



Beyond the Borders

(African Trade and Regional Integration-Unrealized Opportunities)

Presentation by:

Jackson T. Kiraka
Consultant on Regional Trade Policy
COMESA
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Outline



- What has Been-The Challenge
- What Is
- What could be -the Opportunity
- What Is our Position in the Picture Frame?

Outline



The Context



- ❑ Africa=sleeping giant with unexploited potential...DRC is the typical example
- ❑ A patchwork of 55 isolated countries... 16 of which are either landlocked or small islands
- ❑ Civil strife, political instability taken their toll over the past decades
- ❑ Strategic Leadership or the lack of it is our greatest undoing but bad leaders cannot hide it anymore
- ❑ Access to international best practice enabled by ICT/new media =emPOWERED citizens

Context cont.....



- ❑ The challenges are well known: the level of intra-African regional trade is the lowest globally at approximately 15%,
- ❑ NAFTA stands at 54%
- ❑ EU at 70%
- ❑ Asia at 60%
- ❑ Difficulties in physical landscape make connecting communities, countries, and even entire regions challenging
- ❑ Africa's share in global trade is less than 5%

Context cont.....



- ❑ Africa's dependence on external markets remains high and concentrated on very few export primary commodities.
- ❑ Over 80% of the continent's exports are destined for outside markets, even higher for some regional groupings
- ❑ Similarly, more than 90% of Africa's imports originate from external markets.

A food deficit Continent- (Mexico Maize)



- ❑ Africa is increasingly dependent on extra-regional food imports.
- ❑ US\$ 30 to 50 billion food imports in 2010, could rise to US\$150 billion by 2030.
- ❑ Many risks and costs of intra-regional trade prevent Africans from competing in their own markets (High costs on trade licensing, standards requirements)
- ❑ Price manipulation and risk of trade bans.
- ❑ Africa could easily feed itself, but requires improved and reliable market access.

The Context



- ❑ Besides hard infrastructure (roads, markets, energy facilities, telecommunication, ports etc)
- ❑ Cumbersome policy and regulatory frameworks/political will to implement protocols
- ❑ Non-tariff barriers make for serious obstacles to integration (trade bans, technical issues like SPS)
- ❑ Lack of harmonized grades and standards
- ❑ Weak regional economic communities (RECs) without necessary capacity /cohesion
- ❑ Unattractive to needed region-wide investments

The Challenge



- ❑ But there is a new awakeningthe Arab spring is perhaps one of the greatest wakeup calls
- ❑ It cannot be business as usual.....Tunisia, Bourkina..
- ❑ Youth bulge and high unemployment are both a curse and blessing (demographic dividend)
- ❑ Yearly arrivals onto the job market expected to reach 32 million in 2050
- ❑ Youngest continent??

Young Continent



- ❑ Around 300 million people are aged between 15 and 24 making Africa the youngest continent in the world, and it keeps growing rapidly.
- ❑ Africa's youth population expected to double by 2045. They will need access to opportunities
- ❑ Between 2000 and 2008, Africa's working age population (15-64 years) grew from 443 million to 550 million.
- ❑ Labor force could be 1 billion strong by 2040, largest in the world surpassing China and India (AfDB)

The Turn-around



- ❑ Despite challenges, since early 2000s, Africa has been moving steadily towards a commonly defined future
- ❑ An integrated continent where countries and regions can mobilize their own resources to manage development programmes
- ❑ Lagos Plan of Action (1980), the adoption of the NEPAD programme in 2001 and the establishment of the African Union in 2002 strengthened the regional integration narrative

The Turn-around.. cont



- ❑ Planning capacities have increased as well as performance in achieving jointly defined benchmarks and policies (educated and exposed)
- ❑ Strategic regional frameworks have been developed and are being implemented
 - *CAADP*
 - *Infrastructure and health*
- ❑ Mutually reinforcing linkages and coordination mechanisms between national and regional levels are also being strengthened(APRM)

Regional Integration



- ❑ Regional integration identified as Africa's development strategy.
- ❑ Frameworks promoting deeper and wider cooperation to collectively achieve the social and economic development
- ❑ Main foundation was (OAU) in 1963 later the AU
- ❑ Major milestones: Lagos Plan of Action (1980) for the economic development of Africa and Abuja Treaty (1991) African Economic Community and Regional Economic Communities (RECs) as building blocks for continental integration

But What is the animal?



