

# The AfCFTA Guided Trade Initiative

## Focus on Egypt



### Presenters

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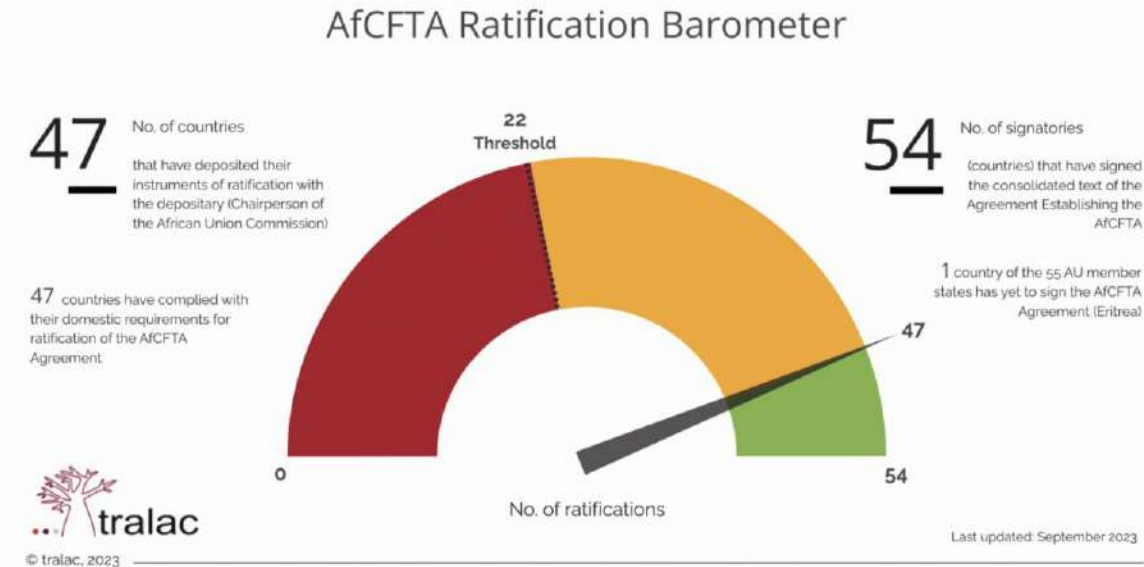
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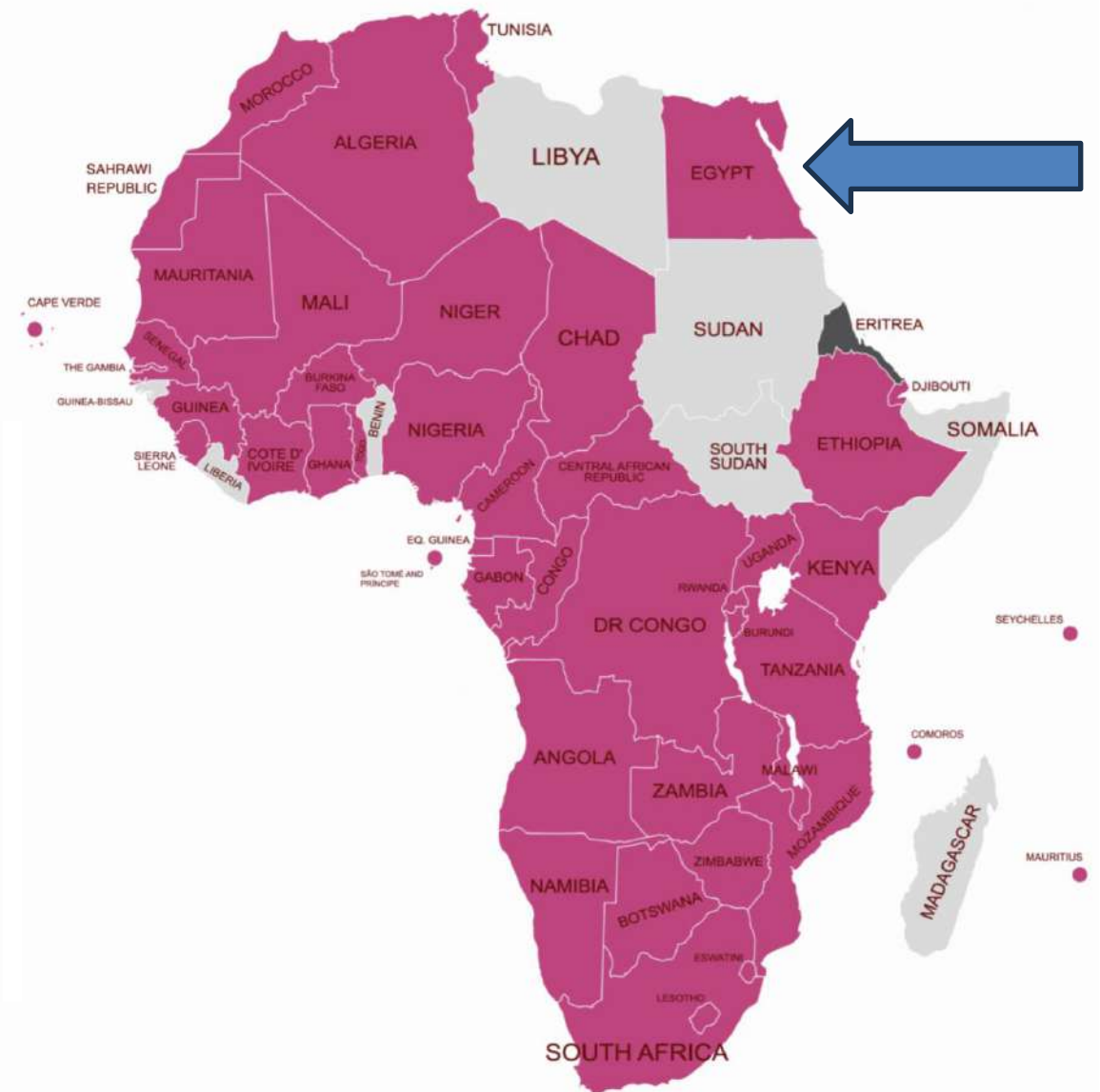
# Overview

