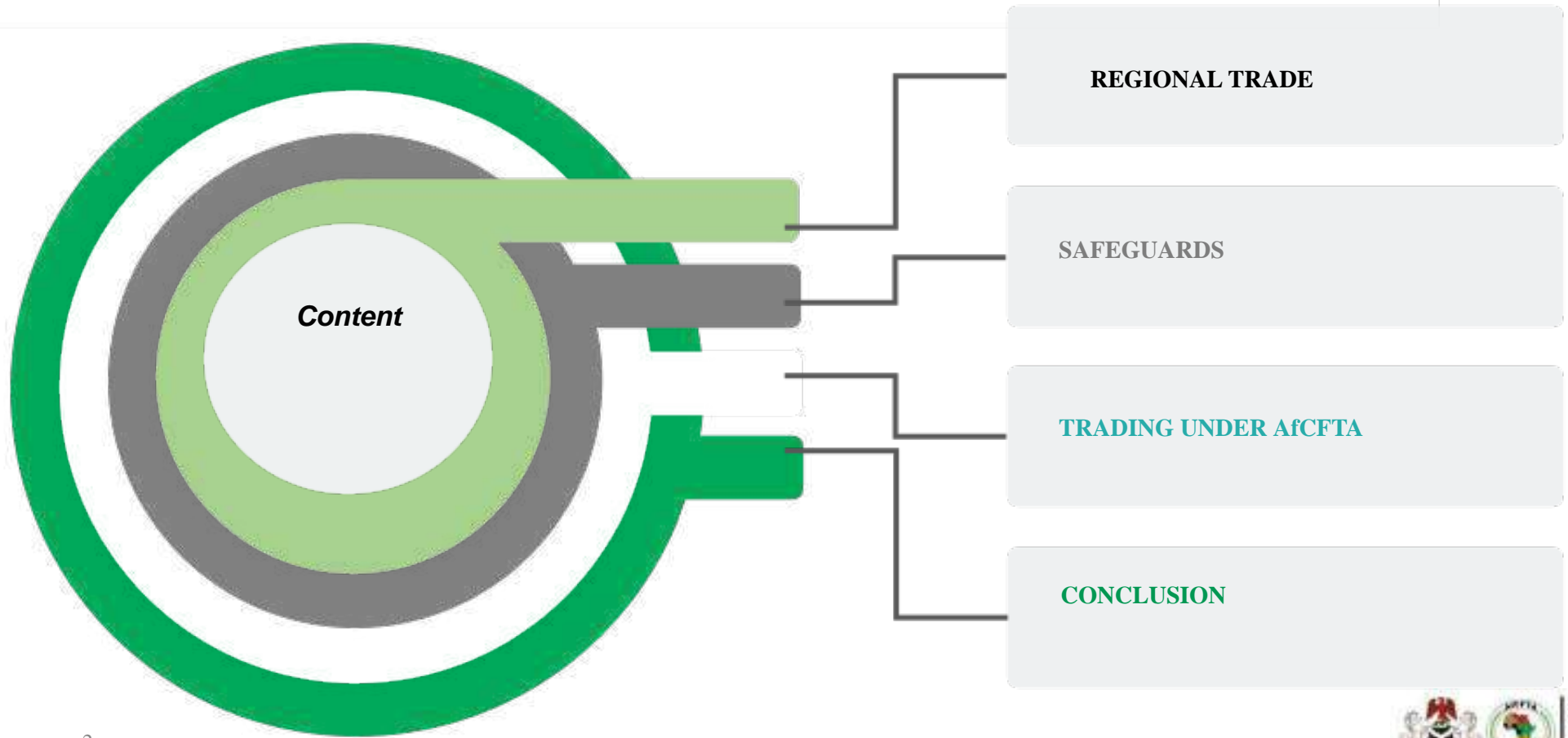




Africa Continental Free Trade Area (AfCFTA)
REGIONAL TRADE

Olusegun Olutayo
Lead Expert, Trade Enablement
National Action Committee on AfCFTA





