

UNPACKING OPPORTUNITIES UNDER AFCFTA

29 NOVEMBER 2022



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Content

- Africa Historical Trends
- AfCFTA Legal Architecture, Objectives and Progress to Date
- Status of Intra-Africa Trade and Opportunities under the AfCFTA
- Benefits for South African Exporters
- Approach and Strategy

Historical Background and Trends

- **Africa's trade with the rest of the world makes up more than 80% of total African trade** resulting in a negative trade balance over the **2013-2019** period with an average **U\$ 372 bn for exports and U\$ 495 bn in imports**;
- **The share of intra-Africa trade remains low:** on average **13% for intra-Africa imports and 20% for intra-Africa exports** over the **2013-2019** period;
- Strengthening intra-Africa trade is, thus, important for economic growth, development and integration in Africa;
- **South Africa** is the major player in intra-African trade with a share of **intra-African exports varying from 26% to 31%** over the period 2013-2019, followed by Nigeria (13,9% in 2019) and DRC (7% in 2019).
- **SA is also the leading player in intra-African imports (14%)**, followed by Namibia (7%) and Botswana (6%);
- **South Africa's exports into the Rest of Africa grew from about R 9 billion rand in 1994 to over R 386 billion by 2021.**



AfCFTA Objectives

The objectives of the AfCFTA are, amongst others to:

- **Create a single market for goods, services, facilitated by the movement of persons** in order to deepen economic integration
- **Create a liberalized market for goods and services** through successive rounds of negotiations;
- **Contribute to the movement of capital and natural resources and facilitate investments**
- **Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation**
- Enhance the **competitiveness of the economies** within the continent and the global market;
- **Promote industrial development through diversification and regional value chain development, agricultural development and food security;**
- **Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.**



AfCFTA Impact

A 2020 World Bank Report anticipates the following:

- The deal creates a **continent-wide market embracing 55 countries** with **1.3 billion people** and a combined **GDP of US\$3.4 trillion**.
- Its first phase, which took effect in January 2021, would **gradually eliminate tariffs on 90 percent of goods** and reduce barriers to trade in services.
- **Income** could rise by 7 percent, or **\$450 billion**, by **2035**.
- Reduce the number of **people living in extreme poverty** by **40 million**
- A significant boost in African trade, almost **29%** in the **volume of total exports**.
- **Intra-Africa exports would increase to 81%** while exports to non-African countries would rise by 19%
- **Manufacturing exports** would gain the most, 62% overall, with **intra-Africa trade increasing by 110%** and exports to the rest of the world rising by 46%.
- **Trade in agricultural products** would represent about **49% of intra-Africa trade** and 10% of trade with the rest of the world.