- Introduction: brief overview of the AfCFTA
- Guided Trade Initiative (GTI)
- Why is the GTI important?
- What do State Parties need to do to participate in the GTI?
- The legal basis for the GTI
- What do firms need to know about the GTI? Case study of South Africa

# Ratification of the AFCFTA (April 2024)



AfCFTA entered into force on 30 May 2019 – but trade could not begin (because negotiations - on tariffs and rules of origin - were not complete)

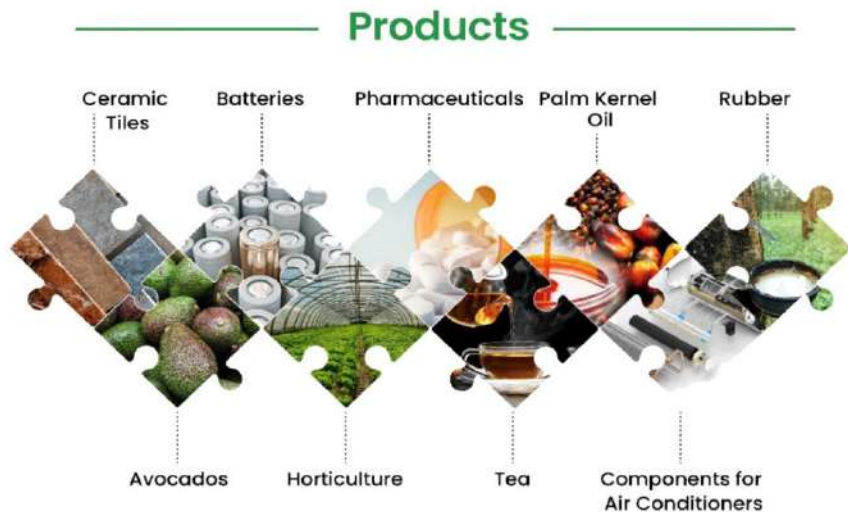


**Non-State Parties:** Benin, Eritrea, Liberia, Libya, Madagascar, Somalia, South Sudan, and Sudan.

# Why the Guided Trade Initiative?

- **Minimum requirements for a free trade area:** tariff concessions and preferential rules of origin (RoO)
- AfCFTA negotiations on tariffs and RoO are not yet finalized (RoO for clothing/textiles and automotive products are not agreed yet; and some State parties have not submitted schedules of tariff concessions – these have to be verified by the AfCFTA Secretariat)
- Ministerial Directive 1/2021 (Council of Ministers) for the start of trade with Provisional Schedules of Tariff Concessions
- Proposal by S-G Mene (at the 9<sup>th</sup> Council of Ministers Meeting: July 2022): “solution-based” initiative: AfCFTA Facilitated and Guided Trade Initiative

