The Tripartite Free Trade Agreement

The Tripartite Free Trade Area (TFTA) was launched in June 2015 in Egypt regrouping the Member States of three Regional Economic Communities (RECs) namely COMESA, SADC and EAC. The objective of the Tripartite FTA was to establish an enlarged trading block comprising the twenty-six Member States of the Eastern and Southern African region.

Mauritius becomes the 21st country to sign the Tripartite FTA. The other 20 Member States to have signed the agreement are Angola, Burundi, Comoros, DR Congo, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Namibia, Rwanda, Seychelles, Sudan, Tanzania, Uganda, Swaziland, South Africa, Zambia and Zimbabwe.

The Tripartite FTA will only come into force once ratified by the majority of Member States.

1. BACKGROUND

On 22 October 2008, in Kampala (Uganda), the Heads of State and Government of the Members States of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the Eastern and Southern Africa (EAC) agreed to establish the Tripartite FTA (TFTA). Apart from the economic imperative arising from such an enlarged regional market, the TFTA initiative has received wide support as it is expected to address the problem of conflicting trade regimes due to overlapping memberships of most members in the three RECs.

The three regional blocks comprise a combined population of 632 million people, a combined Gross Domestic Product (GDP) of US$875 billion, and a GDP per capita averaging US$1,184. The 26 countries make up half of the African Union (AU) in terms of membership, about 58% in terms of contribution to GDP and 57% of the total population of the African Union. A summary of the economic statistics of the

26 countries can be viewed at Annex 1. The three Regional Economic Communities have already made significant progress in the implementation of their integration agendas.

The implications in economic terms of the Tripartite Free Trade Agreement are potentially enormous. The TFTA spans the through the whole Eastern side of the continent from the Cape to the North African coast and will create Africa's largest free trade area. As with most regional integration schemes, the underlying economic rationale of the agreement is to provide greater opportunities to reap economies of scale, greater competition, a more attractive internal market for investment (both foreign and domestic), and an acceleration of intra-regional trade. In this sense, the TFTA represents a decisive move to escape from the constraints of the balkanized economies of Africa's past. Beyond that, the agreement also has a great symbolic importance – the TFTA is expected to serve as the basis for the completion of a Continental Free Trade Area, with the aim of boosting trade within Africa by 25-30 per cent in the next decade, and ultimately establishing a continental-wide African Economic Community.

2. MAIN OBJECTIVES

This Tripartite Member States' vision is to achieve "*Towards a Single Market*" through the implementation of a Tripartite Development Integration Strategy anchored on the three pillars of Market Integration, Infrastructure Development and Industrial Development:

a. **Market Integration** based on the Tripartite Free Trade Area (FTA) and involves the removal of tariff and non-tariff barriers to goods traded among the 26 Tripartite countries. Market integration will also entail promoting inter-REC investment flows and cooperation in financial and capital markets development, improved support services and information flow for business development.

b. **Infrastructure Development** focuses on improving the region's internal transport (road, rail, water and air) and trade related (including ICT and energy) infrastructure in order to enhance connectivity and reduce costs of doing business in eastern and southern Africa. The Tripartite infrastructure development programme is to be implemented along transport corridors.

c. **The Industrial Development** programme is intended to facilitate industrial development by addressing supply side constraints and engaging in programmes that can take advantage of improvements in market integration and infrastructure development in reducing cost of doing business. A Tripartite industrial development programme seeks to build a solid, diversified, productive, high quality, technologically sound and competitive Tripartite industrial base, which will boost economic growth and employment.

3. The Tripartite Free Trade Area

The Tripartite Member States have focussed the negotiations mainly on the market integration aspects of the Tripartite FTA. The negotiations for the setting up of a Free Trade Area among the twenty-six Tripartite Member States started in December 2011 in Nairobi. The negotiations focussed on the framework agreement establishing the FTA as well as several annexes related to the implementation of the FTA.

The negotiations on framework agreement were completed and adopted by the Tripartite Heads of States. The TFTA was officially launched in 2015 in Egypt.

There are several annexes linked to the implementation of the TFTA including on tariff liberalisation, non-tariff barriers, rules of origin, trade remedies and provision for dispute settlement and trade facilitation.

The main annexes are listed below:

a. Tariff liberalisation

The TFTA aims at liberalising 100 percent of tariff lines taking into account the usual general, specific and security exceptions. COMESA and SADC countries participating in the Tripartite FTA have agreed to maintain the acquis, i.e. maintaining 100% duty-free access already provided under the existing RECs on a reciprocal basis.

For the other Member States, it was agreed that 60-85 percent of tariff lines would be liberalised upon entry into force of the Agreement and the remaining tariff lines would be negotiated over a liberalisation period of 5 to 8 years. **The countries involved in the tariff negotiations process have not yet finalised the tariff negotiations and their offers.**

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b. Non-tariff barriers

To address the challenges of non-tariff barriers (NTBs), Annex 3 of the TFTA Agreement provides for the harmonisation of the COMESA, EAC and SADC NTB arrangements into a single mechanism and a process for identifying, categorising, reporting, monitoring, and resolving NTBs in the Tripartite region. The institutional framework includes a Tripartite sub-committee on NTBs as well as national monitoring committees and focal points.

c. Rules of origin

Annex 4 of the TFTA Agreement is one of the key annexes in the TFTA as it sets out the criteria and conditions for goods to qualify for preferential market access in the Tripartite Members States. The TFTA rules of origin are based on the principle of the acquis implying the rules should be, in principle, not less favourable than the existing rules in the different RECs. The negotiations on rules of origin are still on-going with several products of export interest to Mauritius still outstanding.

d. Trade remedies and dispute settlement

Annex 2 of the TFTA Agreement provides for the application of anti-dumping, countervailing and safeguard measures to address dumping, subsidisation, imports surges. Annex 10 of the TFTA Agreement provides for a Dispute Settlement Body and its powers which include, among others, the establishment of panels and an appellate body, surveillance over the implementation of rulings and recommendations of panels and the appellate body. The negotiations on these two annexes have not yet been completed.

e. 5 Other provisions

Other provisions include those on the elimination of quantitative restrictions, customs cooperation, trade facilitation and transit trade, infant industries, balance of payments, among others. These are generally consistent with obligations under the WTO and international best practices.

4. Challenges and Way Forward

The TFTA will come in force force after the conclusion of the outstanding technical work and the ratification by 14 of the 26 parties to the agreement. For Mauritius, there are significant number of outstanding issues in the annexes which are important and which remain to be finalised including the annexes on rules of origin, trade remedies and dispute settlement.

While the scope of the TFTA economy is large, significant structural and policy bottlenecks still remain to be overcome. These include, among others poor infrastructure, high transaction costs and low levels of industrialisation. What is promising about trade within the regional economic communities, however, is that it is more diversified with a higher proportion of intermediate and value-added products than their trade with the rest of the world.

The TFTA augurs well for expanding investment in infrastructure, connectivity and production linkages in regional value chains as a platform for scale economies and improving backward integration into global value chains.