



REPUBLIC OF NAMIBIA

MINISTRY OF FINANCE

Policy brief

DELAYED AFCFTA IMPLEMENTATION: What does it mean to Namibia?

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1. Introduction

It is widely understood that the African Continental Free Trade Agreement (AfCFTA) is the continent's most ambitious integration initiative, which aimed at (i) creating a single continental market for goods and services, with free movement of business persons and investments (ii) expanding intra-Africa trade across the regional economic communities and the continent in general and (iii) enhancing competitiveness and support economic transformation.

The Agreement establishing the AfCFTA was signed at the 10th Extraordinary Summit of the AU Assembly on 21 March 2018 in Kigali, Rwanda and entered into force on 30 May 2019.

To date, all African Union Member States except *Eritrea* have signed the Agreement, of which 29 Member States have deposited their instruments of ratification. Namibia has been part of the process, leading to the signing on *1st July 2018* and ratification of the Agreement in *November 2018*, while the instruments of ratification were deposited in *February 2019*.

The Agreement consists of (i) the Protocol on Trade in Goods, its annexes and appendixes; (ii) the Protocol on Trade in Services; (iii) the Protocol on Rules and Procedures for Settlement of Disputes; (iv) the Protocol on Investment; (v) the Protocol on Intellectual Property Rights and (vi) the Protocol on Competition Policy.

As required by *Article 8* of the AfCFTA agreement, all outstanding Protocols and Annexes shall, upon completion form an integral part of the Agreement.

2. Progress to date

The AfCFTA agreement and the Protocols on trade in goods and services, as well as dispute settlement, have all entered into force. However, despite that, it is important to note that essential aspects have not yet been agreed upon.

The key issues that have been delaying conclusion of negotiations and implementation of the Agreement include inter alia: tariff reductions, rules of origin and conditions for trade in services in the priority areas. Based on our assessment, as long as the instruments for these disciplines remain outstanding, AfCFTA based preferential trade is not possible. The *1st of July 2020*, was officially declared target date for the commencement of real business (trade), but has not been met. It has recently been suggested that trade under AfCFTA rules could (perhaps) start at the beginning of 2021. However, there is no formal decision yet about this important date (Tralac, 2020).

Regarding the Rules of Origins (RoO), negotiations on RoO are ongoing; four chapters are yet to be agreed upon (*Chapters on motor vehicles; edible oils; textiles and clothing as well as on*

sugar). SACU was unable to finalize its tariff offers due to outstanding chapters on rule of origin.

3. Slow AfCFTA Implementation – *what does it mean to Namibia?*

Broadly speaking, the AfCFTA is a huge market with an estimated population of over 1 billion people from all 54 African countries with an estimated combined GDP of more than 3 trillion US dollars.

Given that the AfCFTA agreement will bring together the African economic powerhouses such as Nigeria, South Africa, Kenya and Egypt together in a single market, this is an opportunity for smaller economies like Namibia to enable its industries gain access to a larger market for their export destination for goods and services and a larger source market for industrial inputs and consumer goods.

Given her stable political and macroeconomic environment, Namibia further stands to gain beyond just market access as the country can attract investment into the domestic economy and realizes long term gains in terms of employment creation, revenue generation (through taxes) and skills and technology transfers to the local.

Some anecdotal evidence suggests that the services sector is key to economic development because it contributes a significant share of Gross Domestic Product (GDP), employment and trade in a country's economy, regardless of the level of development. Data from the United Nations Conference on Trade and Development (UNCTAD) for 2017 shows that the share of services to GDP increased from 61% to 76% in developed economies and from 42% to 55% in developing countries, during 1980-2016 period. During this period in developing countries, and particularly in least developed countries (LDCs), the productive resources graduated out of the agricultural sector to services (Tralac, 2020).

Similarly, the services sector accounts for more than 50 per cent of the Namibia economy, and has a potential for further expansion, particularly once the Protocol on Trade in Services under the AfCFTA are fully implemented to attract foreign services suppliers into the domestic economy.

Delaying the implementation of the AfCFTA agreement would mean Namibia's potential benefits arising from this Agreement would only be realised in the medium to long-term. This would likely have adverse impact on efforts the country has made (in finding alternative growth generating paths) so far to the commitment at the continental level.

4. Conclusion and Recommendations

Records show that from the onset, the commitment demonstrated by AU member countries to sign the Agreement establishing the AfCFTA at the 10th Extraordinary Summit of the AU Assembly on 21 March 2018 in Kigali, Rwanda, which came into force a year later was a significant progress and notable achievement.

Moreover, the conclusion and subsequently ratification of the Protocols on trade in goods and services, as well as dispute settlement, have all added another milestone achievement.

Since then, slow negotiations process on tariff reductions, rules of origin and conditions for trade in services in the priority areas have delayed the implementation of the AfCFTA agreement and eventually exceeded the officially declared target date of 1st of July 2020 of commencing trade under the AfCFTA. The delay was further worsened by the COVID-19 pandemic which derailed the workplan for completing the outstanding AfCFTA negotiations.

Based on these developments, it is now clear that trading under the AfCFTA will not be possible as long as the negotiations on the above mentioned areas remain outstanding.

It is therefore advisable for the policy makers to engage the AfCFTA leadership at a political level so as to find a common ground and fast-track the negotiations process to enable member countries' private sector to realise the benefits as early as possible. This is notwithstanding the presence of COVID-19 that presents additional challenges to the trading environment and therefore more coordinated and concerted efforts from all members are critical to the successful full implementation of the AfCFTA agreement.