



African Continental Free Trade Area Services Signalling Conference

tralac participated in the African Union's African Continental Free Trade Area (AfCFTA) Trade in Services Signalling Conference, held in Cape Town on 2-3 September 2019.

The Conference, supported by the German government through the GIZ, brought together representatives from several AU member States, some regional economic communities (RECs) and private sector to discuss priorities for services sector commitments under the AfCFTA Agreement. The Conference culminated with participants presenting these priorities to selected African Ministers of Trade.

Over the course of the two-day Conference key themes in the discussions were

- the important, but under-recognised nature of the services sectors
- the complexity of services development and trade
- the importance of underpinning infrastructure, particularly communications connectivity
- the role of services in goods trade,
- the role of services trade in enhancing economic development and growth, and
- the importance of the movement of people to services trade.

Priorities presented to Ministers were:

- the inclusion of private sector representatives in technical working groups
- free movement of professionals across the continent
- the establishment of specific technical working groups on trade in services
- transparency of permits, licensing and technical qualifications
- improved visas for tourism
- repatriation of funds, consistency of prudential rules and access to capital, and
- the creation of an African arbitration court.

Ministers undertook to take the priorities back to their respective governments and citizens and to meet again. Ministers also noted the importance of the informal sector in services.

Public officials also discussed the challenges of meeting the deadline for services commitment offers of January 2020 without modalities of negotiations, guidance around the number of sectors and sub-sectors to be committed, the role of reciprocity, the recognition of autonomous liberalisation and sought clarity on whether RECs would be preparing individual or joint offers.

Although little specific signalling emerged in the public aspects of the Conference, South Africa indicated its intention to offer, on a reciprocal basis, a schedule based on SADC commitments and some advances on its WTO commitments in business services, noting its high level of existing liberalisation in this sector. ECCAS indicated that it was preparing a joint offer from its 11 member countries, including commitments and complementary regulatory framework proposals, that would be ready to be shared following a technical meeting in November.

Private sector participants were generally supportive of the AfCFTA, and shared challenges faced doing business, but did not raise specific issues to be addressed or considered by negotiators except for a strong call for freer movement of businesspeople and urging officials to involve the private sector in deliberations.

Event proceedings

Representatives from the **RECs** updated the conference on the role for services, the work done on services integration in their member countries and existing GATS commitments. REC representatives also shared some of the challenges they had faced in integrating services. Challenges included: ensuring that member States implement the commitments made at the REC level and conveying the opportunities to those companies that will actually be involved in trade. The ECCAS representative indicated that ECCAS was well prepared for negotiations at the continental level, as there were already regulatory frameworks in place in ECCAS that could be used as examples for the AfCFTA. The SADC representative noted that under the SADC Protocol on Services, commitments had been made in 6 priority sectors, including 4 of the 5 continental priority sectors, but the Protocol is not yet in force. Discussions centred around the mutual recognition of qualifications and licensing of professionals. The EAC representative indicated that despite mutual recognition agreements, challenges in implementation persisted in that region. SADC is doing preliminary work on this issue.

In the first **private sector** session, representatives from the 5 priority sectors shared views and experiences on African integration. Panellists identified the following obstacles to cross-border trade:

- lack of trust and nationalistic approaches among States
- generally poor conditions for doing business within States
- lack of coordination of support initiatives
- lack of interface of customs systems

Sector studies have been commissioned by the AU to give a sense of direction to member States on regulatory frameworks, and the existing situation in the respective sectors. Authors of the studies shared preliminary findings on the 5 sectors, including the state of the industries and current trade. Authors also urged States to provide further information to inform the studies. Some issues identified in the work included:

- correlating the new CPC classifications to the classifications used under the GATS
- the approach to regulatory frameworks: directive style, sectoral cooperation, regulatory principles or reference papers, all of which are used in different ways on the continent
- scant data, especially on the movement of professionals and lack of disaggregated data
- restrictions in applied regimes
- new technologies like OTT (over-the-top) services not accounted for
- challenges distinguishing between mode 1 (cross-border trade) and mode 2 (consumption abroad).

Panel discussions were conducted on **what a single African services market would look like for each of priority services sectors**. In financial services and transport, panellists highlighted the opportunities for services businesses, such as in insurance. Afreximbank shared progress on the Pan-African Payment and Settlement System currently piloting in 6 countries and highlighted a new centralised repository for 'Know your customer' information (MANSA). Challenges identified by panellists included the capacity of governments to ensure proper regulation is in place. The World Bank representative urged African countries to learn from developing countries, such as Costa Rica and other central American economies that have faced the same challenges now being faced in Africa.

tralac Executive Director, Trudi Hartzenberg chaired a panel discussion on professional and communications, noting that good governance is critical for the functioning of these services, and challenging States to think creatively about shaping a continent-wide trade in services regime that reflects the specific development needs across the continent.

Panellists shared regional successes, such as on telecommunications liberalisation in ECOWAS and identified challenges including:

- skills shortages
- a lack of harmonisation in training and education
- work permits and visas
- oppressive taxation levels
- opaque and inconsistent licensing
- public sector not informed enough about trade in services that exists, gaps where services could be imported

On tourism, panellists highlighted the size of the opportunity, especially in eco-tourism, and the fact that local tourism is often overlooked. Challenges identified included the cost of passports, flights, accommodation and attractions. One panellist emphasised that even if booking was done in another country, value accrued in the country of tourism, and so making it easier for businesses to cross borders would provide value to both exporters and importers. Discussions suggested that tourism promotion overlooked cultural events.

UNECA provided a briefing on its work on services value chains. Discussions arose around the fear of competition among African countries.

Following the presentation of priorities to the Ministers, the AUC Commissioner of Trade and Industry, H.E Amb. Albert Muchanga urged the private sector to organise and lobby at the national level, as well as connecting with structures including the Pan African Private Sector Trade & Investment Committee, the Pan African Chambers of Commerce, Trade and Industry and the AfroChampions network.

Ms Elizabeth van Renen closed the conference on behalf of the Government of South Africa, encouraging participants to support national governments and harvest the low hanging fruits in the services sector.