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San Mateo University Colombia Presentation

Understanding African Continental Free Trade Agreement (AfCFTA)

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Introduction

- **DETERMINED** - **strengthen our economic relationship** build upon our respective rights
- **HAVING REGARD** - Agenda 2063 continental market with the **free movement of persons**, capital, goods and services, crucial deepening economic integration, agricultural development, food security, industrialisation structural economic transformation;
- **CONSCIOUS** - create an **expanded and secure market** for adequate infrastructure reduction or progressive elimination of tariffs and elimination of non-tariff barriers to trade and investment;

Africa Trade Status Quo

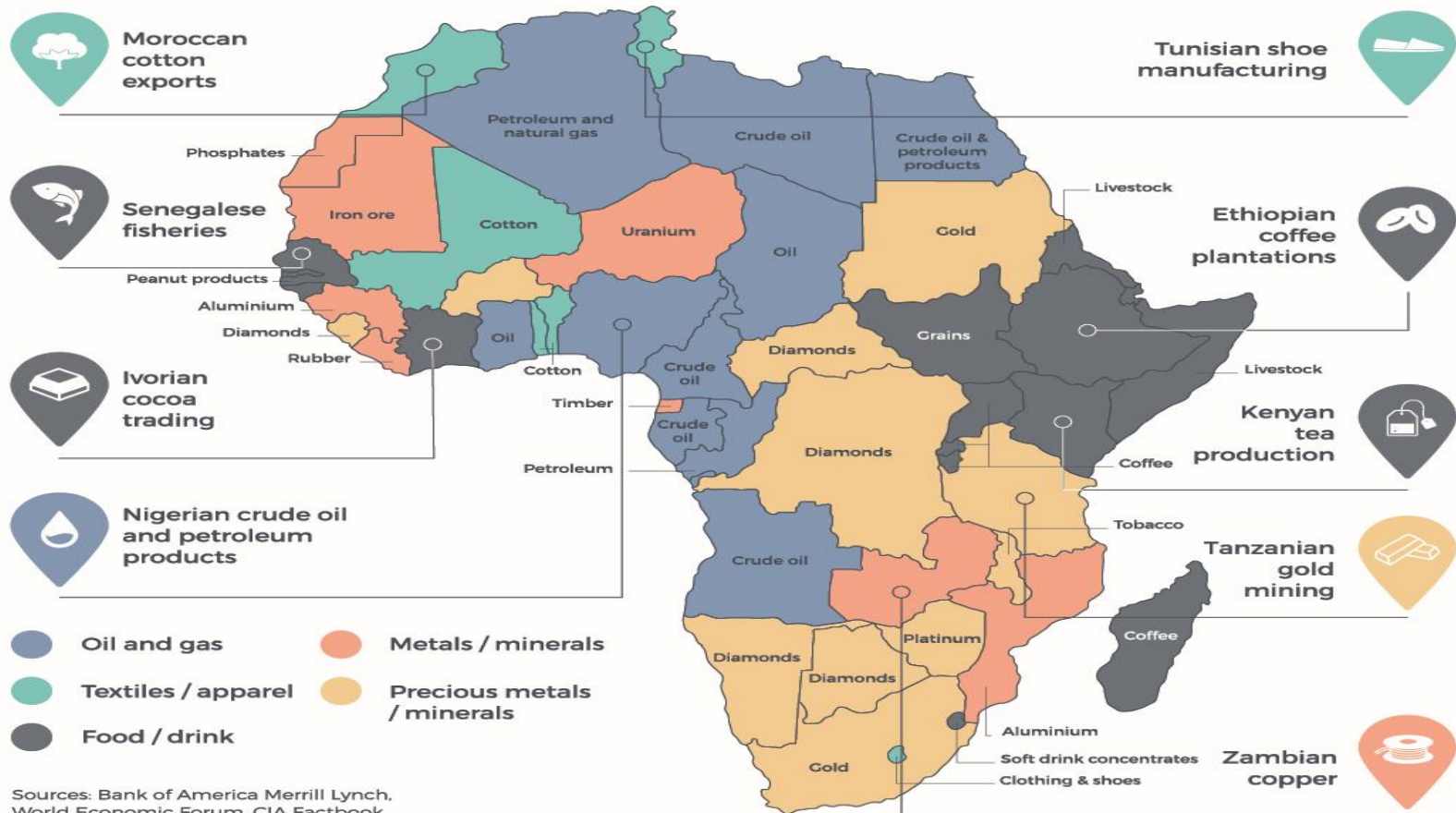
- ❑ It is found that the blocs with higher intra-regional trade – SADC and the East Africa Community (EAC), albeit a far second at 10% – have diversified exports, and the advantage of having member states that are geographically close
- ❑ The bloc with the lowest export diversity is the Economic Community of West African States (ECOWAS); we attribute this to the dominance of commodities (crude oil, cocoa, gold) that are exported to offshore processing facilities.

