

Update on the AfCFTA Webinar for Egypt

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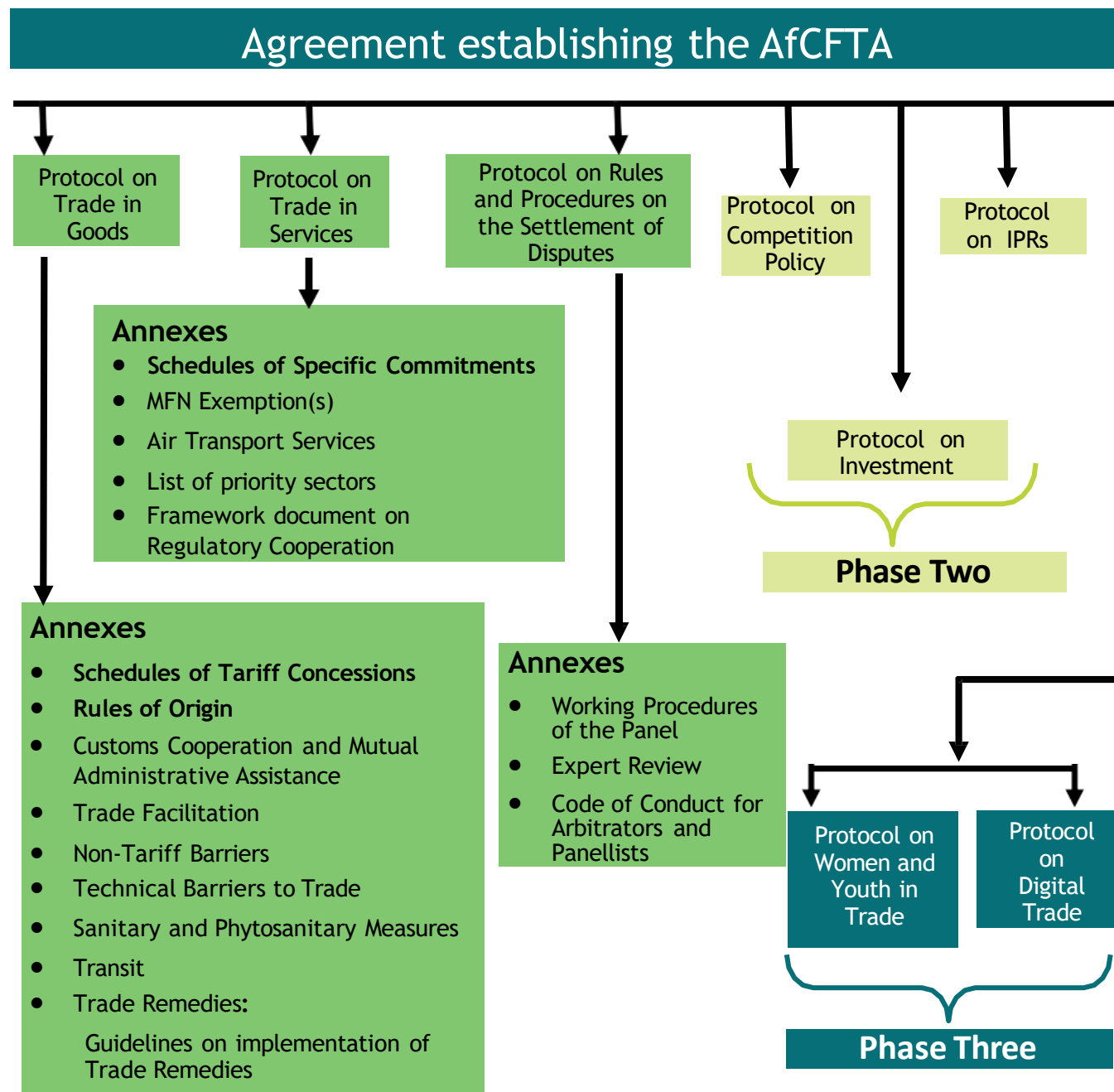
Overview

- What is the AfCFTA?
- Negotiations update
- Institutions of the AfCFTA
- AfCFTA and Regional Economic Communities (RECs)
- Industrialisation and the AfCFTA
- Conclusions and Questions

