TRADE UNIONS **AND TRADE**

A Guide to the AfCFTA Protocol on Trade in Services

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Ministry for Foreign Affairs of Finland

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LRS Labour Research Service

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Knowledge is too important to leave
in the hands of the bosses

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LIST OF ABBREVIATIONS

ACBF	African Capacity Building Foundation
AfCFTA	African Continental Free Trade Area
AU	African Union
CAFTA DR	Central American Dominican Republic Free Trade Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
ILO	International Labour Organisation
ITUC-Africa	African Regional Organisation of the International Trade Union Confederation
LDC	Least Developed Country
LRS	Labour Research Service
MFN	Most Favoured Nation
NTB	Non-Tariff Barriers
OECD	Organisation for Economic Co-operation and Development
REC	Regional Economic Communities
SASK	Trade Union Solidarity Centre of Finland
SDG	Sustainable Development Goals
STRI	Services Trade Restrictiveness Index
STS	Skilled Tradeable Services
TRALAC	Trade Law Centre
STRI	Services Trade Restrictiveness Index
UN	United Nations
WTO	World Trade Organization

GLOSSARY OF KEY TERMS

African Union (AU)

– The African Union (AU) is a strategic, continent-wide framework for delivering Africa's goal for inclusive and sustainable development. The AU was responsible for brokering the AfCFTA among its member states and plays a pivotal role negotiating and implementing the Agreement.

Continental Customs Union

– Customs Unions are groups of countries that follow one common set of rules, procedures and tariffs for almost all imports and exports (i.e. the European Union). Typically, countries within in a Customs Union share common trade and competition policies. The AfCFTA seeks to accelerate establishment of a Continental Customs Union across Africa.

Labour Provisions

– 'Labour provisions' refer to the obligations within trade agreements designed to protect workers and advance workers' rights. These may include provisions that ensure the rights of labour to organise and strike; that enhance cooperation between trade unions, business organisations and the public; and/or set out mechanisms for receiving and addressing complaints. Unlike most other modern trade agreements, there are no labour provisions in the AfCFTA.

Least Developed Country (LDC)

– The AfCFTA defines LDCs as low-income countries with structural impediments to sustainable development. These countries tend to have poorly diversified exports with economies that remain dependant on primary commodities.

Most Favoured Nation (MFN) Clause

– The MFN clause is a bedrock principle of the World Trade Organization (WTO) and is found in most trade agreements. It requires that members of a trade agreement offer the same trade terms to all other members, with no 'favouritism'. Most trade agreements have some exceptions to this clause, including the AfCFTA.

Non-Tariff Barriers (NTBs)

– An NTB is any obstacle to trade that is not a tariff or duty (tax). NTBs include import quota, subsidies, customs delays, technical barriers and any other systems or procedures which unnecessarily prevent or impede trade.

Progressive Liberalisation

– Refers to the reduction or elimination of government restrictions on private business and trade. This may include a reduction in tariffs, streamlined regulations, improved border crossings, ports and processes, or fewer restrictions on the movement of people. The AfCFTA seeks to promote progressive liberalisation across Africa through the removal these tariff and Non-Tariff Barriers (NTBs) to trade.

Regional Economic Communities (RECs)

– The RECs are regional groupings of African states with differing roles and structures. Generally, their purpose is to enable regional economic integration between member states and across Africa. The RECs are increasingly involved in coordinating member's interests in areas such as peace and security, development, trade and governance, and their regulatory and trade frameworks form the backbone of the AfCFTA. The African Union (AU) recognises eight, overlapping RECs across Africa.

Services Trade Restrictiveness Index (STRI)

– The STRI is a regulatory database used to identify and catalogue barriers to international trade in services. The World Bank, WTO and AfCFTA Secretariat have leveraged thee STRI to assess barriers to trade in Africa and enable implementation of the AfCFTA Protocol on Trade in Services.

Skilled Tradeable Services (STS)

– These include service industries that are both highly-skilled and readily tradable, such as consulting, software development, legal services and insurance. One aim of the AfCFTA is to enhance trade in STS's through the removal of Non-Tarriff Barriers (NTBs).

Tariffs

– Tariffs are taxes imposed by one country on the goods imported from another country. Tariffs are used mainly to protect domestic producers from competition by raising the cost of imports and are a major source of revenue in some developing countries. Although tariffs can be placed on some services, these are difficult to administer and are far less common.

Trade Protocols

- Trade protocols set out the rules, terms and procedures for different aspects of a trade agreement. The AfCFTA is given effect through seven distinct protocols, relating specifically to trade in goods and in services, intellectual property rights, investment, competition policy, digital trade, and women and youth in trade.

The first Protocol on Trade in Goods addressed the liberalisation of trade in commodities and manufactured products, while the second Protocol on Trade in Services provides a framework for the removal of trade barriers through reciprocal negotiations between member states.

1. INTRODUCTION

1.1. An Overview of the AfCFTA?

The African Continental Free Trade Area (AfCFTA) is a continent-wide agreement designed to liberalise trade within the African Union (AU). It is ratified by 54 of the 55 African Union member states (Djibouti being the exception) and came into effect on 1 January 2021. From a population perspective, the AfCFTA represents the largest free trade area in the world.

