

**Colloquium on the Continental Free Trade Area: Internal Challenges
and External Threats**

And

**Civil Society Strategy Meeting on Advocacy Around Africa's Trade
and Development Challenges**

Introductory Remarks

By

David Luke

Coordinator African Trade Policy Centre

Regional Integration and Trade Division

Time: Monday 29 February 2015

Venue: Best Western Hotel, Accra, Ghana

Introductory Remarks

Expression of appreciation

I wish to begin by expressing my appreciation to the Third World Network-Africa under the able leadership of my good friend, Yao Graham, for its key role in organizing this colloquium, and to civil society stakeholders from throughout the continent for your participation. By doing so, your involvement is helping to ensure that there is a strengthened basis for Civil Society Organizations (CSOs) to effectively organize, analyze and provide valuable policy inputs and advocacy as the effort to establish the Continental Free Trade Area – the CFTA – gets underway. CSOs have a vital role to play in ensuring that the CFTA negotiations adhere to the principles of transparency, consultation and inclusiveness. It is for this reason that I am delighted to provide these Introductory Remarks for the Economic Commission for Africa – Third World Network Colloquium on the Continental Free Trade Area: Internal Challenges and External Threats, and the Civil Society Strategy Meeting on Advocacy Around Africa’s Trade and Development Challenges.

At the outset, let me also acknowledge the support to the African Trade Policy Centre at ECA by the Department of Foreign Affairs, Trade and Development,

Government of Canada which has enabled us to develop an extensive work programme on intra/African trade.

The CFTA – flagship initiative under the AU’s Agenda 2063

A flagship initiative under the African Union’s Agenda 2063, the CFTA is a major effort to boost intra-African trade, consolidate African markets and reinforce regional integration. By doing so, the CFTA has the potential to contribute significantly to sustainable economic growth, infrastructure development, employment generation, poverty reduction, local and foreign direct investment, thereby paving the way for structural change and industrial development. To this extent, progress on the aspirations of Agenda 2063 towards ‘the Africa we want’ is contingent on changing the way Africa trades which has profound implications for production, investment, enterprise, innovation and sustainable development.

The ambition, as determined by the African Union Summit in January 2012, is to establish the CFTA by 2017. The 2012 Summit also adopted the Boosting Intra-African Trade (BIAT) Initiative. The BIAT identifies seven clusters –

market integration, productive capacity, trade-related infrastructure, trade information, trade facilitation, trade finance and factor mobility – where progress is necessary to complement the steps that are to be taken to establish the CFTA.

The CFTA process was formally begun with the launch of negotiations at the African Union Summit in Johannesburg, South Africa, in June last year.

Progress is being made. Just last week the first Meeting of the CFTA Negotiating Forum kicked off at the AU Headquarters in Addis Ababa, Ethiopia, during which Member States considered preparatory issues for the conduct of the negotiations and adopted the rules of procedure of the Negotiating Forum. Let me take this opportunity to acknowledge the presence of AUC colleagues including Mr. Babajide Sodipo who is the special adviser to the Commissioner for Trade and Industry and also Mr. Prudence Sebahizi of the Department of Trade and Industry.

The structure of Africa's trade has not change during six decades of independence

As you know, regional integration has long been a key element in the development strategy of African countries. The blue print for the continent's economic integration is the Abuja Treaty. Adopted in 1991 under the auspices of the Organization of African Unity (OAU), the goal of the Abuja Treaty is the establishment of an African Economic Community (AEC) by 2025 with the Regional Economic Communities (RECs) as the building blocks.

Over the years, the RECs, to their credit, have achieved significant levels of market integration among their member states. Free trade areas (FTAs) are operational in SADC, COMESA and UMA. ECCAS has laid out plans for an FTA. The EAC and ECOWAS are transitioning towards deeper integration through the establishment of customs unions. SADC, COMESA and EAC signed a Tripartite FTA last year although much work remains to be concluded for the agreement to become operational.

Notwithstanding this progress, the size of intra-Africa trade has remained relatively small, although there are regional variations. At around 12 per cent, the level of intra-African trade is the lowest among the major regions of the

world - intra-Latin American, intra-ASEAN, intra-EU and intra-North American trade are all north of 40 per cent.

