

**A 'developmental regionalism' approach
to the African Continental Free Trade Agreement
(AfCFTA)**

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Dialogue

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Outline of the Presentation

- A. Changing Architecture of World Trade
- B. Changing Narrative of Africa
- C. Why Africa needs to integrate?
- D. Why SA needs Africa to grow and develop?
- E. History of regional integration in Africa: from Pan-Africanism to the AfCFTA
- F. The case for 'Developmental Regionalism'.
- G. Four Pillars of "Developmental Regionalism"
 - 1. Fair Trade Integration
 - 2. Cooperation on Transformative Industrialization
 - 3. Cooperation on Cross-Border Infrastructure Investment (and Trade Facilitation) and
 - 4. Cooperation on Democracy, Good Governance and Peace and Security.
- H. Way Forward

Changing Architecture of Global Trade in the new Millennium

- 1st decade of 21st Century – rise of Emerging Markets – BRICS
- Developing Countries Exports: Rose – from 26% (1995) to 44 % (2014)
- Developed Countries Exports: Fell – from 70% (1995) to 52% (2014)
- China – 10% growth for 3 decades- became largest exporter by 2010
- Africa – Exports Grew from 3 % of World (1990) to 3.3% (2014) – High Growth – From “Hopeless Continent” to “Africa rising” narrative

Changing Narrative on Africa in New Millennium

- At the turn of the new millennium, the Economist magazine inscribed the following title across its front cover: “Africa-the hopeless Continent”!
- New Millennium: dramatic changes in trade architecture – Emerging markets and “Africa rising” – new narrative (*Lions on the Move* – 2010).
- *Lions on the Move II* estimates that, by 2025, Africa could nearly double its current manufacturing output to \$930 billion. (McKinsey Global Institute, 2016)
- McKinsey (2016) report argues that Egypt and Nigeria each increased their value added from food manufacturing by around 9 percent a year between 2004 and 2014.

Regional Integration in Africa

- African countries have also made considerable progress in increasing intra-regional trade, rising from a mere 10 percent in 1995 to 18 percent in 2014 (WTO, 2015).
- Intra-regional trade accounts for 70 percent of the EUs total trade.
- For North America, intra-regional accounted for 50 percent of its exports and
- in Asia just over half its exports were within Asia (52 percent) in 2014 (WTO, 2015).

Why Africa needs to Integrate?

- Africa is divided into 55 States
- Africa has 34 LDCs, 6 SIDS and 16 LLDCs.
- Some LDCs are also SIDS and some are also LLDCs.

Africa's 16 Landlocked Countries



Why SA needs Africa to Develop?

- South Africa's economic prospects have become increasingly intertwined with those of the rest of the African continent
- Africa is forecast to remain the second fastest growing region in the world
- The growing number of relatively wealthy consumers in Sub-Saharan Africa will become a key source of demand for South African (manufactured) goods.