The AfCFTA seeks to build a single African market for goods and services, mobilise investment and build towards a Continental Customs Union, with the overarching goal of increasing intra-African trade and growing the continental economy. Many multilateral organisations including the AU, United Nations and World Bank see the AfCFTA as a boon for intra-African trade and economic growth. There is, however, no certainty that the Agreement will support Africa's aspirations for economic transformation and inclusive growth. Furthermore, unlike most modern trade agreements, the AfCFTA does not include labour provisions. It is therefore important that trade unions and organisations understand the AfCFTA, its various protocols, and potential impacts.

1.2. The Protocol on Trade in Services

The AfCFTA is given effect through nine protocols, which set out the rules, terms, and procedures for the Agreement. The first Protocol on Trade in Goods addressed the liberalisation of trade in commodities and manufactured products, while the second Protocol on Trade in Services provides a framework for the removal of trade barriers through reciprocal negotiations between member states. The Protocol on Trade in Services came into effect on 30 May 2019,[1]

[1] TALAC. 2020. Trade Services Negotiations Under the AfCFTA. https://www.tralac.org/documents/resources/faqs/3190-trade-in-services-negotiations-under-the-afcfta-q-a-march-2020/file.html

however, the Agreement will only impact services trade once ongoing negotiations between state parties are concluded.

Trade in services, unlike goods, is most frequently inhibited by Non-Tariff Barriers (NTBs) such as industry regulations, restrictions on the movement of skilled workers, registration of foreign qualifications, and limits to the number, size or structure of businesses operating in an industry. These NTBs exist for many reasons including to protect the safety of local consumers (i.e. air travel), to ensure the service provider has sufficient knowledge (i.e. legal services), to safeguard compliance with domestic regulations (i.e. auditing and accounting) and/or to protect local service providers from competition. The Trade in Services Protocol addresses these barriers by setting out a framework for negotiations to limit, remove or streamline regulations which may limit services trade in Africa.

1.3. The Purpose of this Guide

This Guide to the Protocol on Trade in Services is designed to provide Africa's trade unions with a broad understanding of the Protocol, identify areas of concern and of opportunity, assist trade unions in their advocacy and lobby work, and advance the decent work agenda. Readers are encouraged to use this Guide as a starting point to the Protocol on Trade in Services, but also to supplement it with current information on the Protocol negotiations and how these relate to their specific country, region and sectors of interest.

The Guide is one of several related documents created to assist trade unions in their preparation for the AfCFTA. It was developed by the Labour Research Service (LRS), a Cape Town based labour support organisation.

Funding and other support was provided by the Trade Union Solidarity Centre of Finland (SASK). This Guide and other related research can be found on Trade Unions and AfCFTA knowledge hub at **www.tradeunionsinafcfta.org/**

Only eight African countries, most of them heavily dependent on tourism, export more services than goods (Figure 1). Most of these countries are small with tourism dependant economies, namely Cabo Verde, Comoros, the Gambia, Mauritius, Sao Tome and Principe, and Seychelles, while the other two countries, Central African Republic and Ethiopia, export a relatively large amount of transport and business services.

