

Regionalism in Africa: TFTA and CFTA

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Some Facts about Africa

- i. Africa is the Second **most populous** continent with about 1.1 Billion people. About 70% of Africans **under 30** years of age and over half are **females**.
- ii. Africa is the world's second **largest** continent
- iii. Africa has approximately **30% of the earth's remaining mineral resources**.
- iv. The Continent has the largest reserves of precious metals with over **40% of the gold reserves, over 60% of cobalt, and 90% of platinum reserves**.
- v. Over 55% of Africa's labour force is working in **food production** with vast areas of arable and pastoral lands supporting agricultural economies.
- vi. Africa is the world's **poorest** and **most underdeveloped** continent with a continental GDP that accounts for just 2.4% of global GDP.
- vii. Almost 40% of adults in Africa are **illiterate** – two-thirds are **women**.

Our Current Reality; Huge Potential

- ❖ **Africa remains 3% of global trade** and DDA at the WTO, AGOA, EPAs have not enabled Africa's successful integration into the Global Economy
- ❖ **The CFTA will bring 54 countries with combined population of 1 billion people and combined GDP of USD3.4 trillion.**
- ❖ Europe and USA are major destination for African products, Asia and China are becoming more important;
- ❖ Intra- African trade is about 12%. In North America it is 40%, and 63% between countries in Western Europe; It is estimated that **40% of intra-African trade is informal trade**
- ❖ **70% of cross border traders are women**
- ❖ **46% of goods traded between countries are manufactured goods** such as garments, leather goods, etc.

KEY QUESTIONS

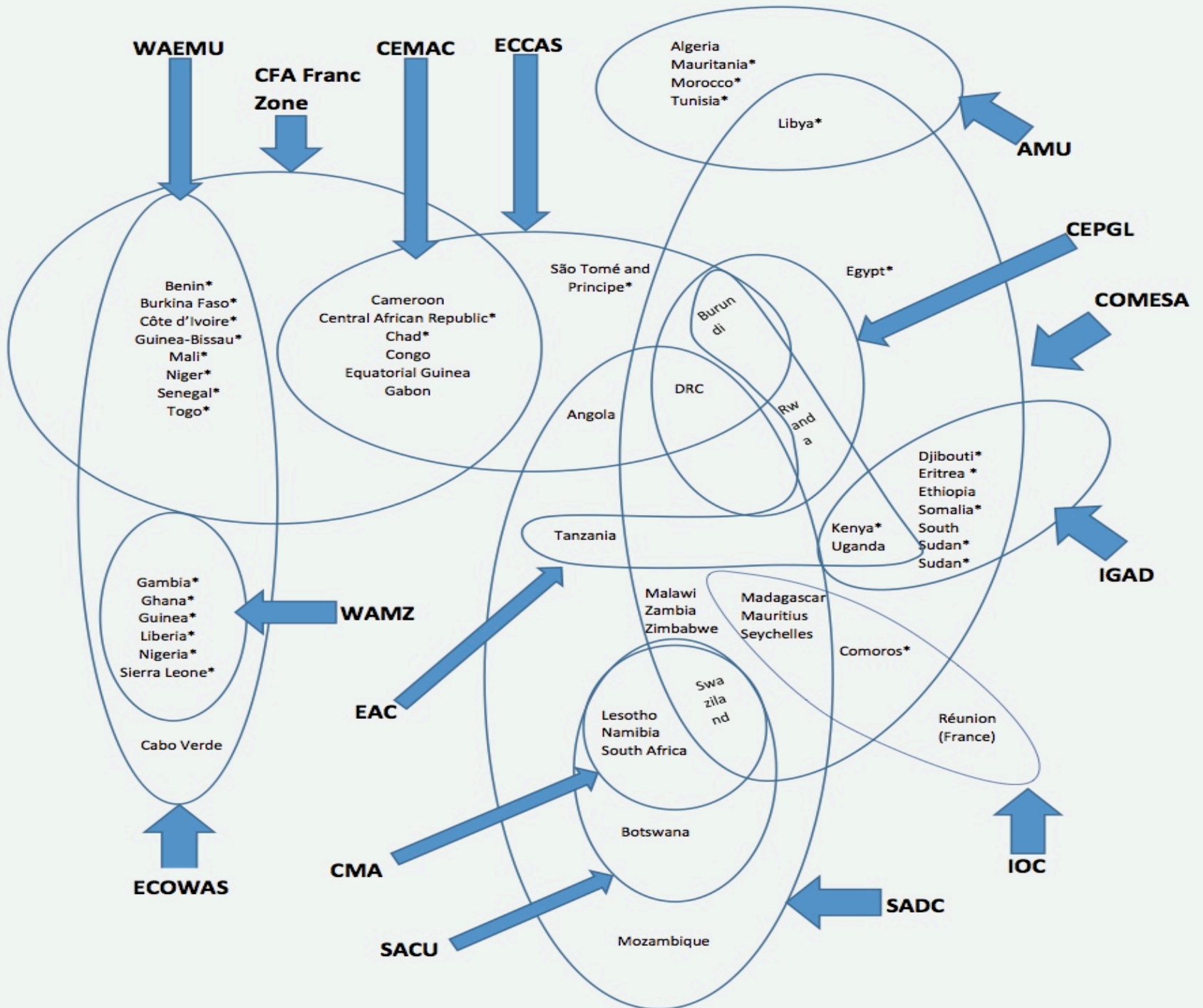
- * What are the mega regional integration initiatives in Africa (TFTA and CFTA)?
- * How will these cope with other mega trading blocs that are coming up?
- * Is Africa better off within WTO given the rise of the other mega trading blocs?
- * What does it take to have a strong, successful RI in Africa to increase world trade share and even shift world trade rules?

