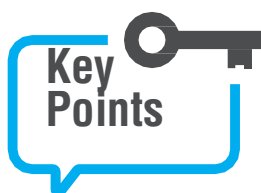


# Trading under the African Continental Free Trade Area (AfCFTA)

March 2024



- South Africa commenced goods trade under a pilot phase of the AfCFTA called the Guided Trade Initiative (GTI) at the end of January 2024
- This enables exporters and importers to trade certain goods between certain countries under reduced tariffs as per the AfCFTA
- Exporters need to ensure that they are registered correctly with the South African Revenue Service (SARS) in order to trade under the AfCFTA
- The AfCFTA e-Tariff Book provides ease of access to information
- More countries are set to join this trading arrangement in 2024
- South Africa continues to trade with members of the Southern African Development Community (SADC) under the SADC Trade Protocol

## 1. The AfCFTA

The African Continental Free Trade Area (AfCFTA) Agreement, is a comprehensive legal compact, and is one of the flagship projects of the African Union (AU)'s Agenda 2063.<sup>1</sup> This in turn, is the continent's blueprint and master plan to transform Africa into a global powerhouse of the future.<sup>2</sup>

The agreement will create the largest free trade area in the world measured by the number of countries participating. The pact connects 1.3 billion people across 55 countries with a combined GDP of roughly US\$3.4 trillion.<sup>3</sup> This represents the potential opportunity to lift approximately 30 million people out of extreme poverty, however achieving its full potential will depend on putting in place major reforms in terms of policy and trade facilitation measures.

The AfCFTA consists of the Agreement establishing the AfCFTA, Protocols on Trade in Goods, Trade in Services, Dispute Settlement, Investment, Intellectual Property Rights, Competition Policy, Digital Trade and Women and Youth.

If effectively implemented, the AfCFTA will consolidate this fast-growing market and establish a more open, rules-based trade environment. Currently the African market is fragmented, with most countries, and even regions, presenting as small, unintegrated markets. By enhancing the ability to do business across borders, reducing tariffs, liberalising services sectors and harmonizing trade and investment rules, it becomes easier to access the greater continental market, which in turn enables compelling investment opportunities. If effectively implemented, the AfCFTA therefore has the ability to drive significant investment into the continent.

This factsheet provides very specific and limited information regarding South Africa's commencement of trading of goods under a pilot arrangement (referred to as the Guided Trade Initiative) currently in place among certain countries. It does not deal with other aspects of the AfCFTA.

## 2. Getting ready for implementation

AfCFTA negotiations started in 2015. In December 2020, in recognition of the urgency for member states to kick-start trading under the AfCFTA, the AU took a decision to commence preferential trade under the Agreement from 1 January 2021.

There were, however, still a number of delays preventing full trade from being able to start, including outstanding

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<sup>1</sup> Trade Law Centre. *The African Continental Free Trade Area: A tralac guide*. May 2023. Available [here](#).

<sup>2</sup> African Union. *Agenda 2063: The Africa we want*. Available [here](#).

<sup>3</sup> Phumzile Mahlangu. *The African continental free trade area*. February 2024. Available [here](#).

negotiations on various issues. To overcome delays, speed up implementation and help the agreement reach its full potential, a special initiative was launched by the AfCFTA Secretariat to commence partial trade. It was decided that a pilot phase would be implemented, which would allow for limited trade in certain goods to start between a number of countries, representing different regions of Africa, that have met the minimum requirement for trade under the AfCFTA.<sup>4</sup> Thus, in October 2022, the AfCFTA Guided Trade Initiative (GTI)<sup>5</sup> was launched as a form of pilot project to operationally kick-start trade in terms of the Agreement.<sup>6</sup> Initially, this included 8 countries and a specific list of goods. This is, however, expanding.

The three main objectives underpinning the GTI include:<sup>7</sup>

- 1) allowing commercially meaningful trade under the AfCFTA;
- 2) testing the operational, institutional, legal and trade policy environment under the AfCFTA;
- 3) sending a positive message to African economic operators and firms regarding the AfCFTA.

