INTERNATIONAL TRADE

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INTERNATIONAL TRADE DIVISION
MINISTRY OF FOREIGN AFFAIRS, REGIONAL INTEGRATION AND INTERNATIONAL TRADE

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AfCFTA — AFRICAN CONTINENTAL FREE TRADE AREA

Creating One African Market

Economic and Distributional effects of the African Continental Free Trade Area- A World Bank Group Study

The study quantifies the long term economic and distributional implications of the AfCFTA. It assesses the implications for economic growth, international trade, poverty and employment implications- including for female and male workers. It quantifies the short and long term implications for tariff revenue.

The study uses a global computable general equilibrium model and a microsimulation framework to quantify the agreement's impact. In line with the agreed modalities, the model assumes reduction in tariff and non-tariff barriers as well as in trade facilitation bottlenecks.

Findings of the Study

- Real income gains from full implementation of the AfCFTA could be substantial. Some countries will gain more than others, but in aggregate real income gains in Africa from all measures would generate a substantial increase (about 7 percent or nearly $450 billion). Real Income gains from tariff liberalisation alone are small, around 0.2 percent at continental level, although some countries would record gains above 1 percent. The biggest gains would come from reductions of NTBs and implementation of the Trade Facilitation Agreement. Under combined tariff liberalisation and reduction of NTBs, the real income gain amounts to 2.4 percent in 2035 at the continental level, while the biggest boost comes from the implementation of the TFA.

- AFCFTA would significantly boost African trade, particularly intra-regional trade in manufacturing. Intra-continental exports would increase by over 81 percent, while exports to non -African countries would rise by 19 percent. However, despite these changes, intra-continental trade would remain around 20 percent of total trade for the continent. Intra-AfCFTA exports to the AfCFTA partners would rise fast for Cameroon, Egypt, Ghana, Morocco and Tunisia. The gains in services trade are modest – about 4 percent overall and 14 percent within Africa.

Non-tariff barriers are some of the most prolific barriers to intra-Africa trade.

- AfCFTA would boost regional output in aggregate but output would contrast in some countries while expand in others, leading to a costly re-allocation of resources. it would also affect the geographic allocation of production. North Africa would experience a shift toward manufacturing and services. East African economies would see greater specialisation in agricultural products and services as factors of production shift away from selected manufacturing sectors. In Central and West Africa, output of natural resources would grow.

- AfCFTA can lift an additional 30 million from extreme poverty, and 68 million people from moderate poverty.

- Implementation of the AfCFTA Agreement would create better opportunities for unskilled and female workers. Labour market results would vary by country, in few cases AfCFTA could widen skills and gender gaps.

- AfCFTA's short term impact on tax revenues is small for most countries.

AfCFTA offers large opportunities for development in Africa, but implementation will be a significant challenge. The Study identifies the key priorities for African policymakers. Lowering and eliminating tariffs will be the easy part with the challenge of how to replace tariff revenues. The hard part will be enacting the non-tariff and trade facilitation measures, which is where the analysis predicts the largest potential economic gains. Such measures will require substantial policy reforms at the national level. Achieving AfCFTA's full potential depends on agreeing to ambitious liberalisation and implementing it in full. Partial reforms would lead to smaller effects.

Source: World Bank

BREXIT

The United Kingdom (UK) is due to leave the European Union (EU), bringing an end to the 47 years of the Britain membership to the bloc

After the UK voted to quit the EU in a referendum three and a half years ago, the country's exit is finally due to take place on 31 January 2020, following the Conservative Party's snap election victory on 12 December 2019.

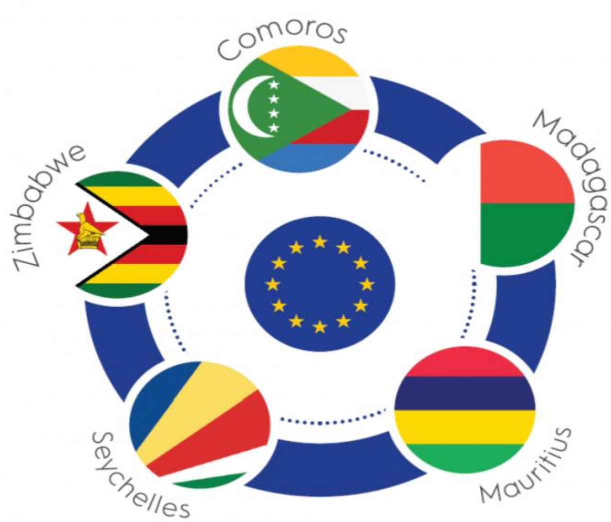
On 9 January 2020, the UK House of Commons voted in favour of the Withdrawal Agreement Bill which covers UK's financial liabilities to the EU as well as the rights of EU citizens living in Britain after Brexit, the transition period to do trade negotiations and arrangements for Northern Ireland.