Africa Trade Status Quo

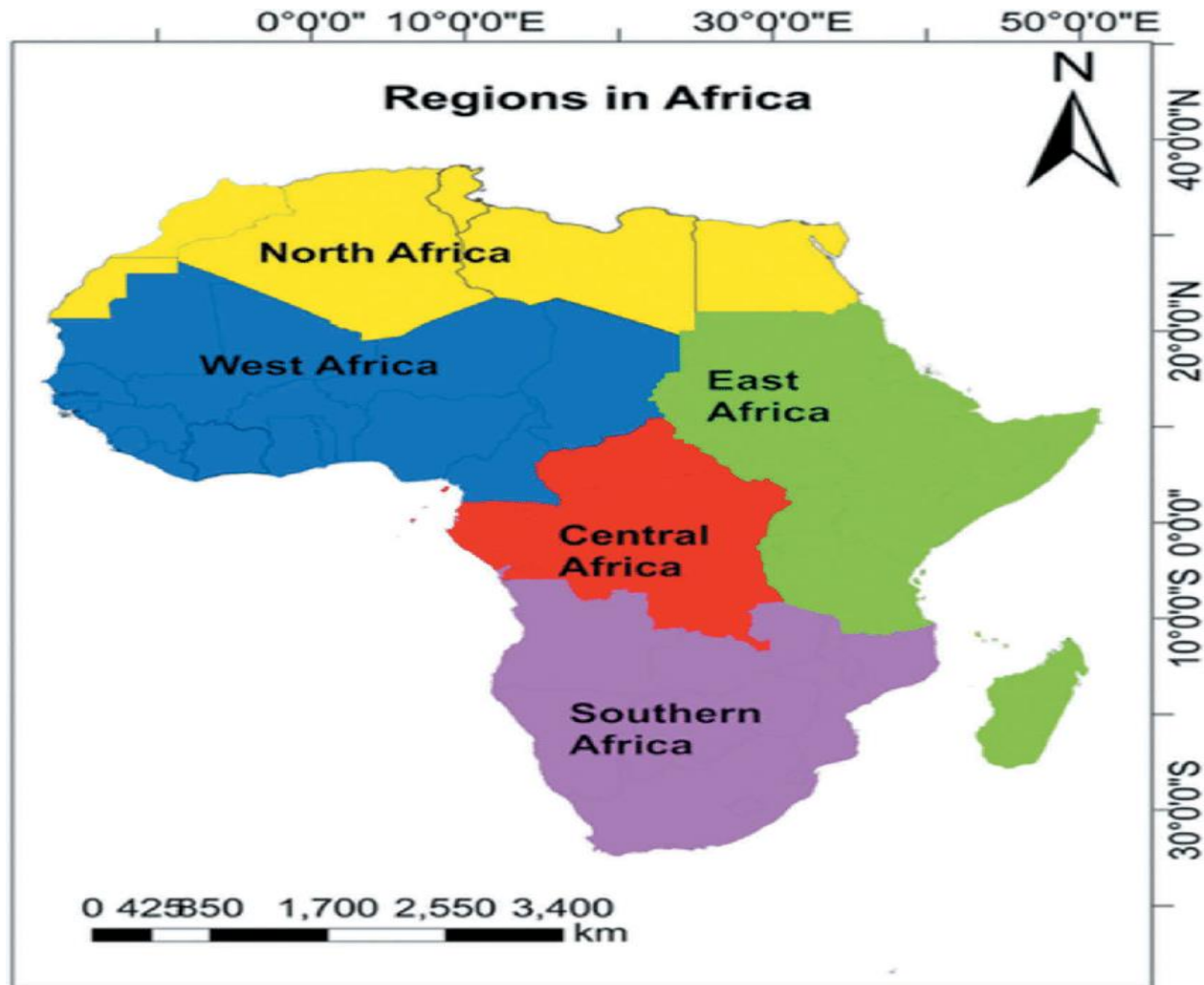
- ❑ “Africa: **Intra-regional trade** a function of **diverse exports**
- ❑ The African Continental Free Trade Area (AFCFTA) agreement was **signed by all African countries** (1 July 2020 Operationalisation postponed due to covid-19) **committing States remove tariffs on 90% of imports.**
- ❑ This is expected to improve intraregional trade which stands at **15% in Africa** vs **70% EU** (2019 Stats).
- ❑ Of Africa’s regional blocs, the Southern African Development Community (**SADC**) **has the highest intraregional trade at 23%**
- ❑ The Common Market for Eastern and Southern Africa (COMESA) has the lowest at **8%**, albeit up from **4%** in 2000.