Africa's Share in SA's Exports is Rising

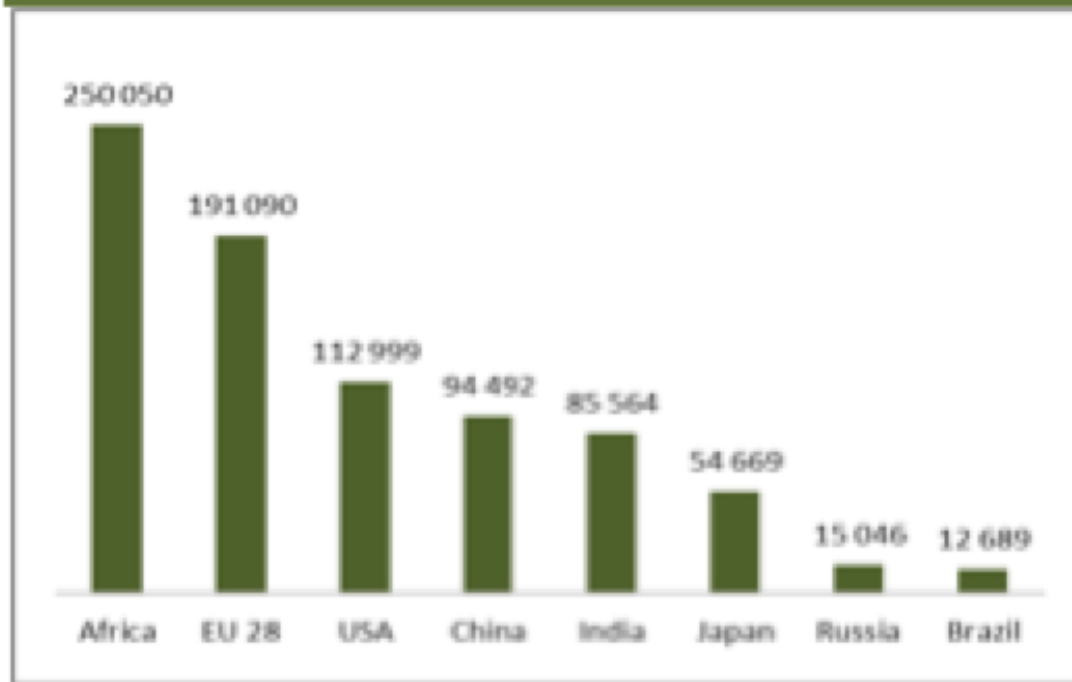


Exports to Africa – Create Jobs in SA

- In 2016 South Africa exported over R1 trillion worth of goods to the world, and this supported about 1 million jobs, accounting for 6.6 per cent of total employment.
- Goods exports to the African countries supported the greatest number of South African jobs followed by goods exports to the EU, USA, China and India (Figure 1).

South African Exports – Jobs Created

Figure 1
Major SA Destinations, Jobs Supported by Goods Exports in 2016

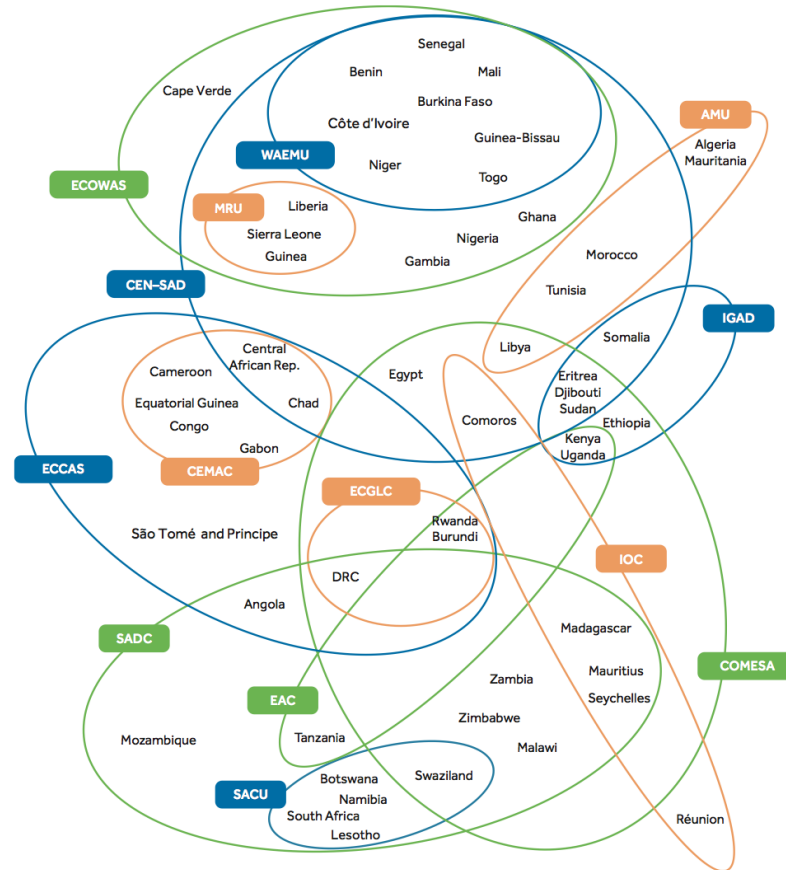


Historical Context of the AfCFTA

- Launch of the AfCFTA negotiations Historic Event – has a long history!
- From Pan-Africanist Vision to OAU (1964) - Nkrumah
- Lagos Charter (1975); Action Plan (1980) – Adebajo Adedeji
- Abuja Treaty (1991) – 8 RECs- AEC by 2028 - OAU
- Launch of TFTA (June 2011) – Leaders Summit
- Boosting-Intra-African Trade (Jan 2012)

Africa's Spaghetti Bowl

Figure 1.4 The 'spaghetti bowl' effect of multiple REC memberships in Africa



Source: ACBF (2016)

Africa's TFTA

Figure 3.2 Africa's Tripartite Free Trade Area (TFTA)



Historical Context of the CFTA

- Signing of Phase I of TFTA (10th June 2015)
- Launch of CFTA (15th June 2015) – First AU Summit to Focus on Trade Integration Only
- Agenda 2063 (Jan 2015) – “the Africa we Want”
- CFTA – June 2017 - Ministers agree on Modalities – on Goods and Services – in Niamey, Niger
- AU Summit – in Kigali, Rwanda (21 March 2018) – creates AfCFTA – HISTORIC AGREEMENT!