The Bill has now passed to the UK House of Lords for further review.

It is expected that the Withdrawal Agreement Bill will be ratified by the European Parliament by the end of January.

It is important to underline that negotiations with the EU are not the only phase of the Brexit. Arrangements will also need to be made as regards the implementation of the Withdrawal Agreement, which includes inter alia the Northern Ireland Protocol, and preparation for the future of the UK outside of the EU.

Deepening of the ESA-EU Interim Economic Partnership Agreement



Mauritius along with Comoros, Madagascar, Seychelles and Zimbabwe are implementing an Interim Economic Partnership Agreement (iEPA) with the EU.

The Parties have agreed in 2017 to deepen the Agreement to cover other areas, including amongst others Agriculture, SPS, TBT, Trade Facilitation and Services. Negotiations were launched in October 2019.

The 8th EPA committee and the 2nd ESA-EU iEPA technical meeting was held in Seychelles from 13-17 January 2020. The meetings covered the following issues:

- Implementation of the IEPA including market access liberalization
- Modernization of rules of origin under IEPA

- Status of Economic Development Cooperation
- Rules of origin negotiations
- Custom and trade facilitation
- Technical barriers to trade (TBT),
- Sanitary and phyto-sanitary measures (SPS) and
- Agriculture.

The Parties presented and explained their textual proposals that were submitted prior to the meeting. They clarified the underlying approaches, concepts and where possible agreed on merged texts and provisions. Discussions were held in a constructive atmosphere, and showed a shared commitment to move towards the deepening of the IEPA.The 3rd Round is scheduled on **06 to 10 July 2020**.

US – China Trade Deal

(1) US Drops China's Currency Manipulator Label Ahead of Trade Deal

The U.S. Treasury Department dropped its designation of China as a currency manipulator just two days before negotiators from Beijing and Washington were set to sign the first phase of the trade deal between the two countries.

(2) Broad outline of Phase I of the US-China trade deal

The "Phase I" deal between USA and China was signed on 15 January 2020.

It is being reported by US business executives that a broad outline of Phase I of the US-China trade deal includes advances in intellectual property (IP) protection, big-ticket farm purchases and a reduction in barriers to exports.

Furthermore, Phase I of the deal:

- Removes threatened tariffs on approximately US$ 155 billion worth of Chinese imports;
- Halves tariffs to 7.5% on another US$ 120 billion worth of Chinese imports; and
- Keeps in place 25% import taxes on US$ 250 billion worth of Chinese imports

It is to be noted that one of the most important element of the agreement was the reduction of the 15% tariffs that China had imposed on most apparels imports since September. The new tariff of 7.5% will, however, remain in place for the foreseeable future. The U.S. administration's likely to be the elimination of the 7.5% tariffs on apparel in an eventual "Phase II" agreement, but since a number of contentious issues were put off during the negotiations, it is unlikely that any agreement will be reached soon. Indeed, President Trump has publicly stated that any Phase II agreement would not be concluded until after the elections.

Following the imposition of the 15% tariffs in September, US apparel imports from China have fallen by more than 6%. This is more than the US imports from all of Africa in a year. While the rate of decline may slow now that the tariffs have been cut in half, all indications are that US apparel imports from China will continue to drop.

The Phase One economic and trade agreement further opens China's food and agriculture market to American products. It addresses structural barriers to trade and will support a dramatic expansion of U.S. exports, including food, agriculture, and seafood products.

10th Meeting of the African Ministers of Trade and the 2nd meeting of the Council of Ministers of Trade

The 10th meeting of the African Continental Free Trade Area (AMOT) and the 2nd meeting of the Council of Ministers of Trade were held in December 2019 in Ghana. The aims of the meetings were to, among others, consider the outstanding issues on rules of origin, market access offer and the implementation of the AfCFTA Agreement.

The following decisions were taken:

(a) the Rules of Procedures for the AfCFTA Council of Ministers and the AfCFTA Senior Officials meeting were approved

(b) AMOT directed that the outstanding issues on Rules of Origin be concluded as soon as possible to facilitate the finalization of tariff offers and requested the AUC to make a distinction between outstanding issues on

rules of Origin issues that need policy notes (clothing and textiles, sugar, edible oils, and automotive sectors); can be considered as low hanging fruits; and bracketed issues on product specific rules. It was also agreed to circulate all policy notes to Member States for national consultation; and facilitate the finalization of the draft regulations, criteria and outstanding issues on the Special Economic Zones.

