



NATIONAL ASSEMBLY

ORAL REPLY

PARLIAMENTARY QUESTION 353

DATE OF ORAL REPLY: 3 December 2019

Ms J Hermans (ANC) to ask the Minister of Trade and Industry:

- (a) What steps has his department taken to prepare the Republic for the opportunities that will flow from Parliament's ratification of the African Continental Free Trade Area Agreement (AfCFTA) that was ratified by the member states of the African Union (AU) and subsequently launched by the AU Summit held in Niger and
- (b) how can the AfCFTA be used to facilitate greater growth in high value-added exports?

Response

The single biggest initiative is the African Continental Free Trade Area (or AfCFTA as it is called) which will connect 1,2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase of the AfCFTA was launched in July this year, and will come into effect next year on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 direct South African jobs and it is the fastest-growing part of our manufactured exports.



In 2018, South African exports of manufactured goods to the rest of the Continent amounted to R280 billion. That constitute 85% of our total exports to other African countries.

In fact, for every five rand received by the manufacturing sector from its exports to the rest of the world, two rand comes from exports to the Rest of Africa.

In 2018, African countries imported R7.6 trillion of merchandise, more than the entire output of the South African economy. Yet only 15% of this is supplied by other African countries. This is far below levels of intra-regional trade we see in other parts of the world, like Europe where two-thirds of imported merchandise is supplied by other European countries, or Asia, where nearly 60% of imported merchandise comes from other Asia countries.

This provides an opportunity for manufacturers on this Continent to fill the space currently taken up by exporters to Africa by other parts of the world. A report by the IMF has estimated that effective implementation of the AfCFTA could increase demand for goods produced in Africa by as much as R240 billion by 2025, through increased intra-regional trade.

For the period of this Administration, steps towards implementation include:

- Finalising tariff offers, listing products covered to be by the AfCFTA; and the rules of origin which sets out what qualifies as a locally-manufactured product. The outstanding rules of origin include clothing and textiles, autos and sugar.
- Meetings with Trade Ministers of AfCFTA-ratifying countries to develop the work programme to consider outstanding modalities
- Discussions on the next phases of the AfCFTA, including on trade in services.
- Establishment of a national committee on the implementation of the AfCFTA. The national committee will comprise representatives from business, labour and government, to develop action plans so that South African manufacturers



can take appropriate advantage of the opportunities which this expanded market can bring.

- An implementation workshop with business and labour on the AfCFTA. This was a practical session focusing on the logistics of getting goods from South Africa to the rest of the Continent. In the coming months, the department will be working very closely with business so that we take a strategic approach to expanding our trade, and I would welcome all businesses to contact the department to be involved as we take this collective South Africa Inc approach.

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