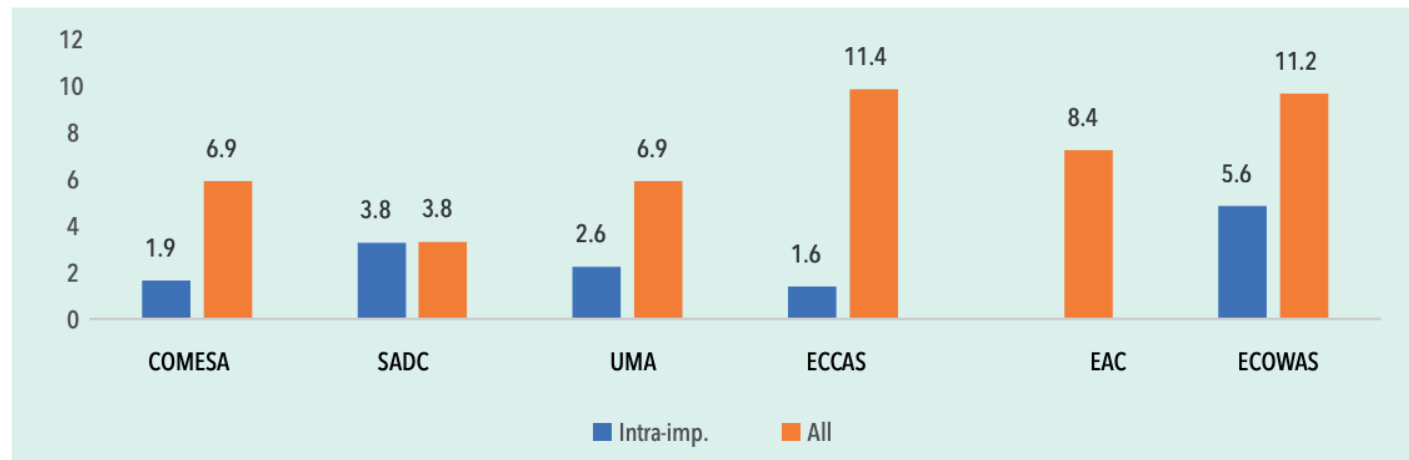


# Tariff negotiations - ongoing

## Who negotiates with whom?

### Key issues for agric: sensitive and excluded products; tariff escalation

Figure 3.1 Level of customs duties on intraregional imports and on all imports 2015



Source: Authors' elaboration using COMTRADE (2019).

Note: Intra-imp represents the intra-regional imports and All is total imports. COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States.

This figure illustrates the level of average tariffs on intra-REC trade in Africa in 2015. Since that date, there has been a change in these customs duties. For example, there are no longer any customs duties on trade in goods within ECOWAS.



<http://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/133391/file/ame/133602.pdf>

# Where do we stand?

## Modalities for tariff negotiations

- 90% of tariff lines liberalised over 5 years (LDCs have 10 years)
- 7% additional tariff lines (**sensitive products**) liberalised over 10 years (LDCs have 13)
- 3% tariff lines may be **excluded**
- Tariff phasedown in equal instalments (e.g. 20% reduction per annum on 90% of tariff lines, over 5 years)

## Sensitive and excluded products

Which products may be **designated** sensitive or excluded - food security, national security, fiscal revenue, livelihood and industrialization (Decision

**Rules of Origin** – the fine print in the Agreement (rules are agreed for most products - but not sensitive products eg some agric products, clothing and textiles)

# Rules of origin

The definition of value added, the rules for goods produced in Special Economic Zones, and some of the [product-specific rules](#) are outstanding.

| For some HS chapters, the RoO are outstanding for the entire chapter   |   |   |
|--|---|---|
| Fish (Chapter 3), articles of leather (Chapter 42), knitted/crocheted fabrics (Chapter 62), knitted/crocheted apparel and clothing accessories (Chapter 61), and not knitted/crocheted apparel and clothing accessories (Chapter 62) |   |   |
| HS Chapter   | Chapter name  | RoO outstanding for specific products in the HS chapters                            |
| 4  | Dairy, eggs, and honey  | Buttermilk and cheese   |
| 11   | Products of the milling industry                                    | Wheat and meslin flour  |
| 15   | Animal or vegetable fats and oils                                   | Fish fats & oils; soybean, palm, sunflower-seed, mustard oil, and vegetable waxes   |
| 16   | Preparations of meat, and fish                                      | Prepared and preserved fish and seafood   |
| 17   | Sugars and sugar confectionery                                      | Apart from molasses, the entire chapter   |
| 20   | Preparations of vegetables, fruit, and nuts                         | Cranberry, other juice, and mixtures of juice                                       |
| 23   | Residues and waste from the food industries; prepared animal fodder | Flours, meal, and pellets unfit for human consumption, and animal feed preparations |
| 24   | Tobacco and manufactured tobacco substitutes                        | Tobacco products, and other manufactured tobacco                                    |