The Journey... and the reference point

... raised up so we can stand on mountains



1

Heritage

2

Courage

3

Encourage

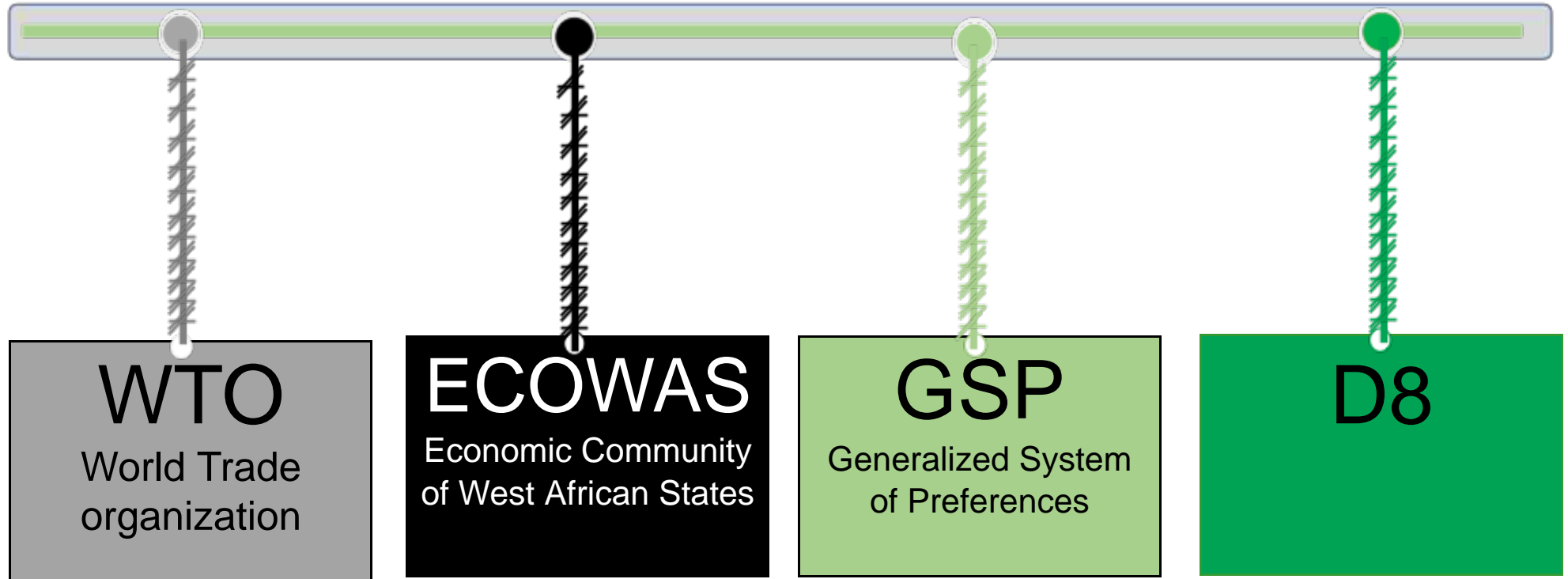


Collaboration

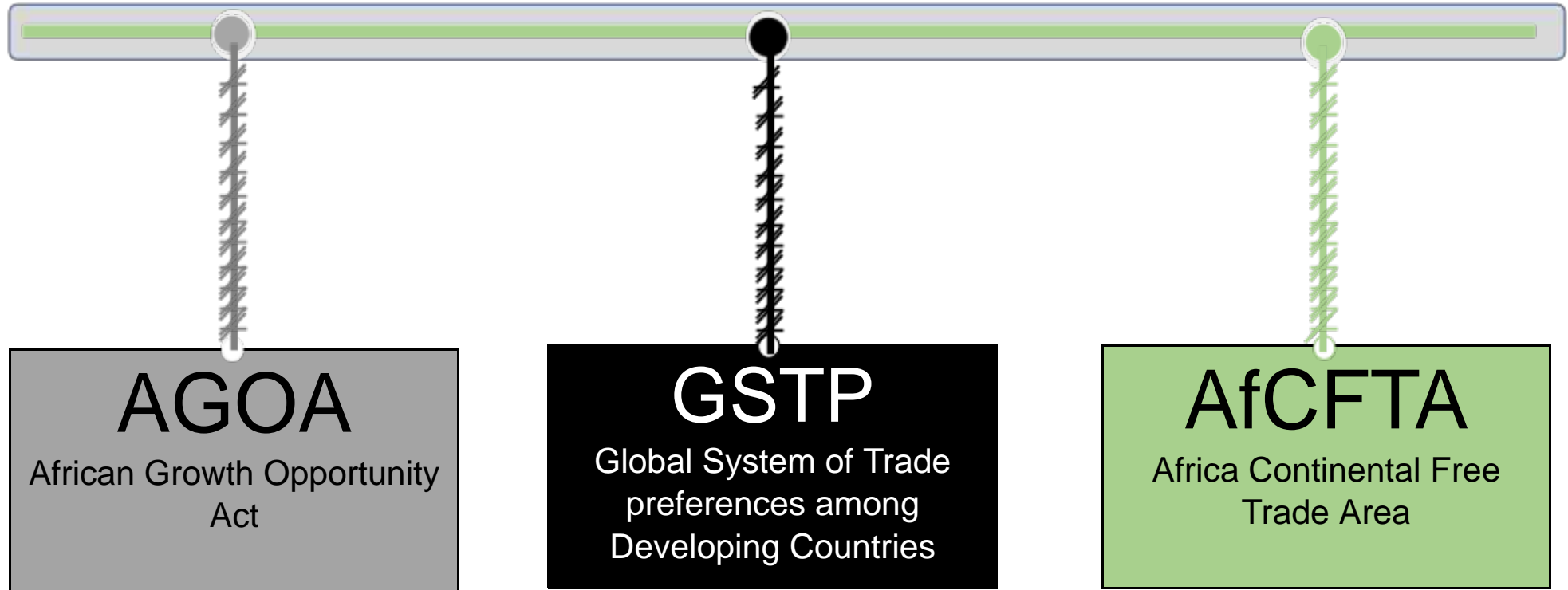


Regional Trade
Article 24 GATT

Trade Regimes...



Trade Regimes...



African Continental Free Trade Area (AfCFTA)

The journey so far.....

Key Milestones

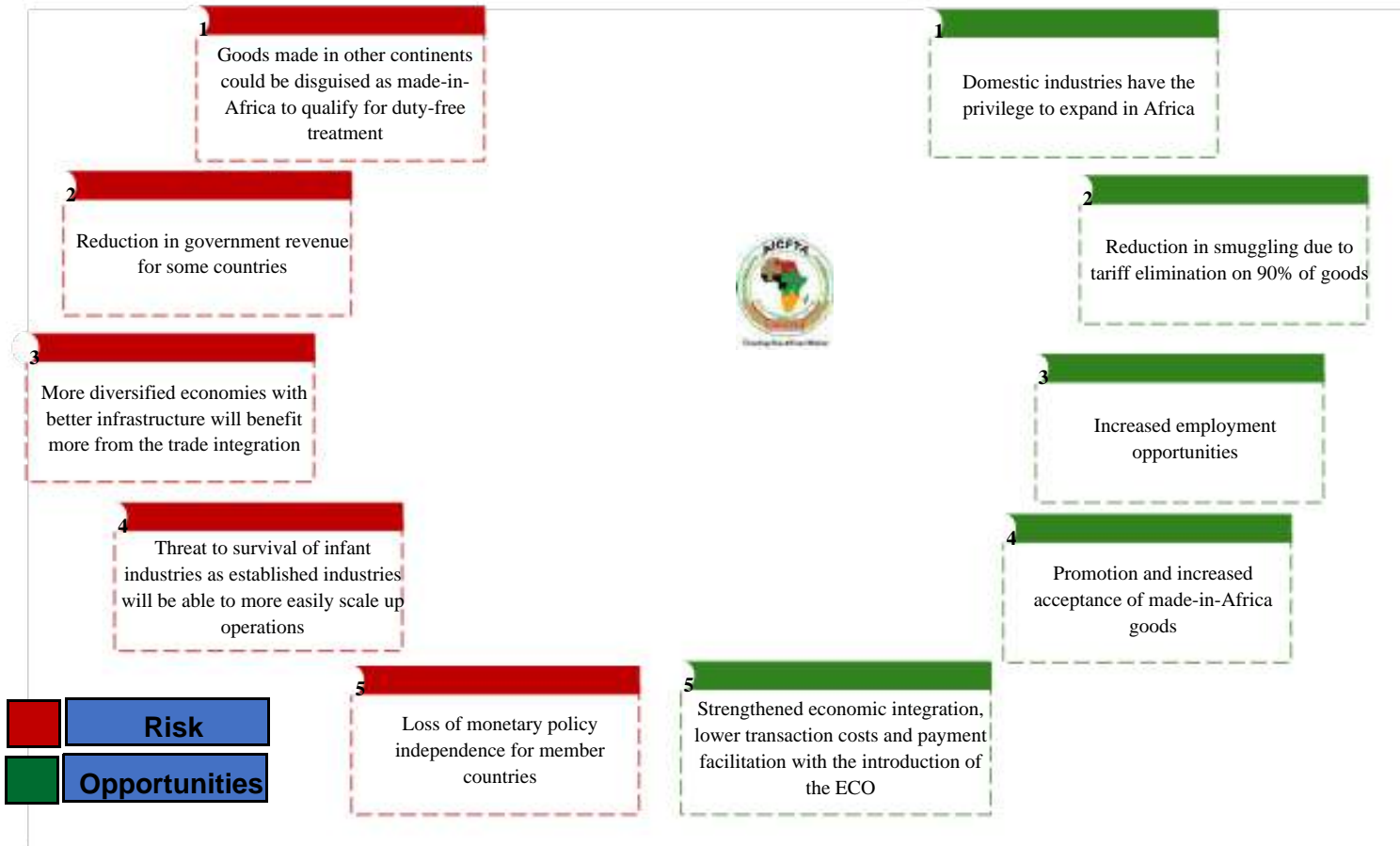


Objectives of AfCFTA



African Continental Free Trade Area (AfCFTA)

Amidst the opportunities to significantly boost intra-African trade, AfCFTA presents certain risks....





AfCFTA Implementation

Our national AfCFTA Aspirations



Success with AfCFTA is a diversified and sustainable Nigerian economy with strong linkages with neighbours and the top economies in Africa and a globally accepted country brand.

Our AfCFTA mission is to:



Grow Nigeria's intra-Africa trade to \$50bn by 2035



Become premier choice for products, services and investments in Africa



Project economic leadership through strength of regional value chains



Create jobs across every socio-economic class

We are leveraging AfCFTA to prepare for a post oil revenue driven society...the transformation transcends economic changes (includes mindset change)

AfCFTA Implementation - Our national AfCFTA Aspirations



Success with AfCFTA is a diversified and sustainable Nigerian economy with strong linkages with neighbours and the top economies in Africa and a globally accepted country brand.

Mission	What we want to achieve
Economically viable communities	To grow Nigeria's intra-Africa export trade volume to \$50bn by 2035. A dominant industry/service cluster at every State An emerging cluster(s) of products or service industries to provide stability during downturns Strong linkages with other communities across States, Geographical Zones and Countries
Highly productive workforce	Good jobs with attractive earning power at every level Skilled people for domestic and international jobs job-driven skills strategies and support organizations to grow employability of local community people entrepreneurial education to boost resilience and versatility of the work force
Business friendly environment	Security of people, assets, businesses, investment and borders Investment friendly policies, incentives and practices Access to financing at globally competitive terms Export development incentives Automated systems for business and regulatory information for ease of doing business, transparency and planning
Infrastructure	Uninterrupted power to SMEs and big businesses leveraging renewables, off-grid and grid electricity Improved stock and quality of road infrastructure Access to common logistics facilities with appropriate functionalities to minimize transit losses and time to market Leverage regional logistics infrastructure to promote regional interconnectivity, value chain and reduce cost Drive linkages between logistics and other sectors (e.g. guaranteed offtake of local manufactured products, financing, etc.) Quality infrastructure Drive processes that guarantee or increase acceptability of product and service (quality and perception wise)
Strong national brand	We are leveraging AfCFTA to prepare for a post oil revenue driven society...the transformation transcends economic changes (includes mindset change)

AfCFTA Implementation

Key challenges

Production &

productivity issues

- Capacity and skill dearth
- Circa 50% capacity utilization
- Low agricultural yield
- High post harvest losses
- Significant dependence on imports for inputs and components
- Intense competition from cheaper imports
- High non-operating costs
- Slow implementation of incentives and local offtake arrangements
- Poor access to foreign markets (quality, country brand, economic cooperation).
- Data deficiency
- Low adaptation to technology and best practices

Infrastructure constraints

- Lack of access to uninterrupted power
- Obsolete and inadequate infrastructure
- Poor safety and hazard concerns
- High cost vs. value of international certifications
- Low stock of transport infrastructure (roads, rail, water)
- Inefficient logistics operations (port congestion)
- Low inter-connectivity of transport modes from poor planning
- Low access to modern logistics infrastructure (fleet, warehouse, packing equipment, etc)
- Slow completion of projects

12

Insecurity

- Insurgency, kidnapping, farmers/ herdsman clashes are limiting access to farms and travel options; and from pirates on waters