- ❑ Regional Integration is a process in which neighboring states enter into an agreement to upgrade cooperation through common institutions and rules.
- ❑ Regional trade agreements aim to reduce or eliminate restrictions on items and services traded between the member nations
- ❑ For regional integration to be effective regional blocs have to be created.

Scope and Implications of RI



- ❑ Trade, customs & monetary affairs
- ❑ Transport, communications and information (infrastructure)
- ❑ Technology, industry & energy
- ❑ Agriculture, environment and natural resources
- ❑ Gender and other cross cutting issues

Scope and Implications of RI



- Expanded single market
 - Producers have access to a much larger market which should boost production
- Food security
 - Increased food production and integrated markets could reduce likelihood of food crises
- Competitiveness enhanced as producers compete with a wider group of players
- Better Utilization of Resources
 - The open market could encourage specialization

Scope and Implications of RI



- Agro-based industries-Enhanced production arising from creation of the larger market should trigger the development of agro-industries
- Attracting greater FDI and intra-investments flows
- Employment creation
- Reduced imports from non-FTA countries
- Regional efficiency improvement leads to increased production
- Money not spent on expensive overseas imports can be put towards health, education and infrastructure

Scope and Implications of RI



- Beyond a customs union, some like the EAC have pursued formation of a monetary union and single political confederation
- FTA implies that trade among member countries should be quota and duty free subject to certain agreed rules like CETs, Rules of Origin and other standards

Scope –Undertaking Mega region-wide projects



- Provide public goods for which there are limited profit incentives for the private sector:
- Roads, rails, and port
- Agricultural research, development, and extension
- Rule of law
- Financed through taxes, government borrowing, etc...
- Trade restrictions can cost countries substantial foreign exchange and tax revenue



The RECs Profiles



- ❑ EAC from the defunct EAC (sunrise 1967; Sunset 1977)-6 member states
- ❑ COMESA (grew from PTA) -19 Member States
- ❑ SADC-14 member states
- ❑ ECOWAS
- ❑ TFTA (2015-Alexandria-Egypt)- EAC, SADC, COMESA-26 member states (650m, \$1-T)
- ❑ CFTA -55 member states -(1.2b, \$3.5T)

Agenda 2063



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CFTA



- ❑ Should all the African countries come on board and the deal is ratified by all the states, it will make Africa - a continent of 55 countries with a population of over 1.2 billion people and Gross Domestic Product of over US\$3.5 trillion - the largest single market in the world
- ❑ Continental integration, while more challenging, offers a larger payoff than integration at the RECs level in terms of market size, which will help attract large-scale investments from both within and outside Africa (competitive edge)

CFTA



- ❑ Trade Facilitation is a key focus of the CFTA Agreement.
- ❑ The CFTA will encompass customs cooperation, trade facilitation, transit, and elimination of non-tariff barriers, as well as annexes on SPS and TBT issues
- ❑ An indication of why trade is an underlying course for the agreement

Is it Africa's Time?



- ❑ The emerging multipolar power configuration of global power gives Africa the opportunity to assert herself
- ❑ The emerging South spearheaded by the BRICS economies' share of Africa's exports mushroomed from 8% in 2000 to a staggering 22% in 2011
- ❑ China's trade with Africa rose from USD 1 billion to almost USD 200 billion between 1992 and 2012
- ❑ It is much higher now...with all the infrastructural projects (debt financing) going on....

Untapped Opportunities



- ❑ Establishing regional value-chains as a key driver for its exports in manufactured goods, agriculture and food products or services
- ❑ Better access for its rising consumer market
- ❑ More efficient management of shared natural resources
- ❑ A significant amount of cross-border trade is already taking place between African countries but has been limited to informal channels and is not reflected in the official data available on intra-African trade..

Untapped Opportunities



- ❑ Overall, the informal sector contributes about 55% of Africa's GDP and 80% of the labor force
- ❑ Most of Africa's farmers and by extension traders constitute the bulk of the informal sector

Untapped Opportunities



- ❑ Boosting intra-African trade requires African govts provide more space for an active participation of the private sector in policy processes
- ❑ Regional integration processes, public reforms for enabling business BI
- ❑ Targeted policies aimed at empowering the private sector – formal and informal – should be designed to accompany the integration process.

