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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY

FOR WRITTEN REPLY

QUESTION 221

Mrs T P Msane (EFF) to ask the Minister of Trade and Industry

- (a) What steps has his department taken to prepare for the effective and maximum implementation of the African Continental Free Trade Agreement; and
- (b) how will this fit into the industrial policy of the Republic? NW298E

REPLY

The AfCFTA is a significant step towards the objective of African economic integration. The AfCFTA, as one of the flagship projects of the African Union's Agenda 2063, aims to build an integrated market in Africa of over 1 billion people, with a growing GDP.

The AfCFTA, the market integration component of a wider African development agenda, combines market integration with infrastructure development and, industrial development to promote intra-Africa trade and sustainable economic growth. Initially, implementation of the AfCFTA will increase opportunities for trade amongst African countries in both goods and services. In Phase 2 rules for Investment, Intellectual Property and Competition will be developed.

The AfCFTA is intended to cover 55 African countries. All African Union Member States, except Eritrea, have signed the Agreement. The Agreement entered into force on 30 May 2019 and 28 countries have now ratified the AfCFTA.

The 33rd Ordinary Session of the Assembly held in Addis Ababa, Ethiopia from 9-10 February 2020 endorsed an intensive and focused work programme to ensure that all substantive outstanding negotiating issues necessary for the commencement of preferential trading under the AfCFTA are concluded.

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The 33rd AU Assembly also endorsed an Extra-Ordinary Summit on the AfCFTA in May 2020 in South Africa to adopt the concluded rules of origin, tariff schedules and services schedules, for the commencement of trade under the AfCFTA preferences by 1 July 2020.

South Africa is engaged in ongoing consultations nationally and within SACU to ensure that we meet the obligations of a 90% tariff offer for the commencement of negotiations with trading partners on the continent and the finalisation of the Schedules of Tariff Concessions. In terms of Trade in Services, South Africa has submitted an initial services offer on the five priority sectors in preparation for the services negotiations under the AfCFTA, which will be subject to reciprocity.

We also need to anchor the Agreement in a wider context and work programme of structural transformation and industrial development to promote diversification, beneficiation and value-addition in order to realise the opportunities that will arise from a more open continental market.

Effective rules of origin are critical in any free trade agreement to define the extent of local processing and manufacturing of any product is needed to qualify for liberalised trade under the agreement. In this way, the rules of origin ensure that the parties to the agreement are the main beneficiaries of the agreement.

In addition to establishing effective rules of origin to encourage local content, it is also essential to have the necessary capacity in all customs services across the Continent, including in the South African Revenue Service, to monitor and enforce the rules of origin.

Such enforcement is necessary to ensure that non-parties do not take advantage of the more open trade regime on the continent. While SARS has demonstrated its capacity to perform these tasks, including in the SADC context, it is engaged in a process to upscale its enforcement capacity to meet the requirements of more open trade once the AfCFTA is fully operational.

South Africa has finalised sectoral masterplans on clothing and textiles and the poultry sectors to ensure that the country is able to utilise the opportunities presented through the AfCFTA. We are also developing more Master Plans, in traditional sectors like the steel industry, and the sugar industry which is a key livelihood for rural communities; furniture, as well as in new economy sectors

such as the digital economy, with its opportunities for young people; and the green economy, to industrialise through a greener growth path.

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