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# CORPORATE & COMMERCIAL ALERT

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#### The AfCFTA – an opportunity for access to new African markets

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## AGRICULTURE

### The AfCFTA – an opportunity for access to new African markets

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#### What is the AfCFTA?

The AfCFTA is the African Continental Free Trade Area. There have been significant delays in the process since the decision was taken by the African Union in 2012 to establish a continental free trade area; however, trade is now set to commence under the AfCFTA in January 2021. The AfCFTA was due to commence on 1 July 2020, but its commencement was postponed as a result of the coronavirus pandemic.

The AfCFTA will be the world's largest free trade zone after the World Trade Organisation. It aims to create a single continental market through African trade liberalisation and harmonisation; by *inter alia* facilitating the free movement of African goods, services and resources. The AfCFTA aims to eliminate cross-border tariffs on 90% of goods in the short term, with the remaining 10% comprising sensitive products (to be liberalised over a longer period) and excluded products. The specific products may differ for each country or region. Services include five priority sectors, namely: financial services, travel, transport, business services and communications. Operating alongside the existing African RECs (Regional Economic

Communities, such as SADC, COMESA, SACU etc.), the AfCFTA is also a step towards a potential future continental customs union for Africa.

#### Potential barriers to and challenges of the AfCFTA

Most of the barriers to continental trade are common amongst all African countries. These include *inter alia* underdeveloped or non-functioning transport systems, lack of development of IT and network infrastructure, high data costs, corruption and delays at border control, energy supply and load shedding. In South Africa, power cuts have had a direct effect on manufacturing, and self-generating energy is very expensive. Through investing in the reduction or elimination of these barriers, South Africa should prepare itself for the commencement of the AfCFTA to ensure it remains competitive in the new liberalised African market. According to the ATAF (African Tax Administration Forum), South Africa should focus on improving its digital capabilities and ensure it has a conducive foreign exchange policy in place, to prepare for the implementation of the AfCFTA.

Across Africa, raw materials and produce are largely exported, and finished manufactured goods are imported into Africa. There is great potential to add value within Africa itself, as opposed to relying on international markets. The South African Minister of Trade, Industry and Competition, Ebrahim Patel, who also chairs the SACU (Southern African Customs Union), recently discussed some of the challenges to implementing the AfCFTA. He cautioned against AfCFTA

## AGRICULTURE

### The AfCFTA – an opportunity for access to new African markets...*continued*

With global trade slowing, South African exporters can hopefully exploit the opportunity the AfCFTA presents to enter new African markets, and there may be increased deal activity between South Africa and other African countries.

becoming meaningless if products are imported, merely re-labelled in Africa, and traded under the AfCFTA. He stressed the importance of actively attracting foreign investment, implementing industrial policy measures, and partnering with the private sector to successfully implement the AfCFTA.

One of the challenges existing South African businesses may face is new competition. The liberalisation of the African market may see competitors who could previously not compete (due to cost barriers associated with exporting to South Africa), entering the South African market at low cost.

#### Potential benefits of the AfCFTA

Whilst the coronavirus pandemic is still ongoing, statisticians are trying to estimate global trade output losses and, while the effect of the virus has already been devastating worldwide, its true impact will not be known for some time still. By boosting intra-African trade, the AfCFTA will hopefully help mitigate COVID-19 related losses in Africa. The World Bank estimates that, through successful implementation of the AfCFTA, continental income could be boosted by \$450 billion,

30 million people could come out of extreme poverty, and 68 million people who are earning below the breadline could be earning more by 2035.

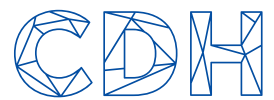
With global trade slowing, South African exporters can hopefully exploit the opportunity the AfCFTA presents to enter new African markets, and there may be increased deal activity between South Africa and other African countries. If the planned harmonisation and co-ordination within the African market is successful, South African businesses may stand to benefit from significantly reduced costs associated with African export. Market access and the elimination of typical trade barriers could lead to South African producers and service providers securing a greater share of the intra-African trade market and competing in markets where cost and other barriers previously made this impossible.

South Africa and other African countries have hopefully already started working on eliminating/reducing any barriers to the success of the AfCFTA. Once trade under the AfCFTA commences in 2021, its implementation by African countries and effectiveness in creating a continental free trade zone for Africa can be assessed.

*Christine Bodenstern*

## AGRICULTURAL SECTOR

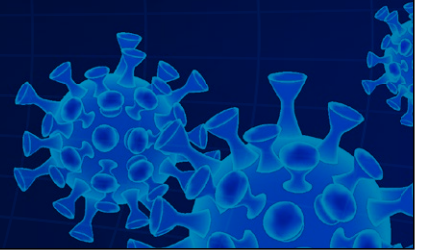
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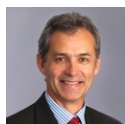
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### BBBEE STATUS: LEVEL TWO CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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