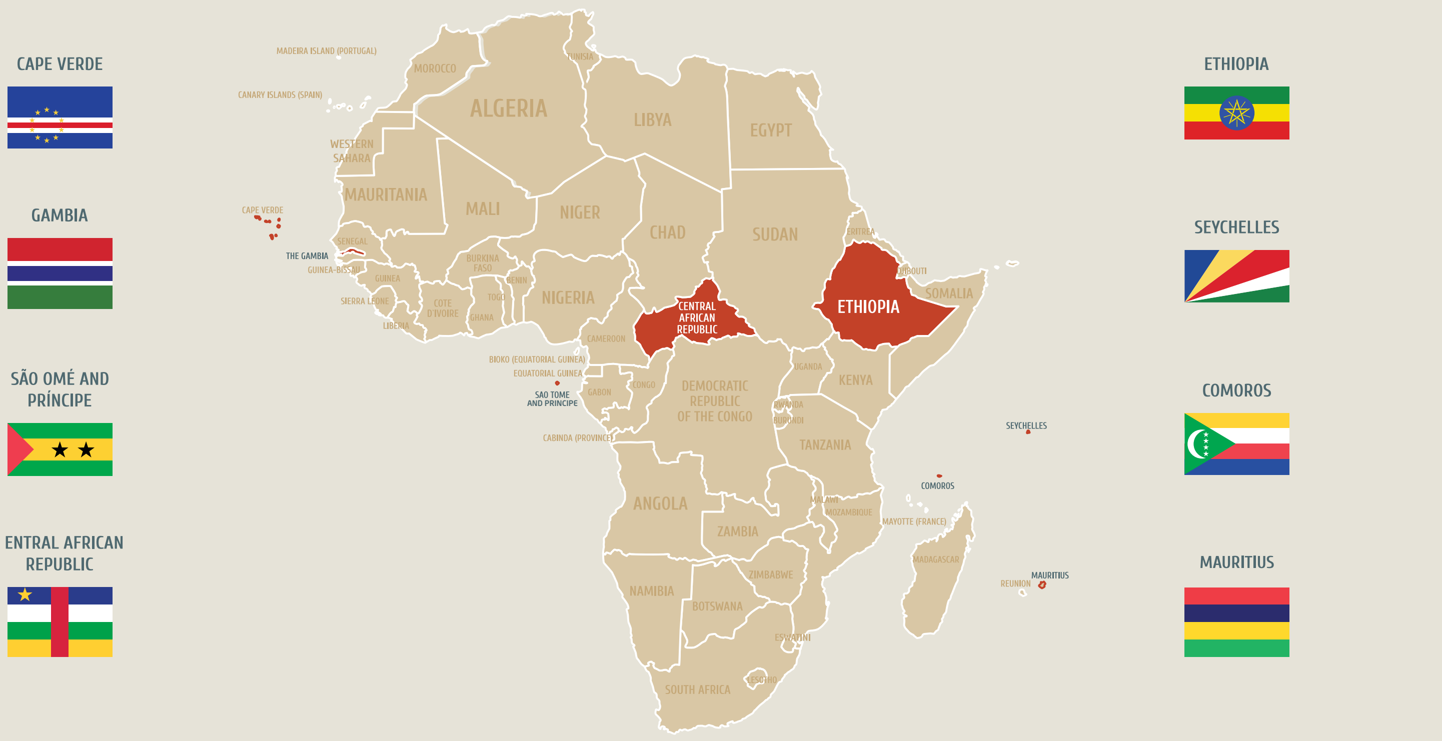
2. THE SERVICES SECTOR

2.1. Services Trade in Africa

The services sector plays a critical role in Africa's economic development. Throughout Africa, it is estimated that services account for 54% of Gross Domestic Product (GDP) and 75% of foreign business investment.[1] Services also enable the development of productive and labour-intensive sectors such as agriculture and manufacturing, which are critical for Africa's sustained growth. Finally, although the service sector can be difficult to measure, various studies show the steady growth in services employment across Africa. This research also points to the concentration of services jobs among women and youth.[2]

[1] Keller, X (2019). AfCFTA and Trade in Services for Development. https://www.giz.de/de/downloads/Policy%20Paper%20-%20Trade%20in%20Services.pdf
[2] The World Bank Group. 2016. The Unexplored Potential of Trade in Services in Africa. https://openknowledge.worldbank.org/entities/publication/5e0a87cb-9057-55ee-8c81-633e0ba52bc4

Figure 1: Countries Trading more in Services than Goods



In Africa, although the services sector is expanding, trade in services lags far behind the rest of the world. A 2019 study by the German Development Corporation (GIZ) found that Africa's service sector accounts for only 22% of inter-African trade and 2% of global service exports. Furthermore, trade is concentrated in southern and eastern Africa, in countries with higher levels of income, skills and tourism activity[3]. Only eight African countries, most of them heavily dependent on tourism, export more services than goods (Figure 1).[4] Most of these countries are small with tourism dependant economies, namely Cabo Verde, Comoros, the Gambia, Mauritius, Sao Tome and Principe, and Seychelles, while the other two countries, Central African Republic and Ethiopia, export a relatively large amount of transport and business services.

[3] Keller, X (2019). AfCFTA and Trade in Services for Development. https://www.giz.de/de/downloads/Policy%20Paper%20-%20Trade%20in%20Services.pdf
[4] African countries exporting more services than goods – Cabo Verde, Central African Republic, Comoros, Ethiopia, the Gambia, Mauritius, Sao Tome and Principe, and Seychelles.

Services exports in Africa, although growing, is also largely concentrated in two lower-skilled sectors, namely transport and tourism, with some higher income countries exporting business services. The following graphs are drawn from a GIZ trade in services report and depict this concentration in services trade.[5] Figure 2 shows that travel accounts for more services trade than all other sectors combined, followed by transport and business services. Notably, however, the flatlining of international tourism during the COVID pandemic is not portrayed. Figure 3 shows that, unlike trade in goods which began to converge across regions in the lead up to 2020, services trade remains concentrated within southern and eastern Africa. This is attributed to the regions' robust tourism sector, comparatively sound transport infrastructure and the relatively sophisticated service economies.

[5] Keller, X (2019). AfCFTA and Trade in Services for Development. https://www.giz.de/de/downloads/Policy%20Paper%20-%20Trade%20in%20Services.pdf