# Guided Trade Initiative: phase 1 launched 7 Oct 2022



**What is the legal basis for the GTI?**



## KEY ANNOUNCEMENTS



# Aims of the Guided Trade Initiative

## The AfCFTA Initiative on Guided Trade

The idea behind the initiative is to gather countries among the 29 who have submitted their tariff schedules, who have expressed their interest in trading, to initiate trading with the guidance of the Secretariat. The key benefits will be to:

-  Test the environmental, legal and trade policy basis for trade under the AfCFTA;
-  Demonstrate that the AfCFTA is functioning
-  Send an important political message to countries that are yet to submit their provisional schedules of tariff concessions in accordance with the agreed modalities
-  Give hope to the continent that trading under the AfCFTA is achievable.



AfCFTA Secretariat



# Requirements for GTI Participation

- 1.State Party to the AfCFTA Agreement
- 2.Have a Schedule of Tariff Concessions technically verified and approved by the CoMs
- 3.as part of the Ministerial Directive on the application of PSTCs
- 4.Gazetting of STCS/ PSTCS according to National laws
- 5.Establishment of Ad hoc or Standing AfCFTA coordination committee
6. Notification of Designated Customs Authorities, submission of specimen stamps and authorised signatures
7. Nomination of designated competent authorities (DCA) to certify originating products
8. Mobilise and connect businesses with other members of the GTI
9. Notification of the required NTMs required for export and import

# Legal Basis of the GTI

# Legal Basis of GTI: Ministerial Directive 1/2021

## Progressive Elimination of Duties

1. The Council of Ministers (CoM) reiterates that Art 7 of the Protocol on Trade in Goods requires that State Parties shall progressively eliminate import duties and other charges having equivalent effect on goods originating from the territory of any other State Party in accordance with their Schedules of Tariff Concessions contained in Annex 1 to that Protocol.
2. The CoM reiterates that, as stated in Art 8 of the Protocol on Trade in Goods, each State Party shall apply preferential tariffs to imports from other State Parties in accordance with its Schedule of Tariff Concession ...in conformity with the Modalities for Tariff Negotiations.
3. The CoM recalls the Decision of the Assembly of the AU at that State Parties must specify a schedule of tariff cuts that meets the annual tariff reduction schedule in order to achieve a zero-rate of duty on 90% of tariff lines within the time frames set out in the Modalities ....
4. The CoM further affirms that ....the exchange of tariff concessions between State Parties shall be conditioned by the principle of reciprocity in terms of product line coverage and tariff reduction schedules that are aligned with the agreed Modalities.
5. The CoM notes that the DRC, Egypt, Madagascar, Malawi, Mauritius, Seychelles, Zambia, and the CEMAC and ECOWAS Member States + Mauritania have submitted Provisional Schedules of Tariff Concessions ....

# Ministerial Directive 1/2021

6. Subsequent submissions by State Parties... shall be provisionally implemented once approved by the CoM, pending adoption by the Assembly of the AU.....

7. The CoM also notes the tariff liberalisation schedules made by the 41 State Parties and Member States that have been submitted to the Commission of the AU and directs all State Parties and Member States to conclude their tariff offers .....

## Application of Provisional Schedules of Tariff Concessions

8. Provisional Schedules of Tariff Concessions shall reflect the 2017 Edition of the Harmonised System, which entered into force on 1 January 2017.

9. The CoM reiterates that the Modalities on Tariff Negotiations are an integral part of the Agreement. Accordingly, the Provisional Schedules of Tariff Concessions shall cover, at a minimum, 90% of products as set out in the Modalities for Tariff Negotiations and shall take into account the relevant Decisions of the 13th Extra-Ordinary Summit.