Predatory trade practices

- Smuggling through manned and unmanned borders
- Unchecked dumping and illegal subsidies
- Illegal trans-shipments
- Abuse of rules of origin
- Non-enforcement of AfCFTA rules by regional partners.
- Intellectual property infringement

Regulatory constraints

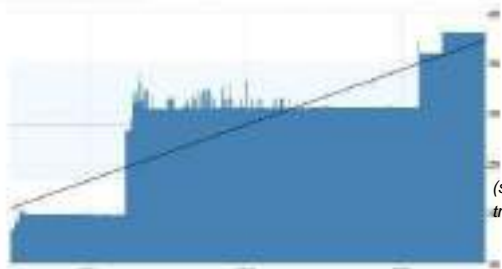
- Significant number of laws and regulations require update
- Change in government
- Overlapping mandate of MDAs with low institutional cooperation
- Cost of doing business (permits, bureaucracy, multiple taxation)
- Lingering disputes
- Fiscal uncertainty/ weak macroeconomic environment
- Plethora of laws with weak enforcement
- Misalignment of other bilateral trade agreements and the AfCFTA provisions

Funding constraints

- Dwindling government revenue
- Businesses experience difficulties in accessing incentives and intervention financing (EEG Grants, CTG fund, etc)

AfCFTA Implementation

Strategic imperatives for Nigeria



(source: tradeconomics)

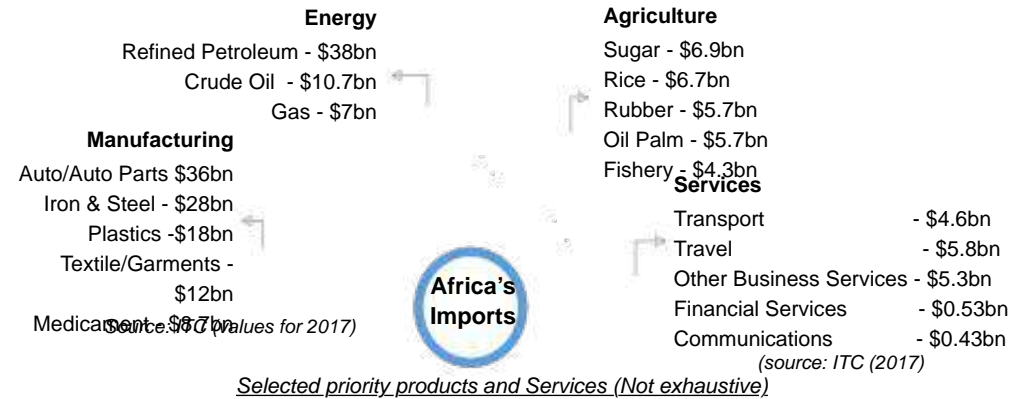
Wealth Protection (Business & Country)

- Protect sovereign revenue
- Mitigate private wealth erosion due to **foreign exchange devaluation & double digit inflation**



Job Creation

- Reverse unemployment growth trend



Huge opportunities in international trade

1. Preferential access to Africa's markets worth **\$504.17billion** (goods) & **\$162bn** (services) (source: ITC (2017))
2. *Market expansion opportunities for Goods & Services*
3. *Boost to backward integration, local value addition*
4. *Opportunity to consolidate hub position in Services*
5. *Productivity growth through competition & specialization*
6. *AfCFTA – a stepping stone to the global market place*

Glimpse into AfCFTA and Kano State

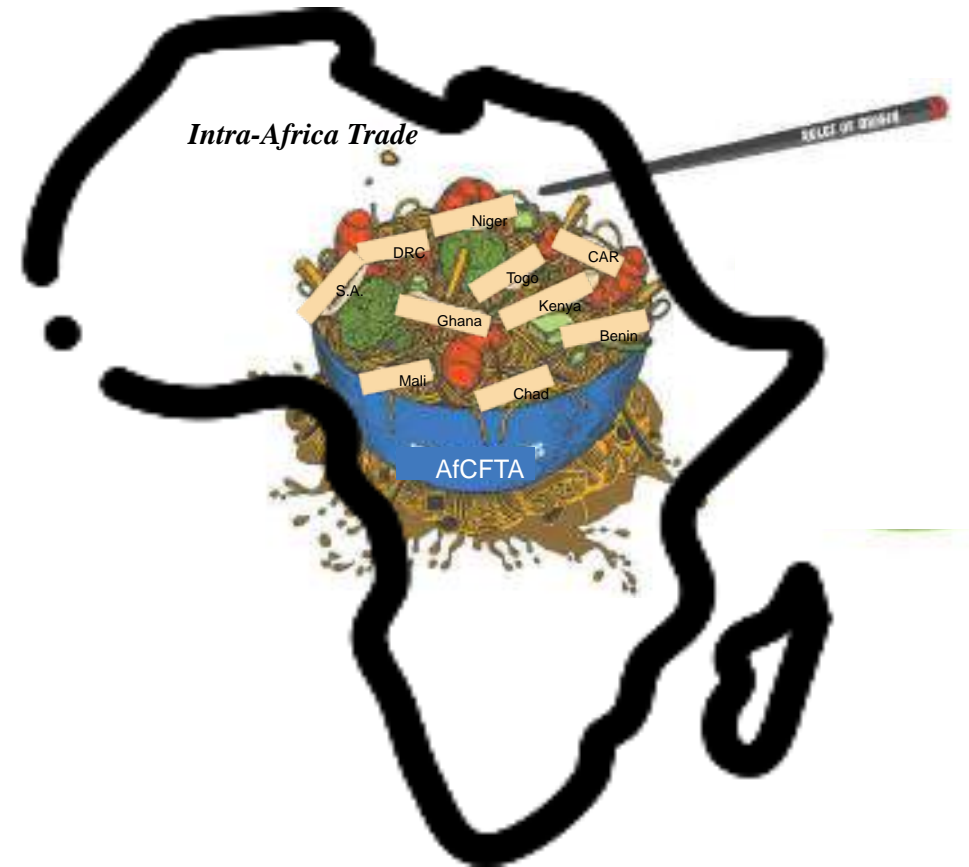
Commercial and Manufacturing Hub

Largest labor force

Home of leather

Renewable Energy potential

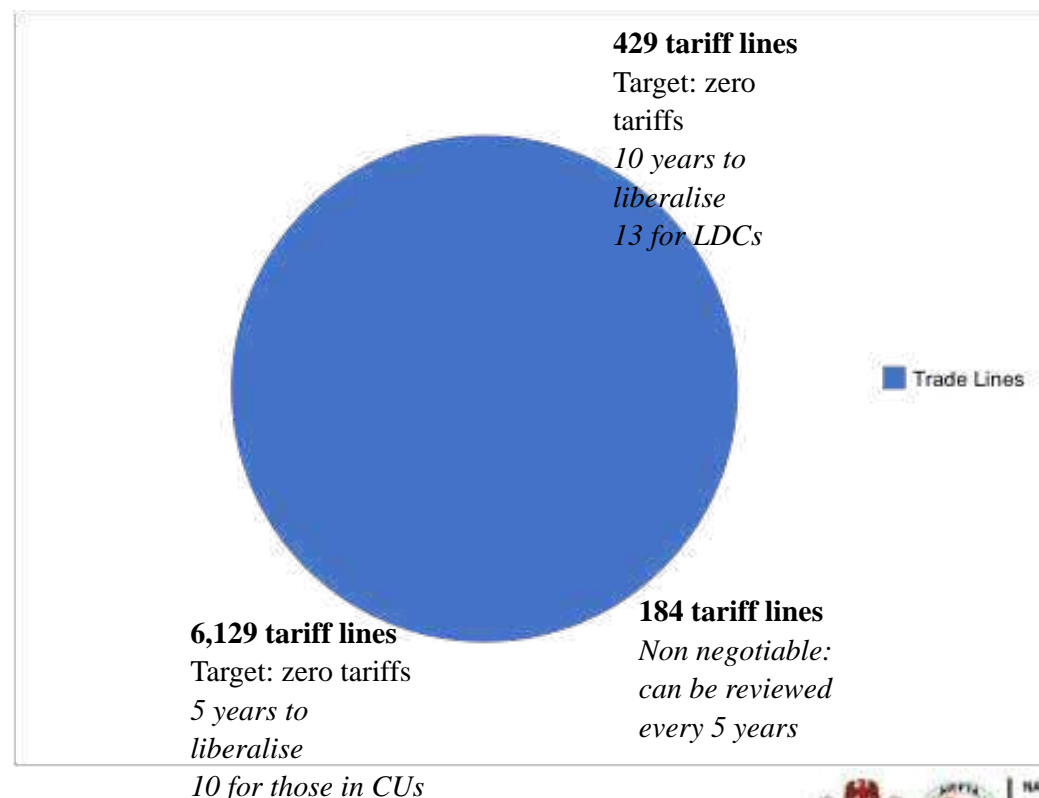
Irrigation/Crops production



AfCFTA Trade liberalisation explained: the 90/10 rule

Article XXIV agreements as a means of increasing freedom of trade. For example, paragraph 4 of Article XXIV provides that

