

The AfCFTA Guided Trade Initiative (GTI)

In January 2012, the AU Assembly of Heads of States and Government at its 18th Ordinary Session held in Addis Ababa, adopted the decision to fast track the establishment of the Africa Continental Free Trade Area with a common view of enhancing Intra-Africa Trade, both in terms of goods and services. Subsequently, in June 2015 the negotiations for establishing the African Continental Free Trade Area (AfCFTA) were launched in Johannesburg, South Africa. By 2019, the number of member states that have ratified the agreement grew to 54 of the 55 member states and as a result, the Agreement establishing the AfCFTA entered into force. At the same time, the operational phase of the AfCFTA was launched. Following all the milestones outlined above, trading under the AfCFTA was anticipated to commence on the 1st January 2021. However, there has not been any significant trade thus far. This is mainly due to pending negotiations on tariff concessions and the rules of origin (RoO). Negotiations on tariff concessions have since been concluded while those of the RoO are still pending, particularly on the automotive and textile sectors.

Rules of Origin (RoO) are legislative regimes governing the conditions under which a product or service can be traded duty free across the region¹. Non-preferential and preferential RoO can be distinguished: Preferential RoO are the rules established in preferential trade area agreements (PTA) between two or more countries (such as those included in the AfCFTA), and they describe the minimum amount of processing and other criteria that must be completed in order to qualify for preferential treatment². Non-preferential RoO, on the other hand, are national laws that are used to assign origin to traded goods for purposes such as trade statistics, trade remedies, labelling regulations, and a variety of other objectives³. Hence, it is essential for the negotiations on the RoO as outlined in article 2 of the AfCFTA to be concluded for trade to take place while ensuring that qualifying commodities enjoy preference as stipulated in the agreement.

In an effort to ensure that entrepreneurs are fully aware of the benefit of the AfCFTA many countries including Namibia are hard at work undertaking awareness raising campaigns around

¹ <https://m.macmap.org/en/learn/afcfta/>

² <https://www.un.org/africarenewal/magazine/february-2023/au-summit-2023-powering-trade-through-afcfta>

³ <https://au-afcfta.org/afcfta-in-the-news/>

the AfCFTA. For Namibia, the AfCFTA awareness campaign is one of the objectives outlined in Namibia's National Strategy and Implementation Plan of the AfCFTA⁴. One of the topics that stood out for most of the private sector, especially SMEs is the benefit they can derive from the AfCFTA. The AfCFTA offers a lot of benefits for SMEs including but not limited to: enabling new market access, broaden their clientele, develop new products and services; fostering specialization and accelerating industrialization, expand investment opportunities, bridging the manufacturing gap etc. It is undoubted, the anticipation from business across the continent to start properly trading under the AfCFTA. However, due to pending negotiations on article 2, RoO, an alternative pilot phase was launched in October 2022 in the form of the Guided Trade Initiative (GTI)⁵.

The GTI aims to facilitate trade among interested AfCFTA state parties who have met the Agreement's minimal conditions for trade (ITC, 2022). The GTI is set to test the operational, institutional, legal and trade policy environment of the AfCFTA. Moreover, the GTI seeks to test the readiness of the private sector to participate in trade under the AfCFTA. The initiative makes provision for state parties to link firms and products for export and import. Following the launch of the GTI, eight states parties representing five RECs such as Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania and Tunisia signed up for the GTI and started trading amongst themselves under the AfCFTA⁶. Hence the GTI has made it possible to trade under the AfCFTA without the conclusion of the negotiations on the RoO. According to a report by the International Trade Centre (ITC, 2022) more than 96 products have been identified as legible for trade under the GTI including the following: ceramic tiles, batteries, horticulture products and flowers, avocados, palm oil, tea, rubber, and components of air conditioners. The initiative will be expanded to allow the inclusion of more products and participants.

After meeting the requirements of the GTI, Namibia was listed as the 9th state party to join the initiative, this means that Namibia can also trade under the AfCFTA GTI with other state parties currently participating in the GTI. Namibian producers and manufacturers are urged to

⁴ Namibia's National Strategy and Implementation Plan of the AfCFTA was officially launched in November 2022.

⁵ <https://www.tralac.org/blog/article/16088-what-the-afcfta-agreement-establishes-and-what-the-state-parties-should-do.html>,

⁶ <https://www.un.org/africarenewal/magazine/february-2023/au-summit-2023-powering-trade-through-afcfta>,

provide a comprehensive list of export-ready products legible for trade under the GTI. The list of export-ready products will enable officials to match domestic supply with continental demand, as well continental supply to domestic demand.

For more details on the requirements on how to compile a list of your export-ready products, please send an email to tradesupport@ntf.org.na.

It is worth noting that the GTI is a temporary measure and will cease to operate when negotiations on the RoO are concluded. Hence traders need to take this as an opportunity to teste the waters and also to reflect on the compliance to requirements.