# Rules of origin – cumulation provisions

## Article 8

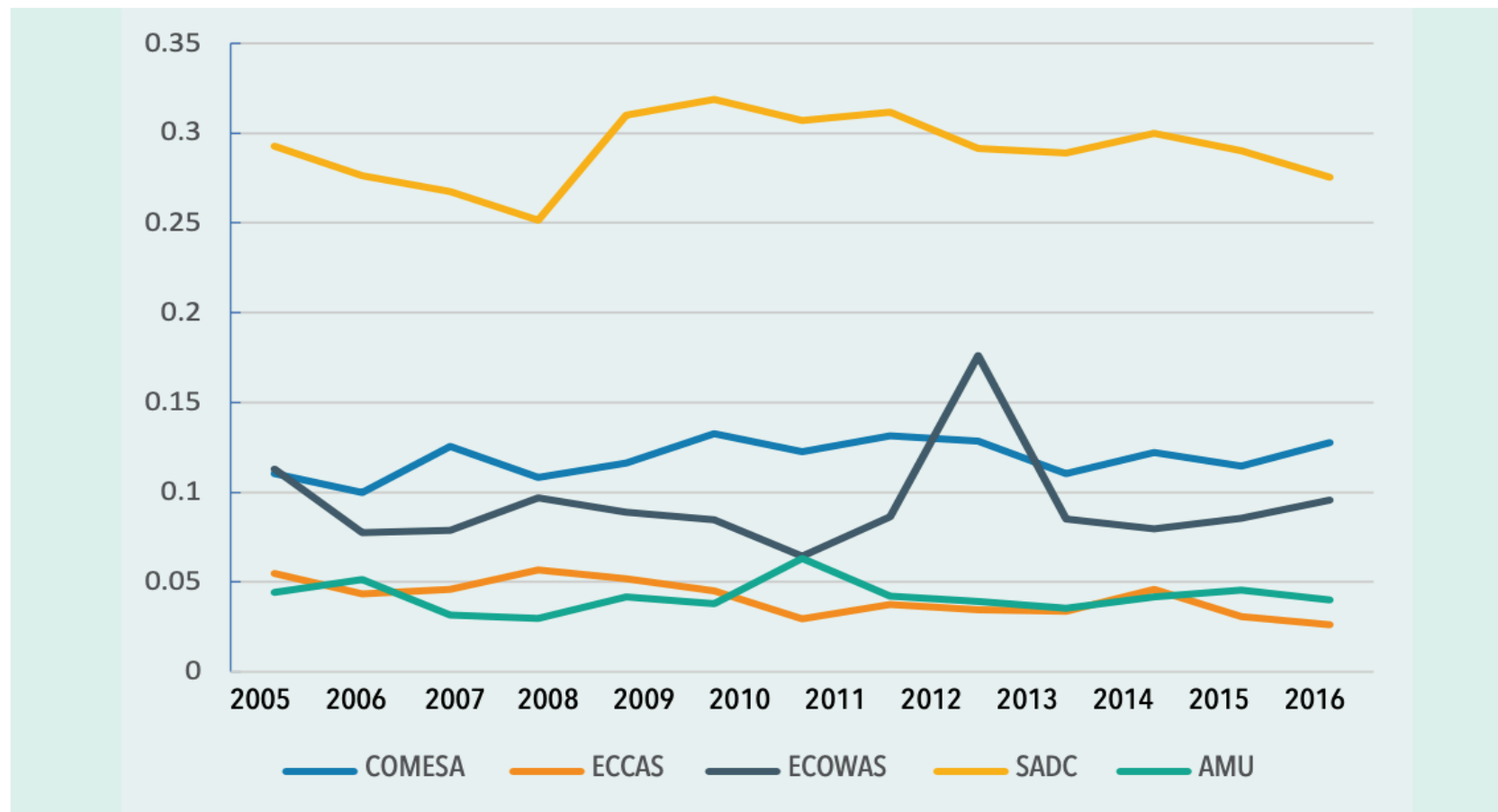
### **Cumulation** of Origin within the AfCFTA

