



# The African Continental Free Trade Area

A tralac guide



**tralac** | trade law centre

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

The Agreement establishing the African Continental Free Trade Area (AfCFTA) was signed at the 10<sup>th</sup> Extraordinary Summit of the AU Assembly on 21 March 2018 in Kigali, Rwanda. The AfCFTA Agreement entered into force on 30 May 2019.

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 Policy and Intellectual Property Rights. Phase 2 negotiations and the draft texts of the Protocols on Investment, Competition Policy and Intellectual Property Rights are expected to be complete by January 2021.



# Agreement establishing the AfCFTA

Protocol on Trade in Goods

Protocol on Trade in Services

Protocol on Rules and Procedures on the Settlement of Disputes

Protocol on Competition Policy

Protocol on Intellectual Property Rights

## Annexes

- Schedules of Specific Commitments
- MFN Exemption(s)
- Air Transport Services
- List of priority sectors
- 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 on implementation of Trade Remedies

## Annexes

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

Protocol on Investment

Phase Two

# 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.

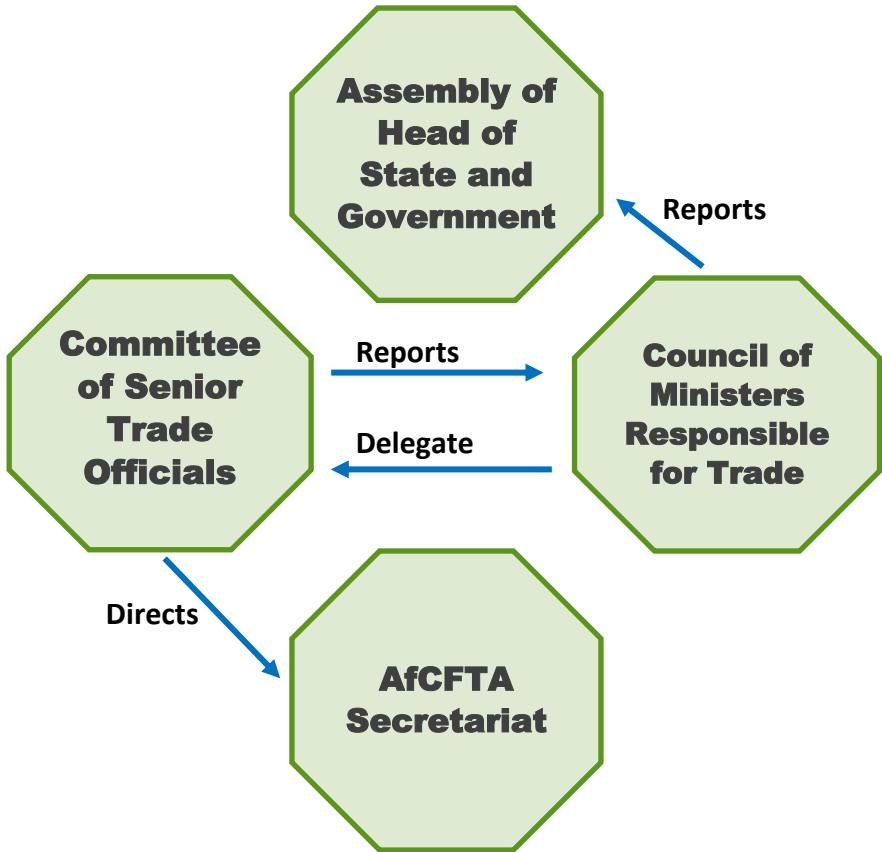
**The AfCFTA Secretariat** is the administrative organ to coordinate the implementation of the AfCFTA. It will work autonomously within the AU system but will be supervised by the AU Commission's Chairperson and will receive funding from the AU budget.

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.