The low level of intra-African trade and limited integration of continental markets have reinforced a pattern of trade that is dominated by the export of basic commodities. This is a legacy of colonial rule which even after six decades of independence, the continent has not been able to shake-off.

The potential of the CFTA

The CFTA can potentially change this. Indeed, ECA research – here let me acknowledge the presence of my colleagues from ECA, Ms. Heini Suominen and Mr. Robert Lisinge who will be making a presentations at this colloquium - shows that while over 80 per cent of Africa's exports to the rest of the world is mainly unprocessed commodities, close to 40 per cent of intra-African exports are processed goods. Our research further shows that a 50 per cent increase in intra-African trade above a 2012 baseline can be achieved by 2022 if a CFTA is in place by 2017. The increase in intra-African trade could be significantly stronger if implementation of the CFTA is accompanied by improved trade

facilitation measures, including disciplines on non-tariff barriers. To this extent, the CFTA can support Africa's economic transformation by stimulating African enterprise to source inputs, intermediate goods and services from within the continent and to export to neighbouring markets thereby enhancing both competitiveness and productivity.

Establishment of the CFTA is moreover timely: the end of the recent commodity super-cycle has once again exposed the vulnerability of Africa's commodity dependent economies, although a number of African countries continue to be among the world's fastest-growing economies. Indeed, the growth spurt that many African economies experienced between 2000 and 2013 has generated a continental GDP of around \$3 trillion. The continental population is now at around 1 billion of which about 20 per cent is estimated to be 'middle-class', i.e Africans with incomes of \$2 a day or more. Responding to the demand for goods and services generated by the African population is a far more reliable source of growth than dependence on primary commodity exports.

The CFTA is also timely as it has now become clear that efforts to achieve development-friendly trade rules in the WTO have failed. Following the recent WTO Ministerial Conference in Nairobi, ambivalence shrouds the future status of the Doha Development Agenda. At the same time, the action has shifted from the WTO with the world's major and emerging economies negotiating mega-regional trade deals principally through the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Atlantic Trade and Investment partnership (TTIP). ECA research has shown that Africa's exports to these markets will decline as preferential margins are eroded. But with Africa's own mega-regional through the CFTA in place, trade will grow significantly among African countries as I have already noted. An added benefit of the CFTA is that for the first time, it will provide Africa with a coherent trade policy against the background of multiple trading regimes and overlapping REC memberships. The experience of negotiating the Economic Partnership Agreements (EPAs) revealed that without a continent-wide trade regime, African countries participating in different RECs could find themselves in the absurd situation of giving better trade terms to external partners than to one another.

Caveats

Notwithstanding ECA's advocacy for the CFTA, some caveats must be noted.

Policymakers must be conscious of how the economic effects of FTA agreements cascade down to marginalized groups, the implications for gender and the environment as well as for the least developed country (LDC) economies several of which can be found in Africa, and of appropriate policy responses to these challenges. In particular, with agriculture as the largest sector in most African economies in terms of livelihoods, employment and incomes, ECA is calling for a separate agreement on agriculture within the CFTA. This is to lock in agreed continental policy frameworks such as the Malabo Declaration and the Comprehensive Africa Agriculture Development Programme (CAADP) that make provisions for enhancing food security, rural development, productivity and enhanced participation in agro-value chains. This will also create options and pathways for Africa's LDC economies to benefit from the CFTA. It is clear to us at ECA that liberalization alone through the CFTA is not sufficient to ensure the modernization of African agriculture.

It is for this reason that ECA, in collaboration with the Office of the High Commission for Human Rights and the Friedrich Ebert Stiftung, is undertaking an *ex ante* human rights assessment of the CFTA focusing on agriculture, rural livelihoods and employment. This will help us understand better how policy challenges in these sectors should be addressed within the context of the CFTA. This important study will also provide civil society stakeholders with substantive insights for policy advocacy and engagement with your governments and the private sector.