Figure 2: African Trade in Services by Sector

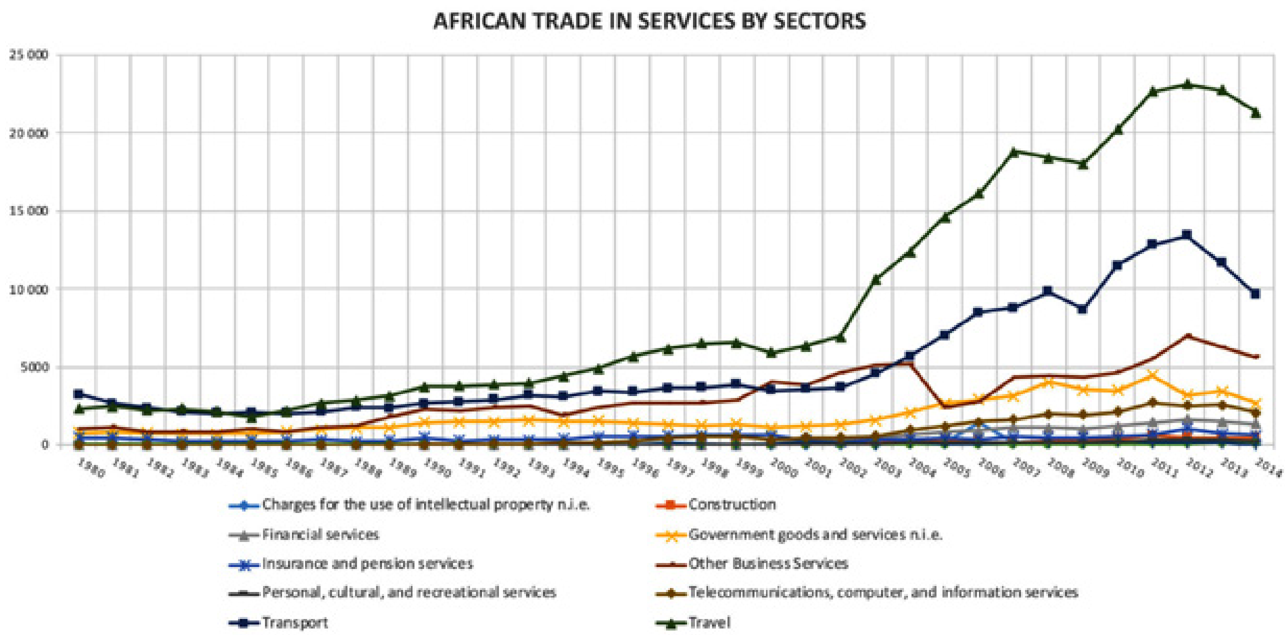
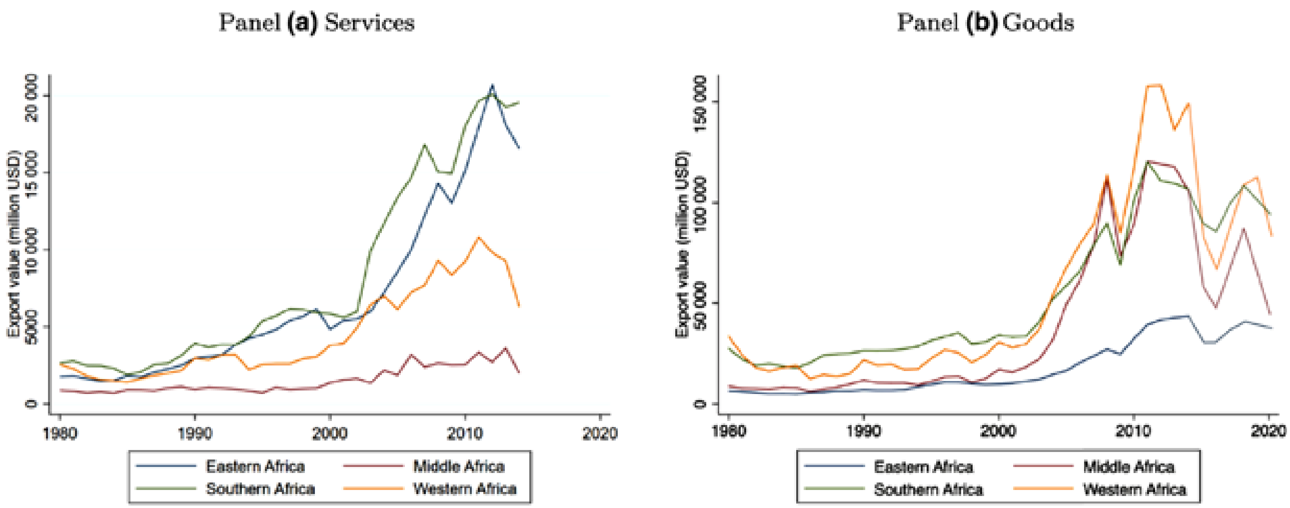


Figure 3: African Trade in Services by Sector



2.2. Modes of Trade

There are four modes for trading services across borders, defined by the WTO. These modes are addressed by the Protocol on Trade in Services and include:

Mode 1: Cross-Border Supply - Occurs when a service is produced in one country but consumed in another. This is similar to trade in goods, where the producer and consumer remain in their respective countries while trade occurs. Example: telecommunications, postal services.

Mode 2: Consumption Abroad - Involves consumers or firms making use of a service in another country. Example: tourists, students, medical patients.

Mode 3: Commercial Presence - Occurs when an entity of one country provides a service in another, Example: banks, hotels.

Mode 4: Movement of Natural Persons - Occurs when a skilled labourer plies their trade in another country. Example: doctor, consultant.

The following diagram shows how these modes of trade transpire within Africa. At present, the barriers to services trade are more prevalent for Modes 2 and 3, which require the establishment of overseas offices and the relocation of workers. Non-Tariff Barriers (NTBs) to this type of trade include business registration, local ownership clauses, taxation requirements, and work permit processes, and vary significantly between countries. The AfCFTA seeks to address these and other barriers, creating a more equal playing field, and facilitating greater intra-African trade via all four modes.