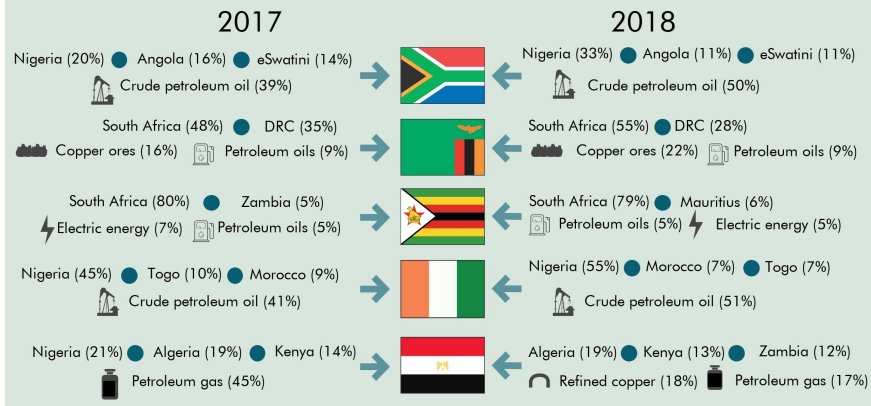
# Intra-African trade at a glance

In 2017, intra-African exports accounted for 16% of Africa's total exports. Between 2016 and 2017 the total value of intra-African exports increased by 8%. Africa's exports to the rest of world increased by 24%. In 2017 South Africa, as the main intra-Africa exporter and importer accounted for 34% and 17% of intra-Africa exports and imports.

To date (June 2019) trade data for only 17 African countries reflect 2018 figures. Between 2017 and 2018 South Africa's intra-Africa exports increased by 7%, while exports by Nigeria, Egypt and Ghana increased by 41%, 30% and 26% respectively. South Africa's intra-Africa imports increased by 35%, while imports by Zimbabwe, Ivory Coast, Egypt and Morocco show a similar increase. Intra-Africa imports by Zambia and Mauritius declined.



## Intra-Africa imports





# Intra-Africa exports 2018

8% | of exports are intra-Africa

Senegal (9%), Ivory Coast (8%) & Mauritania (8%)

16% | of exports are intra-Africa

Algeria (21%), Libya (13%) & Morocco (11%)

11% | of exports are intra-Africa

Ivory Coast (40%) & Togo (19%)

13% | of exports are intra-Africa

South Africa (48%), Ivory Coast (16%) & Togo (13%)

Kenya (36%) & Sudan (26%)

South Africa (46%)

South Africa (43%)

27% | of exports are intra-Africa

Botswana (16%), Namibia (14%) & Mozambique (13%)

13%

of exports are intra-Africa

Ivory Coast (47%) & Ghana (23%)

24%

of exports are intra-Africa

Burkina Faso (22%) & Mali (20%)

15%

of exports are intra-Africa

South Africa (68%)

0.2%

of exports are intra-Africa

Morocco (50%) & Algeria (33%)

54%

of exports are intra-Africa

Mali (84%)

## Intra-Africa exports as % of total exports

8%

42%

20%

23%

52%

65%

23%

Sources: tralac calculations, ITC Trademap 2019

# Agricultural trade

In 2017, total intra-African agricultural trade was valued at US\$24.4 billion (US\$13.2 billion exports and US\$11.1 billion imports) representing some 19% of total intra-African exports and 18% of intra-African imports.

South Africa is the main exporter of agricultural commodities to the rest of the continent, followed by Niger and Egypt. South Africa, Kenya and Namibia are the main intra-Africa agricultural importers.

Intra-African agricultural exports are mainly palm oil, sugar, maize, rice and cigarettes. The main agricultural products Africa exports to countries outside Africa include cocoa beans, nuts and coffee.

## Main intra-Africa agricultural export products

### Palm oil (8%)



Mainly exported by Niger (61%) and Ivory Coast (15%)

### Sugar (8%)



Mainly exported by eSwatini (23%) and South Africa (15%)

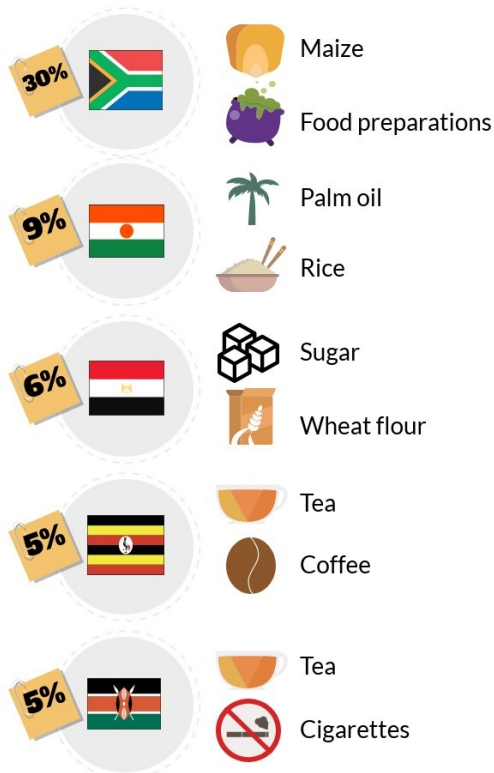
### Maize (4%)