Exports by African countries

Trading places: largest exports by country



Africa Regional Blocks



Article 3 General Objectives

- Create a single market for goods, services, facilitated by movement of persons in order to deepen the economic integration of the African continent and in accordance with the Pan African “An integrated, prosperous and peaceful Africa” Agenda 2063;
- Create a **liberalised market for goods and services**;
- Contribute to the **movement of capital and natural persons**;
- Lay the **foundation the establishment Continental Customs Union** at a later stage;

- Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation;
- **Enhance the competitiveness of the economies within the continent**, the global market;
- Promote **industrial development diversification** regional **value chain development**, agricultural development food security;

ARTICLE 4

SPECIFIC OBJECTIVES

- **eliminate tariffs non-tariff barriers** to trade goods;
- **liberalise trade in services;**
- **cooperate** on
 - investment, intellectual property rights competition policy;
 - **all trade-related areas;**
 - **customs matters**, the implementation of trade facilitation measures;
- mechanism for the **settlement of disputes** concerning their **rights and obligations;**
- establish and maintain an **institutional framework** for the implementation and administration of the AfCFTA.

AfCFTA Scope

- Agreement shall cover **trade in goods, trade in services, investment, intellectual property rights and competition policy**
- Member States shall enter **Phase II negotiations**
 - intellectual property rights;
 - investment;
 - competition policy.
- **Protocols** on Trade in Goods, Trade in Services, Investment, Intellectual Property Rights, Competition Policy, Rules and Procedures on the Settlement of Disputes and upon adoption, form an integral part of this Agreement.

Scope cont.

- provisions of these Protocols shall apply to trade in goods between the State Parties.
- Annex 1: Schedules of *Tariff Concessions*,
- Annex 2: *Rules of Origin*,
- Annex 3: Customs Cooperation and Mutual Administrative Assistance,
- Annex 4: *Trade Facilitation*,
- Annex 5: *Non-Tariff Barriers*,
- Annex 6: *Technical Barriers to Trade*,
- Annex 7: *Sanitary and Phytosanitary Measures*,
- Annex 8: *Transit* and
- Annex 9: *Trade Remedies*