Figure 4: Modes of Trade in Services in Africa

Mode 2: Consumption Abroad

A person from one country, consumes services in another

Mode 3: Commercial Presence

A commercial services supplier establishes a presence in another country, to deliver services to that market

Mode 4: Movement of Natural Persons

Individuals from one African country, temporary relocate to another to deliver services

2.3. Regulating Services Trade Prior to the AfCFTA

In addition to the AfCFTA, trade in Africa is currently governed by trade agreements within and among the eight Regional Economic Communities (RECs). These are the Economic Organization of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Arab Maghreb Union (AMU), Common Market for Eastern and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD), East African Community (EAC), Southern African Development Community (SADC), and Community of Sahel-Saharan States – CEN-SAD.

Every African nation belongs to at least one REC. Their goal is to improve regional economic integration by establishing customs and monetary unions, free trade areas and common regulatory and legal frameworks. Although effective in some respects, the REC's impact on trade liberalisation has been minimal. According to a recent report by the International Monetary Fund (IMF), tariffs remain higher within Africa's REC's than any other regional trade organisation globally. This is attributed to the REC's inefficient design, weak enforcement, and the complexity and uncertainty caused by overlapping memberships,[6] as well as other intra-African challenges such as weak infrastructure and capacity.

The AfCFTA is thus designed to both strengthen and unify trade agreements across the Continent, building on but not replacing the Free Trade Areas established by the RECs. Where current trade barriers are higher than those prescribed by the AfCFTA, member states are expected to adopt the lesser restrictions through a process of ongoing negotiation. Conversely, in instances where existing trade agreements provide for fewer trade barriers, these agreements will be maintained, and the benefits extended to all AfCFTA member states. The Protocol on Trade in Services does not specify targets for these REC negotiations or a timeline for their conclusion. Furthermore, it is expected that each of the RECs will remain intact, but in a different form.

Therefore, despite the AfCFTA's goal of unification, African trade will continue to be governed by a complex web of trade agreements and Free Trade Areas.

[6] IMF. (2023). *Trade Integration in Africa: Unleashing the Continent's Potential in a Changing World.* https://www.imf.org/-/media/Files/Publications/DP/2023/English/TIIAEA.ashx

The Protocol on Trade in Services seeks to create a regulatory framework that is more predictable and consistent across countries by reducing barriers to services trade.

The Protocol is posted in full on the AU website and can be accessed here: **https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf**

3. THE PROTOCOL ON TRADE IN SERVICES

3.1. What does the Protocol Aim to Do?

The Protocol on Trade in Services seeks to create a regulatory framework that is more predictable and consistent across countries by reducing barriers to services trade. The primary objectives of the Protocol are to (1) progressively liberalise trade in services across Africa creating a single continental market for goods and services, (2) accelerate industrial development and promote the development of regional value chains, and (3) enhance the competitiveness of services trade through economies of scale, lowering the cost of doing business, enhancing access to African markets, and improving the allocation of resources, including the development of trade related infrastructure.[1]

[1] African Union (AU). 21 March 2018. *Agreement Establishing the African Continental Free Trade Area Protocol on Trade in Services.* https://africanlii.org/akn/aa-au/act/protocol/2018/trade-in-services/eng@2018-03-21

Most of what is written in the Protocol is drawn from the World Trade Organization's General Agreement on Trade in Services (GATS). There are, however, certain changes which seek to accommodate the reality of Trade in Africa and incorporate best practice from other regional agreements. This includes provisions for greater regulatory cooperation, which is designed to streamline trade regulations, accommodate existing trade agreements and aid in the overall development of services industries. The Protocol also recognises that most members of the AfCFTA are 'least developed countries' and has included provisions for capacity building and special treatment for certain countries and sectors.[2]

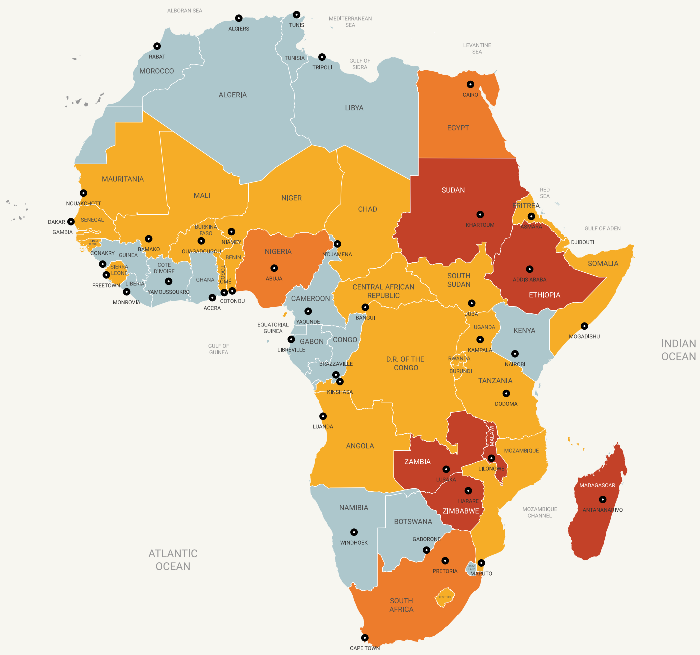
The only true exception to the Protocol is the exclusion of measures affecting 'air traffic rights' and related services. This exemption exists because of individual countries 'exclusive sovereignty over their airspace' – a caveat which was set out in the Chicago Convention for the GATS Trade Agreement in 1947 and is applied to most trade agreements.