- The Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between economies of the country's parties to such agreements
- Contribution to the expansion of world trade may be made by developing and transition economies in integrating into the international trading system
- The purpose of closer integration between the economies of the parties to such agreements
- promote further liberalization and may assist least-developed of a customs union and a free-trade area should be to facilitate trade between constituent territories and not to raise barriers to the trade of other Members with such territories
- Development and promotion of regional and continental value chains





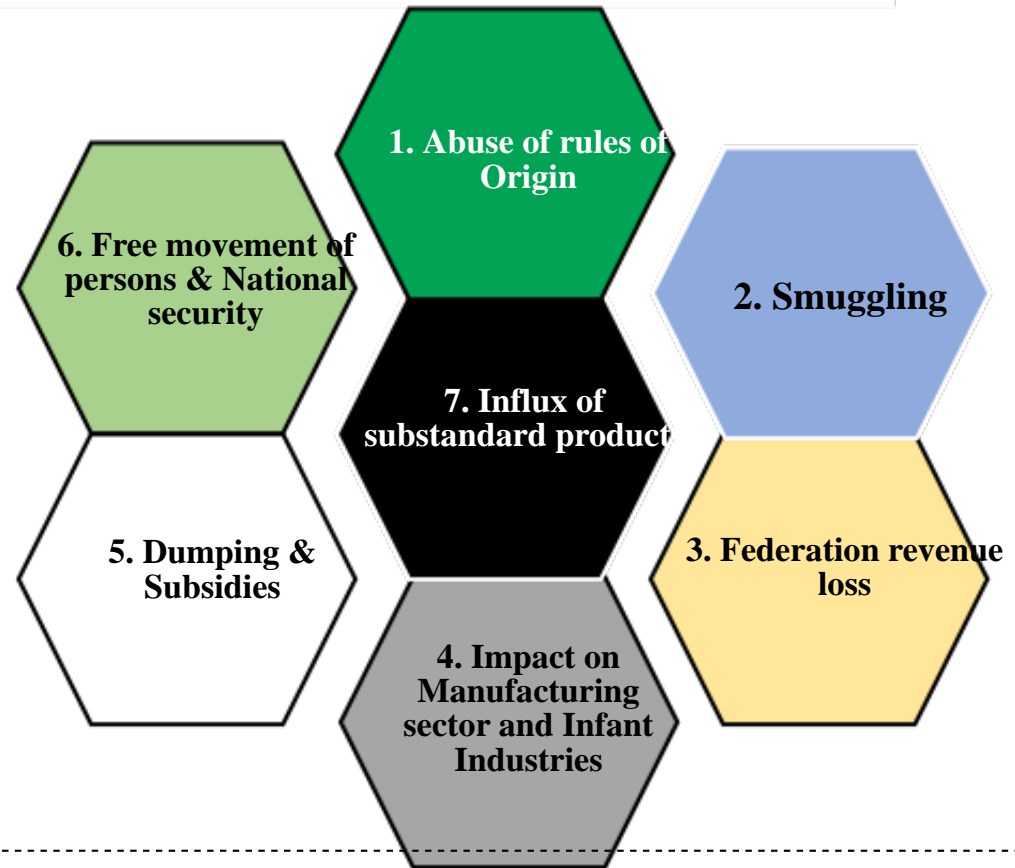
SAFEGURD
S

Seven threat categories....

Seven potential threats identified during this safeguard assessment which would require mitigation to enable smooth implementation of the AfCFTA.



NIGERIA



AfCFTA Strategic Safeguards Provisions...



Article 14 – “Customs Cooperation and Mutual Administration Assistance under the Protocol on trade in Goods and Annex 3 of the AFCFTA agreement Article 7,8,9,10&11 of Annex 3 and Annex 4 Article 25 of protocol on trade in Goods

Article 24 on protocol on trade in Goods establish that nothing shall prevent state parties from applying these safeguard measures.

Part V - Trade Remedies; Article 17 and Article 4,5,11&12 of Annex 9 to protocol on trade in Goods.

The combined reading of Article 36-39 (“Verification of Proof of Origin”, “Penalties” and Sub-Committee on Rules of Origin) of Annex 2 on Rules of Origin

AfCFTA Safeguards Strategic Provisions...

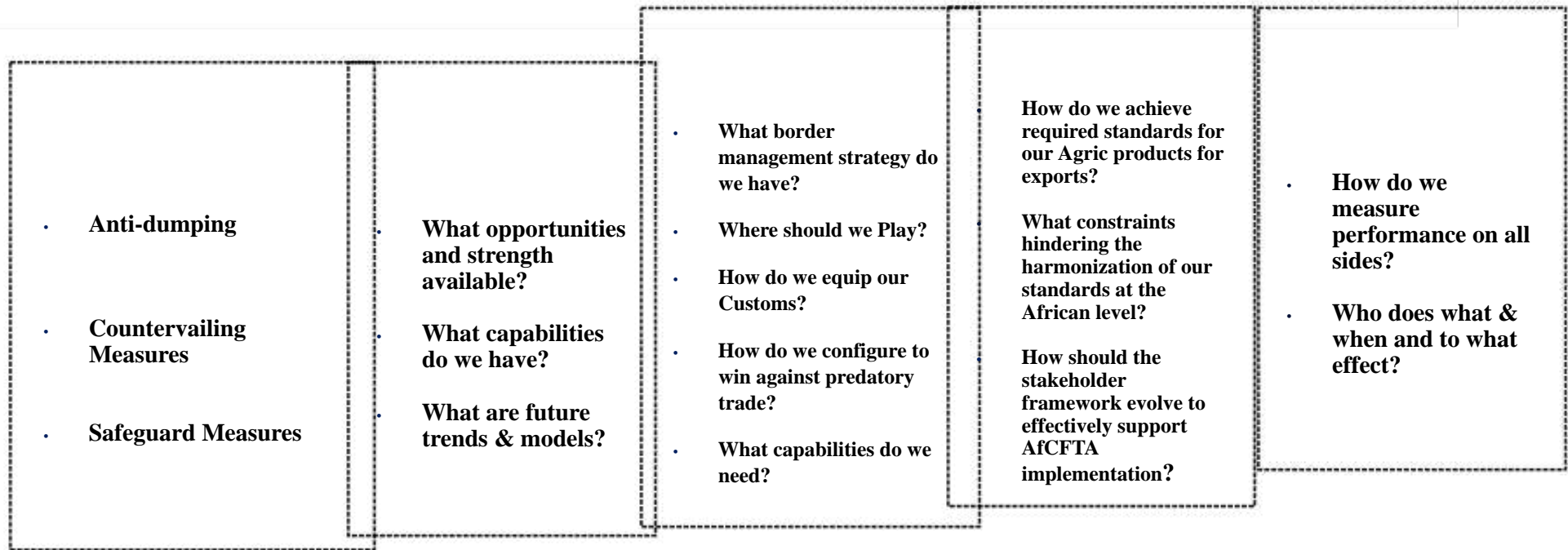
Article 27 – “Security Exception” of Protocol on trade in goods guaranteed state parties doing contrary to its essential security interest.

Article 28 “Balance of Payment” of Protocol on trade in Goods allows State Parties to mitigate against the shock of revenue loss.

Review & Withdrawal

Dispute Settlement

Safeguards implementation readiness...



Trade Policy



AfCFTA

Rule of Origin

What do we mean by Rules of Origin?