the dtic

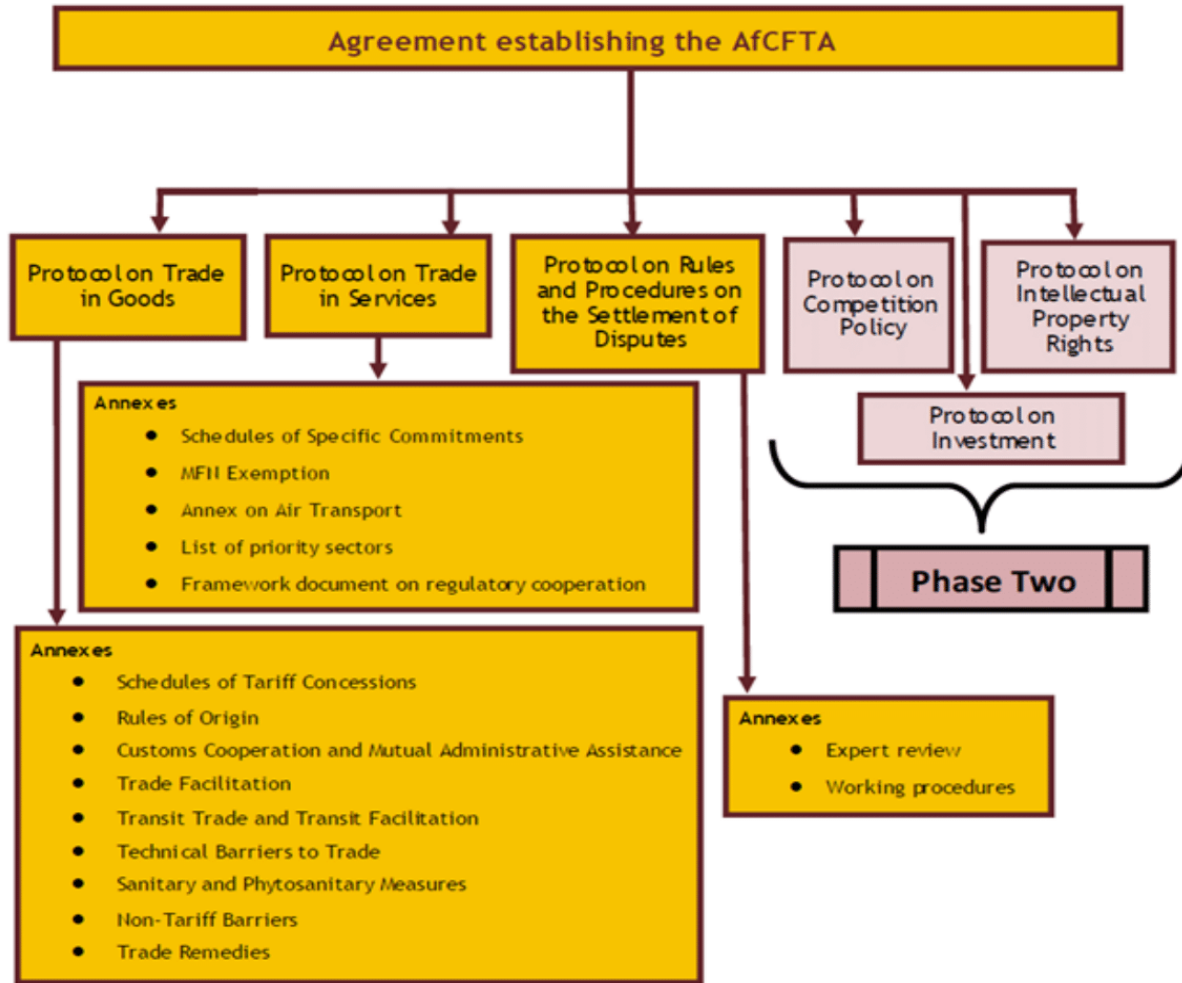
Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

AfCFTA Architecture



Phase 3 Negotiations

Protocol on E-Commerce

+

Protocol on Women, Youth and SMEs

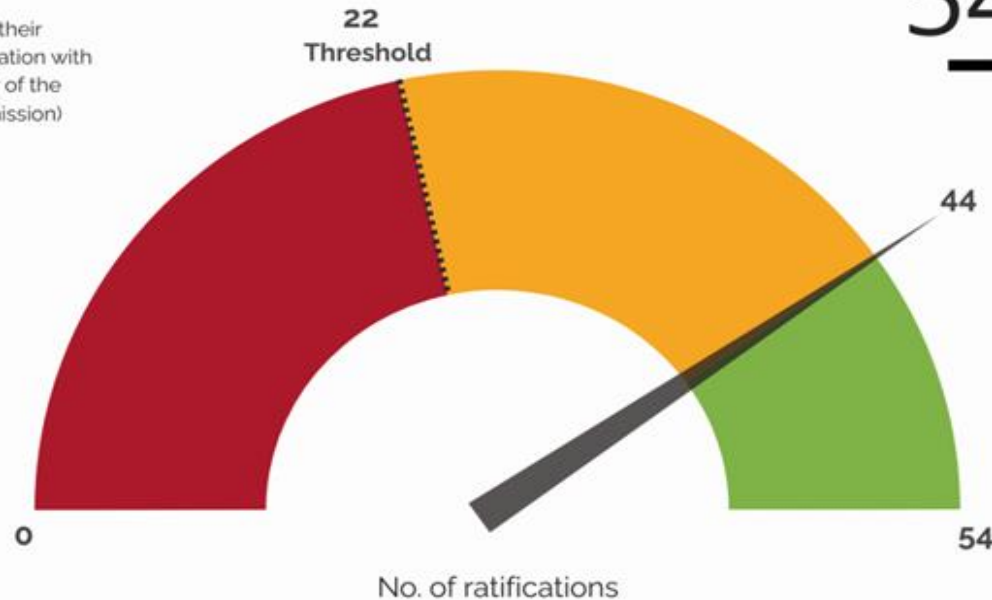
AfCFTA Ratification Barometer

44 No. of countries that have deposited their instruments of ratification with the depositary (Chair of the African Union Commission)