State Parties, who have had their Provisional Schedules of Tariff Concessions verified by the AfCFTA Secretariat, are able to join the GTI. The participating countries have all met minimum requirements and deployed the AfCFTA e-tariff book and Rules of Origin manual.<sup>8</sup> The Southern African Customs Union (SACU) submitted their common offer, covering 90% of the SACU tariff book, to the AfCFTA Secretariat in February 2023 for verification, and it was endorsed in May 2023<sup>9</sup>. South Africa committed to operationalise the AfCFTA from 31 January 2024.<sup>10</sup>

It should be noted that, despite the commencement of trade under the AfCFTA, South Africa will continue to trade with SADC countries under the SADC Trade Protocol. The AfCFTA does not replace the trading arrangements that exist within specific trading blocs on the Continent, but rather acts as a bridge between them.

South Africa became the latest State Party to join the GTI in January 2024, with the Government Gazette of 26 January ensuring implementation and explaining the terms under which the country would participate.<sup>11</sup> It contains useful information regarding how the GTI is to be implemented. These publications can be accessed [here](#). More information can also be found in the [letter](#) to trade that was released by the South African Revenue Service.

The following countries have finalised getting their necessary legislation in place for the implementation of their respective tariff reduction commitments.<sup>12</sup> They are, therefore, eligible, to trade with South Africa under the AfCFTA:

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<sup>4</sup> Commonwealth Enterprise and Investment Council. *Trade commences under African Continental Free Trade Area terms*. July 2023. Available [here](#).

<sup>5</sup> The legal basis for the AfCFTA GTI is a Ministerial Directive that was issued in October 2021 and adopted in February 2022 by the Assembly of Heads of State and Government. More information can be found [here](#)

<sup>6</sup> Trade Law Centre. Tralac Annual Conference 2023. *What we have learned from the AfCFTA guided trade initiative*. 2023. Available [here](#).

<sup>7</sup> Trade Law Centre. Tralac Annual Conference 2023. *What we have learned from the AfCFTA guided trade initiative*. 2023. Available [here](#).

<sup>8</sup> Webber Wentzel. *Trading under the AfCFTA becomes a reality – guided trade initiative launched*. November 2022. Available [here](#).

<sup>9</sup> South African Revenue Service. *Letter to external stakeholders*. February 2024. Available [here](#).

<sup>10</sup> South Africa negotiates goods trade as part of SACU, but operationalisation of the AfCFTA takes place at national level.

<sup>11</sup> Gerhard Erasmus. Tralac Blog. *South Africa's participation in the Guided Trade Initiative of the AfCFTA*. February 2024. Available [here](#).

<sup>12</sup> South African Revenue Service. *Letter to external stakeholders*. February 2024. Available [here](#).

- Algeria
- Cameroon
- Egypt
- Ghana
- Kenya
- Rwanda
- Tunisia

### 3. Register to trade under the AfCFTA

The South African Revenue Service (SARS) plays a key role as the implementing agency for preferential trade agreements,<sup>13</sup> The AfCFTA is no different, as it relies on SARS systems and procedures for implementation.

In order to trade under the AfCFTA, exporters need to be correctly registered with SARS. Traders need to register with SARS, either as exporters or producers, before they can proceed to trade under the AfCFTA. Although SARS is working on setting up a digital system, currently, the registration process is manual with applications being submitted to the nearest Customs and Excise Branch through the [appointment process](#). One is able to open applications (DA.185, DA185.4A2 and DA185.4A7) by clicking here .

More information regarding registration can be obtained from their registration team at [RLARegistrations@sars.gov.za](mailto:RLARegistrations@sars.gov.za). The forms and other relevant information pertaining to registering to trade under the AfCFTA can be found through on their [website](#). According to the SARS website, it is possible to contact the Rules of Origin team for more information about the AfCFTA at [rulesoforigin@sars.gov.za](mailto:rulesoforigin@sars.gov.za) or [afcfta@sars.gov.za](mailto:afcfta@sars.gov.za).