1. For purposes of implementing this Article, all State Parties shall be considered as a single Territory.
2. Raw Materials or semi-finished Goods originating in any of the State Parties and undergoing working or processing in another State Party, shall be deemed to have originated in the State Party where the final processing or manufacturing takes place.
3. Working or processing carried out in any of the State Parties shall be considered as having been carried out in the State Parties when the Materials undergo further working or processing in a State Party.
4. Notwithstanding paragraphs 1 and 2 of this Article, Products further manufactured in a State Party shall be considered as originating in a State Party where the last manufacturing process takes place provided that the last working or processing operations exceed those operations under Article 7 of this Annex



# Intra-regional trade in agriculture – concentrated in RECs

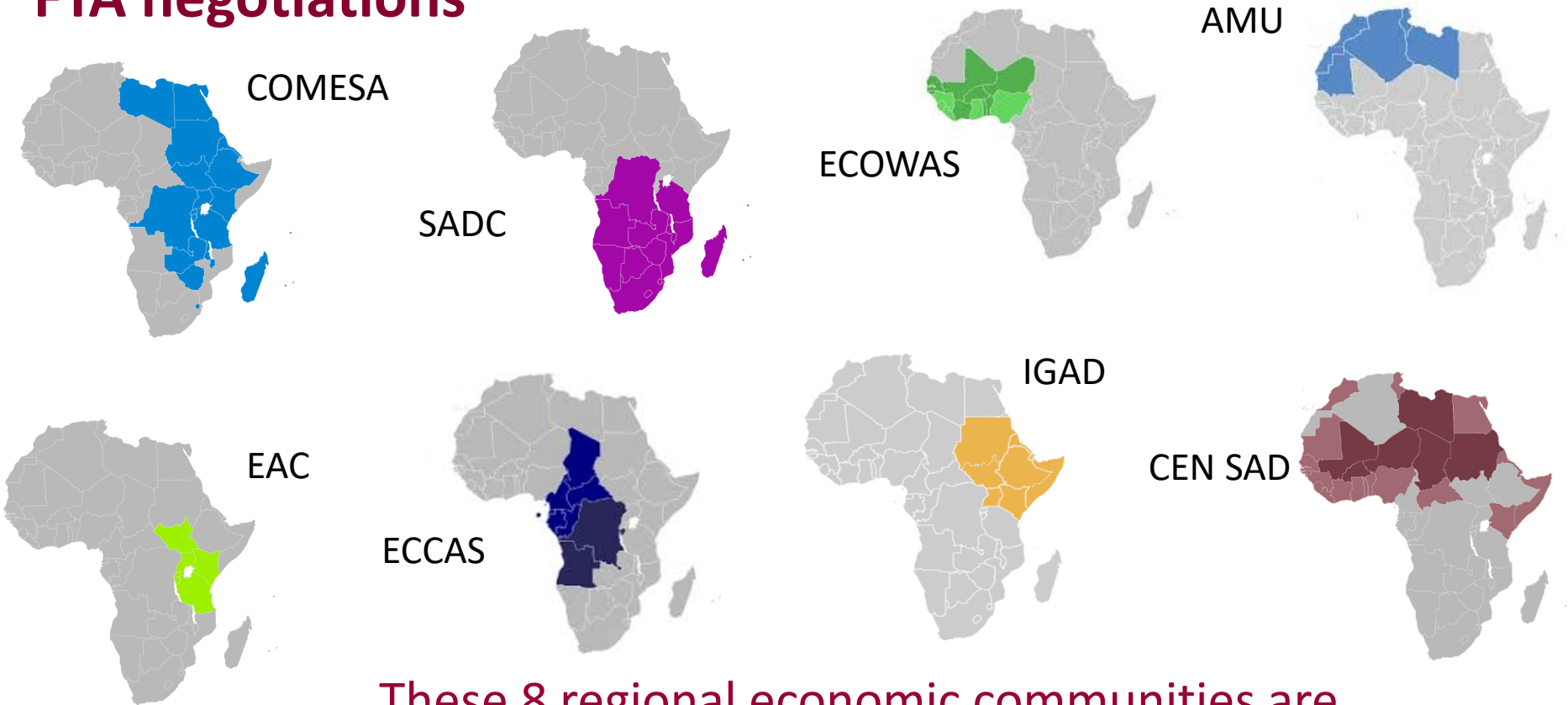
Figure 3.7 Share of intraregional trade for agricultural products 2005-2017



Source: Authors' elaboration using COMTRADE (2019).