PART III

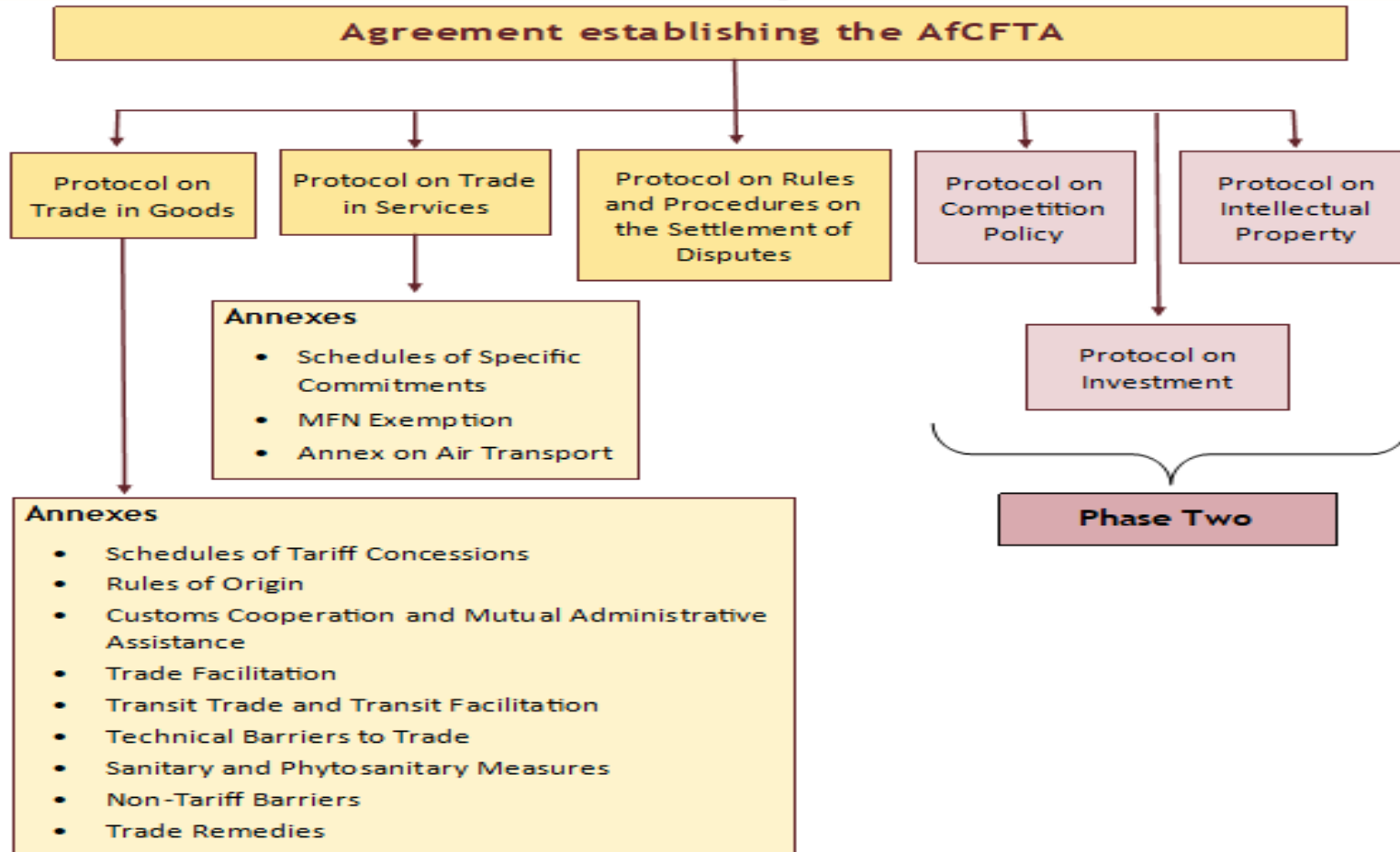
Liberalization of Trade

Article 7

Import Duties

- shall progressively **eliminate import duties or charges** having equivalent effect on goods originating from the territory of any other State Party
- For products subject to liberalization, State Parties shall **not impose any new import duties or charges having equivalent effect on goods originating from the territory of any other State** Party, except as provided for under this Protocol.
- An import duty shall include **any duty or charge of any kind imposed on or in connection with the importation of goods consigned** from any State Party to a consignee in another State Party, including any form of surtax or surcharge, but shall not include any:
 - charges equivalent to internal taxes
 - antidumping or countervailing duties imposed
 - duties or levies imposed in relation to safeguards,

AfCFTA Agreement Snapshot



FACTS

Africa's current population of around **1.2 billion people** is projected to reach 1.7 billion by 2030.

Africa's annual **investment in infrastructure** has doubled to around **\$80 billion** a year since the beginning of this century

For entrepreneurs ready to solve problems and innovate to meet Africa's unmet needs there is **tremendous opportunity for growth.**

The African Development Bank estimates that Africa has the **fastest-growing middle class** that of individuals spending between US\$2 to US\$20 a day. This group rose by a 100% in less than 20 years. By 2060, the number of middle-class Africans, as defined by the Bank, is **expected to reach 1.1 billion, 42%** of the predicted population.



FACTS

In Algeria, Morocco and Cameroon, independent small grocers make up around 60% of all distribution channels

70% of Nigeria's distribution arrangements go through outdoor markets.



Opportunities

Opportunity 1. A population that is fast growing and urbanizing

- Africa's current population of around 1.2 billion people is projected to reach 1.7 billion by 2030.
- More than 80 percent of Africa's population growth over the next few decades will occur in cities, making it the fastest-urbanizing region in the world.
- incomes are rising across much of the continent, generating new business opportunities in the consumer market.
- In total, we expect annual spending by African consumers and businesses to reach \$6.66 trillion by 2030, up from \$4 trillion in 2015.

Opportunities

Opportunity 2. Africa is industrializing

- An African industrial revolution is underway as manufacturers ramp up production of everything from processed food to automobiles.
- African industries have the opportunity to double production to nearly \$1 trillion within a decade
- Three-quarters of that growth is likely to come from manufacturing to substitute imports and meet burgeoning local demand.
- But there is also an important opportunity to grow manufacturing exports and make Africa the world's next great manufacturing centre as industries shift away from China to lower-cost regions.

Opportunities

Opportunity 3. infrastructure gap

- Africa's annual investment in infrastructure has doubled to around \$80 billion a year since the beginning of this century.
- Big opportunity for investors and entrepreneurs with the imagination to help solve Africa's infrastructure challenges.

Opportunities

Opportunity 4. Innovations to unleash agricultural and resource wealth

- Africa has long been known for its resource abundance in both agriculture and mineral resources.
- in oil and gas, Africa is rich in unexplored, high-potential regions, and the continent has huge unmet demand for energy.
- estimate that the domestic gas market in Africa will grow by 9 percent a year to 2025, by which time the continent could use up to 70 percent of its own gas.