To get more information about SARS and the AfCFTA, go to the following [site](#). From here you would be able to access the following:

- The [letter](#) that SARS has sent out to traders in respect of the implementation of the AfCFTA.
- Information pertaining to [Rules of Origin](#)
- Information pertaining to [Registration, Licencing and Accreditation](#). From here you can click on “Exporters” for further information.

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<sup>13</sup> South African Revenue Service. *African Continental Free Trade Area*. Available [here](#).

## 4. How do I know what products I can trade under the AfCFTA?

The [AfCFTA e-Tariff Book](#) will be useful if you are wanting to find out which products and with which countries you can trade under the AfCFTA. On this site you are able to enter the exporting and importing countries, and the products you seek to trade. Here you'll be able to see the tariff reduction offers that have been made by participating countries, and how the tariffs phase down annually until 2030.

For example, if you search for citrus being exported from South Africa to the Republic of Kenya you'll see a table as set out in Figure 1. Kenya is part of the East African Community (EAC), thus the tariff offer made by the EAC will be applicable here.

This will show you that the EAC (thus Kenya)'s tariff for mandarins and clementines is currently 15%, already phased down from 25% and that it will be 0 in 2030. You'll also see that the "MFN" tariff is 25%. This refers to "Most Favoured Nation", which means it is the general tariff that the EAC/ Kenya charges on these fruit from all countries that do not have trade agreements with the EAC/Kenya. If the product is not included in the tariff offer at the moment, there will only be an MFN rate, and no phase-down.

**Figure 1: East Africa Community tariff offer on mandarins and clementines**

HS/ National Code	Description	AfCFTA Category	Time Frame	MFN Rate	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<input type="checkbox"/> 0805.21	-- Mandarins (including tangerines and satsumas)													
08052100	-- Mandarins (including tangerines and satsumas)	A	10	25	22.5	20	17.5	15	12.5	10	7.5	5	25	0
<input type="checkbox"/> 0805.22	-- Clementines													
08052200	-- Clementines	A	10	25	22.5	20	17.5	15	12.5	10	7.5	5	25	0

It is worth noting that even if not all EAC member states are part of the GTI yet, as they join, this tariff offer will be the same for all members of the EAC. However, Tanzania, which is part of the EAC, is also part of the SADC, and thus South Africa continues trading with Tanzania under the SADC Trade Protocol.

## 5. More about Wesgro

Wesgro is the official tourism, trade and investment promotion agency for Cape Town and the Western Cape.

Ensuring Cape Town and the Western Cape is a sought-after source market internationally, Wesgro's Trade Unit is responsible for supporting businesses in the province with exporting their goods and services to the rest of the world. The Unit also supports local businesses seeking to expand into African markets through outward investment.

Key services offered by the Trade team include: export training and mentoring; trade and networking events; connecting exporters to the wider trade ecosystem (export councils and industry associations); trade research and intelligence; trade missions and exhibitions; B2B facilitation; supporting with trade barriers; and the management of the online [Cape Trade Portal](#).

The Cape Trade Portal was launched to assist local exporters in expanding their global footprint and strengthen the "Made in the Cape" brand identity across global markets. It serves as a matchmaking tool and virtual connection point for international buyers and Western Cape sellers of products and services. Through leveraging the Cape's reputation as an exporting powerhouse of premium, competitive, diverse and quality products and services, the Portal acts as a dedicated resource centre providing tools, insights and expertise to support Western Cape exporters on their journey.

The Africa Desk of the Trade Unit is in the process of planning a number of trade missions across the continent. These present the opportunity for those interested to engage in trade under the AfCFTA. Specifically, the team is planning outward trade missions to Kenya and Cameroon; both being countries that are participating in the GTI. Whether these will take place, as well as the related details, remain subject to confirmation. Interested parties are welcome to contact the Wesgro Trade Unit to get more information in this regard.

If you require any further information, please get in touch with us via the [Cape Trade Portal](#).

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Please note that the information and data presented in this document is provided in good faith. It is intended to provide a basic introduction and a high-level overview of the African Union's African Continental Free Trade Agreement as well as the, related, Guided Trade Initiative. This is not a comprehensive source of information upon which to base decisions and readers are strongly encouraged to consult other resources and seek professional advice before making any decisions.

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