Making the AfCFTA work for Africa’s development: Focus on Infrastructure and Trade in Services

Opening Remarks

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AfCFTA Update

13th Extra Ordinary Session of the Assembly of the Union on the AfCFTA (5 December) adopted a decision for trade to start on 1 January 2021 – an ‘interim arrangement’

Negotiations will continue until mid-2021

- trade in goods (rules of origin and tariff concessions) will continue

- trade in services (specific commitments for 5 priority services sectors – transport, communication, financial services, tourism and professional services)

And Phase 2 negotiations (Investment, Competition Policy, IPR - and e-commerce)
Agreement establishing the AfCFTA

Phase I
- 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 Exemption(s)
- Air transport Services
- List of Priority Services
- Framework document on Regulatory Cooperation

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 of Implementation of Trade Remedies

Phase II
- Protocol on Competition Policy
- Protocol on Intellectual Property Rights
- Protocol on Investment
- Protocol on E-Commerce
Who is negotiating the AfCFTA?
Who has ratified the AfCFTA?

Malawi has now deposited its instrument of ratification – we stand at 35
Regional Economic Communities (RECs) will continue to exist

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.
AfCFTA is also a flagship project of the AU.
Reality check

- African continent remains fragmented: poor connectivity – physical and digital
- Integrating unequal partners is complex and difficult
- 33 of the world’s 47 LDCs are in Africa
- 16 landlocked countries: Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Eswatini, Ethiopia, Lesotho, Malawi, Mali, the Niger, Rwanda, South Sudan, Uganda, Zambia, Zimbabwe (most are LDCs)
- Non-tariff barriers (including regulatory issues – unharmonized regulation in key infrastructure services and other services sectors) are more significant barriers than tariffs
- Transport costs contribute as much as 40% to the final price of goods (most intra-Africa trade is transported by road)
- Trade in services is essential for trade in goods (logistics, distribution services, communication, transport…..movement of persons – truck drivers, freight forwarders)
- What are we learning from COVID-19? Digital divide - impact on education, healthcare; prospects for adopting digital trade solutions.. REMINDER the 21st century economy is digital
Linking the AfCFTA to other Flagship Projects: essential to make the AfCFTA work for Africa’s development

- Trade facilitation (improved trade governance, border management, digitisation opportunity – protocol on e-commerce) – LINK to BIAT and PIDA

- Regulatory reform, cooperation and harmonisation (matters of transport and communication regulation) – important in trade facilitation; enhancing efficiency – more reliable supply, competitively priced services – LINK to PIDA

- Industrialisation, agricultural transformation (productive capacity development and diversification) - AfCFTA offers larger market/economies of scale, less NTBs, tariff reduction.... LINKs to AIDA, CAADP...

- Investment, competition and IP governance (essential to assure efficient and equitable distribution of gains) LINK to AIDA and PIDA
Trade in services – unlocking AfCFTA benefits?

• Role of services in GDP (for many African countries, services contribute at least 50% of GDP), employment, trade, innovation

• Services – essential for Africa’s structural transformation (productive capacity development and diversification; value chain development – regional industrialisation); services such as transport, communication, financial services are inputs into every economic activity and are also key to enhancing development outcomes (at household level)

• Services – facilitate trade (transport, logistics, distributions services, communication, financial services, professional services…..); digital trade and e-commerce

• Regulatory intensity of services: regulatory reform, cooperation, harmonisation – REMINDER: we are still negotiating sector commitments for the 5 priority services sectors, and it is possible to add more sectors frameworks for regulatory cooperation are also on the agenda (in some sectors, on some regulatory matters – harmonisation is essential) – AfCFTA is Member driven (determine the agenda)