Presentation Outline

- Africa's Integration History;
- The TFTA and the CFTA as Africa's MRTAs;
- Implications of EPA and other MRTAs on Africa's Integration;
- Is CFTA the Way to Go? If YES, HOW?

Key Developments in African History

- * Following founding of **Organization of African Unity (1963)** Africa saw a wave of Regional Integration Agreements (RECs) – “Building Blocks”
 - * Characterized by **young, post-independence** African States
 - * **ECOWAS (1975), ECCAS (1983), IGAD (1986), AMU (1989)**
- * **Abuja Treaty of 1991** - A second wave of RIAs took place
 - ❖ **SADC (1992), COMESA (1994), CENSAD (1998), EAC (2000)**
- * Africa’s integration in the context of Global world (WTO came into effect 1995)
 - ✓ **African, Caribbean and Pacific Group of States (48 African countries)**
 - ✓ **1980s-90s SAPs/PRSPs (Aid Conditionality)**
 - ✓ **42 African countries Members of WTO (majority LDCs)**
- * **2001 Constitutive Act** of the African Union – sets out the vision of the AU (integrated, prosperous and peaceful Africa, driven and managed by its own citizens and representing a dynamic force in international arena)
- * **2013 Africa Agenda 2063**



The Tripartite Free Trade Area (TFTA)

Rationale and October 2008 Summit Directive

- * Address the problem of the overlapping trading arrangements in COMESA, EAC and SADC.
- * Expeditious establishment of a single FTA encompassing the partner/ member States of the three RECs.
 - Development of the roadmap within 6 months for the establishment of the FTA, taking into account the principle of variable geometry;
 - The legal and institutional framework to underpin the FTA;
 - Measures to facilitate the movement of business persons across the RECs;

TFTA Agreement: Negotiations and Game Change

- * Draft TFTA, with 15 Annexes finalised in 2010
- * Wide consultations in Tripartite countries
- * First phase: Duty-free, quota-free market access, including elimination of non-tariff barriers (NTBs); free movement of business persons
- * Second phase: gradual/ progressive trade in services liberalisation

TFTA Agreement: Negotiations and Game Change

- * Efforts to reject the draft TFTA Agreement as the process was not member-state driven
- * First principles for negotiations (agreement preceding the agreement)
- * Compromise: draft TFTA to be used as the basis of negotiations
- * Launch of the negotiations (June 2011) – three pillars: market integration; industrial development and infrastructure development

