

REMARKS ON AFCFTA & BUSINESS OPPORTUNITIES

By

**JOB WANJOHI MURIITHI, Head of Policy Research and Advocacy, Kenya
Association of Manufacturer during TRALAC 2018 ANNUAL CONFERENCE
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The Signing of African Continental Free Trade Area has cemented the resolution that Private Sector holds for expansion of African Market, making intra-Africa trade more competitive in the face of an increasing importation into Africa from the rest of the world.

The AfCFTA introduce a vast African market contributing about USD 3 trillion to annual continental GDP. The reduction of tariff may see more African goods traded within Africa. Further, this creates an incentive for attracting Foreign Direct Investment, creation of jobs to African youths, and value addition of the rich raw materials which will retain wealth within Africa. Additionally, backward and forward integration of Small and Medium Enterprises with processors and markets will reduce the rate at which the enterprises are closing up months after their establishment.

Out of the USD 3 trillion, 83% of the GDP is served by goods imported from outside Africa. Out of the other 17% of the GDP, South Africa accounts for the much of intra-Africa trade leaving other countries out. This presents a big opportunity for import substitution by providing African original solutions in goods and services. However, to meet the taste and needs of African consumers, it is important to guarantee similar quality, quantities and price competitiveness.

The AfCFTA's geographical space holds 1.2 Billion people who form a strong base of labor source which will be deployed along the value chains. This will improve the standard of living for majority of Africans and the African living below the poverty line.

If well implemented, respective African countries will enhance their comparative advantages and competitive edge.

From private sector perspective, there is still a long stretch ahead to realize the full potential and benefits of AfCFTA.

1. FURTHER INTEGRATION OF REGIONAL ECONOMIC COMMUNITIES

The success of Regional Economic Blocs is a good recipe for success of AfCFTA. The East Africa Community has managed to integrate up to Custom Union level after undergoing successful Preferential Trading Area and Free Trade Area. The EAC is

currently implementing Customs union with ongoing review of Common External Tariff. The bloc remains hopeful to successfully implement The Common Market Protocol which has been in force since 2010, in line with the provisions of the EAC Treaty. It follows the Customs Union, which became fully-fledged in January 2010. To enhance economic growth and development, it means that all EAC partner states allows free movement of all factors of production including Free Movement of Goods, Persons, Labour / Workers, Services and Capital.

Despite this EAC has not implemented fully Custom Union and Common Market Protocol which has frustrated the private sector as non-implementation of protocols has presented several Non-Tariff Barriers which have frustrated trade. Even EAC Elimination of Non-Tariff Barrier Act, 2015 has not been implemented after Regulations were drawn 2017.

If AfCFTA borrows from experiences from RECs, it is imperative to avoid the challenges experienced within the regional blocs. The AfCFTA should establish better mechanisms of ensuring ratification and enforceability of all agreements under the pact by all countries. A harmonized trading system create a leveled playing field for the private sector players.

2. PARTICIPATION OF PRIVATE SECTOR IN CONTINENTAL NEGOTIATION

Today, trade policy making does not only concern governments and trade organizations. As the number of trade-related issues increases, non-state actors from the private sector, civil society organizations or academies also bring their contribution

Government and Inter-Governmental Organization are responsible to create conducive environment for business to thrive. However, the Private Sector implements the Acts, Regulations and Protocols drawn by these bodies. It's however imperative to incorporate the private sector at negotiation stage. Borrowing from East Africa Community processes, the respective governments, especially Kenya, often seeks input of the private sector as a major non-state actor. Instructively, during the review of CET, the private sector has extensively contributed on determining the proposed bands (3 or 4 band CET) and the corresponding duty rates. Setting of the duty rates is informed by protection of investors who locally produce finished goods with tariff differentials from those importing intermediary goods, attracting raw materials and technology transfer. This is achieved through East Africa Community Manufacturing Network which comprises 5 Business Membership Organizations. The BMOs constantly seeks consensus and share the consensus decisions with their respective governments for adoption at EAC Meetings.

This begs the question whether the African private associations have positioned themselves at continental level by forming an AU Private Sector Network. The Network would be responsible to advise respective nations, build consensus on behalf of governments over the various pacts to be agreed on notwithstanding the role AU Business Council and Pan-African Chamber of Commerce is playing at the continental level.

3. INFRASTRUCTURAL DEVELOPMENT AND INTEGRATION

The full implementation of The Single African Air Transport Market (SAATM), the Programme for Infrastructure Development in Africa (PIDA) developed as a vision and strategic framework for the development of regional and continental infrastructure including Energy, Transport, Information and Communication Technologies (ICT), Africa's Integrated Maritime Strategy 2050, and Trans-boundary Water Resources will stand to benefit the private sector and improve speed at which AfCFTA will be implemented. Not only implementation is important but also harmonization of the same across the whole continent will encourage movement of goods and services under a liberalized tariff market. The Infrastructural Development and Integration highly reduce the cost of production for basic commodities, promote access to quality, affordable and reliable energy, reduce transport and logistics costs among others.

4. INTRODUCTION OF TRADE REMEDIES

The AfCFTA may pose threat to domestic companies and goods and services which can dent the uptake of intra-Africa trade. To break away from traditional practices where most Africa countries have suffered from dumping, it would be important to put in place Trade Remedies strategies which will introduce anti-dumping, countervailing and safeguard measures. Fortunately, the AfCFTA State Parties have supported introduction of anti-dumping, countervailing and safeguard measures as enshrined in Annex 9 to the AfCFTA Protocol on Trade in Goods and the CFTA Guidelines on the Implementation of Trade Remedies in accordance with the relevant WTO Agreements. The Trade Remedies measures will also reduce competition from imported goods and services from outside Africa.

5. TRADE FINANCE DEFICITS

A massive gap in trade finance amounting to about \$90 billion (Sh9.1 trillion) poses a big challenge in realization of full impact of a free-trade area in Africa.