Opportunities

Opportunity 5. The potential of increasing digital and mobile access

- Sub-Saharan Africa saw the world's fastest rate of new broadband connections between 2008 and 2015,
- mobile data traffic across Africa is expected to increase sevenfold between 2017 and 2022. Africa has more than 120 million active mobile money accounts, over 50 percent of the global total;
- this has leapfrogged many people over traditional banking products. This trend will allow companies to improve productivity, speed up transactions, and access wider markets, and could add \$300 billion to the continent's GDP by 2025.

Specific Growth Industries

Food Products

Africa is blessed with raw materials like cocoa, cassava and other foods that are exported every year. Africa spends large billions on the importation of their very own resources. potential to become big hits on the international market.

Solar Energy

Many rural areas don't have access to reliable electricity. Off-grid electric.

Education

Africa is blessed with young talents who are yet to explore their potentials. However, some companies and institutions are rising up to tackle this problem.

Real Estate

Africa is home to a multi-billion dollar worth of real estate opportunity. The biggest attractions are hotels and office buildings, residential homes and apartments, and shopping malls.

Fintech

With the increase in internet and mobile phones, businesses across the continent of Africa are solving financial problems using technology that banks do not offer. The Fintech industry continues to expand massively and remains one of the top businesses in Africa.



Specific Growth Industries

Transportation

-transportation has become a lucrative business opportunity in Africa that you can tap into.

Start-up funding

Investing in start-up businesses is on the rise globally, and Africa is not left out. This is a lucrative business opportunity in Africa.

Healthcare services

The health care service in the continent of Africa is plagued with challenges.

Arts & Crafts

[In 2014](#), an antique African art was sold in New York for a record-breaking \$41 million.

Retail

Across the continent, local and international supermarket brands are expanding massively. The competition is off the roof, and it is not just physical stores, but e-commerce is growing at an impressive rate.



Specific Growth Industries

App development

There are movie apps, hotel booking apps, shopping apps and many more. The development of apps continues to increase all over Africa.

Payment solutions

In Africa, over \$100 billion worth of cash transactions are conducted. This presents a very lucrative business opportunity in Africa. This is a key business opportunity in Africa to watch out for.

Waste management

In Africa, there are huge amounts of waste being turned out daily. Africa can turn these wastes into meaningful businesses that eventually bring profit. For example, in Ethiopia, waste is converted into electricity.

Agricultural business

Agriculture continues to be a strong sector in the African continent. With the availability of God-given raw materials, agriculture has the potential to contribute a large portion of its GDP. There has also been a development in the agricultural sector as technology is introduced in the industry, thereby expanding the sector.

Specific Growth Industries

Transit

As Africans migrate from rural areas to urban areas, there is an increase in the demand for transportation services. It is no wonder that international brands like Toyota are digging into the African market.

Tourism & Hospitality

Africa is known for its beautiful landscapes and scenery. It is no surprise that Africa is an attraction for people around the world. Tourism has hence become a very lucrative business opportunity in Africa.

Music

The music industry in Africa has taken centre stage in the world, as African music travels far and wide. International record labels are going into collaboration with Africans, thereby expanding the African music industry.

Fashion

Africa is blessed with beautiful fashion culture. Africa has lots of opportunities in apparel production where labor is much cheaper than on other continents. Africa is also blessed with lots of creative designers, changing the fashion game in Africa.

Digital Marketing

With the world becoming a global village, digital marketing has become a very lucrative business opportunity in Africa. Most businesses have taken their operations to the online space and are making massive profits in digital marketing.



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Country Growth Category

Stable growers. These economies are relatively less dependent on resources for growth and are progressing with economic reforms and increasing their competitiveness.

Vulnerable growers. These countries each have at least one of three types of vulnerability. Some, such as Angola and Nigeria, are heavily dependent on resource exports. Other countries, such as the Democratic Republic of the Congo, face security or governance challenges. Finally, countries such as Mozambique are vulnerable to macroeconomic difficulties.

Slow growers. Investors will need to **assess growth opportunities at the sector level** or use their activities as a base from which to expand into other parts of the region.

By the **end of the next decade, Africa will have nearly 90 cities** with at least a million inhabitants **Rapid urbanization** is one good reason why companies should make cities a central focus of their African growth strategies. **per capita consumption in Africa's large cities is nearly double** the average of these



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Africa is open for Business!

“It always seems impossible until it is done”

Nelson Mandela

**Muchisima Gracias, te lo
agradezco de to do
Corazón.**

Thank you!!!