[2] AfCFTA Secretariat. 2020. Making the AfCFTA Work for Women and Youth. https://au.int/sites/default/files/documents/39689-doc-ss_afcftafuturereport.pdf

3.2. The Treatment of Least Developed Countries (LDCs)

There is vast disparity between the 54 signatories to the AfCFTA in terms of economic development, local production and trade. Within Africa, three countries - Nigeria, Egypt and South Africa – are responsible for roughly 50% of the continents GDP. The AfCFTA provides provisions for Least Developed Countries (LDCs) as a way of acknowledging these disparities and the potentially negative impact that the Protocol may have on LDCs relative to more industrialised states. The AfCFTA also recognises a group of six member states, consisting of five LDCs (Ethiopia, Madagascar, Malawi, Sudan, Zambia) and Zimbabwe. This so-called G6 has drawn on the special and differential treatment principle, arguing that they face specific challenges that require a differentiated approach.

Figure 5: Member States according to their Development Status



1. Largest Economies
South Africa, Egypt and Nigeria

These three countries are responsible for half of the Continent's GDP and are better equipped to leverage the AfCFTA as a tool for development.

2. Least Developed Countries
Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Gambia, Guinea, Guinea-Bissau, Lesotho, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leona, Somalia, South Sudan, Togo, Uganda and Tanzania.

LDCs tend to have higher trade barriers, worse socio-economic outcomes and are at greater risk for job loss as a result of the AfCFTA.

3. G6 Countries
Ethiopia, Madagascar, Malawi, Sudan, Zambia and Zimbabwe

The G6 countries face unique challenges and have negotiated a longer implementation period.

The treatment of LDCs within the Protocol on Trade in Services is set out in Article 7, which gives provision for Special and Differential Treatment. It states that to ensure increased and beneficial participation in trade by all, member states shall:

- provide special consideration to the progressive liberalisation of service sectors commitments and modes of supply which will promote critical sectors of growth, social and sustainable economic development;
- take into account the challenges that may be encountered by State Parties and may grant flexibilities such as transitional periods, within the framework of action plans, on a case by case basis, to accommodate special economic situations and development, trade and financial needs in implementing this Protocol for the establishment of an integrated and liberalised single market for trade in services; and
- accord special consideration to the provision of technical assistance and capacity-building through continental support programmes.

These provisions are, however, less explicit than what is included in the Protocol on Trade in Goods. Furthermore, the Protocol will accommodate the specific needs of LDCs only within the framework of action plans, on a case by case basis. According to TRALAC, the challenge with this approach is "to find consensus in negotiating services related commitment, rather than determining specific exemptions".[3] Trade Unions within the LDCs are thus advised to assess the potential impact of the Protocol on local labour, identify the most suitable approach to protecting worker rights, and advocate this approach with those responsible for AfCFTA negotiations.

3.3. Rules of Trade under the Protocol

The Protocol on Trade in Services sets out two different categories of rules which govern the ways in which members states can trade with one another:

1. **Rules that Apply to all Member States:** These rules are designed to promote fair competition across African markets. There are three main conditions within these overarching rules:
   i. **The Most-Favoured-Nation (MFN) Clause**, which means that all member states will face the same trade regulations (i.e. whichever regulations apply to the 'most favoured nation' must now apply to all signatories of the agreement).
   ii. **The Special and Differential Treatment Clause**, which provides some exceptions to the MFN, considering the highly uneven development and capacities among African countries. For the AfCFTA, these exceptions include longer time periods for implementing the Agreement and measures to encourage trade within the LDCs.
   iii. **The Transparency Clause** which requires that State Parties be open about all measures affecting trade in services, including all trade requirements, taxes, barriers to entry and legal protections. State Parties must also publish the outcome of any trade negotiations.

2. **Rules that enable Progressive Liberalisation** in each services sector through the development of harmonised regulatory frameworks. These frameworks are to be established through successive rounds of negotiation between State Parties and build on the existing RECs. Negotiations should focus on removing or amending measures that have an adverse effect on trade by limiting market access. This may include restrictions on the number of service suppliers or transactions, requirements for the type of legal entity or joint venture that can supply a service, and limitations on the participation of foreign capital in the services sector.

Implementation of the Protocol on Trade in Services technically began in 2021, although

[3] TRALAC. 2022. Does the AfCFTA Protocol on Trade in Services allow for Flexibilities? https://www.tralac.org/blog/article/15551-does-the-afcfta-protocol-on-trade-in-services-allow-for-flexibilities.html

progress has been slow. The AfCFTA Secretariat, in collaboration with the World Bank, has conducted Regulatory Audits on Trade in Services for all African countries and in 2022 released their reports. This marked an important step in the Protocol's implementation. The Audit Reports identify restrictions on market access and measures that affect trade and are meant to inform the harmonisation of regulatory frameworks.[4] Negotiations are also ongoing between some State Parties on sector specific liberalisation, although only a handful of countries have progressed on this front.

3.4. Which 'Barriers' will be Removed?

Unlike tariffs on goods, restrictions on trade in services are embedded within a country's laws and regulations and are designed to protect consumers and support public policy. This makes them difficult to identify and compare across countries and can cloud the process of liberalisation. Thus, to enable implementation of the Protocol on Trade in Services the World Bank, World Trade Organization (WTO) and the AfCFTA Secretariat have conducted a comprehensive survey of the legislation in all member states to identify measures that restrict trade. The outcomes of this assessment are housed in the Services Trade Restrictiveness Index (STRI), which allows for users to view trade restrictions by country and policy area.