45 countries have complied with their domestic requirements for ratification of the AfCFTA Agreement

54 No. of signatories (countries) that have signed the consolidated text of the Agreement Establishing the AfCFTA

1 country (of the 55 AU member states) has yet to sign the AfCFTA Agreement - Eritrea



Last updated: 9 October 2022

Progress To Date



- Instrument of ratification deposited
- Ratification approved or confirmation pending
- AfCFTA Agreement signed
- AfCFTA Agreement not signed

Country	Date
Ghana	10/05/2018
Kenya	10/05/2018
Rwanda	26/05/2018
Niger	19/06/2018
Chad	02/07/2018
Eswatini	02/07/2018
Guinea	16/10/2018
Côte d'Ivoire	23/11/2018
Mali	01/02/2019
Namibia	01/02/2019
South Africa	10/02/2019
Congo, Rep.	10/02/2019
Djibouti	11/02/2019
Mauritania	11/02/2019
Uganda	09/02/2019
Senegal	02/04/2019
Togo	02/04/2019
Egypt	08/04/2019
Ethiopia	10/04/2019
Gambia	16/04/2019
Sahrawi Arab Democratic Rep.	30/04/2019
Sierra Leone	30/04/2019
Zimbabwe	24/05/2019
Burkina Faso	29/05/2019
São Tomé & Príncipe	27/06/2019
Equatorial Guinea	02/07/2019
Gabon	07/07/2019
Mauritius	07/10/2019
Somalia*	14/08/2020
Central African Rep.	22/09/2020
Angola	04/11/2020
Lesotho	27/11/2020
Tunisia	27/11/2020
Cameroon	01/12/2020
Nigeria	05/12/2020
Malawi	15/01/2021
Zambia	05/02/2021
Algeria	23/06/2021
Burundi	26/08/2021
Seychelles	15/09/2021
Tanzania	17/01/2022
Cape Verde	05/02/2022
Democratic Republic of the Congo	23/02/2022
Morocco	20/04/2022
Guinea-Bissau	27/09/2022

Progress To Date

- Official trading under the AfCFTA tariffs began January 1, 2021.
- At present, the AfCFTA treaty contains the legal framework for:
 - trade in goods
 - trade in services
 - its institutional setup, and
 - provisions for state-to-state dispute settlement
- Negotiations on trade in goods, including rules of origin, have been completed.
- Annexes include simplifying and harmonizing trade and transit procedures and establishing institutional structures and processes for monitoring the elimination of NTBs are being negotiated.
- Negotiations on the following are ongoing:
 - trade in services (*including logistics and transport, financial services, tourism, professional services, energy services, construction, and communications*)
 - additional protocols on investment,
 - competition policy
 - intellectual property rights, and
 - e-commerce



Impact for South Africa

According to the World Bank, the implementation of the AfCFTA could make SA exports into the continent more competitive and have significant spin over effects on South Africa's economy as follows:

- **Reduction of tariffs barriers** faced by South African companies will drop from **4,3% to 1,2% by 2035;**
- **Reduction of costs of non-tariff barriers** faced by South African companies will decrease from **34.6% to 19.9% by 2035;**
- **Removal of tariff barriers** would result in real income growth of 0.38%, **exports growth of 1.4%** and **import growth of 2%** by **2035;**
- **Combined removal of tariff and non-tariff barriers** would result in 1.76% in real income growth, **12.5% in exports growth** and **14.9% in import growth** by **2035;**
- **Combined removal of tariff and non-tariff barriers together with the implementation of trade facilitation measures** would result in 3.81% in real income growth, **17.6% exports growth** and **24.7% growth** in imports by 2035.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

Opportunities

An updated 2022 World Bank report argues that the AfCFTA would attract investment, boost trade, provide better jobs, reduce poverty, and increase shared prosperity in Africa.

