



**STATEMENT BY
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FORCE, TO THE AFRICAN UNION HIGH LEVEL AFRICAN TRADE
COMMITTEE (HATC)**

UPDATE ON THE TRIPARTITE FREE TRADE AREA NEGOTIATIONS

ADDIS ABABA, JANUARY 2015

Your Excellencies members of the High Level African Trade Committee,

The Chairperson of the African Union Commission,

Honorable Ministers

My colleagues, Chief Executive Officers of Regional Economic Communities,

Ladies and Gentlemen,

I wish, at the very outset, to express appreciation to the African Union Commission for, firstly, inviting me to this meeting of the High Level African Trade Committee in my capacity as the Chairman of the COMESA, EAC and SADC Tripartite Task Force on the Tripartite FTA to share with the High Level Committee our experiences of the on-going negotiations for the establishment of the COMESA-EAC-SADC Tripartite Free Trade Area whose implementation will be an important contribution to the Continental Free Trade Area scheduled to be launched in 2017.

BACKGROUND TO THE COMESA-EAC-SADC TRIPARTITE NEGOTIATIONS

Your Excellencies

Allow me to now turn to briefly highlight the origins of the COMESA, EAC and SADC Tripartite FTA.

Given the overlapping membership of the 3 Regional Economic Communities of COMESA, the EAC and SADC, the Heads of State of the 3 RECs decided, in 2008, that to overcome this challenge, there was need to

establish a single FTA for the 26 countries that constitute the membership of the 3 RECs.

The Heads of State, therefore, launched negotiations for the establishment of the COMESA-EAC-SADC Tripartite Free Trade Area in 2011 and agreed that these negotiations should be completed by 2014.

Negotiations on trade on goods have more or less been finalised and the COMESA-EAC-SADC Tripartite countries should launch a trade in goods FTA later in the year.

Negotiations on trade in services and other trade-related areas such as competition policy and intellectual property rights will commence soon after the launch of the trade in goods FTA.

The Tripartite FTA, with 26 countries or 48% of the membership of the African Union (AU), 51% of its Gross Domestic Product and 56% of its population (2013 data, the World Bank), will be a significant step towards the establishment of the African single market.

The Tripartite FTA will not only be a major boost to intra-regional trade but would also stimulate the level of economic activity across the region, reducing poverty through employment creation and generation of wealth.

COMESA-EAC-SADC TRIPARTITE NEGOTIATION PROCESS AND STATUS

Your Excellencies,

Distinguished colleagues,

Allow me to now turn to the COMESA-EAC-SADC negotiation process and the status. I am going to focus on the following fundamental issues:

- Negotiations Principles and Modalities;
- Challenges of the Negotiation Process

Negotiations Principles and Modalities

Negotiations for the Tripartite FTA were guided by **11 principles** that were adopted by the Heads of States and Government. These were:

- i) that the negotiations would be REC and/or Member State driven;
- ii) Variable geometry;
- iii) Flexibility and Special and Differential Treatment;
- iv) Transparency;
- v) building on the acquis of the existing REC FTAs;
- vi) single undertaking;
- vii) substantial liberalisation;
- viii) Non-discrimination through MFN and National Treatment;
- ix) Reciprocity, and
- x) Decision-making by consensus.

In addition to the **principles**, the negotiations on tariff liberalisation were guided by ***negotiation modalities*** which provided for:

- a tariff liberalisation period of between 5 to 8 years;
- a liberalisation threshold of between 60%-85%, with 15% of tariff lines allowed as exclusions from liberalisation.

Negotiations were conducted under the following structures:

- i) The Tripartite Summit - as the highest policy making body;
- ii) The Council of Ministers - as the organ mandated to oversee and guide the negotiations;

- iii) The Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs - as the organ to manage and supervise the negotiations;
- iv) The Tripartite Committee of Senior Officials (TCSO) - as a higher level negotiating structure; and
- v) The Tripartite Trade Negotiations Forum (TTNF) - as the negotiating body. The TTNF created four Technical Working Groups (TWGs) to assist with the technical work in the negotiations.