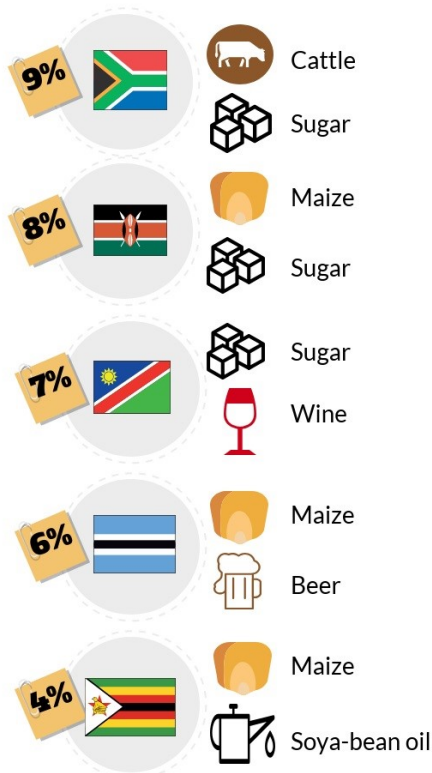
Mainly exported by South Africa (54%) and Zambia (19%)

# Main intra-Africa agricultural importers and exporters 2017

## EXPORTERS



## IMPORTERS



Sources: tralac calculations. ITC Trade Map 2019

# Non-agricultural trade

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

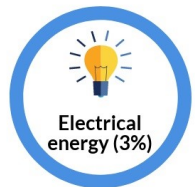
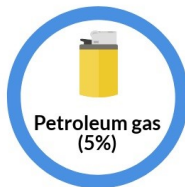
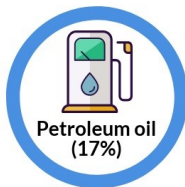
Intra-African non-agricultural exports are dominated by mineral fuels, oils and gas; gold and diamonds.

In 2017 there was also significant intra-African trade in electric energy, shipping vessels, copper ores and concentrates and motor vehicles used to carry goods.

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.

Intra-Africa trade in sea vessels, including goods and passenger vessels, floating platforms and light-vessels grew exponentially between 2016 and 2017.

## Main intra-Africa non-agricultural export products (2017)



Sources: tralac calculations, ITC Trademap 2019

### Gold and diamonds

In 2017 intra-Africa gold and diamond exports represented **7% of total intra-Africa exports** and were valued at US\$4.6 billion

The main gold exporters are Ghana and Mali, while intra-Africa diamond exports are mainly by Namibia and South Africa. 98% of African gold is exported to South Africa and 82% of African diamonds to Botswana.

### Sea vessels

In 2017 intra-Africa sea vessel exports represented **4% of total intra-Africa exports**. In 2017 intra-Africa exports increased from US\$288 million in 2016 to US\$2.8 billion in 2017.

Sea vessels were mainly traded by the Congo, Angola, Gabon and Cameroon.

### Road Vehicles

In 2017 intra-Africa road vehicle exports represented **2% of total intra-Africa exports** and were valued at US\$1.6 billion

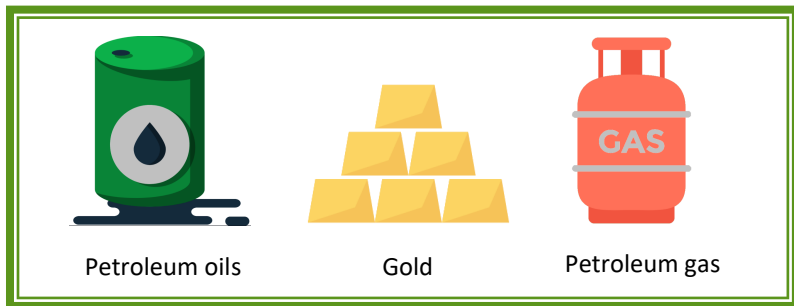
Of that, 62% were exports of vehicles used to carry goods and 38% were passenger vehicles (not including buses)



# 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 2017, 7% of petroleum oils remain on the continent.

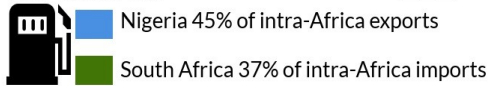
Nigeria is the largest petroleum oil exporter with a share of 45% of intra-African exports. South Africa is the main importer with 37% of the African petroleum oils.