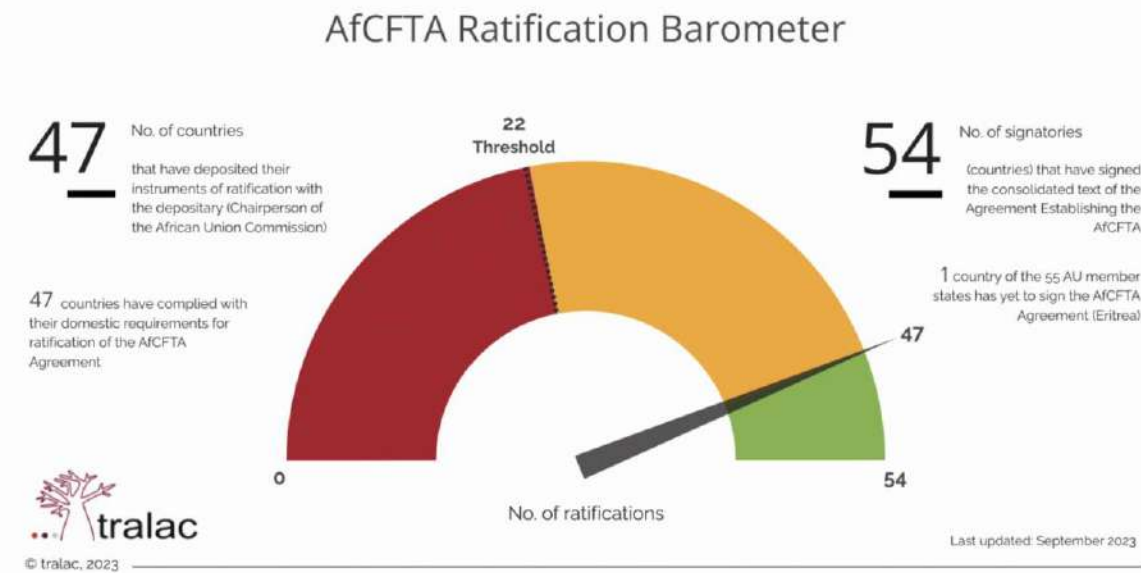
What is the AfCFTA & where does it stand?

- Negotiations launched in June 2015: Aim to conclude a comprehensive trade treaty
- For a Free Trade Area (FTA) – not a Customs Union
- Preferential trade in Goods & Services across continent
- Acquis & Regional Economic Community FTAs preserved
- Member-driven
- Does not establish an International Organization
- Founding Agreement entered into force on 30 May 2019 but no trade yet under AfCFTA preferences
- Negotiations for essential FTA aspects started after entry into force

AfCFTA Legal Compact



Ratification of the AFCFTA (January 2024)



Non-State Parties: Benin, Eritrea, Liberia, Libya, Madagascar, Somalia, South Sudan, and Sudan.

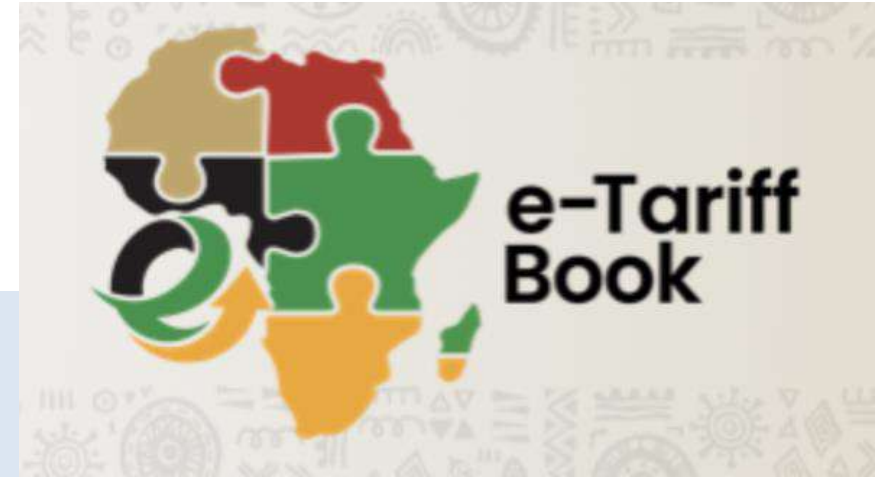
Negotiations Update

- Trade in Goods (tariff negotiations – next slide); rules of origin); Guidelines for the implementation of Annex 9 (Trade Remedies and Safeguards)
- Trade in Services: offers for 5 priority sectors (financial, communication, transport, tourism, business services); Regulatory Frameworks (Finance and Communication...)
- Protocol on Investment: Articles 19 and 21 were referred back to the Council of Ministers at the 2023 AU Summit; Annex on Dispute Settlement
- Protocol on Intellectual Property Rights (Annexes on specific IPR to be negotiated)
- Protocol on Competition Policy
- Protocol on Digital Trade
- Protocol on Women and Youth in Trade

Adopted by the
Assembly of the
African Union
(February 2024)



Provisional Schedules of Tariff Concessions (e-Tariff Book)



<https://etariff.au-afcfta.org/mapsearch>

List of verified Provisional Schedules of Tariff Concessions (submitted for verification to the AfCFTA Secretariat and then adopted by the Council of Ministers)

Algeria, Benin, Botswana, Burundi, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Cote d'Ivoire, Democratic Republic of Congo, Egypt, Eswatini, Ethiopia, Equatorial Guinea, Guinea-Bissau, Gabon, Gambia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mauritania, Morocco, Namibia, Nigeria, Niger, Republic of Congo, Rwanda, Saharawi Republic, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Togo, Tunisia, Uganda, United Republic of Tanzania and Zambia.