Wholly Obtained Criterion

- **Trade in goods considered wholly obtained includes:**
- Actual source of a product; if live animal, where the animal was born and reared;
- Country of extraction
- Place of manufacture
- Products obtained from water bodies

Substantial/sufficient transformation criterion

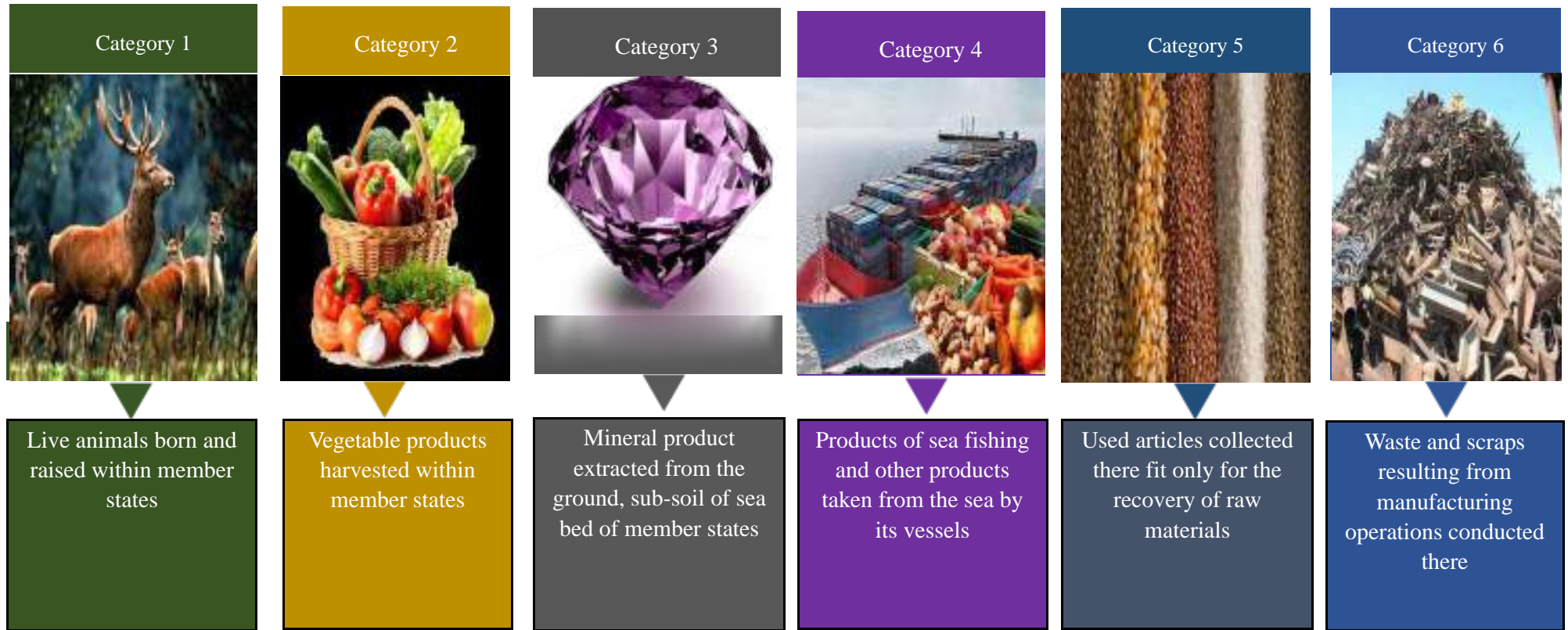
- **There are 4 major criteria:**
- Change of Tariff Classification criterion
- Change in Tariff Sub-Heading criterion
- Value of Non- Originating Material
- Manufacture or Processing operations (technical requirement) criterion.

Definition

- Rules of Origin (RO) are the means by which we determine where goods originate, i.e. not where they have been shipped from, but where they are deemed to have been produced or manufactured
- Rules of origin are the criteria needed to determine the national source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.

African Continental Free Trade Area (AfCFTA)

What Exactly are Wholly Obtained Criterion?



Change of Tariff Classification Criterion

Good is considered substantially transformed when it is classified in heading or subheading (depending on the exact rule) different from all non originating materials used.

Example:

2523.10 = Cement clinkers (Raw material) CHT

2523.29 = Portland, (Dangote, BUA Elephnat etc) cement

Case Study

**Diamond
71.02**

**Gold
71.08**



Jewelry 71.13

**Does this qualify
as originating?**

Change of Tariff Heading Criterion (CTH)

Wood in the rough 44.03
Cut in Country A



Wood sawn & planed 44.07
In county R



Made to furniture tables 94.03 in
country Y



Imported into country Z

Are the goods originate in country y?

MANUFACTURING OR PROCESSING OPERATIONS

Regardless a change in classification, a good is considered substantially transformed when the good has undergone specified manufacturing or processing operations.

Example: (basic rule)		All ingredients change heading
Water	22.01	no restriction on their origin
Malt	11.07	beer originates in country of production
Hops	2.10	
Sugar syrup	17.02	<i>Beer 22.03</i>

Certificate of Origin: evidence of compliance with Rules of Origin

A certificate of origin (CO) is the document declaring in which country a commodity or good was manufactured.

The certificate of origin contains information regarding the product, its destination, and the country of export. It is required by many treaty agreements for cross-border trade, the Certificate of Origin helps to determine whether certain goods are eligible for import, or whether goods are subject to duties.

In Nigeria, (at present) the Chamber of Commerce issues Certificates of Origin



Designated
Competent
Authority



Key Articles	EXPLANATION
<p align="center">Article 20 Approved Exporter</p>	<p>The Designated Competent Authorities of the exporting State Party may authorise any Exporter, hereinafter referred to as “Approved Exporter”, who frequently exports Products covered by this Annex and provides, to the satisfaction of the customs authorities, all the guarantees for verifying the originating status of Products as well as compliance with all other requirements specified in this Annex, to make out Origin Declarations regardless of the value of the Products concerned.</p> <p>The Designated Competent Authority shall issue to the Approved Exporter an authorisation number, which must appear on the Origin Declaration.</p>
<p align="center">Article 21 Issuance of Certificate of Origin</p>	<p>A Certificate of Origin shall be issued by the Designated Competent Authority of the exporting State Party on application having been made in writing by the Exporter or, under the Exporter's responsibility, by the authorised representative.</p>

DCA Process Levels:



Article 20 Annex II
AfCFTA “Approved Exporter” registration process and documentation
Deploy modern technology Process