Petroleum gas is mainly exported by Algeria (64% of intra-African exports). Egypt, Tunisia, Morocco and South Africa account for 91% of intra-Africa petroleum gas imports.

Gold is mined and exported from all over the continent, Ghana and Mali are the biggest exporters with 26% and 24% intra-Africa export shares respectively.

Sources: ITC Trademap 2019

### Petroleum oils



### Petroleum gas



### Gold



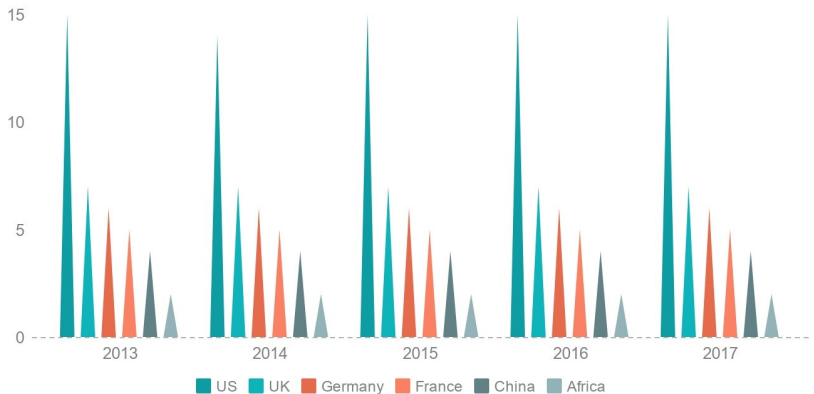
# Trade in Services

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.

Between 2016 and 2017 Africa's services exports declined by 1%, while global services exports increased by 7%.

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.

% of world services exports





Services trade restrictiveness is

**4x higher**

in Africa  
than OECD  
countries



Only 2% of world services exports originate from Africa

Top services exporters

Egypt

Morocco

South Africa

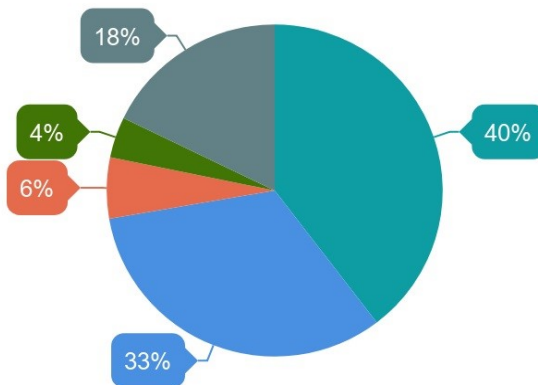
Top services importers

Nigeria

Egypt

South Africa

% of Africa's services exports (2017)



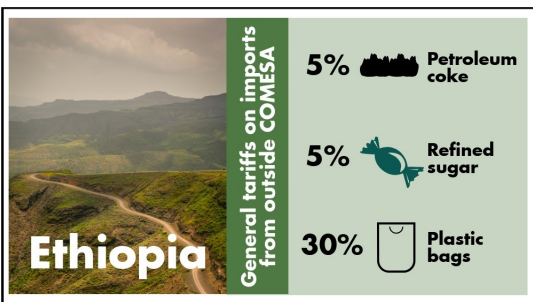
■ Travel (39.60%) ■ Transport (32.67%) ■ Other business services (5.94%) ■ Telecommunications (3.96%)  
■ Other services (17.82%)