Tariff negotiation modalities

Category	Tariff line coverage (%)	Liberalisation time frame	
		LDC	Non-LDC
General: A	90	10 yrs	5 yrs
Sensitive: B	7	13 yrs	10 yrs
Excluded: C	3	-	-

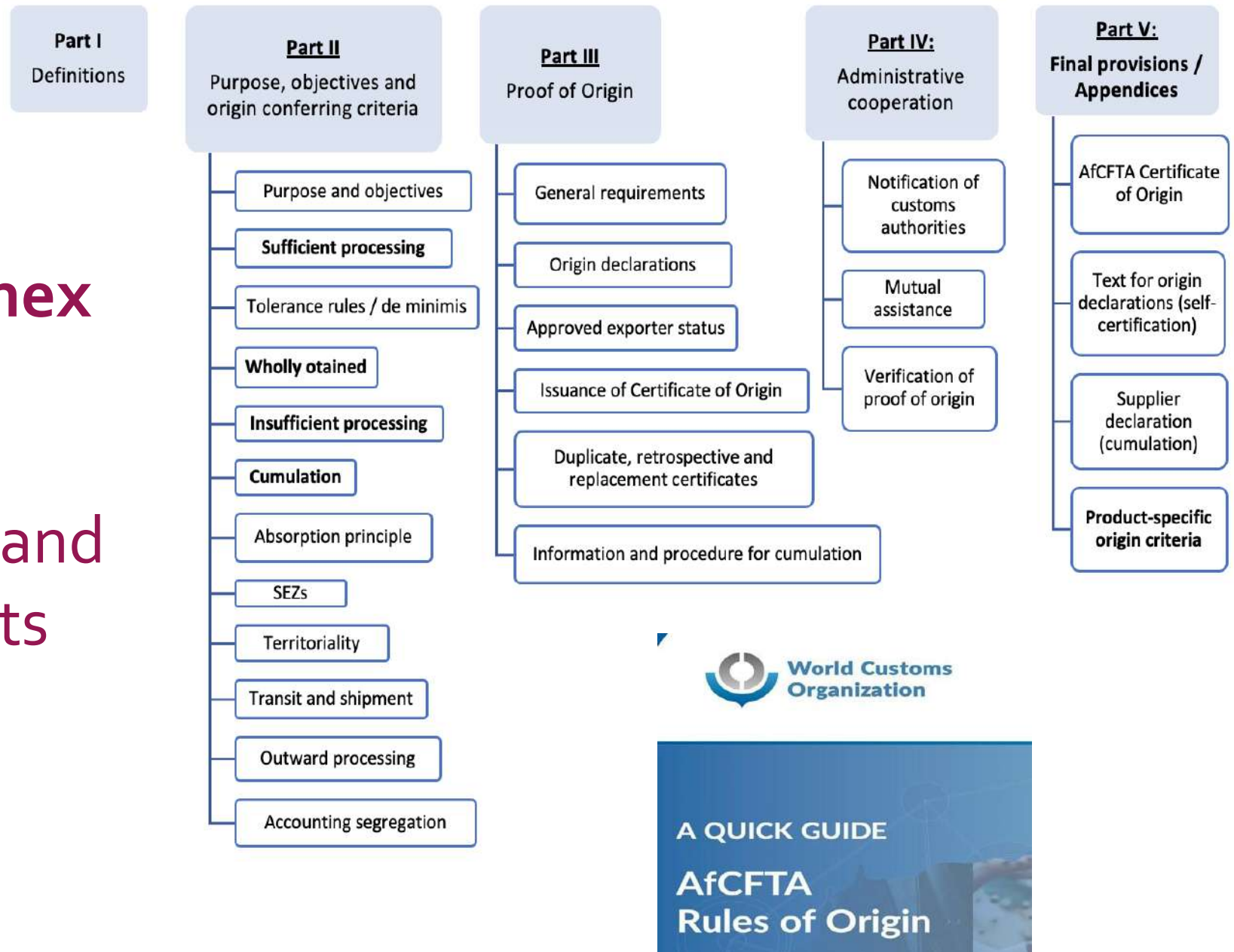
Note:

All customs unions include at least one LDC

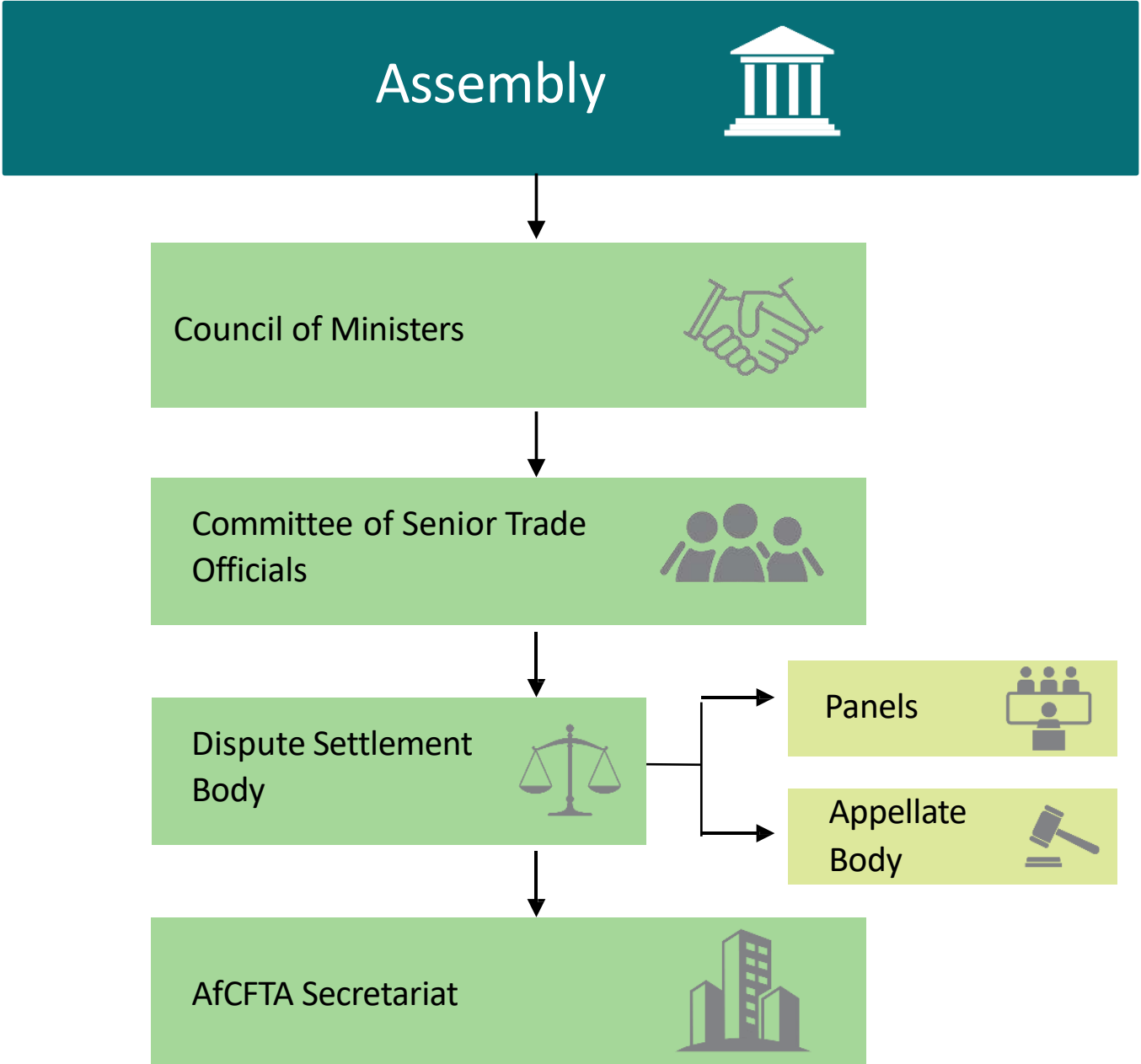
Negotiations for Categories B and C still to take place (for some State Parties)