(c) Market access offers by all remaining AU Member States should be submitted immediately after Rules of Origin would have been agreed, but **no later than March 2020**. It is to be noted that so far the following countries have submitted their market access offer for the 90% of trade, Egypt, Mauritius, Seychelles, Malawi and countries of Central Africa

(d) Regarding Trade in Services, AMOT further directed the AUC to prioritize the negotiation of Trade in Services (TiS) and avail of adequate resource to undertake and deliver on the activities/work program. It was also agreed that technical assistance be provided to Member States to prepare the offers in order to advance negotiations on trade in services without affecting the agreed timelines for submission of initial officers. Other decisions taken are as follows:

(i) Member states to submit their initial offers for trade in services at the latest as agreed by 31 January 2020, including those Member States submitting their autonomous liberalization;

(ii) Member States respect the timelines indicated in the roadmap for negotiation of trade in services;

(iii) For purposes of submission of the initial offers, Member States use the current classification and format of services of the WTO; and

(iv) Negotiations on final concessions be conducted on the basis of reciprocity.

With regard to the AfCFTA Secretariat, Ministers agreed that the process to establish a permanent Secretariat should start to ensure that it is in place by March 2020. In particular it was agreed, among others, to:

(i) Convey the positions of the Secretary General and three Directors to the relevant policy organs of the African Union once selection for these posts is completed;

(ii) Authorise the AUC to Advertise for a period of two months the positions of Secretary General and three Directors immediately;

(iii) Authorise the Chairperson of the AUC to appoint a panel as recommended to facilitate the appointment of Secretary General and the three directors;

(iv) Convey the draft budget for the positions and program activities of the Secretary General, three directors and essential staff to the relevant policy organs of the African Union for further processing;

(v) Authorise the AUC to recruit essential staff to support the Secretary General and three directors in Accra Ghana, namely Administrative staff, accounting staff, a legal officer, security staff, cleaners, drivers, chauffeur and driver and domestic staff for the Secretary General;

(vi) The seconded staff whose positions were agreed upon at its inaugural meeting should be hired urgently to support the Secretary General and three Directors;

(vii) Other positions in the structure would be considered by the council of Ministers after thorough review and consultations in the national capitals;

(viii) The structure of the AfCFTA Secretariat should grow organically driven by the provisions of the AfCFTA Agreement, the evolving strategies and work plans as well as the capacity for Member States to pay; and

(ix) The personnel budget of the AfCFTA Secretariat should be funded by African Union Member States in order to safeguard Africa's independence.

An extraordinary meeting of Council will be held in May 2020 to take appropriate decision for the implementation of the AfCFTA as from **1st July 2020**.

Intellectual Property Development Plan (IPDP) - Implementation of the main recommendations

Following a selection process and interviews, the contract pertaining to the implementation of the main recommendations of the National IPDP (this includes the implementation of the Industrial Property Act

2019) has been awarded to SWECO Co. Ltd (under supervision of GFA Consulting Group).

The team of four experts will be headed by Mr Getachew Alemu, international consultant on intellectual property.

The consultant started the assignment on 20 January 2020.

The specific objectives of the assignment are as follows:

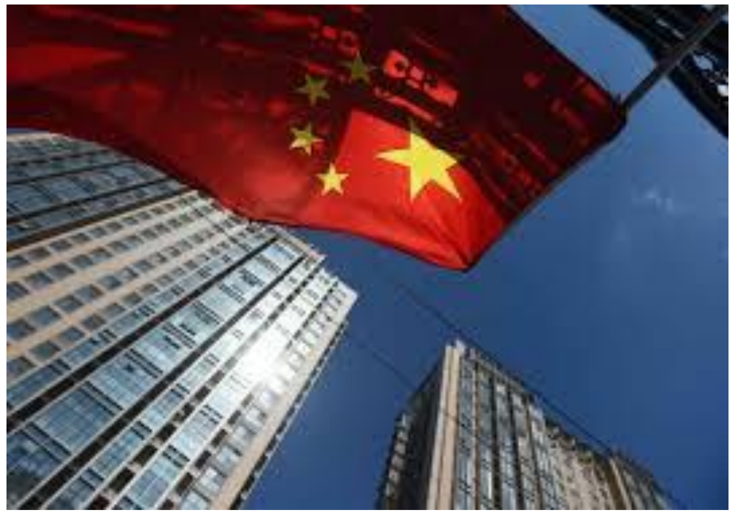
(i) To review the structure of the Industrial Property Office;
(ii) To finalise the implementing regulations for the Industrial Property Act 2019;
(iii) To finalise relevant documents relating to the accession of Mauritius to WIPO-administered Treaties;
(iv) To design and implement capacity building programmes especially in relation to geographical indications, plant varieties, utility models and layout designs of integrated circuits;
(v) To help establishing the Intellectual Property Council and the IP enforcement mechanism;
(vi) To work in collaboration with the University of Mauritius, Mauritius Research and Innovation Council and the private sector to identify capacity building needs and implement a programme to address these needs; and
(vii) To provide other related services relating to the implementation of the IPDP.