10. In accordance with the Modalities ....the base tariff rates set out in each State Party's Provisional Schedule of Tariff Concessions shall reflect the Most-Favoured-Nation (MFN) applied rates of customs duties of each State Party in effect on the date of the entry into force of the Agreement Establishing the AfCFTA, that is, 30 May 2019.

# Ministerial Directive 1/2021

11. The reduction or elimination of customs duties ....shall be deemed to have commenced on 1 January 2021.
12. Provisional Schedules of Tariff Concessions shall apply for all State Parties until final Schedules of Tariff Concessions are appended to Annex 1 ('Schedule of Tariff Concessions') of the Protocol on Trade in Goods.
13. State Parties shall promptly gazette Provisional Schedules of Tariff Concessions, in accordance with their internal procedures, including, where possible, through the Internet, and shall notify the AfCFTA Secretariat in writing of the date and place of publication.
14. State Parties shall negotiate and submit **final** Schedules of Tariff Concessions in accordance with the approved Modalities ...and the relevant Decisions of the 13th Extraordinary Summit by no later than 31 October 2021.

## Exceptions

15. State Parties shall not be required to refund any customs duties collected on imports from other State Parties between 1 January 2021 and the first day of implementation of their Provisional Schedules of Tariff Concessions.

# Ministerial Directive 1/2021

**16.** State Parties shall not be required to implement preferential tariff concessions: i. with respect to products imported from another State Party before the date of implementation of their own Provisional Schedule of Tariff Concessions; and ii. with respect to products imported from State Parties that have not yet start the implementation of their Provisional Schedules of Tariff Concessions.

**17.** State Parties shall not be required to implement preferential tariff concessions with respect to products in the Provisional Schedules of Tariff Concessions for which there are no agreed AfCFTA Rules of Origin. State Parties may apply Rules of Origin of Most-Favored-Nation (MFN) applied on these products or developed under a Regional Economic Community for intra-REC trade until agreement has been reached on AfCFTA Rules of Origin in accordance with Art 42(3) of Annex 2 of the Protocol on Trade in Goods.

# Ministerial Directive 1/2021

## Notification and monitoring of Implementing Measures

18. State Parties shall take such measures as are necessary to implement this Directive and shall notify the AfCFTA Secretariat of such measures.

19. The Committee of Senior Officials is responsible for monitoring the implementation of this Directive and reports on its application to the CoM.

## Review

20. The CoM shall review annually the disciplines of this Directive and shall monitor the implementation of this Directive as appropriate. Such review shall include regular updates of the Annex to this Directive.

## Non-derogation

21. Nothing in this Ministerial Directive shall be read as a waiver or a derogation from any right or obligation under the Agreement Establishing the AfCFTA.

# AfCFTA Operational Instruments

## AfCFTA Operational Instruments



The *AfCFTA e-tariffbook* is a digital platform containing the tariff schedules with applicable tariff rates for all AfCFTA State Parties based on the WCO 6-digit Harmonized System (HS). Goods are classified in three Categories: i) Category A – non sensitive products, ii) Category B – sensitive products, and iii) Category C – products that are excluded from liberalization. <http://etariff.au-afcfta.org/>



**RULES OF ORIGIN**  
MANUAL

The *AfCFTA Rules of Origin Manual* provides detailed information on how to determine the national origin of goods so that they can be traded between State Parties under the AfCFTA preferential tariff rates.

<https://au-afcfta.org/rules-of-origin/>



The *AfCFTA Online Mechanism for Reporting, Monitoring and Elimination of NTBs* is a portal for online reporting of identified non-tariff barriers (NTBs), including for reporting via SMS. Reported NTBs and the status of their resolution can be tracked. [www.tradebarriers.africa](http://www.tradebarriers.africa)



The *Pan-African Payment and Settlement System (PAPSS)*, developed by the African Export-Import Bank (Afreximbank) in collaboration with the African Union and AfCFTA Secretariat, is a cross-border payment and settlement infrastructure for transactions across Africa. PAPSS allows for payment and settlement using local currencies. <https://papss.com/>