- Africa could see **FDI increase** by **between 111% and 159%**
- Inflows of FDI would bring jobs and expertise, build local capacity, and forge connections that can help African companies join regional and global value chains.
- The AfCFTA can bring higher-paid, better-quality jobs, with women seeing the biggest wage gains.
- If AfCFTA's goals are fully realized, **50 million people** could escape extreme **poverty by 2035**, and real **income could rise by 9 percent**.
- Under deep integration, **Africa's exports to the rest of the world** would go up by **32 percent by 2035**, and **intra-African exports would grow by 109 percent**, led by manufactured goods.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

Summary of AfCFTA Sub-region Opportunities for SA

Summary of South Africa's recent exports and opportunities by sub-region in Africa

RANKING BY 2021 SA EXPORT VALUE (column [B])	SUB-REGION	[A] RECENT (2020) EXPORTS (ZAR billion)	[B] RECENT (2021) EXPORTS (ZAR billion)	[C] 'UNTAPPED' VALUE OF REALISTIC EXPORT OPPORTUNITIES (ZAR billion)	[D] UNTAPPED' VALUE AS % OF CURRENT EXPORTS [C/B]
01	Eastern Africa	78.42	88.83	3.25	3.7%
02	Southern Africa	70.06	81.83	0.94	1.1%
03	Western Africa	18.45	19.57	4.45	22.7%
04	Central Africa	5.93	5.39	0.63	11.7%
05	Northern Africa	0.81	0.61	6.55	1072.2%
Total		173.67	196.24	15.82	8.1%

Recent export values from South Africa to these regions and markets are provided for context relative to the additional 'untapped' potential that could be pursued by South African exporters.

Source: Calculated from SARS, Department of Customs and Excise trade statistics and Trade Research Advisory (TRADE-DSM®, 2021).

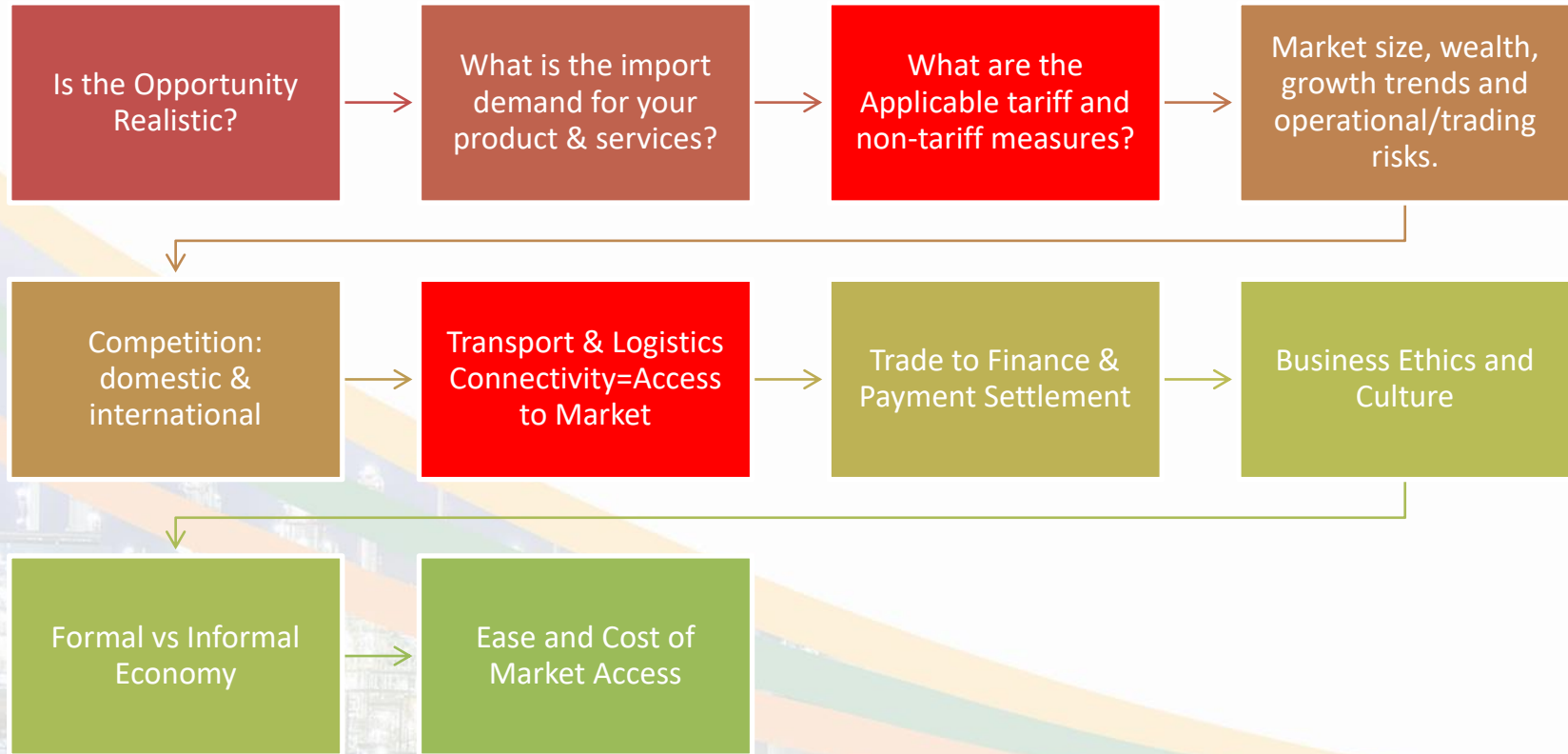
The top 20 individual AfCFTA markets with greatest realistic export potential for South Africa