As stipulated by the Agreement



Rules of Origin Compliance
Issuance of Certificate of Origin
One-off

Ensuring seamless operation



Approved exporter Authorization number
Certificate of Origin

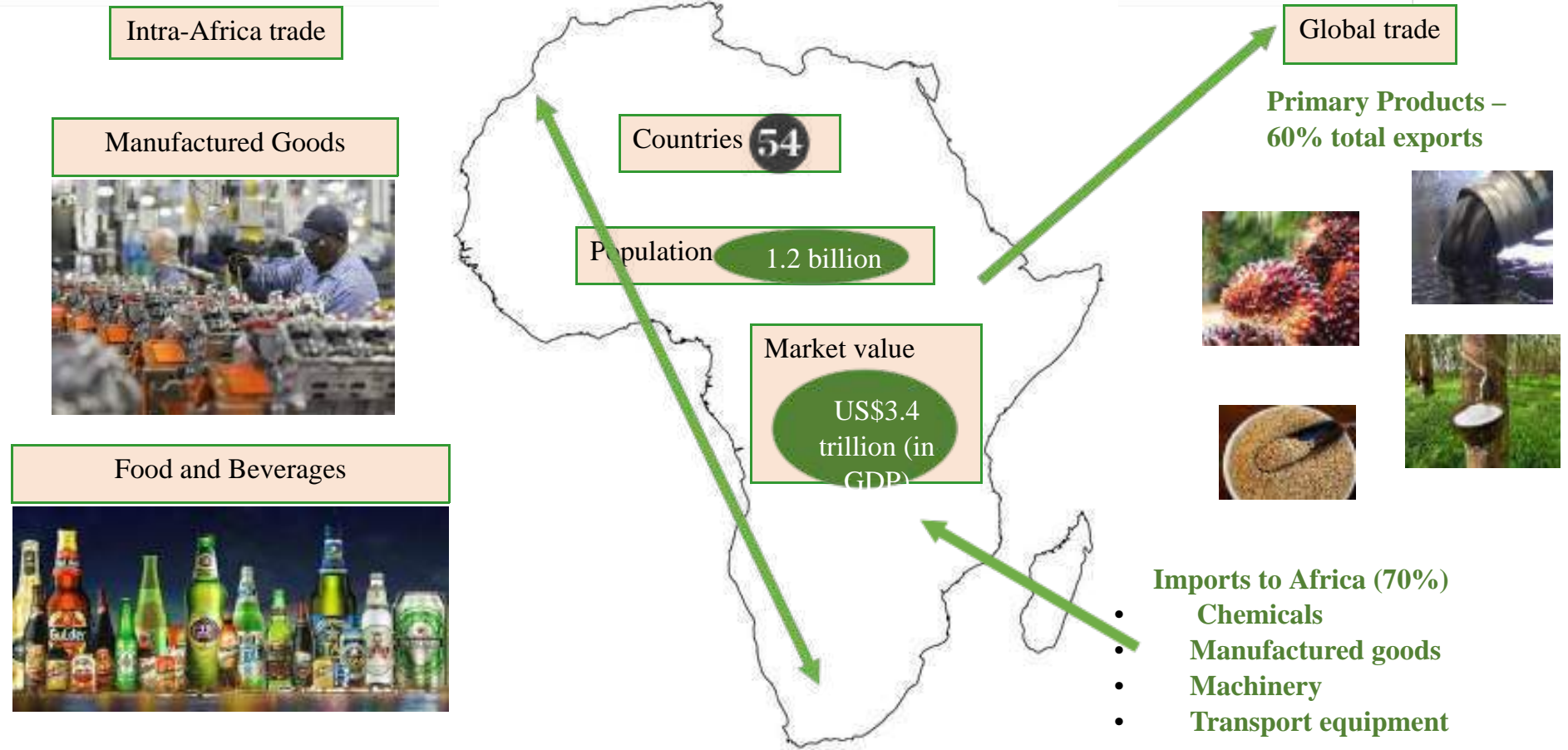
Ensuring Market Access

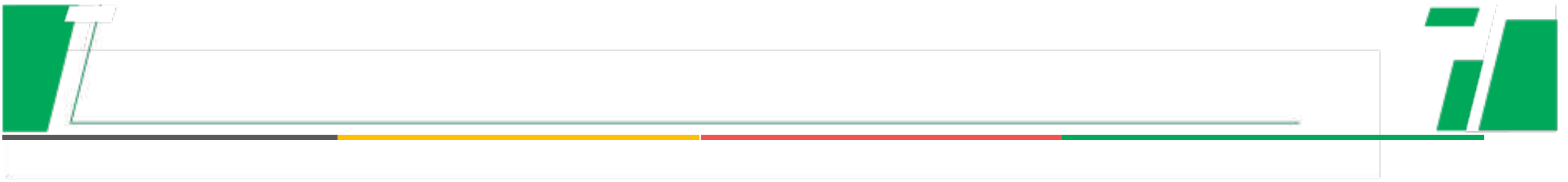


Export Potential

African Continental Free Trade Area (AfCFTA)

OPPORTUNITIES IN THE AFRICAN MARKET





Goods

Objectives

The objective of the process is to develop a strategy to drive export expansion under AfCFTA. Specifically prioritizing;

- What arrowhead products in our trade in goods to lead our offensive strategy
- What arrowhead products in our trade in goods to lead our domestic market retention strategy

NAC AfCFTA Offensive Strategy

- Pursue trade expansion in goods and services through increased export market penetration and product diversification for/of Nigeria exports within the African continent.
- Drive value creation/addition, increasing the contribution of manufacturing and service exports to GDP and total exports.

NAC AfCFTA Defensive Strategy

- Increase food production achieving food sufficiency in target value chains.
- Increase industry linkages to drive backward and forward integration.
- Support job creation, poverty alleviation by increasingly integrating MSMEs into export value chains.
- Increase competitiveness of domestic manufacturing and manufactures within the global economy



Selected Product Review

African Continental Free Trade Area (AfCFTA)

OPPORTUNITIES IN THE AFRICAN MARKET



S N	Africa Top Imports	No of States	Nigeria's Exports (\$bn)	Africa Market Size (\$bn)
1	Refined Petroleum Products	3	0.151	38.200
2	Auto/Auto parts	4	0.001	36.000
3	Iron/Steel	4	0.022	28.000
4	Plastics	12	0.085	17.700
5	Telephones	0	0.000	12.166
6	Textiles/Garments	5	0.000	11.700
7	Crude Oil	8	36.057	10.700
8	Chemicals	1	0.002	10.700
9	Medicament	3	0.001	8.700
10	Gas	7	5.587	7.000
11	Sugar	10	0.000	6.900
12	Rice	6	0.000	6.700
13				

S N	Africa Top Imports	No of States	Nigeria's Exports (\$bn)	Africa Market Size (\$bn)
15	Oil Palm	14	0.003	4.800
16	Durum Wheat	11	0.000	4.400
17	Fishery	2	0.050	4.300
18	Maize	6	0.000	4.200
19	Aluminium	7	0.033	4.000
20	Fertilizer	6	0.000	3.700
21	Telephones	0	0.000	3.600
22	Cotton	11	0.006	3.200
23	Cement	6	0.058	2.900
24	Beef	3	0.000	1.600
25	Leather	13	0.074	1.300
26	Soya	13	0.027	1.200
27	Livestock	3	0.000	1.000
28	Petrochemicals	1	0.166	0.800
29	Cocoa	6	0.238	0.700

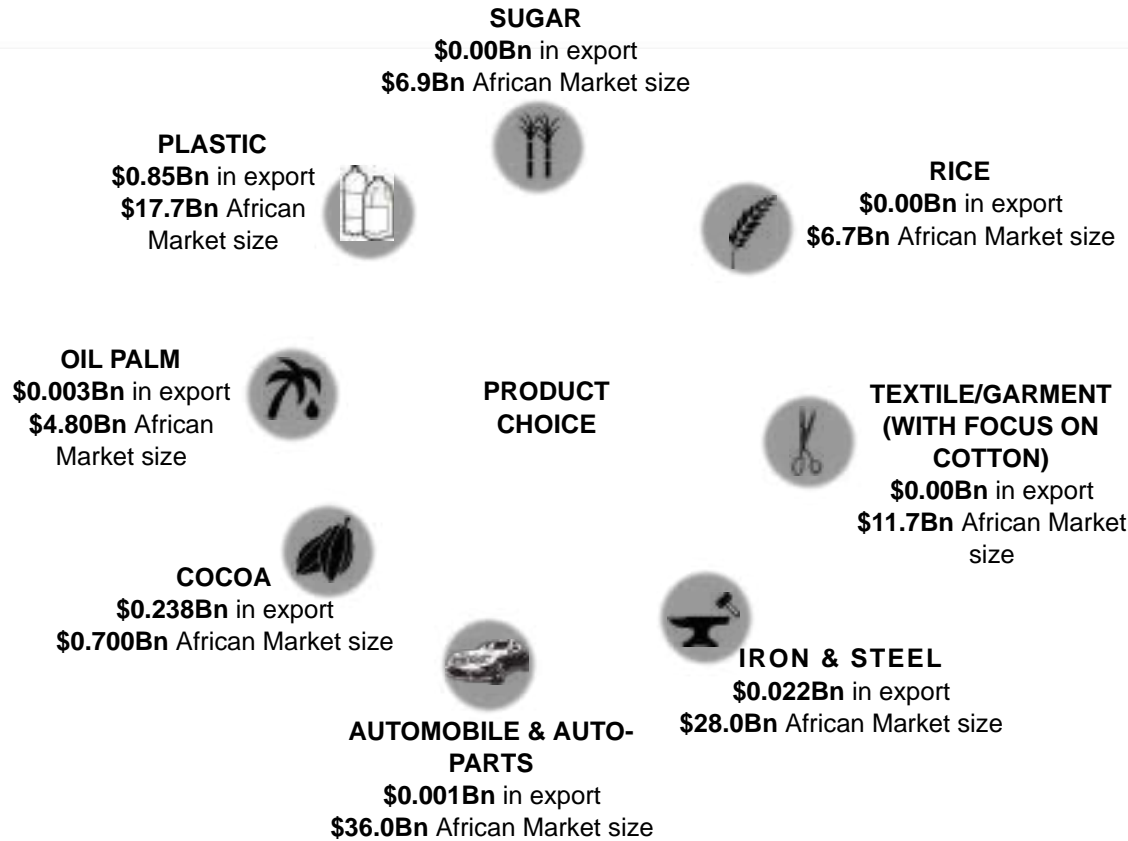
Highest Demand by Africa US\$



Least Demand by Africa US\$



Justification for Choice of Products



These products (with exemption of Cocoa), have an African Market size over \$3Bn.