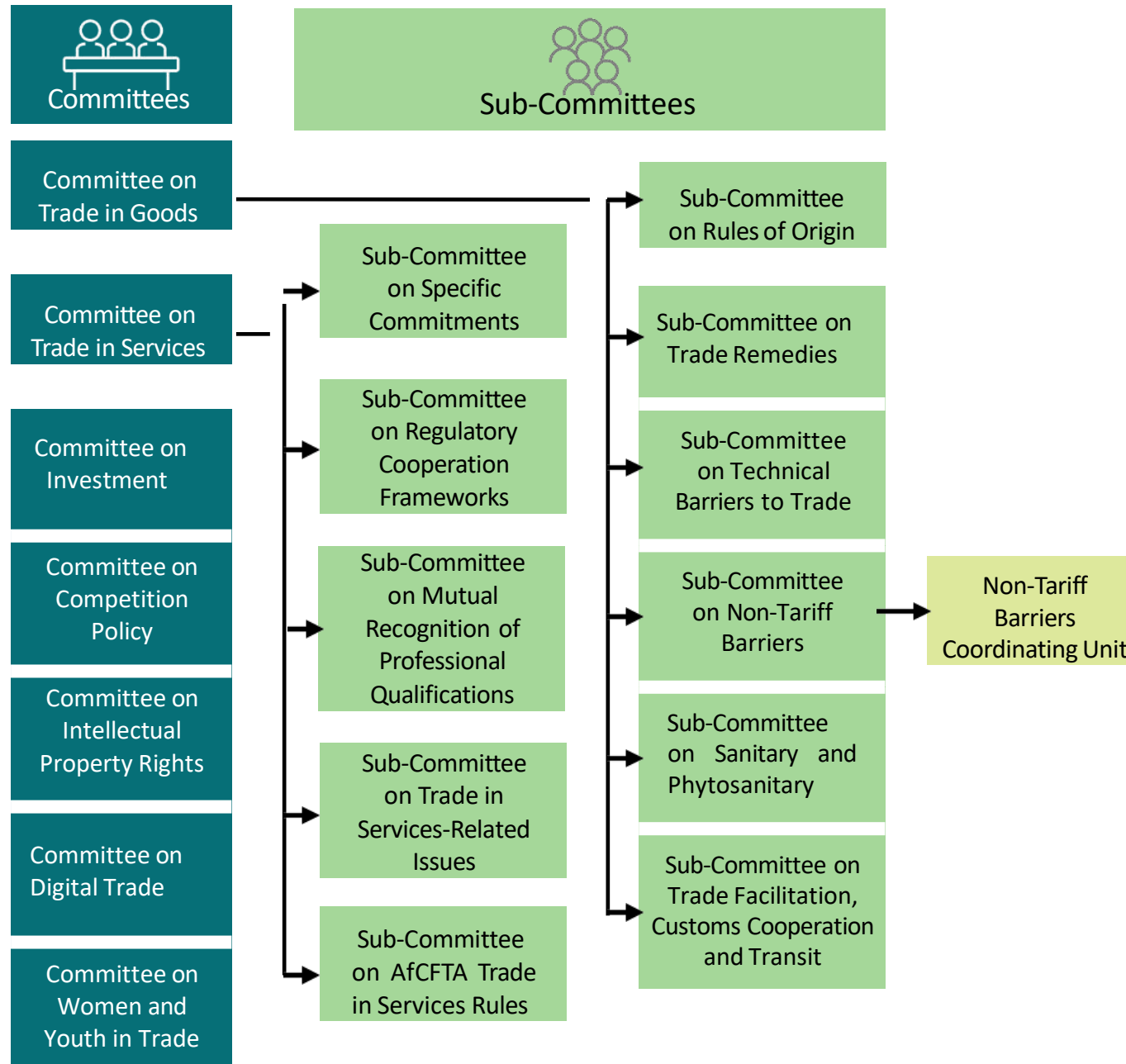
Structure of the Rules of Origin Annex

Rules of origin for clothing & textiles, and automotive products are still being negotiated



Institutions of the AfCFTA

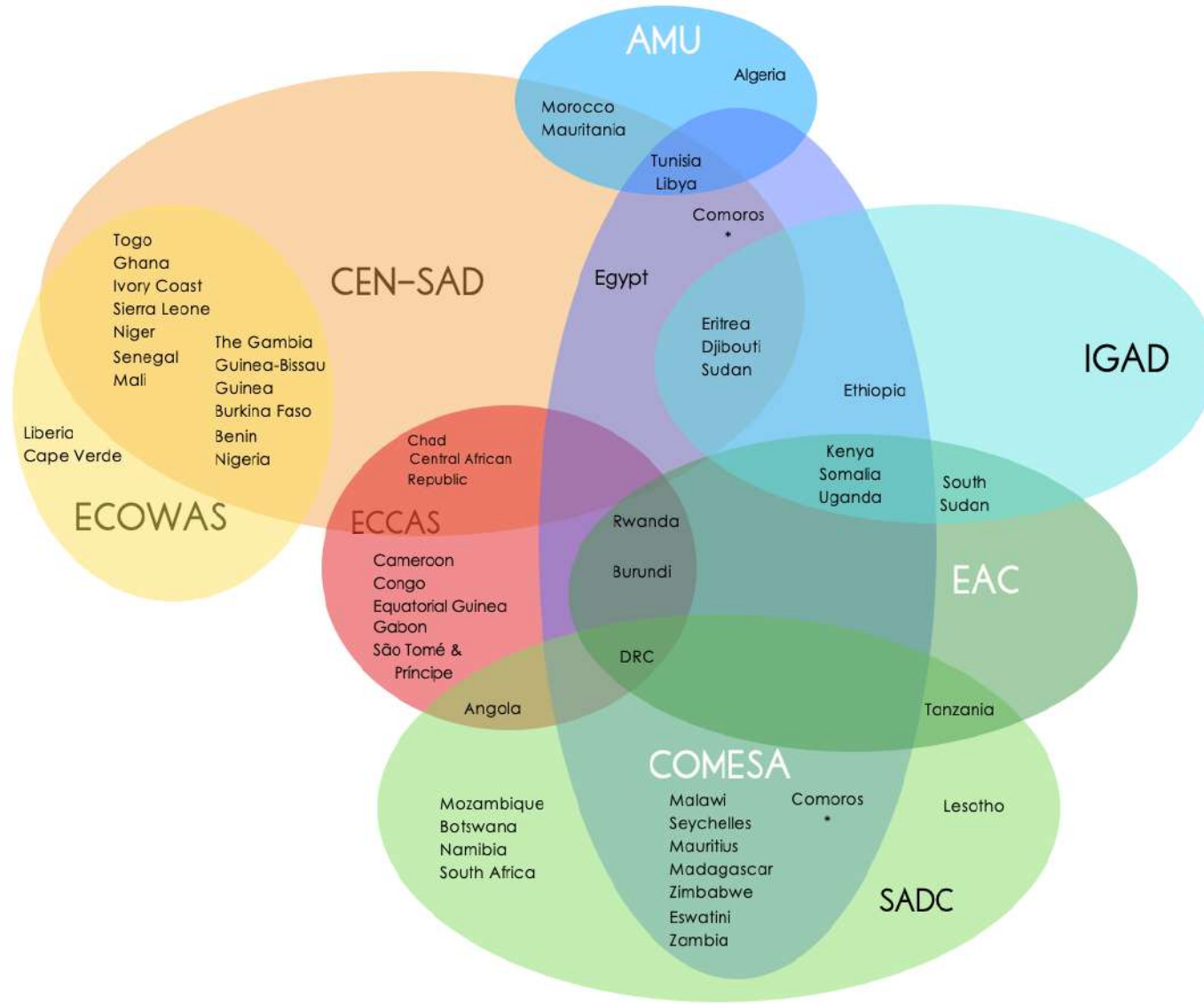




Regional Economic Communities and the AfCFTA

Focus on Egypt

Africa's Regional Economic Communities (RECs)