Source: ITC Trademap 2019

# 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



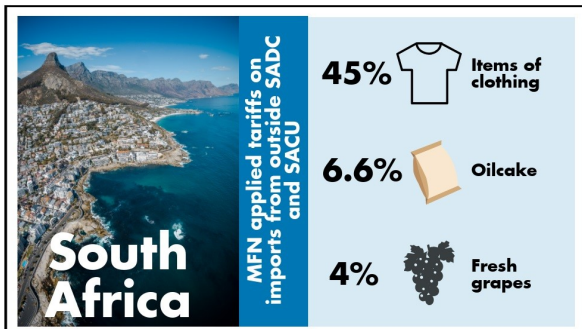
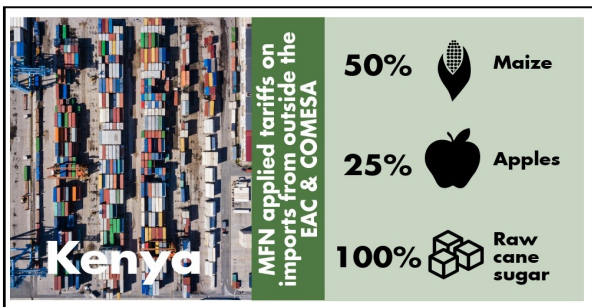
*Ethiopia is a signatory of COMESA and IGAD. While Ethiopia is a member of COMESA, it is still in the process of joining the COMESA FTA. IGAD is not yet a Free Trade Agreement. All African imports from outside COMESA are levied the Ethiopian general tariff.*

*PAFTA and AGADIR members have duty-free access to Egypt's market, while imports from COMESA (except Eswatini & DRC) are granted preferential access. CEN-SAD is not yet an FTA. All African imports from outside PAFTA, AGADIR and COMESA are levied the MFN applied tariff.*



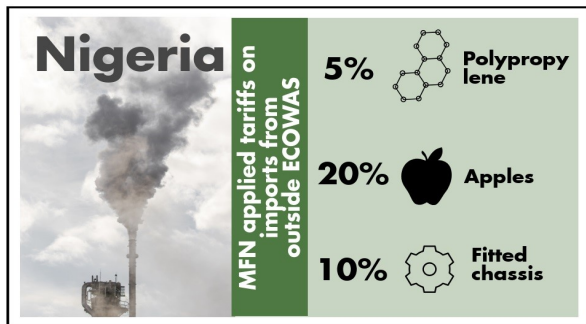
*Kenya is party to 4 RECs in Africa, however, the CEN-SAD and IGAD preferential arrangements are not yet in force.*

*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.*



*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.*

*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

	Petroleum oil	Copper ores & concentrates	Goods vehicles	Portland cement	Refined sugar
EAC CET	0	0	0; 10; 20; 25*	25	20; 100*
ECOWAS CET	0	5	0	20	20
SACU CET	0	0	0; 10*	0	213.1c/kg
Algeria	0; 15*	5	0; 5*	15	30
Angola	20	2	2; 10; 20*	2; 30*	20; 30*
Cabo Verde	5	0	5; 10; 20*	5	5
Cameroon	5; 10*	10	10; 20*	20	30
CAR	10	10	10; 20*	20	30
Chad	10	10	10; 20*	20	30
Congo	10	5	10; 20*	5; 10*	5; 20*
DRC	5	5	5	5; 10*	20
Djibouti	26	26	26	13; 26*	0; 13*
Egypt	0	2	5; 10; 20; 30*	0	20
Ethiopia	5	5	10; 35*	10	5
Gabon	10	10	10; 20*	20	30
Madagascar	5	5	0; 10*	10	10
Malawi	0	10	0; 10; 25*	10	25
Mauritania	0	5	5; 20*	13; 20*	5; 20*
Mauritius	0	0	0	0	15
Morocco	2.5	2.5	2.5; 25*	10; 17.5*	25; 42; 47; 50*
Mozambique	2.5	2.5	5	7.5	7.5
Tunisia	0	0	0; 20*	20	36
Zambia	0	0	15	5	25
Zimbabwe	10	5	5; 10; 60*	15	10% + 22.38%