TFTA Agreement: Negotiations and Game Change

- * TFTA not to replace the RECs FTAs, but to co-exist with any new trading arrangements to be reached during the negotiations process (variable geometry, *acquis*)
- * TFTA: a platform for negotiating new bilateral FTAs for those that do not have such relationships
- * Another layer of overlapping trade regimes

The Continental Free Trade Area (CFTA)

- * The Continental Free Trade Area (CFTA) initiative is in line with the Abuja Treaty (signed on 3rd June 1991) – the Treaty Establishing the African Economic Community.
- * The Treaty provides for establishment of African Economic Community through the following stages:
 - * *Strengthening of Regional Economic Communities;*
 - * *Establishment of a Continental Customs Union;*
 - * *Implementation of Common Sector Policies; and*
 - * *Establishment of a Continental Common Market and ultimately African Economic Community.*
- * That's why the January 2012 Summit of Heads of States and Government endorsed the Action Plan on Boosting Intra African Trade (BIAT) and decided on the establishment of a Continental Free Trade Area by an indicative date of 2017.

CFTA Road Map (Timelines)

- ❖ The Assembly 18th Ordinary Summit in January 2012, decided that the CFTA should be operationalized by the indicative date of 2017, with the following milestones:
 - ❖ Finalization of the EAC- COMESA-SADC Tripartite FTA initiative by 2014;
 - ❖ The four other AU-recognized RECS (ECOWAS, CEN-SAD, ECCAS and UMA), to negotiate a parallel FTA – should they wish to do so, by 2014. They could also choose to join the CFTA directly
 - ❖ Consolidation of the Tripartite and other regional FTAs into a Continental Free Trade Area (CFTA) initiative between 2015 and 2016;
 - ❖ Establishment of the Continental Free Trade Area (CFTA) by 2017 with the option to review the target date according to progress made.

Why the CFTA?

- ❖ Key to improving low intra-African Trade
- ❖ Better terms amongst African countries compared to programs such as EPAs and AGOA
 - ❖ Africa's biggest economies trading on MFN basis
- ❖ Developments in Africa
 - ❖ Africa on the rise, and must rise with its people
 - ❖ Demographic dividend
- ❖ Positioning Africa to influence global trading rules
- ❖ CFTA as a tool for Structural Transformation
- ❖ Achieving the African Economic Community under the Abuja Treaty of 1991

AU Agenda 2063

1. A prosperous Africa based on inclusive growth and sustainable development
2. An integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa's Renaissance
3. An Africa of good governance, democracy, respect for human rights, justice and the rule of law
4. A peaceful and secure Africa
5. An Africa with a strong cultural identity, common heritage, values and ethics
6. An Africa where development is people-driven, unleashing the potential of its women and youth
7. Africa as a strong, united and influential global player and partner.

Boosting Intra- African Trade – BIAT

Trade Policy

Trade Facilitation

Productive Capacity

Trade Related Infrastructure

Trade Finance

Trade Information

Factor Market Integration

Africa We Want:

Continental Free Trade Area – CFTA

Trade in Goods

Trade in services

Investment

Intellectual Property
Rights

Competition Policy

Industrial Development

AIDA, PIDA, CADAAP, Etc.