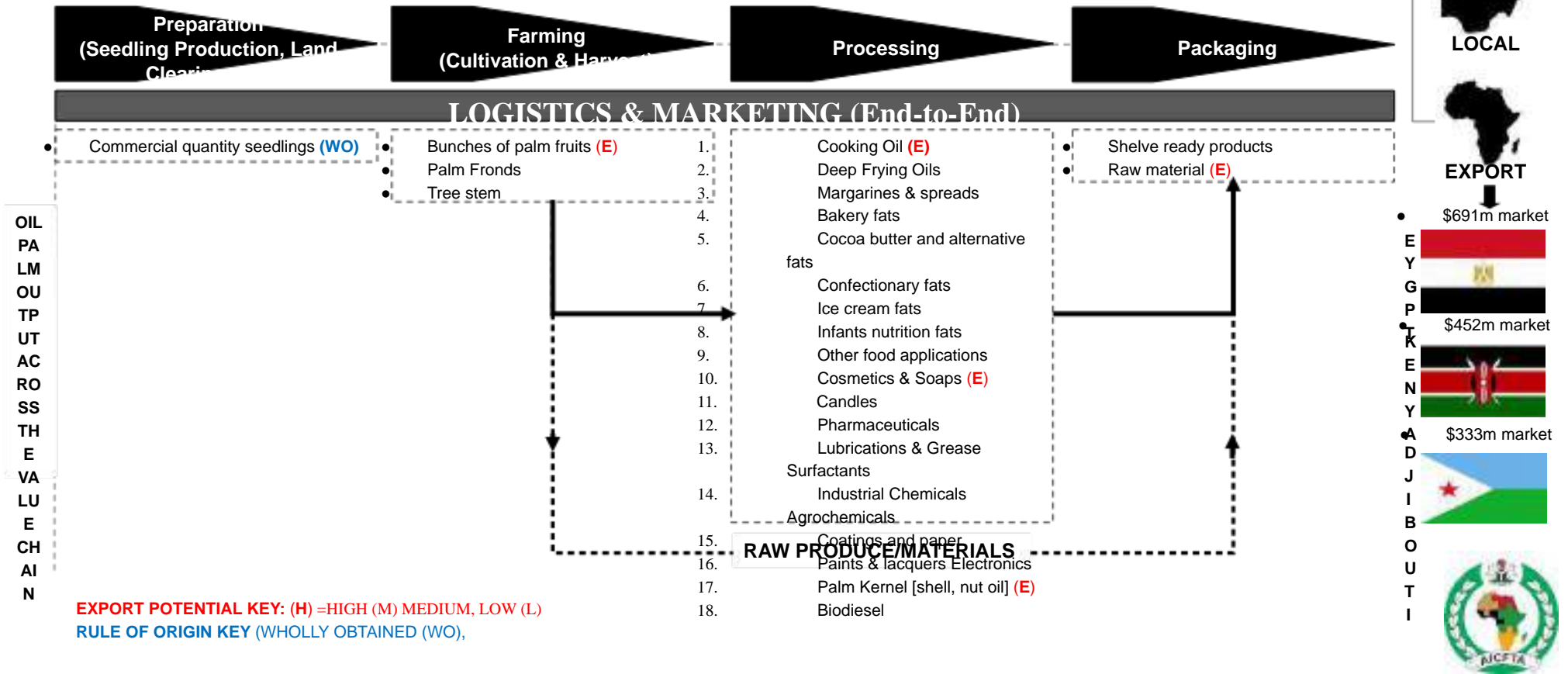
However, for Cocoa, Nigeria produces 43% of Africa’s current demand and exports an estimated 33% of Africa’s current demand. This therefore makes Nigeria a significant stakeholder in the African Cocoa market, with lots of room for expansion.

There are opportunities to:

- Expand production and SME engagement
- Integrate strongly in the FMCG industry
- Formalize existing regional trade
- Immediately link with domestic industries
- Setup production clusters across the country, especially in the south east region

Nigerian Trade – Oil Palm

OIL PALM VALUE CHAIN



African Continental Free Trade Area (AfCFTA)

OPPORTUNITIES IN THE AFRICAN MARKET - Services



The service sector:

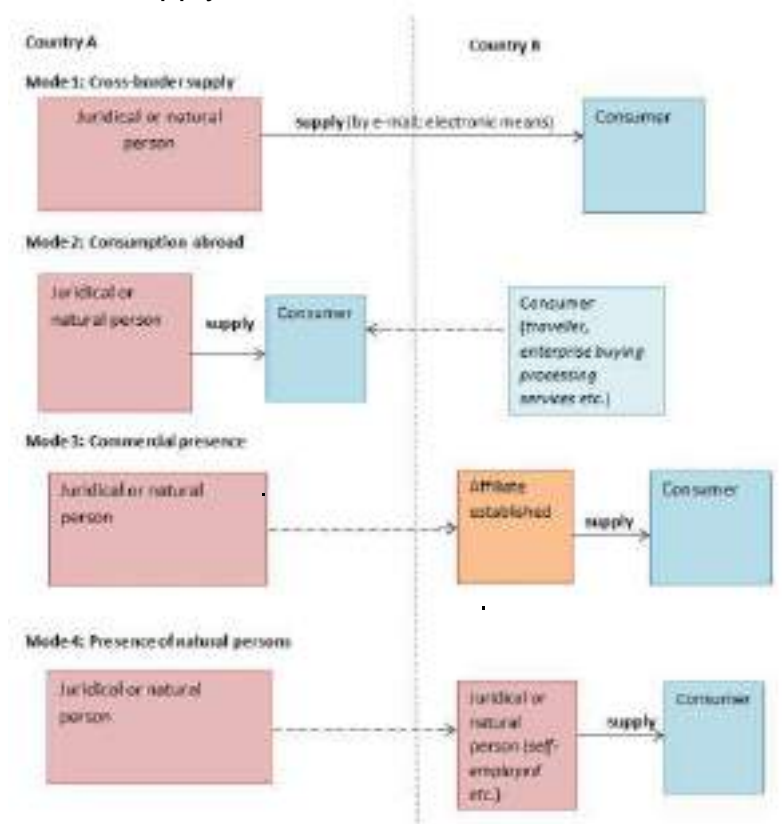
- Enabler
 - Manufacturing
 - Agriculture and agri-business
 - Oil production and Trade
 - Mining and Quarrying

- Generate foreign exchange

- Leveraging
 - Significant capacity and competence
 - Entrepreneurial and youthful population
 - Large middle class

Remittances
US\$25bn
(2018)

Modes of Service Supply:



So where do we start?

African Continental Free Trade Area (AfCFTA)

STRATEGY PRODUCTS AND SERVICES SELECTION CRITERIA



The strategy:

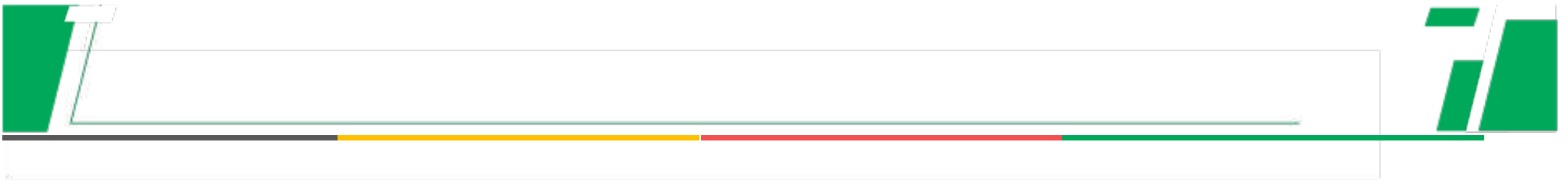
1. Address supply side constraints
2. Develop markets for products and services towards increasing the contribution of manufacturing and service exports to both GDP and total exports.

Arrowheads

Arrowheads refer to products and services in which Nigeria currently enjoys competitive advantage evidenced by capacity to export in excess of US\$10m annually.

Our strategy aims to increase the competitiveness of export offerings and deepen market penetration through ecosystem/market development and brand projection.

