



One African Services Market

Trade under the Africa Continental Free Trade Agreement (AfCFTA) was announced on 1 January 2021. The AfCFTA's actual implementation is however, subject to the conclusion of on-going negotiations ending June 2021. There are minimum thresholds and set timelines by when the State Parties should progressively eliminate tariffs on goods. Conversely no such quantitative limits are applicable with services under the AfCFTA. "Substantial liberalisation" is the defining objective of the single services market agenda.

So, how does one measure substantial liberalisation in the continental context of services trade?

Admittedly, accounting for services trade or output can be quite difficult because of their multidimensional nature; some are traded as final products while others are considered as inputs. Distinguishing between the value of services and the goods they are used to create can be challenging.

To address this problem, services are broadly categorised in the AfCFTA according to the [12 services sectors](#) of the WTO's General Agreement on Trade in Services (GATS). During the first round of AfCFTA services negotiations communications, transport, business, tourism and financial services are on the table. Furthermore, [four modes of supply provide](#) clarity on how services trade takes place, i.e. what it looks like. In the AfCFTA services will be supplied across borders, or through the establishment of commercial entities or the movement of natural persons to other countries. Another way services trade will be recognised is by consumption abroad.

GATS does not only suggest definitive characteristics for continental services trade but it also gives us a yardstick to determine what is considered as substantial.

A country that is also a WTO member can make offers within the AfCFTA that are GATS-plus (GATS+) or GATS-minus (GATS-). Obviously GATS+ is

the aim because this means that each country must make an offer that liberalises more sectors or sub-sectors in the AfCFTA than they have under the WTO. It also means lowering or eliminating restrictions pertaining to market access and national treatment in the four modes of supply.

Countries that are AfCFTA members but not WTO members can still fulfil the obligation to substantially liberalise their services sectors. This can be determined by the extent to which they change domestic regulations to remove or reduce services trade barriers in the five priority sectors.

Free-riding by some or the potential for domination by larger economies in the free trade area were anticipated and to this end the services negotiations are based on the principle of reciprocity. Basically, while countries need not exchange like offers, they do have to make substantial offers as discussed above.

Beyond the promises made in the scheduled commitments, how can substantial liberalisation be observed?

Regulatory reform that removes impediments to services trade should ensue across the continent. To this end visa requirements among State Parties for work or even tourism purposes have to be relaxed. Also, there should be an increase in collaboration within the continent to better align qualifications and resolve issues that pertain to their recognition in other countries.

The majority (80%) of businesses in Africa's private sector are SMEs. It follows that the lowering of barriers like red tape, limited access to capital and information asymmetry would signify enhanced trade in services because it will allow for the participation of the SME majority in the free trade area.

Governments can also show real commitment to the services agenda by improving infrastructure and updating regulations to benefit from technological advancements. For example, accessible and affordable internet will broaden the offerings of a country in cross-border services trade and payments for those services will be facilitated by regulations that enable ecommerce.

Of course, one cannot expect smooth sailing once negotiations are concluded. Disputes and challenges are bound to arise. Which is why provisions have been made within the AfCFTA agreement to report and resolve them.

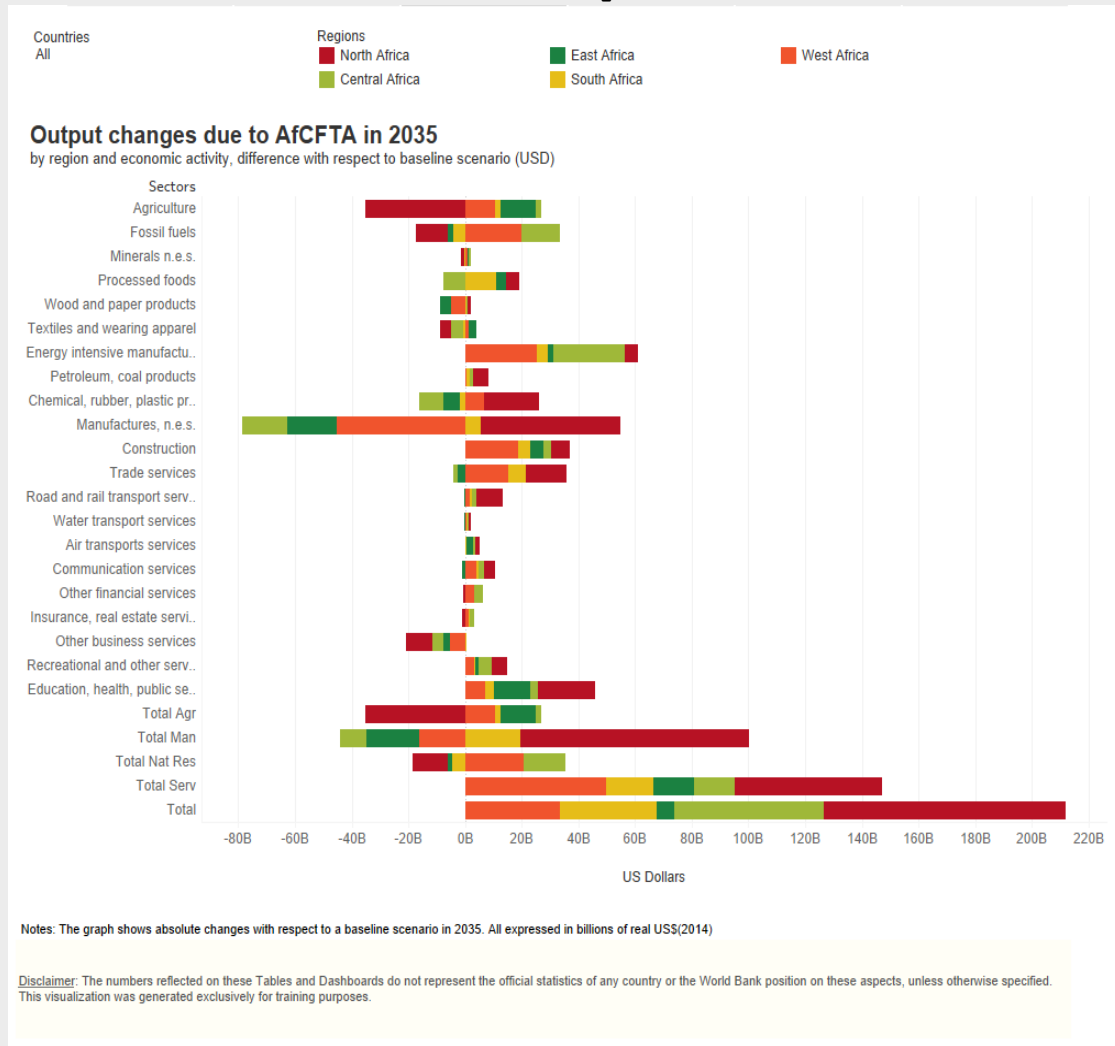
To conclude, it was envisaged that the substantial liberalisation of services trade will drive economic diversification and subsequently growth in the AfCFTA. Therefore, there has to be a commonly understood objective and clearly defined means of evaluating its realisation. Furthermore, collaboration within and among State Parties is required to create a conducive environment for the substantial liberalisation of services trade.

Adapted from:

[Tralac Trade Brief: Realising the One African Services Market through the AfCFTA](#) by **Dr Ify Ogo**, Regional Coordination Specialist, UNDP

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World Bank AfCFTA Output Forecast 2035



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Jargon Junction

Modes of Services Supply

Trade in services is defined by four modes of supply which are determined by the geographical presence of the client and the entity selling the service.

Mode 1: Cross-border... [more](#)

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