# intra-African imports (%)

	Maize	Articles of iron or steel	Beer	Trousers	Palm oil
EAC CET	50	0; 10; 25*	25	25	10
ECOWAS CET	5	5; 10; 20*	20	20	10; 35*
SACU CET	0	20; 5; 10; 15; 20; 30*	5	40; 45*	10
Algeria	5	5; 15; 30*	30	30	5; 30*
Angola	30	2; 10; 20; 30*	50	10	10
Cabo Verde	0; 20*	0; 10; 20*	50	40	5
Cameroon	30	10; 20; 30*	30	30	30
CAR	5	5; 10; 20; 30*	30	30	15
Chad	30	5; 10; 20; 30*	30	30	30
Congo	10	10; 20; 30*	20	20	10; 20*
DRC	10	5; 10; 20*	20	20	20
Djibouti	1	13; 26*	26	13	0; 13*
Egypt	0	0; 5; 10; 30; 60*	1200	40	0
Ethiopia	5	5; 20; 35*	35	35	20
Gabon	30	5; 10; 20; 30*	30	30	30
Madagascar	10	0; 5; 10; 20*	20	20	10
Malawi	0	0; 10; 25*	25	25	25
Mauritania	5	5; 13; 20*	20	20	13
Mauritius	0	0; 15*	15	0	0
Morocco	2.5	2.5; 10; 17.5; 25*	49	25	25
Mozambique	7.5	2.5; 7.5; 20*	20	20	20
Tunisia	15	0; 20*	36	20	36
Zambia	15	0; 5; 15; 25*	25	25	5
Zimbabwe	0	5; 10; 15; 20; 25; 40; 60; 65*	25	40% + US\$3/kg	15

\*The import tariff varies depending on which specific product at national tariff line level is imported.

Sources: ITC MacMap 2019

# Trade facilitation

Improving trade facilitation is essential to improving trade outcomes. Transport costs, delays, port efficiency and customs and border procedures can in some cases have a bigger impact on the trade of goods than any tariffs.



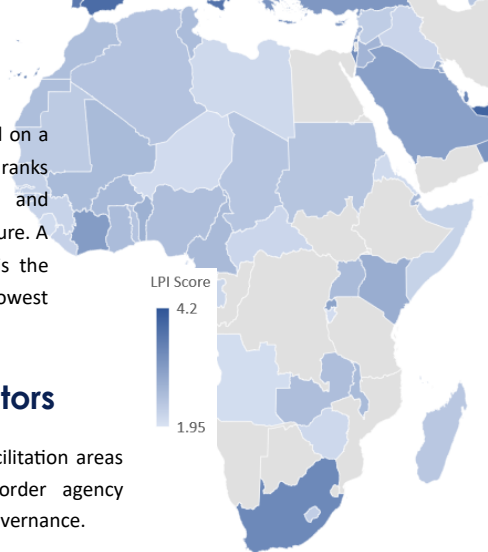
## Trading across borders

The World Bank **Doing Business Index** includes a 'Trading Across Borders Score'. The average score of African Union members is 55.54 out of a possible 100. The score is based on 8 indicators of costs of imports and exports and time taken to cross borders.

Top 5	Score	Bottom 5	Score
Eswatini	92.92	DRC	3.45
Lesotho	91.86	Cameroon	15.99
Botswana	86.65	Sudan	18.96
Morocco	83.58	Congo	19.68
Mauritius	81	Tanzania	20.21

## Logistics performance index

The World Bank **Logistics Performance Index (LPI)** is based on a questionnaire sent to professionals in the logistics sector. It ranks countries on customs, international shipments, quality and competence, tracking and tracing, timeliness and infrastructure. A higher score indicates higher performance. South Africa is the best performing African country, with Angola at 2.05 the lowest scoring African country.



## OECD trade facilitation indicators

The OECD trade facilitation indicators assess a range of facilitation areas including information availability, fees and charges, border agency cooperation, governance and impartiality, documents and governance.

### Selected country scores (out of 2)

South Africa	1.5
Morocco	1.41
Kenya	1.21
Senegal	1.17
Tunisia	1.17
Botswana	1.12
Madagascar	0.89
Nigeria	0.82
Burundi	0.43

“The Sub-Saharan Africa region is the weakest performer across the board, due mainly to lower performance in the areas of information availability, advance ruling mechanisms and automation, as well as governance and impartiality”

- OECD 2018 *‘Trade facilitation around the world: The state of play’*

**Firms identifying customs and trade regulation as a major constraint**

**All 17%**

**SSA 26%**

**MENA 21%**

# About tralac

(Trade Law Centre) **tralac** is a public benefit organisation based in 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.



## Inform

- Publications
- Daily news service
- Trade data & infographics



## Capacitate

- Training activities
- Internship program
- Strategic partnerships & consulting



## Empower

- Policy dialogue and forums
- Policy dialogue contributions



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