As from next week, Mr Alemu will have working sessions with relevant stakeholders of intellectual property to identify their needs and constraints. Based on this, the expert will design appropriate capacity building programmes as appropriate.

The consultant, Mr Alemu

China- New policies since 01 January 2020

China is set to further open up and optimize its business environment.



A series of new policies took effect on 01 January 2020 and provide extensive opportunities for international businesses as follows:

(i) Temporary tariff rates may apply to more than 850 items of imported goods. <u>The tariff rate will be lower than the most-favoured-nation (MFN) tax rates</u>. The aim is to increase imports and optimise the import structure.

(ii) From 01 July 2020, China will cut the MFN tax rates for <u>176 items for information technology products</u> and adjust some products' temporary tariff rates accordingly.

(iii) The <u>Foreign Investment Law</u> is into force. The new legislation guarantees <u>equal market access for foreign-invested enterprises</u>.

(iv) China's first cryptography law is into force. The aim of the law is to:

- Regulate the utilisation and management of cryptography;
- Facilitate the development of cryptography business; and
- Ensure security of cyberspace and information.

Cryptography: Method of storing and transmitting data in a particular form so that only those for whom it is intended can read and process it.

(v) 97 drugs i.e. 70 new and 27 renewed (included in China's new national medical insurance catalogue) will enter the purchasing process. [This follows price negotiations between the healthcare security administration and drug producers].

(vi) Insurance:

- Residents of Hong Kong, Macao and Taiwan are now able to apply for Chinese mainland social insurance.
- The regulations apply to people who work, study or live in Chinese mainland.
- The 5 basic insurance programs are endowment, medical, work-related injury, unemployment insurance and maternity.

WTO / TRIPS: Non-violation and situation complaints - Extension of the moratorium

The World Trade Organization (WTO) General Council agreed to the extension of the moratorium pertaining to the non-violation and situation complaints moratorium up to MC12 (i.e June 2020, Kazakhstan).

Under the Non-violation and Situation Complaints Moratorium, WTO members are only allowed to file a complaint about an intellectual property issue if the Trade-Related Aspects of Intellectual Property Rights (TRIPS) has allegedly been breached.

Intellectual property rights (IPR) in third countries - EU Report on the protection and enforcement of IPR

The EU Report on the protection and enforcement of IPR was released in January 2020.

The main objective of this report is to identify third countries in which the state of IPR protection and enforcement (both online and offline) gives rise to the greatest level of concern and thereby to establish an updated list of so called "priority countries".

According to the report, Mauritius is not a so called "priority country".

Britain languishes behind EU in battle for African trade

Johnson launches post-Brexit initiative in face of already stronger bloc ties

The UK Prime Minister, Boris Johnson, welcomed African leaders to a new start in their business partnership at the inaugural UK-Africa summit on Monday, 20 January 2020, that aimed to promote trade opportunities after Brexit.

It may be noted that despite the UK PM's efforts to entice the African continent, statistics from the International Trade Centre indicate that other EU countries have already successfully managed to maintain much stronger ties with the continent from within the bloc than Britain.

The UK Prime Minister pledged that Uganda's "beef cattle will have an honoured place on the tables of post Brexit Britain" and that "families across Angola will shortly be tucking into delicious wholesome chicken from Northern Ireland" as leaders from more than 20 African countries meet in London. But Portugal, Belgium, Italy, Spain and France are already more successful meat exporters to Angola than Britain, according to data from the International Trade Centre.

As illustrated in the table below, the EU27 is the biggest goods exporter into Africa with a total value of nearly USD 178 billion, in 2018. The figure is 14 times the USD 12 billion for the UK and nearly double the USD 90 billion for China, which is by far the largest single exporter to the continent and dwarfs the USD 28billion for the US.

Exporter	Africa Imports of Goods , USD
EU (27)	178,996,002
Britain	12,297,522
China	90,635,156
US	28,158,184

The Mauritian Prime Minister, Pravind Kumar Jugnauth, attended the UK-Africa summit. He presented Mauritius' comparative advantages to British economic operators and how Mauritius was developing into a business hub for Africa. The PM also emphasized the importance of traditional economic sectors that have so far generated growth, like tourism, sugar, textile or financial services and the increasing role of more cutting-edge and innovative pillars like Fintech and artificial intelligence.

Source: Financial Times and ITC

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