Note: COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, ECOWAS for Economic Community of West African States

# RECs will continue to exist – and so will their trading arrangements (FTAs or customs unions) and **Tripartite FTA negotiations**



These 8 regional economic communities are recognised by the African Union as building blocks for the African economic Community – they are defined as the RECs in the AfCFTA Agreement

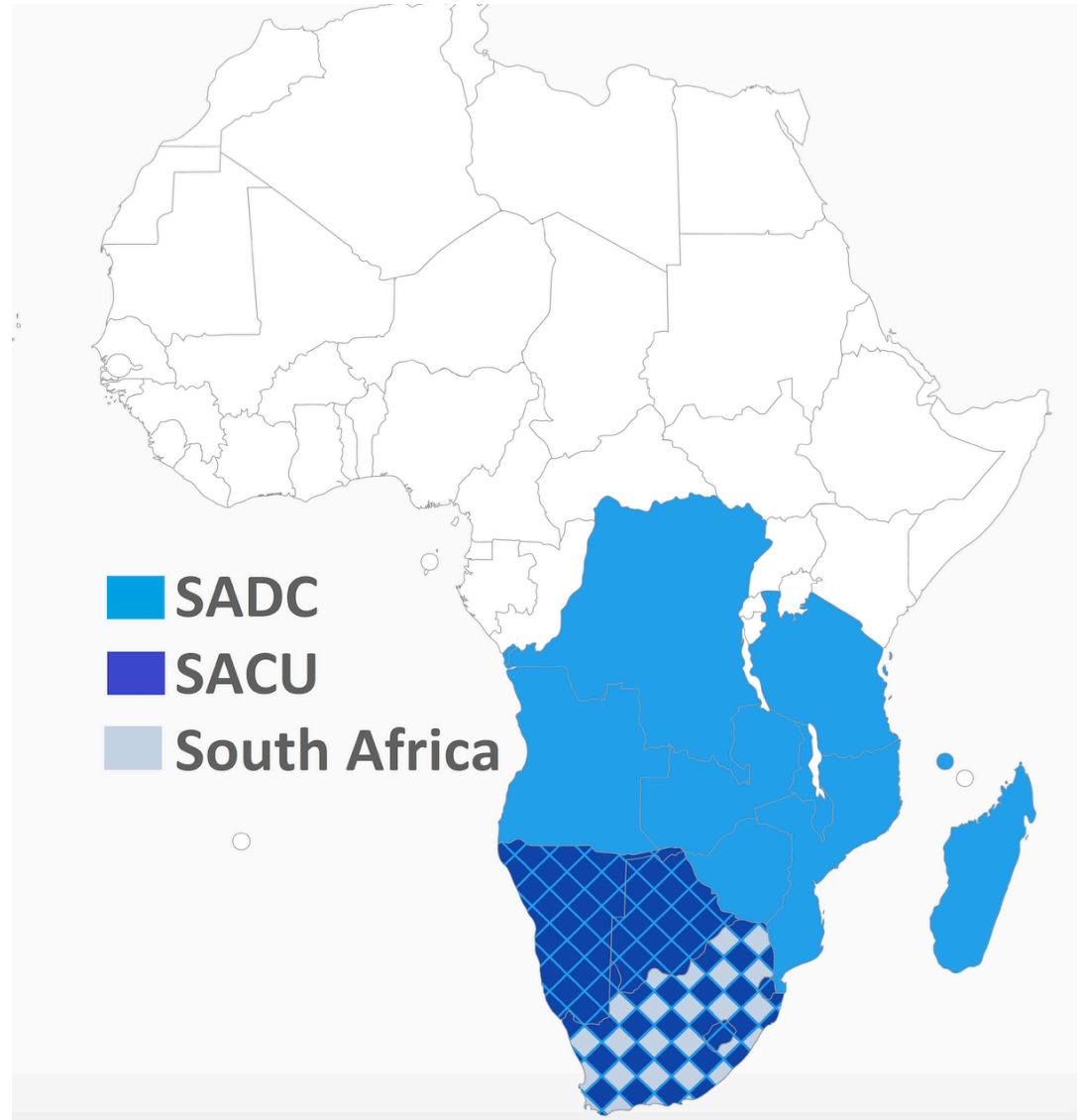
# Intra-Africa trade – highly concentrated at sub-regional level (data for 2019)

