Greetings

Commitment to Civil Society

Commissioner

The global trade and African context within which the CFTA is situated;

3 things I want to highlight

The

challenges with the multilateral trading system

The move away from unilateral preferences

Emergence of MRTAs

1. The Challenges with the Multilateral Trading System

- The Loss of Africa's Veto power

2. Partners are moving away from unilateral preferences and showing increased interests in the african market

EPAs

- Economic Partnership Agreements negotiated between the EU and African RECs and Regional groupings including (EAC, ECOWAS, SADC, ECCAS and ESA)

- Through last year, the majority of Africa negotiating RECs concluded their negotiations.
- The agreements are currently undergoing legal scrubbing as well as discussions on implementation.

AGOA

- The African Growth and Opportunity Act (AGOA) is a nonreciprocal trade preference program that provides duty-free treatment to the United States' (U.S.) market of certain export products from eligible sub-Saharan African (SSA) countries.
- Recently Reauthorized for 10 years with significant changes and new elements
- The bill includes the following new elements:
  - changes to the eligibility, revocation and review processes;
  - increased outside influence over country-eligibility;
  - a call for the development of country strategies;
  - and increased interest in pursuing Free Trade Agreements.

India? China? Brazil?

3. The Rise of MRTAs

- There are currently three major MRTAs: the Trans-Atlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP).

- **Trans-pacific partnership (TTP)** – 12 countries incl. US, Japan, Canada, Australia, Singapore, Mexico, Chile, New Zealand, Brunei, Peru, Vietnam and Malaysia.
- TPP members' share of global trade is significant: approximately $2 trillion, or about 40 percent of global trade, in 2012.
- **Transatlantic Trade and Investment Partnership (TTIP**) between EU and US
- Trade between the EU and the US accounts for nearly 30 percent of world merchandise trade, 40 percent of global trade in services, and almost half of global GDP.
    - **Regional Comprehensive Economic Cooperation (RCEP)**, 16 countries of which 10 ASEAN countries (Brunei, Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam); Australia, China, India, Japan, S. Korea, New Zealand.
        - If successful, RCEP would constitute the world's largest trading bloc. The agreement would comprise more than three billion people (over 45% of the global population) and a combined GDP of over $17 trillion (about one third of current global GDP).

- The rise of MRTAs brings significant economic and geopolitical implications for Africa.

- The CFTA is Africa's own MRTA

Implications of the MRTA

- First, MRTAs would fragment the global trading system. This would leave larger countries to negotiate the future of that system without granting Africa a seat at the table.
- Preference Erosion in Key markets including EU, US and China - African total exports would be reduced by USD 2.7 bn in all main categories of products with industrial goods affected the most negatively;

- Impact on international rules and standards. Independently, each MRTA could drive the global rule and standard-making agenda.

What does this mean?

- Preferences aren't what they used to be anymore (TPP? LDC Package?) -EU and the US
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- Overall Implications for Africa's trade standing?
  - Diminishing market share/more competition in established traditional markets? the search for new markets? the big market next door
- The African Trade Bloc

- All reinforce the urgency for implementing the african integration agenda

- It is important for us however, to remember the economic context that has created the need for the establishment of the CFTA. Many of Africa’s 54 countries are small, with populations of fewer than 20 million and economies of less than $10 billion. 12 African states had a population of less than 2 million, and 19 had a GDP of less than $5 billion in 2008. National markets are therefore too small to justify investments, since both adequate supply of inputs and sufficient client bases (demand) remain too expensive or out of reach.

- The establishment of a continental Free Trade Area in particular will create a single market for goods and services in Africa of over a billion people and a GDP of over 3 trillion dollars providing a good reason to invest in Africa.

- With the CFTA, Mckinsey estimates that the continent’s gross domestic product will rise from USD 1.7 trillion (2010) to USD 2.6 trillion (2020) pushing up consumer spending from USD 860 billion (2010) to USD 1.4 trillion (2020) and thus potentially lifting millions out of poverty.
- The United Nations Economic Commission for Africa (UNECA) calculates that the CFTA could increase intra-African trade by as

much as $35 billion per year, or 52 percent above the baseline, by 2022.

- If coupled with complimentary trade facilitation measures to boost the speed and reduce the cost of customs procedures and port handling, the share of intra-African trade would more than double over the baseline, to 22 percent of total trade by 2022.

Key recommendations

    - The establishment of the CFTA will strengthen the geopolitical position of African countries in global trade negotiations.
    - It will also increase market size, economic development, and job creation, making African countries less dependent on the policies of their developed-country trading partners.
    - It is critical in offsetting potential negative effects MRTAs will have on African economies and to support Africa's structural transformation.
- *Promote African Competitiveness*
    - African countries will need to take steps to increase their global competitiveness.
    - This will include making necessary investments in increasing productivity, improving infrastructure, and making it easier to trade across borders.

- It will also include the monitoring of MRTA negotiations, so that African countries can design policy that best takes advantage of new opportunities that arise.

3) the challenges that the CFTA faces.

- Capacity
- Competing attention
- Not political will
- Complexity in terms of numbers