

Enhancing productive capacity through services

Focus on Africa's trade and integration agenda

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Overview

- Brief update on Africa's trade and integration agenda
- Where does 'enhancing productive capacity' fit in?
- Brief review of trade and industrial policy development in Africa
- Update on the African Continental Free Trade Area (AfCFTA) – *as an FTA and as a flagship*

Update on Africa's integration agenda (1)

- From regional economic communities (SADC, EAC...ECOWAS) to *continental integration* – African Continental Free Trade Area (AfCFTA)
- Scope of integration – progress from trade in goods to a comprehensive agenda (**services**, investment, competition policy, intellectual property rights)
- *Key challenge – integrating unequal partners*
- Sensitive issues: tariffs, rules of origin (trade in goods)
- Predominance of cooperation models rather than binding commitments for investment, competition and intellectual

Update on Africa's integration agenda (2)

Where does 'enhancing productive capacity' fit in?

From the outset: emphasis in RECs on i) *industrial development and diversification* (included in founding Treaties) and more recently, on regional industrial development, ii) *agricultural development*

But no comprehensive focus on enhancing productive capacity - economy-wide

Example: SADC: Protocol on Industry - diversification of regional economies through **industrial** development and value addition as one of the prerequisites of deeper integration and poverty eradication in the **SADC** region.

Enhancing productive capacity - services nexus: some missing links

- Despite the recognized role of services in employment, contribution to GDP, trade, investment ... the role of services in enhancing productive capacity is perhaps not yet fully integrated into the broad economic policy discourse
- Some discussion about servicification of production, services supporting *competitiveness* in manufacturing and agriculture, but less about the role of services in *trade facilitation* in Africa (also important for regional value chain development – regional industrial development)

At national level.... Industrial policy

Industrial policy still narrowly interpreted - strong focus on core/traditional manufacturing

National policy discourse has not yet fully embraced all of the following as key elements of industrial policy

- Connectivity: infrastructure, ICT, competition in key services sectors
- Business facilitation (improving ease of doing business) easing regulatory compliance burden (red tape elimination)
- Trade facilitation – essential role for services (finance, transport, communication...)
- Science and technology policy (supporting innovation, R&D)
- Regional and multilateral cooperation – enhanced market access , corridor development, harmonization of regulation
- Services sector development *per se*

At national level... trade policy

- Trade policy - still strong focus on goods
- Many countries do not yet have a comprehensive trade policy strategy for services
- Connections between trade in goods and trade in services strategies are not well developed (tariffs on goods necessary for specific services sector development eg ICT)
- Investment, competition, intellectual property, environmental, labour and other issues – still new on the agenda or absent

Update on the AfCFTA

- A very ambitious initiative – comprehensive (21st century) agenda
- Phase 1: Trade in Goods and Trade in Services
- Phase 2: Investment, Competition, and Intellectual Property Rights

Impressive progress has been made - Where do we stand?

- On 29 April - the threshold for entry into force was reached (22 Member States have deposited their instruments of ratification with the depositary) – for phase 1
- **But:** negotiations still ongoing (tariffs, RoO, sector commitments for priority services sectors) Question – when will it be possible to trade under the AfCFTA?
- Phase 2 negotiations will start in the second half of 2019
(emphasis on cooperation)

Services in the AfCFTA – contributing to enhancing productive capacity

- Priority sectors - Transport, Communication, Finance, Tourism and Business services – list includes key infrastructure services that are essential to enhance productive capacity (to have economy-wide impact)
- Sector commitments are still to be negotiated, and frameworks for regulatory cooperation developed – there is scope for impacting regional value chain development, addressing services capacity deficits in some countries (supporting intra-regional and global trade in services across modes of supply)

Concluding remarks

- Enhancing productive capacity – imperative for Africa, but not yet a core focus (still strong focus on traditional approaches to industrial policy, for example)
- Role of services – economy-wide impact on productive capacity, productivity enhancement, in FDI (important for diversification), trade facilitation, and on development (essential social and economic services – education, health care, transport..)
- AfCFTA update: in addition to being an FTA, it is a flagship project of the African Union; there is opportunity to explore synergies in this agenda with other important initiatives (AIDA, PIDA, Air transport ~~trade~~ 'open skies' development.....)