The STRI groups trade restrictions into five main categories, described below. The intent of the AfCFTA is to address all five categories, reducing trade barriers while allowing member states to enforce their own business and immigration laws. The liberalisation of services trade is therefore a complicated and ongoing process requiring successive rounds of negotiation and mechanisms to address non-compliance. It is therefore likely that implementation of the Protocol on Trade in Services may never be fully complete.

[4] Audit Reports are not currently published online. Trade Unions are thus encouraged to request these reports from their countries AfCFTA negotiators to inform their advocacy work.

The liberalisation of services trade is therefore a complicated and ongoing process requiring successive rounds of negotiation and mechanisms to address non-compliance. It is therefore likely that implementation of the Protocol on Trade in Services may never be fully complete.

The STRI Index can be accessed here:
https://www.worldbank.org/en/research/brief/services-trade-restrictions-database

1. **Restrictions on Foreign Entry –** Restrictions on Foreign Entry can prevent an investor from opening a business or branch within a foreign country and may include:
   - Legal requirements for local business ownership
   - Restrictions on the business form
   - Business management and performance requirements
   - Restrictions on the acquisition and use of land
   - Restrictions on cross-border data flows
   - Requirements for a commercial or local presence
2. **Restrictions on the Free Movement of People** – The relocation of skilled people is often needed to deliver services across borders. While every country has some form of Visa requirements, regulations that may needlessly restrict trade include:
   - Quotas and labour market tests
   - Recognition of foreign qualifications
   - License requirements
   - Limitations on the duration of stay
   - Unclear or inconsistent visa requirements

3. **Other Discriminatory Measures** – This includes measures that discriminate against foreign-owned businesses in the areas of taxes, subsidies and public procurement.
4. **Barriers to Competition** – Measures that can directly hinder foreign competition may include:
   - Compliance with local regulatory bodies
   - Redress mechanisms for when business practices restrict competition
   - Monopolies and State-Owned Enterprises (SOEs)
   - Regulations of prices or fees
   - Restrictions on advertising
   - Minimum capital requirements
5. **Regulatory Transparency** – This refers to cases where regulations are not clearly communicated to the public, or where the communicated regulations are not adhered to.

In addition to the removal of policy restrictions, member states are also encouraged to facilitate trade through investment and capacity building. This includes funding for roads, rail, ports, and other transport infrastructure, more efficient and capacitated customs processes, and improved telecommunications. According to studies by the IMF and the United Nations these investments will impact inter-African trade more than any other trade intervention.[5] Thus, while the AfCFTA Protocols are important tools, they alone cannot achieve deeper trade integration on the Continent.

3.5. Which Sectors will be Targeted?

As part of the AfCFTA negotiations, member states are currently negotiating service-related commitments in five priority sectors: financial services, business services, communication, transport and tourism. According to the Protocol on Services these sectors were identified for their capacity to promote growth and sustainable economic development and are the most likely to be impacted by the Agreement.

[5] IMF. (2023). Trade Integration in Africa: Unleashing the Continent's Potential in a Changing World. https://www.imf.org/-/media/Files/Publications/DP/2023/English/TIIAEA.ashx; United Nations

Trade unions that are closely involved in these sectors should pay specific attention to the negotiations and the potential impacts in their country.

Figure 6: Sectors and Services most likely to be Impacted by the Protocol

Business Services

- Professional services
- Computer and related services
- Research and development
- Real estate services
- Rental/leasing services

Communication Services

- Postal services
- Courier services
- Telecommunication services
- Audio-visual services

Financial Services

- Insurance and insurance -related services
- Banking and other financial services

Tourism Services

- Hotels and restaurants (including catering)
- Travel agencies and tour operator services
- Tourist guides services

Transport Services

- Maritime transport services
- Internal waterways transport
- Air transport services
- Space transport
- Rail transport services
- Road transport services
- Pipeline transport
- Services auxiliary to all modes of transport

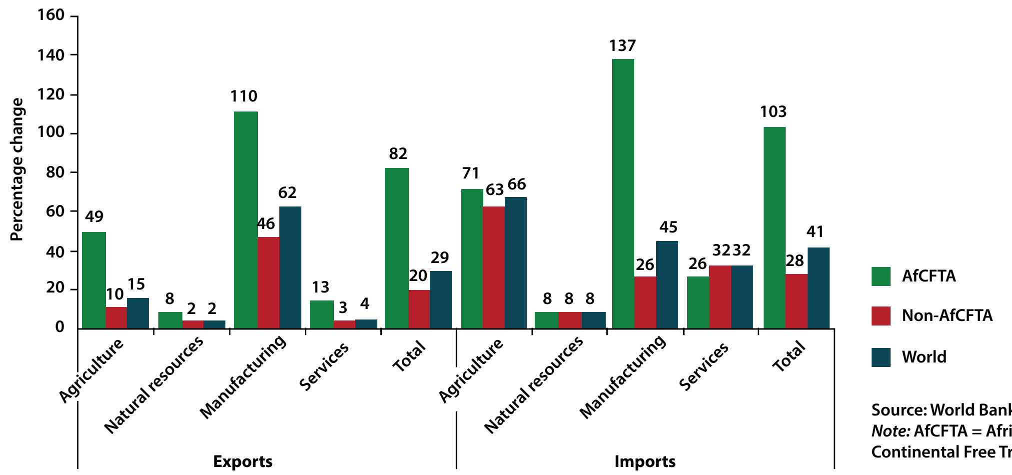
3.6. What is the Anticipated Impact?

