**INTRA-AFRICAN TRADE IN THE SPOTLIGHT AT JOINT MEETING OF TRADE AND INDUSTRY AND INTERNATIONAL RELATIONS**

A joint meeting of the portfolio committees on Trade and Industry and of International Relations heard that Africa consumes what it does not produce and produces what it does not consume.

The committees received an update yesterday from the Department of Trade, Industry and Competition (DTIC) on African Integration and the African Continental Free Trade Area (AfCFTA). DTIC Minister Mr Ebrahim Patel told the committee that African countries imported R8 trillion worth of goods in 2019, only R1 trillion of which came from other African countries. He said lowering trade barriers presents a massive opportunity for South African industries and for development across the continent.

One of the challenges experience in the AfCFTA includes what is defined as “locally produced in Africa”, which could then potentially qualify for tariff concessions. For example, if a machine is 95% produced in China, but the assembly or packaging takes place in an African country adding only 5% value, this is clearly not made locally.

The committee further heard that trade between African countries is small and covers only 16%-18% of traded goods. Compared this with intra-Asian trade (52%), intra-North America trade (50%) and intra-European Union trade (70%). Low levels of intra-African trade can be attributed to the unresolved legacy of colonialism in which Africa exports mainly to the rest of the world, including oil, minerals and cocoa. Africa mainly imports finished goods, but intra-African trade is largely in value-added manufactured products.

The policy challenge is to set the defining line for local content at a level that spurs local investment, since many products will not be 100% locally-made. Minister Patel said the approach should be to set out a rule for each product, stipulating the level of local content that must be produced in one or more African countries. The challenge, however, is that some countries favour a low local content, using products with significant levels of content imported from outside the continent. Minimal assembly then takes place on the continent and it is exported to other African markets. Countries are negotiating to build sufficient consensus on what the minimum level should be. The desired outcome is an agreement on 81% of product lines, covering 4 411 global tariff lines at the World Customs Organisation’s HS6 classification level, Mr Patel told the virtual meeting.

The committee heard that the goal for the level of tariff ambition is 90% of trade, to be covered over a phased-down period of equal instalments within five years for non-low developing countries (LDC) and 10 years for LDCs, and 97% within 10 years for non-LDCs and 13 years for LDCs years. This will now be done incrementally, with an initial 81% of trade (tariff lines) with agreed rules of origin.

Highlighting the congestion at many African border posts, committee Member Ms Judy Hermans noted the need for massive infrastructure development across the continent to move goods across Africa.

Another Member, Mr Simanga Mbuyane wanted to know if this forms part of the presidential economy recovery program, while committee Member Ms Thembi Msane enquired about the free movement of African people that appeared to be missing from the presentation.

Portfolio Committee on Trade and Industry Chairperson, Mr Duma Nkosi, said the committee will regularly monitor and require updates on progress in this important matter, which could strengthen South Africa’s economy and drive continental growth.

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17 March 2021**