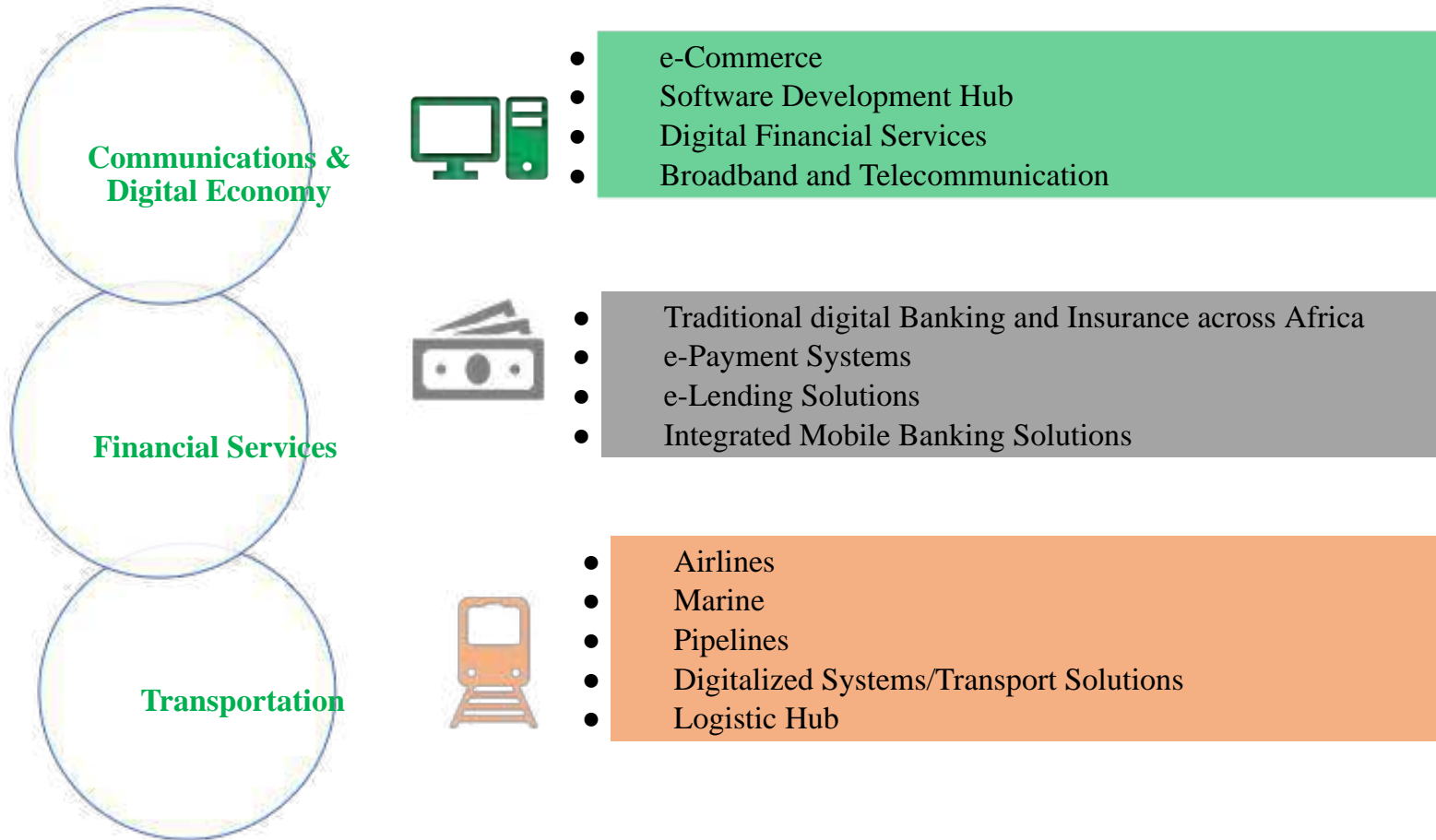




Goods

Key Opportunities in Services

This service is both a priority service and an enabler to various sectors.



Nigeria's Potential Services Exports under AfCFTA (RANKED BY NIGERIA'S EXPORT)

CATEGORY	DEFINITION	SERVICE	NIGERIA'S TOP EXPORT above \$10Mn (\$ Bn)	AFRICA'S DEMAND ABOVE \$1Bn (\$ Bn)
		Service Label Code - 6		
Arrowhead Services	These are services where Nigeria currently has export market value of \$1Mn and above , and an Africa Demand over \$1Bn .	Travel, Personal, Other (other than health and education)	1.96	11.16
		Other transport, Sea (other than passenger and freight)	1.12	1.35
		Explicitly charged and other financial services	0.54	2.02
		Other transport, All modes (other than passenger and freight, postal and courier) (alternative breakdown)	1.12	7.29
		Telecommunications services	0.23	2.09

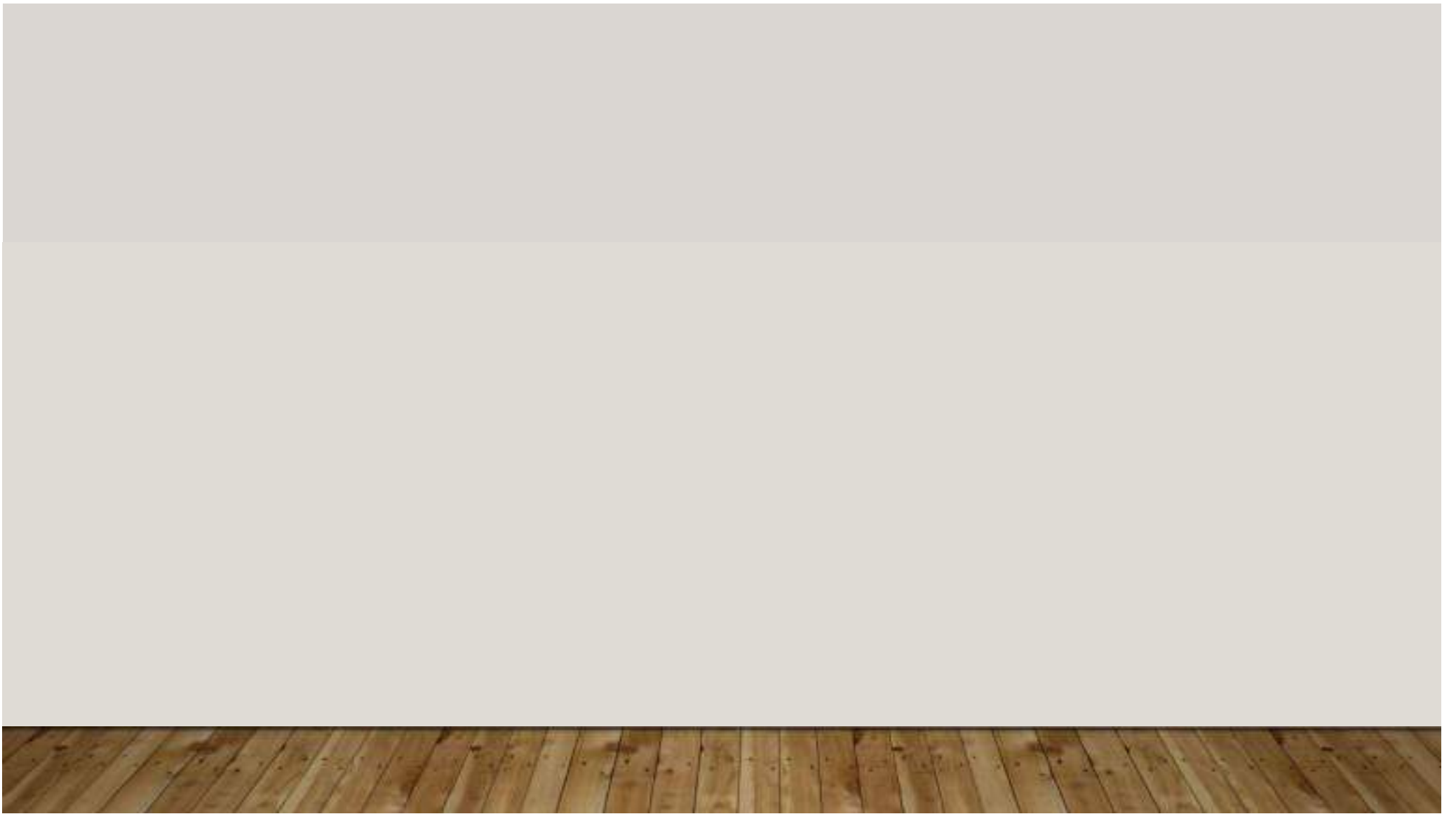
Nigeria's Potential Services Exports under AfCFTA - RANKED BY NIGERIA'S EXPORT

CATEGORY	DEFINITION	SERVICE	NIGERIA'S TOP EXPORT above \$10Mn (\$ Bn)	AFRICA'S DEMAND ABOVE \$1Bn (\$ Bn)
		Service Label Code - 6		
Arrowhead Services	These are services where Nigeria currently has export market value of \$1Mn and above , and an Africa Demand over \$1Bn .	Government goods and services n.i.e.	0.47	7.13
		Direct insurance	0.22	7.06
		Memo item: Other commercial services	1.06	62.94
		Freight transport, Sea	0.19	26.79
		Freight transport, All modes (alternative breakdown)	0.20	36.77
		Passenger transport, Air	0.01	7.45
		Technical, trade-related, and other business services	0.06	34.63
		Passenger transport. All modes		

**PACKAGING and LABELING OF LOCAL
PRODUCTS FOR INTERNATIONAL MARKETS**







TYPES OF LABELING IN MARKETING

REMOVEABLE

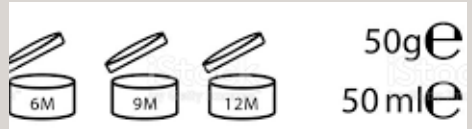
- Adhere to the product only until they need to be removed.

NON-REMOVEABLE

- Bonding must be permanent
- Label difficult to remove
- Resistant to several factors



Eco-labels



SYMBOLS USED IN LABELS

Requirements



Branding



Recycling

Very important...



The role of packaging in marketing has become quite significant as it is one of the ways companies can get consumers to notice products.

The packaging and labels can be used by marketers to encourage potential buyers to purchase the product.

Labels serve to capture attention of end users as well as provide useful information regarding the product

Packaging is also used for convenience and information transmission. Packages and labels communicate how to use, transport, recycle, or dispose of the package or product.

Labels are attached on the product package to provide information such as manufacturer of the product, date of manufacture, date of expiry, its ingredients, how to use the product, and its handling.

Together for greater heights!





THANK YOU