EAC is expanding (DRC acceded to EAC in April 2022, and Somalia in December 2023)

Recall: Art 19 (2) AfCFTA Protocol and Art 8 (2) Protocol on Trade in Goods

AfCFTA and REC trading arrangements

**REC Free Trade Areas are
building blocks of the AfCFTA**

**Article 5: Principles
(Agreement establishing the
AfCFTA)**

Article 19 (2) Agreement establishing the AfCFTA:

....State Parties that are members of other RECs, which have attained among themselves higher levels of elimination of customs duties and trade barriers than those provided for in this Protocol, shall maintain, and where possible improve upon, those higher levels of trade liberalisation among themselves.

Art 8 (2) AfCFTA Protocol on Trade in Goods:

Nothing in this Protocol shall prevent a State Party from concluding or maintaining preferential trade arrangements with Third Parties, provided that such trade arrangements do not impede or frustrate the objectives of this Protocol, and that any advantage, concession or privilege granted to a Third Party under such arrangements is extended to other State Parties on a reciprocal basis.

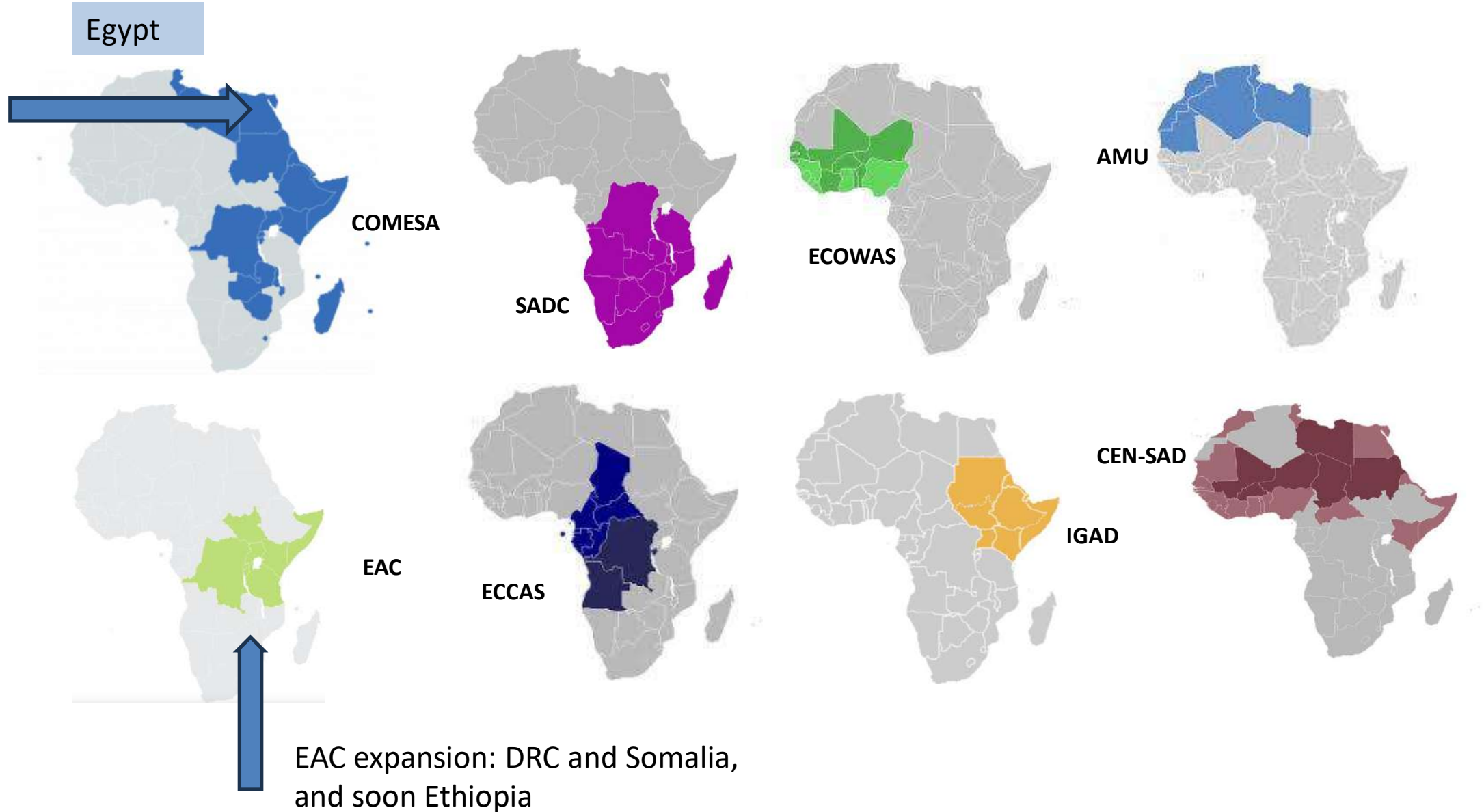


AfCFTA Principle:
Preservation of the
acquis



AfCFTA is a Free
Trade Area (State Parties
retain policy space to
negotiate FTAs with third
parties)