There is broad consensus that the AfCFTA has the potential to drastically increase intra-African trade, although the distribution of benefits will be highly uneven. The World Bank Group estimates that the AfCFTA could increase total export volumes by 29%, with an 81% increase in intra-African trade by 2035. The Agreement also has the potential to increase the average African income by 7%, which would lift 40 million people out of poverty. These gains, however, are only marginally attributed to the removal of trade barriers and instead depend heavily on investments in trade facilitation such as improved transport and export infrastructure and an increase in FDI.[6]

The World Bank also notes that much of the gains will come from trade in goods, not services. While trade in merchandise is expected to increase 62% and trade in agriculture 49% overall, the World Bank estimates that trade in services will increase only 4% overall and 13% within Africa. This discrepancy is illustrated in Figure 7 which shows the World Bank's estimates for how the AfCFTA will impact trade by 2035, and the relatively low impact of the AfCFTA on services compared to trade in agriculture, natural resources and manufacturing.

[6] Echandi, R; Maliszewska, M; and Steenbergen, V. 2022. Making the Most of the African Continental Free Trade Area. https://openknowledge.worldbank.org/handle/10986/37623. World Bank and AfCFTA Secretariat.

Figure 7: Anticiptaed Impact of the AfCFTA on Intra-African Trade by 2035



Source: World Bank 2020.
Note: AfCFTA = African Continental Free Trade Area.

Implementation of the Protocol on Trade in Services involves successive rounds of negotiations between member states. Trade Unions have an opportunity to identify the parties responsible for these negotiations within their specific country, engage these parties to better understand the process, raise concerns, and advocate for the rights of labour.

4. KEY CONSIDERATIONS FOR AFRICA'S LABOUR MOVEMENT

The liberalisation of trade in services may have consequences for workers, impacting jobs, social security, worker protection, and union rights. It is therefore important that trade unions understand the process, their nations exposure to the changes, and the anticipated impact on labour in different sectors. This will enable unions to prepare for the removal of trade restrictions, participate in negotiations, and assist in enforcing labour protections.

One of the key pitfalls of the liberalisation of trade in services is the risk of outsourcing and job loss, as well as potential human capital flight. For example the presence of a foreign company could remove jobs from the local economy; the free movement of people such as doctors and consultants may further incentivise skilled workers to move to countries where they are better compensated; and firms may relocate to countries where labour is more readily available due to high unemployment, especially among youth, lower labour costs in terms of wages, and more flexible labour laws.

4.1. How can Trade Unions Respond to the Protocol on Trade in Services?

Trade Unions are encouraged to consider the following recommendations about how best to respond to the Protocol and to engage with the AfCFTA:

1. **Advocate for a Decent Work Agenda**
   Trade Unions are encouraged to define the 'Decent Work Agenda' and what this means with respect to the services sector and services trade. This includes assessing the policies and regulations identified in the STRI as 'barriers' to trade and to identifying those that protect or advance workers' rights. Where Trade Unions are concerned about the removal of these regulations, they are encouraged to engage their country's negotiating parties to advocate for an amended approach.

2. **Become Active Observers in the Negotiations**
   Implementation of the Protocol on Trade in Services involves successive rounds of negotiations between member states. Trade Unions have an opportunity to identify the parties responsible for these negotiations within their specific country, engage these parties to better understand the process, raise concerns, and advocate for the rights of labour. This is especially important for LDCs, where provisions made in the Protocol may allow for exemptions and transitional periods.

3. **Build Local and Regional Alliances**
   Trade unions should join one another in identifying and advocating for policies that protect labour rights; assess the potential impacts of regulatory reform; and engage government in the development of realistic solutions. Unions are also encouraged to revitalise sub-regional cooperation. One avenue for this is by engaging with existing networks within the Regional Economic Communities (RECs). By working together Trade Unions can have a more proactive and collective voice in future negotiations.

4. **Raise Awareness among Workers in Key Service Sectors**
   Some service sectors, including business services, communications, transport and tourism, will be impacted more than others. Trade unions can raise awareness within these sectors about the potential challenges posed by the Protocol, specifically around employment and the protection of workers' rights. This may be done through the hosting of workshops and information sessions involving trade union officials, leaders and their members. Unions can also demand a seat at the table in public policy forums and regulatory discussions.

5. **Develop the Capacity to Assess the Impacts of the Protocol on Economic Growth and Employment?**
   There is consensus that the AfCFTA will support GDP growth and job creation, overall. It is, however, poorly understood how these benefits will be distributed and to what extent certain countries or sectors will be harmed in the process. Trade Unions can help address this gap and better prepare workers, industries and government by growing their own knowledge base. This may include developing value chain capacity and skills development programs, research and training in labour policy, and the monitoring of implementation and impacts.

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