In raising awareness on these issues, ECA is also advocating for an ambitious outcome from the CFTA negotiations with liberalization of substantially all trade in goods and services. It is possible for negotiators to reach a comprehensive agreement on trade in goods including special provisions for agriculture and clear modalities for the progressive liberalization of trade in services by 2017. Our belief is based on the view that the negotiations would move quickly if negotiators work from a Pan-African template agreement, rather than through the laborious exchange of negotiating texts among 54 countries. We believe that the CFTA's potential including scale economies and other efficiencies can only be fully realized through an ambitious 21st century

agreement that encompasses goods, agriculture, services, non-tariff barriers and an industrial pillar that aligns the trade regime with industrial development aspirations. At the same time, provisions can be made for special and differential treatment for the smaller economies through transition periods and well-designed flexibilities. But all 54 member states of the AU must assume meaningful liberalization commitments if the CFTA is to meet such strategic objectives as overcoming dependence on primary commodity exports, accelerating the diversification and dynamism of intra-African trade and ensuring the rationalization of multiple trading regimes and overlapping REC memberships. In this context, variable geometry can be meaningfully applied not in terms of differential commitments and obligations under a CFTA agreement but in terms of time-bound and related flexibilities in the implementation of an agreement that applies to all AU Member States.

The role of CSOs

This colloquium seeks to gather CSO stakeholders from throughout the continent together to deepen understanding of the CFTA and to develop an Action Plan for CSO engagement with the CFTA.

The CFTA will require African countries to undertake major structural reforms. For example, as trade taxes become less important, other revenue sources such as direct and indirect taxes will become more significant. Equity considerations will have to be addressed. Agriculture sector reforms and industrial development initiatives must complement implementation of a CFTA agreement. CSOs will perform a number of crucial functions in ensuring that the opportunities of the CFTA are realized and that challenges are met. At the core of these functions are the principles of transparency, consultation and inclusiveness in both the negotiation and implementation of a CFTA agreement.

As CSOs you are charged with making sure that these principles are adhered to and reflected in the CFTA negotiations and its implementation thereafter.

Transparency

The CFTA negotiation proposals and agreement must be scrutinized by those whom it will affect. For this, CSOs must be given access to both the necessary information to judge the proposals and agreement and to establish the means to evaluate them. CSOs have an obligation to ensure that governments are transparent through the disclosure of information on the implications of various

aspects of the negotiating proposals and the agreement that is reached. CSOs must handle such information responsibly in building awareness and campaigning for appropriate policy responses. Please keep in mind that these negotiations are within the African family with strategic objectives at stake.

Consultation

In terms of content, the CFTA will be improved through consultation with a broad range of stakeholders. It will be important to identify groups affected by the CFTA, identify effects, and support these groups with the capacity to participate in national discussions. If stakeholders do not have effective channels of communication, this must be addressed. Take the initiative, engage, mobilize the media, ensure that your views and messages get through.

Inclusiveness

CSOs have a role in ensuring an equitable distribution of the benefits of the CFTA and that human rights and sustainability principles are adequately taken into account. All African governments have signed up to the main African and international human rights conventions and development frameworks. Indeed, the AU's Agenda 2063 is built on these platforms. CSOs can provide valuable inputs by identifying adverse impacts (especially on marginalized and

disadvantaged groups) through impact assessments, audits, studies and other analytical and grassroots inputs. CSOs can provide important advocacy channels for these concerns.

CSOs are of course not alone in advocating on the CFTA. The private sector, parliamentarians, academia, development partners and others will be involved. However, CSOs have a particular role, particular constituents, and established responsibilities.

Conclusion

The CFTA provides a real opportunity to change the structure of African trade. CSOs form a vital part of the policy advocacy apparatus necessary to ensure that the opportunities on offer are translated into meaningful, sustainable, and equitable development outcomes. By making sure that the CFTA negotiations adhere to the principles of transparency, consultation and inclusiveness, and by being part of a far-reaching participatory framework, CSOs can help realize these objectives.

For our part, ECA through its African Trade Policy Centre stands ready to work with African civil society to ensure transparency, consultation and inclusion in the CFTA negotiations and implementation of an agreement. We are committed

to achieve an ambitious 21st century outcome from the CFTA negotiations that addresses LDC vulnerabilities, that changes the structure of African trade, and that enhances agro-value chains, food security, rural livelihoods, decent work and industrial development.

We look forward to robust discussions this week and to the Action Plan for CSO engagement with the CFTA which is expected to be one of the outputs of this meeting. As I conclude, please be assured that ECA stands with you in putting your Action Plan into effect.

Thank you.