The REC FTAs are *building blocks* of the AfCFTA



Common Market for Eastern and Southern Africa (COMESA)



FTA members: Burundi, Comoros, Djibouti, Egypt, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Tunisia, Uganda, Zambia, Zimbabwe

Non-FTA members: DRC, Eritrea,, Ethiopia, Somalia

Egypt's membership of COMESA, CEN-SAD and the GAFTA

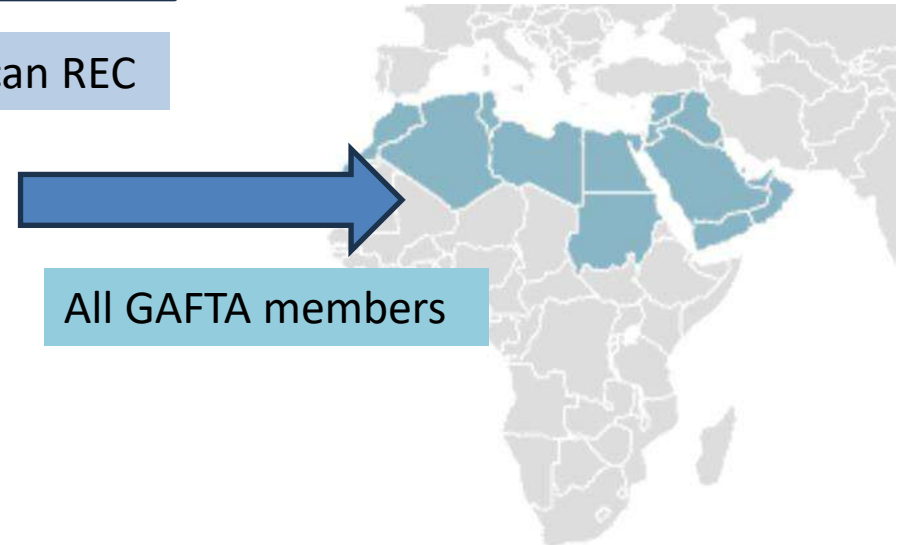
Greater Arab Free Trade Area (GAFTA)



Algeria, Egypt, Tunisia, Libya, Morocco and Sudan (as well as a number of other states outside of Africa)

Not an African REC

Community of SAHEL-Saharan States (CEN-SAD) – no FTA



All GAFTA members

Egypt's trade agreements

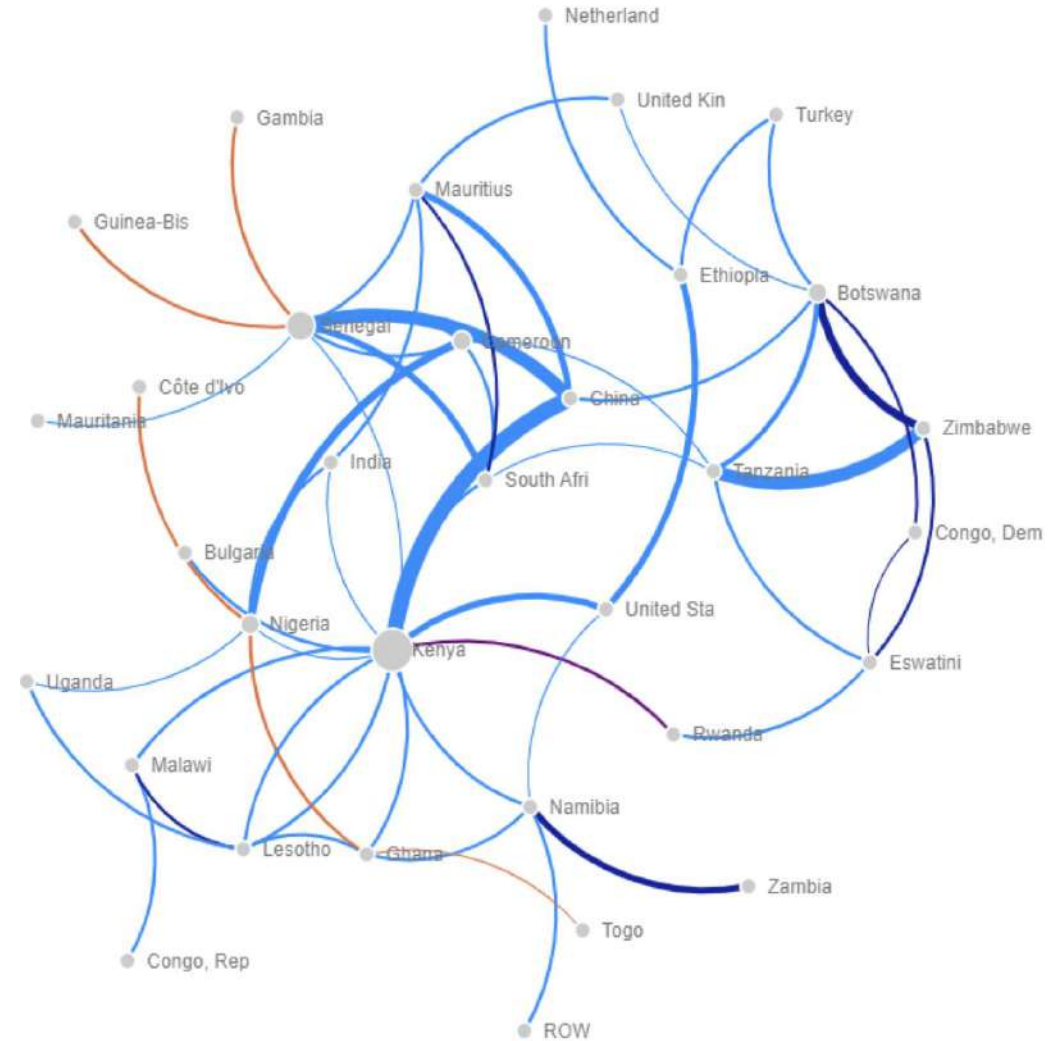
- The ***African Continental Free Trade Area*** (AfCFTA)
- The General Agreement on Tariffs and Trade (GATT)
- The General Agreement on Trade in Services (GATS)
- European Union-Egypt Free Trade Agreement (Association Agreement)
- Free Trade Agreement with EFTA States
- Turkey-Egypt Free Trade Agreement
- Greater Arab Free Trade Area Agreement
- Agadir Free Trade Agreement among Egypt, Morocco, Tunisia and Jordan
- Egyptian-European Mediterranean Partnership Agreement
- The Common Market for Eastern and Southern Africa (COMESA)
- Pan Arab Free Trade Area (PAFTA)