Agricultural
Transformation

Food Security

Energy

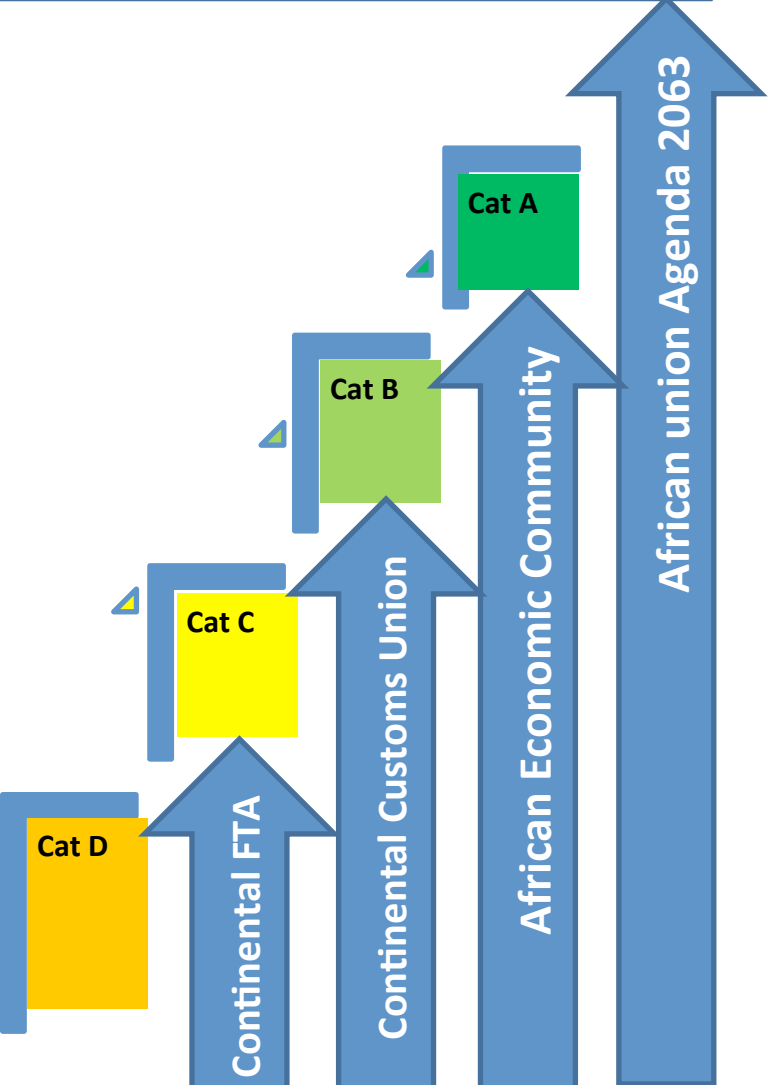
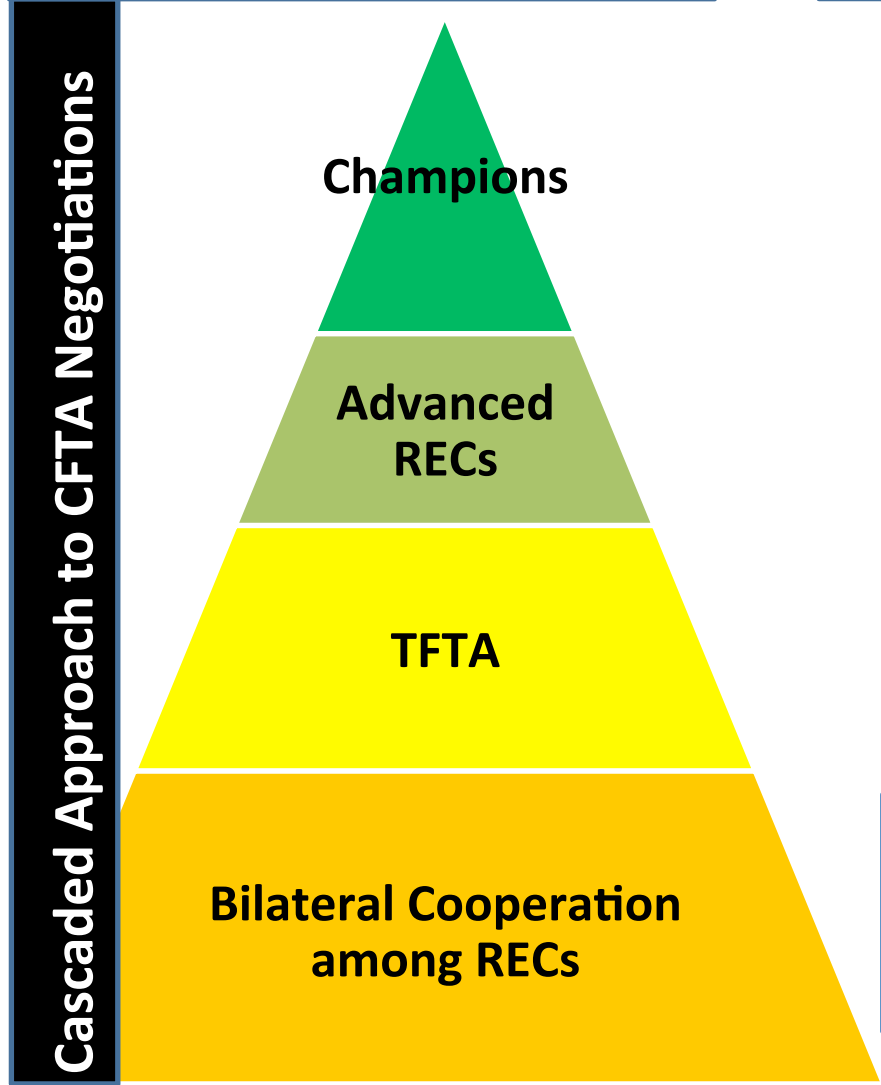
Transport