Summary of South Africa's recent exports and opportunities – Around 2800 HS6 product lines

RANKING BY 'UNTAPPED' POTENTIAL VALUE (column [C])	SUB-REGION	COUNTRY	[A] RECENT (2020) EXPORTS (ZAR million)	[B] RECENT (2021) EXPORTS (ZAR million)	[C] 'UNTAPPED' VALUE OF REALISTIC EXPORT OPPORTUNITIES (ZAR million)	[D] UNTAPPED' VALUE AS % OF CURRENT EXPORTS [C/B]
01	Northern Africa	Algeria	421	171	4,114	2406.6%
02	Northern Africa	Tunisia	86	79	1,707	2148.5%
03	Eastern Africa	Kenya	6,891	5,708	1,573	27.6%
04	Western Africa	Senegal	1,483	1,848	917	49.6%
05	Western Africa	Ghana	5,259	5,576	858	15.4%
06	Western Africa	Ivory Coast	1,704	1,571	839	53.4%
07	Southern Africa	Namibia	36,033	41,040	830	2.0%
08	Northern Africa	Mauritania	301	361	733	203.1%
09	Western Africa	Guinea	1,073	564	656	116.2%
10	Central Africa	Angola	4,832	4,107	459	11.2%
11	Western Africa	Burkina Faso	442	414	435	105.1%
12	Western Africa	Togo	488	339	434	128.2%
13	Eastern Africa	Mauritius	4,098	4,666	413	8.8%
14	Eastern Africa	Zambia	24,314	29,066	323	1.1%
15	Eastern Africa	Djibouti	650	918	302	32.9%
16	Western Africa	Gambia	58	66	236	357.8%
17	Eastern Africa	Zimbabwe	33,077	38,874	190	0.5%
18	Eastern Africa	Malawi	5,984	6,383	175	2.7%
19	Eastern Africa	Seychelles	716	810	133	16.4%
20	Central Africa	Gabon	503	421	117	27.8%
		Rest (10 markets)	45,252	53,259	381	0.7%
	Total		173.67	173,665	196,240	8.1%

Key Steps When Exporting

SA exporters are advised to consider the following factors when deciding to export:



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

Examples of Common Market Entry Strategies

Strategy	SA Exporters
Outward Investment Led Trade: Export on the back of SA investments	
Project led Supply linked to Mega Projects	
Agencies, Distributorships & Direct Exports to Buyer on Confirmed Orders	Majority of Exporters

1. Register
2. Documentation
3. Know the Market and Your Clients
4. Manage and Mitigate Risks
5. Build solid relationships and networks
6. Time and resource intensive

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

Approach and Strategy

- South Africa has identified a Development Oriented and Integration approach anchored on three pillars:
 - Trade
 - Industrialization
 - Infrastructure development
- This approach:
 - Is premised on the recognition that the major barrier to intra-regional trade is not the tariffs per se but constraints in the real economy that include under-developed production structures and inadequate infrastructure
 - Seeks to combine market integration (trade liberalisation & Market access) with infrastructural development and industrial policy cooperation to foster regional value chains



Willem van der Spuy
Chief Director: Trade and Investment South Africa (TISA)
Department of Trade, Industry and Competition
Email: WVanDerSpuy@thedtic.gov.za
Mobile: 066 024 6150

Thank You



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za