agriculture

Department:
Agriculture
REPUBLIC OF SOUTH AFRICA

TRIPARTITE FREE TRADE AREA (T-FTA) AND THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)

1. Tripartite Free Trade Area (T-FTA)

The Heads of State and Governments of the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC) met on 10 June 2015 in Sharm El Sheikh, Egypt, at the third Tripartite FTA Summit to officially launch the COMESA-EAC-SADC Tripartite Free Trade Area (T-FTA). The agreement initially covered 26 Member States across the three Regional Economic Communities (RECs), but with the expansion of the EAC to include South Sudan in April 2016, the total number of participating Member States has risen to 27.

The T-FTA Agreement has been signed by 22 member countries, namely, Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo (DRC) and Djibouti; Egypt, Kenya, State of Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda and Seychelles; Sudan, Tanzania, Uganda, South Africa, Eswatini, Zambia and Zimbabwe. The agreement requires 14 ratifications to enter into force, and this threshold was met in 2024. Ratification of the T-FTA Agreement by South Africa sent a strong signal of the country's commitment to deeper economic regional integration. The key outstanding area relates to the conclusion of bilateral tariff negotiations. In this regard, the SACU-EAC tariff negotiations are at an advanced stage. Once concluded, together with the required administrative arrangements, preferential trade between the two Regional Economic Communities will commence.

Potential benefits and opportunities:

The T-FTA is based on a development integration approach that combines market integration, industrial and infrastructure development. The T-FTA Agreement will, among others, facilitate the harmonisation of trade regimes of Member States, allowing for the free movement of business persons and eliminating all trade barriers. Potential benefits of the T-FTA Agreement to SA include access to a large regional preferential goods market and a transparent trading regime. The T-FTA also has the potential to stimulate industrial development, investment and job creation in the region.

2. The African Continental Free Trade Area (AfCFTA)

The 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union, held in Addis Ababa, Ethiopia, in January 2012, adopted a decision to establish an African Continental Free Trade Area. This Summit also endorsed the Action Plan on Boosting Intra-Africa Trade (BIAT), which identifies seven priority action clusters: trade policy, trade facilitation and productive capacity; trade-related infrastructure, trade finance, trade information and factor market integration.

African leaders held an Extraordinary Summit on the African Continental Free Trade Area (AfCFTA) from 17 to 21 March 2018 in Kigali, Rwanda, during which the agreement establishing the AfCFTA was signed. The majority of members, 54 out of the 55 AU Member States, signed the AfCFTA Agreement. It's only Eritrea that has not signed the AfCFTA.

To date, **forty-eight (48) countries** have deposited their instruments of AfCFTA ratification with the chairperson of the African Union Commission. About **49 State Parties** have submitted their tariff offers, while a total of **42 tariff offers** have been technically verified and adopted by the Council of Ministers. These offers are ready for the commencement of trade. About **34 State Parties** have joined the pilot implementation phase, known as the Guided Trade Initiative, and this number is expected to increase as more and more State Parties join the initiative.

As part of the GTI, South Africa launched trade with the first shipment destined for GHANA and KENYA in 2024. However, the implementation remains slow as many State Parties are still finalising outstanding issues (e.g., customs regulations, gazetting, and publishing of the offers). The AfCFTA Secretariat, working with the REC Secretariats and State Parties, is also busy with information-sharing workshops, aimed at enlightening potential traders about the AfCFTA Agreement and its market access opportunities.

The AU Heads of State and Government decided that preferential trade should commence with an effective date of 1 January 2021 (start of the tariff phase-down programme). SACU will liberalize category A (90% level of ambition) and category B (7% sensitive list) over 10 years and 13 years, respectively. Most countries have finalized their Category A Offers, and part of the outstanding work relates to finalizing categories B (sensitive products) and C (exclusion list) of the Offers. SACU has also concluded all the administrative and regulatory processes required for the commencement of trade. These include the gazetting and the publishing of the AfCFTA Offer.

Benefits and opportunities:

The AfCFTA will bring together all 55 Member States of the African Union covering a market of more than 1,2 billion people, including a rapidly growing middle class, with a combined Gross Domestic Product (GDP) of more than US$3,4 trillion. In terms of the number of participating countries, the AfCFTA will be the world's largest free trade area since the formation of the World Trade Organization. Estimates from the Economic Commission for Africa (UNECA) suggest that the AfCFTA has the potential to both boost intra-African trade by 52,3% by eliminating import duties and to double this trade if non-tariff barriers are also eliminated.

The AfCFTA will also create a single continental market for goods and services, with free movement of business persons and investments. This will pave the way for accelerating the establishment of the Customs Union. It will also expand intra-Africa trade through better harmonisation, coordination of trade liberalisation and facilitation of instruments across the RECs and Africa in general. The AfCFTA is also expected to enhance competitiveness at the industry and enterprise level through the exploitation of opportunities for scale production, continental market access and better reallocation of resources.

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