ICT

Water Resources

Principle of Acquis: RECs Driven

Principle of Variable Geometry: Member States Driven



Common Denominator for All RECs as the Baseline for CFTA Agreement: This will apply to all 54 AU Member States – Consolidation of RECs Acquis by AUC

Implications of MRTAs on Africa's RI:

EPA

- * The EPA process may pose challenges to Africa's integration agenda because of two main issues.
- * African countries negotiate the EPAs in five different blocks, of which only two replicate existing African Regional Economic Communities (EAC and ECOWAS) may **create institutional complication** on the roadmap enshrined in the Abuja Treaty.
- * At the end of the transition period, African countries may end up granting a **more favourable treatment** to a number of EU-originating imports, than to similar African products originating outside their own REC.

Implications of MRTAs on Africa's RI:

TTIP

- * **TTIP:** The EU and the US joining integration efforts in the Trans-Atlantic Trade and Investment Partnership (TTIP) make up nearly 30% of world merchandise trade, 40 percent of global trade in services, and as much as 45 percent of the world GDP.
- * TTIP negotiations were officially launched in June 2013.
- * Negotiations bear on three main pillars: **market access** (on both goods and services), **regulatory coherence** and **cooperation** (e.g. technical barriers to trade, sanitary and phytosanitary measures) and the rules (e.g. intellectual property rights, sustainable development, labor, environment, customs and trade facilitation).
- * End of 2015 is set as the target to conclude TTIP talks, whereas ratification would be expected by all EU member States and the US in 2016.

Implications of MRTAs on Africa's RI:

TPP

- * **TPP:** The just concluded Trans-Pacific Partnership (TPP) brings at least 12 nations together (i.e. Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam).
- * Collectively the TPP members account for a significant share of global trade (about 40 percent) and global GDP (nearly 40 percent).
- * The scope of TPP is also very ambitious touching upon: market access, rules and new/cross-cutting issues (e.g. regulatory coherence, state-owned enterprises, competitiveness and global supply chains).

Implications of MRTAs on Africa's RI:

RCEP

- * **RCEP:** Negotiations for the Regional Comprehensive Economic Partnership (RCEP) were formally launched in November 2012 at the 21st Summit of the Association of Southeast Asian Nations (ASEAN) held in Cambodia.
- * If the 10 members of the ASEAN (i.e. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and 6 other major Asian economies (i.e. Australia, China, India, Japan, New Zealand, and South Korea) can succeed in setting up the RCEP free trade area, it will be the largest bloc by its population (over 45 percent of the world population) accounting for nearly one-third of global GDP.

MRTAs implications for Africa's Continental Integration (Cont'd)

- * MRTAs currently under negotiations are expected to considerably modify the global trade and investment landscape; and affecting the multilateral trading system.
- * African countries would be subject to preference erosion (GSP, EBA, AGOA, etc.).
- * As Africa is not part of any of the major emerging trading bloc configurations (i.e. the TTIP, the TPP and the RCEP), it runs the risk to see its economic performance negatively affected.
- * However, the effective establishment of the CFTA (especially if accompanied by measures to reduce costs to trade across borders) –which is in effect Africa's own MRTA– is vital to offset the potential negative effects caused by the other MRTAs.

Food for Thoughts

- Will ALL the 54 Countries Join the CFTA?
- What will happen to the RECs after a Successful CFTA and AEC?

“The CFTA is critical NOT ONLY for its potential benefits, BUT ALSO to mitigate the costs associated with inaction”

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