**Intra-Africa trade is highly concentrated (sub-regionally)**

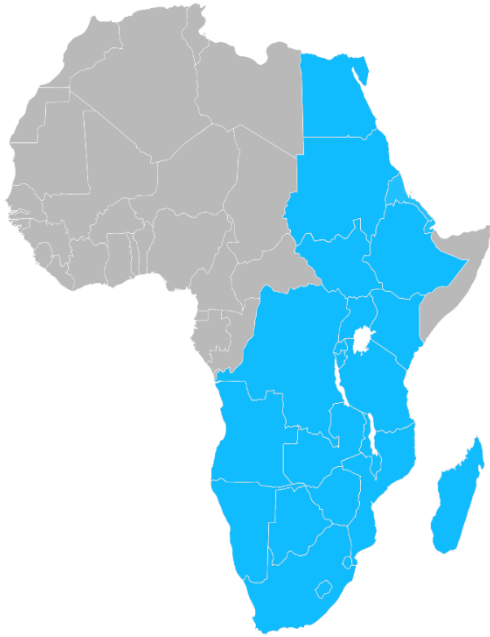
Approximately 15% of Africa's total trade is intra-trade

42% of intra-trade takes place in SACU

55% of intra-trade takes place in SADC



# Tripartite Free Trade Area (TFTA) matters for SA – it will continue (Art 19)



- Heads of States from SADC, EAC, COMESA convened in 2008 - decided to establish the TFTA as a single trade regime ... in 2011 ambitions were scaled back
- Existing REC FTAs continue to trade according to own trade regimes (*acquis*)
- TFTA was launched in June 2015
- Negotiations continue
  - i) Tariffs (SACU – EAC: tariff negotiations completed in July 2019; SACU – Egypt – no progress in last few years)
  - ii) Rules of origin – ongoing negotiations (clothing & textiles, autos, edible oils and sugar)

14 ratifications needed for entry into force. 8 Member States have ratified (South Africa, Egypt, Uganda, Rwanda, Kenya, Namibia, Burundi, Botswana. )

## Work programmes on:

- i) Industrial development
- ii) Infrastructure
- iii) Trade facilitation

- TFTA matters for SA to secure market access, esp to Kenya. Now trade in services negotiations have begun (co-existence of TFTA and AfCFTA)

# Addressing the real Problems

May 2020



Source: [fleetwatch.co.za](http://fleetwatch.co.za)

December 2018



File: Trucks waiting to be cleared at Kasumbalesa border

# Trade facilitation and governance improvements

- Improvements: have a multiplier effect (irrespective of trade partners) – AfCFTA is also important for our trade with global partners
- Introduction of **digital trade solutions (implementation matter)**
- Importance of services in trade facilitation (trade in services – transport, communication and finance)
- Non tariff barriers: [www.tradebarriers.africa](http://www.tradebarriers.africa)
- **Lessons from COVID-19:** links between trade, trade facilitation and food security; also cross-border movement of persons (ICBT)

# Phase 2 and 3 negotiations matter for agriculture, food production, food security and trade

- Phase 2: investment, competition policy, IPR

Expanding and diversifying agricultural production, food processing (**investment** required – note that global investors that establish commercial presence in an AfCFTA State Party, will get AfCFTA benefits), investment matters for cross border value chain development; **competition policy** - market access for -small scale producers, access to food, prices for consumers; IPR (IP protection – **across borders**)

- Phase 3: e-commerce

Business to business, business to consumer (access to inputs, market access matters (access to platforms, distribution networks, payment platforms)



# Complementary Initiatives - Afreximbank

Afreximbank support to Quality Assurance Centres to Assist re Compliance with International Standards and Technical Regulations

<https://www.afreximbank.com/afreximbank-rolling-out-quality-assurance-centres-to-support-compliance-with-international-standards-and-technical-regulations/>

The African Export-Import Bank (Afreximbank) has announced a \$1billion AfCFTA Adjustment Facility, to support countries that may suffer revenue losses during the implementation process of the AfCFTA

<https://newafricanmagazine.com/19145/>

AND Pan African Payment and Settlement System (PAPSS) and trade finance