AfCFTA: Framework for Africa's industrialization

Priority sectors

- Automotive
- Pharmaceutical
- Transport and logistics
- Agri-business

.....



Clothing, textile and leather value chain – tralac research

Why value chains for Africa's industrialisation and what role for the AfCFTA?

African countries have so far specialized as resource exporters, with some mostly internally-focused (import replacing) industrialization.

However Africa has been experiencing premature deindustrialization since the 90s.

One of the objectives of the African Continental Free Trade Area (AfCFTA) is **to promote industrial development in Africa. How can this be achieved?**

For the AfCFTA to be a facilitator of trade-driven industrialisation, it has to meaningfully impact tariff and non-tariff barriers and therefore improve intra-African market access. However, logistics and border challenges must also be solved (practical issues). This emphasises the link between trade facilitation and value chain development.

Value chains as trade-driven industrialisation

Value-chain driven industrialisation is a special case of trade-driven industrialisation where the production chain is fragmented across several countries, permitting specialisation and the development of country and regional competencies and competitiveness in specific industrial sectors.

The proposed mechanism for African value chain industrialisation is more of a 'horizontal' value chain structure: most African countries are value originators, ie they are the beginning of the value chain.

The idea is to create value chains based on existing strengths, eg chocolate value chain relies on Cote d'Ivoire as source of cocoa and dairy-producing nations as the next stage in the value chain. Countries with tertiary food processing capability will package and ship the finished product

Egypt's value chain participation: Clothing, textiles and leather, oil and gas, automotive, renewable energy

Special Economic Zones and Industrialisation

Decision of the 8th Meeting of the Council of Ministers to draft a regulation on SEZs and submit for consideration by the Member States. Experience sharing from various SEZs.

Ministerial Regulation 1/ 2023 (Adopted by the Council of Ministers in February 2023, Gaborone)

Treatment of Products from the Special Economic Arrangements or Zones of State parties to the Agreement Establishing the Africa Continental Free Trade Area

Definition of SEZ (Annex 2 on Rules of Origin under the Protocol on Trade in Goods):

“special regulatory provisions applicable in a geographical demarcation within a State Party’s Territory where the legal, regulatory and fiscal and Customs schemes, applicable to business, differ, generally in a more liberal way, from those in application in the rest of the State Party’s Territory.”

- Goods produced in an SEZ shall be treated as originating, provided they meet the Rules of Origin (Annex 2, Protocol on Trade in Goods) and importing State Parties shall apply preferential duties (as per Annex 1, Protocol on Trade in Goods)
- Products produced in SEZs shall be subject to the provisions under the Annex on Trade Remedies, Competition Policy and Infant Industry Protection
- Enterprises that wish to benefit from SEZs shall register with the competent authority; and the AfCFTA Secretariat in collaboration with the competent authorities shall maintain a registry of SEZs in State Parties
- The Committee on Trade in Goods shall submit an annual report on SEZs to the Council of Ministers
- **Review after 5 years**

Conclusions and Questions