Untapped Opportunities



- ❑ Key areas include provision of education and training, sensitization, support to small and medium-sized companies, better access to financing and improved business regulatory environment
- ❑ Leveraging a country's competitive advantages for effective resource utilization
- ❑ Leveraging 'natural proximities' to establish corridors of development to limit unnecessary competition.

Untapped Opportunities



- ❑ Avenues for action are huge
- ❑ A growing tax base across the continent
- ❑ Remittances from the African Diaspora almost \$100 billion
- ❑ Private capital can be a key driver in continent wide investment policy
- ❑ Proliferation of mobile telephony and ICT in general is a good opportunity

Failure should Not be an Option



- Concentration of power in the Summit with low private sector and civil society involvement in decision-making processes;
- Ideological differences which were pursued by individual Partner States –vested interest
- Lack of a mechanism of equitable development;
- Disagreements on the sharing of benefits from jointly owned resources

The Flipside of RI-An Inward Look



- Trade restrictions do not stop trade
 - Long and porous borders between surplus and deficit areas
 - Supplies will find ways of meeting demand
- Informal trade is expensive and untaxed
 - Cost of loading and unloading, payments to border guards, etc...
 - Drives up prices and deprives governments of revenue



The Flipside of RI-An Inward Look



National boundaries often separate natural markets:

Many surplus and deficit areas separated by national borders.

Examples:

- Northern Mozambique and Southern Malawi;
- Northern Zambia and Katanga Province DRC;
- Northern Tanzania and Kenya

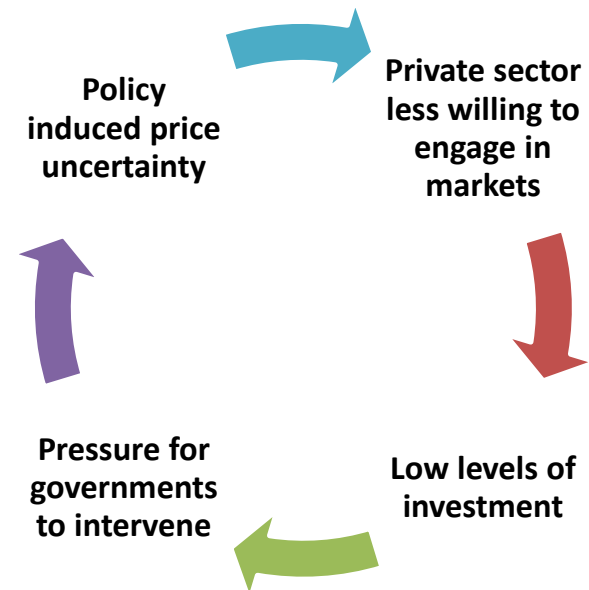


The Flipside of RI-An Inward Look



- ❑ Reliable cross border trade is a critical precondition for unlocking private sector investment in marketing and production
- ❑ Ad hoc trade restrictions and other state interventions in markets only help increase price uncertainty
- ❑ High price uncertainty makes private sector unwilling to invest significantly in markets

- ❑ Vicious cycle of private sector underinvestment in infrastructure and procurement, leading to pressure on the public sector to continue to intervene in markets.





We All Have A role to Play

Role of Professional Bodies



- ❑ Regional Integration is and should be about the people and their businesses-free movement
- ❑ All Africans, not just policy makers and decision makers, have a role to play in making integration a reality for the continent
- ❑ Professional bodies as Opinion leaders have an even bigger role to play in ensuring that their membership reap the benefits of RI-their **VOICE** heard
- ❑ Greater role in driving policy dialogue and advocacy on regional agenda

What are the options?



- ❑ Predictability in the market is CRITICAL
- ❑ Development of a policy framework that enhances the predictability of government actions in the market through a process of consultative and rules-based interventions.
- ❑ Domestication of regional and continental treaties
- ❑ Predictability does not necessarily mean full liberalization of trade or the loss of control national interest
- ❑ Policy Coherence between the national and Regional aspirations



The Regional Integration Journey is On!