

# Strengthening Intra-Africa Trade: Issues to Consider

## A Private Sector Perspective

# Background

Intra-Africa trade said to stand at just over 10% of continent's overall share of trade;

Important discussion: South African business believes that the African agenda is crucial to South Africa's South-South focus

Because the volumes of intra-Africa trade and investment are low, there is definite potential for growth. It has been said that expanding the volume of trade will contribute to, *inter alia*:

- sustained economic growth and development;
- enhancing capacity, and strengthening the ability of African countries to compete on the global market;
- acting as a buffer to absorb some of the external shocks which have been witnessed in recent years as a result of a deteriorating global economic environment and suppressed demand in some traditional markets.

# I. Introduction

Because levels are low, the potential for growth is high. However, it is important to remember that Africa's share of global trade is itself extremely low. Increasing intra-Africa trade should still be located within a broader imperative to improve Africa's global trade performance.

Issues to consider:

- Matters beyond tariff liberalisation;
- Implementation Issues;
- The tripartite FTA;
- The capacity to trade.

# II. Addressing Issues Beyond Tariffs

Tariff liberalisation will not *a priori* result in increased intra-regional trade

- Trade Facilitation (to deal with problems associated with non-tariff barriers, cumbersome customs procedures and red-tape; infrastructure, poor transport links, regulatory transparency issues, general cost of doing business, etc);
- Strengthening Regional Institutions;
- Strengthening Legal Infrastructure (rule of law);
- Individual and cohesive policy adjustments;
- Regulatory harmonisation (including internal).



# III. Implementation Issues

- A programmatic / cohesive approaches
- Each regional economic community as a nucleus
- Examples of in-process initiatives for facilitating i-A trade:
  - Tripartite NTB reporting mechanism
  - Infrastructure projects (transport corridor)
  - Institutionalisation of private sector consultation

# IV. The Tripartite FTA?

- The first tripartite summit, in 2008, set down four key areas of cooperation:
  - i. Harmonization of trade regimes;
  - ii. Free movement of business persons;
  - iii. Joint implementation of regional infrastructure projects and programmes; and
  - iv. Legal and institutional arrangements for regional cooperation (both adherence and enforcement mechanisms).
- Tariff liberalisation will provide preferential access to each member of the TFTA preferential access to 25 other countries, with a combined population of over 550million.
- However, Will the TFTA increase overall i-A trade and mutually benefit (at least most) of its members?
- The same type of considerations – which are being assessed as the causes for low i-A trade within the REC nuclei.

# V. The Capacity to Trade

And / or mutually benefit from improved conditions for trade or increased i-A trade

i. Unique circumstances facing each country

- Policy priorities
- Differing abilities to adjustment, differing capacities to trade

ii. Productive capacity and buying power \*

- “developmental integration”?
- regional value chain / complementarities development?

# Other Issues to Consider

- Internal challenges within the RECs (SADC FTA non-implementation, inadequate institutions, SACU)
- Structural differences between the different RECs
- Cohesive policy adjustments (the balance with trade and industrial policy autonomy)

THANK YOU