AfCFTA Agreements signed by Leaders at the AU Summit in Kigali

- I. AGREEMENT ESTABLISHING THE AFRICAN CONTINENTAL FREE TRADE AREA
- II. PROTOCOL ON TRADE IN GOODS
- III. PROTOCOL ON TRADE IN SERVICES
- IV. PROTOCOL ON RULES AND PROCEDURES ON THE SETTLEMENT OF DISPUTES

Protocol on Trade in Goods: Annexes

- SCHEDULES OF TARIFF CONCESSIONS
- RULES OF ORIGIN
- CUSTOMS CO-OPERATION
- TRADE FACILITATION
- NON-TARIFF BARRIERS
- TECHNICAL BARRIERS TO TRADE
- SANITARY AND PHYTOSANITARY MEASURES
- TRANSIT
- TRADE REMEDIES

Agreement comes into Force!

- 22 members of the AU have ratified the Treaty by 30th April 2019 – according to Moussa Faki Mahamat – the Chairperson of the AU.
- Technically, the agreement has come into force on the 30th of May 2019
- The AfCFTA will officially enter into force at the next Summit of the AU – on the 7th of July, in Niamey, Niger!

Questions for discussion

How can the AfCFTA benefit ALL African countries?

How can the AfCFTA lead to the economic transformation of the Continent?

Importance of Values and Norms

- Stiglitz (2016): Political commitment to collective action or Solidarity are important for the success of regional integration.
- Mandela (1994): South Africa's relations with the continent of Africa should be based on the 'principles of equity, mutual benefit and peaceful cooperation'
- Africa needs to base its integration on the principle of UBUNTU! – NOT MFN or RECIPROCITY!

Case for Developmental Regionalism

- Crisis of “free trade” and “hyper-globalization”
- Trump/Brexit and rise of populism!
- Concept of “developmental regionalism” –
based on collective solidarity
- Need to go beyond the traditional “free trade”
approach (UNCTAD/UNIDO)
- 4 distinct Pillars of cooperation are identified:
trade; industrialization; infrastructure
investment, and; political cooperation

Four Pillars of Developmental Regionalism:

Fair Trade

- **a) Asymmetrical trade integration – S&D for LDCs and SVEs:** a) longer time frames for tariff reduction; b) flexibility in the rules of trade, and; c) the need for capacity development.
- **b) The role of the private sector in regional integration**
large companies mainly from South Africa, Nigeria, Kenya and Egypt. *Guidelines for Good Business Practice by South African Companies Operating in the Rest of Africa*
- **c) Inclusive decision making and domestic consultations**
ensuring that all stakeholders including the private sector, trade unions and NGOs are consulted

Four Pillars of Developmental Regionalism:

Cooperation on Transformative Industrialization

- Global Value Chains and Africa's economic transformation
- Regional Value Chains and regional integration in Africa
- Case Studies of Potential Success Stories in Africa's transformative industrialization
 - Cocoa – West Africa
 - Cut Flowers – Ethiopia
 - Nollywood – Nigeria
 - MPesa - Kenya
 - Gorilla Viewing - Rwanda
 - Auto Industry – South Africa

Four Pillars of Developmental Regionalism: **Cooperation on Cross-Border Infrastructure Investment (and Trade Facilitation)**

Africa's Infrastructure initiatives

Program of Infrastructure Development for Africa
(NEPAD/PIDA)

Presidential Infrastructure Champion Initiative (PICI)

16 Infrastructure Projects for African Integration (NEPAD/ECA)

Development Corridors and Spatial Development Initiatives

The Maputo Development Corridor

The Northern Corridor – Mombasa to Kigali to Kisangani

The Abidjan-Lagos Corridor – two-thirds of West-African
Trade!

Four Pillars of Developmental Regionalism: Cooperation on Democracy, Governance and Peace and Security

- OAU to AU – major change in approach - NEPAD – made link – economic development, democracy, good governance, peace and security
- *“most African states have begun accepting multi-party systems of governance in the new millennium”* (Matlosa, 2018).
- Pan-African Parliament (PAP), the Economic, Social and Cultural Council (ECOSOCC), and the African Court on Human and People’s Rights
- **The African Peer Review Mechanism (APRM)**
- Voluntary Membership - 37 members – 21 undertaken a first country review – Unique to Africa!

Way Forward

- AfCFTA – landmark - in Pan-African journey to Unite Continent
- Solidarity and Ubuntu essential values for success of the AfCFTA!
- Should leverage the AfCFTA to advance all four pillars of “developmental regionalism” in Africa
- Catalyse and Accelerate a virtuous circle of regional trade integration, transformative industrialization, cross-border infrastructure, democracy, good governance, peace and security across the continent.