The negotiating bodies, namely the TTNF and TCSO, adopted their terms of reference, rules of procedure and schedule of negotiations. The TTNF held 10 negotiation sessions between December 2011 and October 2014, the TCSO met 7 times, while trade ministers met 3 times over the same period.

Challenges in the Negotiations

Some of the main challenges and pitfalls of the Tripartite FTA have been:

- The not-so ambitious tariff liberalisation threshold. The 60%-85% liberalisation threshold is less than trade liberalisation thresholds attained under the 3 REC FTAs, and the failure to respect fully the principle of *acquis* in this respect;
- The apparent contradiction between some principles, notably between variable geometry which would allow countries that are ready to make progress while allowing slower countries to join later. On the other hand the principle of decision-making by consensus which resulted in slow progress as countries that were not ready could not allow others to proceed;
- Meeting the principle of transparency:- exchanging and sharing information on tariffs, non-tariff trade measures and other trade-related policies was a daunting task; and

- Funding of the negotiations has also been a great challenge as the Tripartite has four (4) working languages and all documents have to be translated; negotiation rooms and facilities had to be secured and financed; interpreters and translators needed to be paid, and above all, trade experts and negotiators themselves required finances for travel and subsistence. Countries, which were not able to meet these expenses, were sometimes not represented at some negotiating meetings.

TRADE FLOWS IN THE COMESA-EAC-SADC TRIPARTITE

Your Excellencies

Allow me to now turn to the current intra-regional trade situation among the three RECs in the Tripartite:

- Intra-trade in the COMESA region grew from US\$8 billion to US\$22 billion between 2004 and 2014;
- Intra-trade in the SADC region grew from US\$20 billion to US\$72 billion between 2004 and 2014;
- Intra-trade in the EAC region grew from US\$2.6 billion to US\$8.6billion between 2004 and 2014;
- The combined intra-trade of the three RECS grew from US\$30.6 billion to US\$102.6 billion between 2004 and 2014. This translates to a more than threefold growth in a period of 10 years. This growth has taken place on the basis of the individual FTAs of the three RECs.

I am confident that the establishment of a COMESA-EAC-SADC FTA would follow the same growth path, however at an accelerated growth pace, supported by infrastructure and industrialisation programs.

Turning to Africa, the continent recorded intra-trade growth from US\$602 billion in 2005 to US\$1.2 trillion in 2013, thus doubling in less than ten years

Taking into account the growth in trade, which has been registered in the 3 RECs on the basis of individual FTAs, it is imperative that once the single grand FTA is established in Africa, trade would follow an exponential growth trajectory. The reduction or elimination of tariffs would greatly reduce the transaction costs across the continent. It is however imperative that the tariff reduction should be complimented with other trade facilitation mechanisms and strategies to boost productivity in agriculture, mining and manufacturing sector, just to mention a few.

LESSONS FOR FAST-TRACKING THE CONTINENTAL FTA

Your Excellencies,

Distinguished delegates,

As a practical way of initiating the establishment of the African Union Continental Free Trade Area (CFTA), I would like to propose that the AUC and the following four (4) RECs, namely COMESA, EAC and SADC as a Tripartite on one hand and the Economic Community of West African States (ECOWAS) on the other hand initiate negotiations to establish a free trade area between them.

As we all know, ECOWAS has a membership of 15 countries, representing 28% of the Africa's 54 countries, 29% (US\$674 Billion) of its GDP and 30% (327 million) of its population (2013 data, the World Bank). Intra-trade among in the ECOWAS grew from US\$6 billion in 2007 to US\$11.8 billion in 2013.

2013 statistics show that the COMESA-EAC-SADC Tripartite had a combined Gross Domestic Product (GDP) of US\$1.2 Trillion and a population of 626 million people. The population of Africa reached 1,109 million people in 2013 while its GDP surpassed the US\$2 Trillion mark and reached US\$2.3 Trillion.

An FTA between the COMESA-EAC-SADC Tripartite and ECOWAS would result into a large trading block of 41 countries representing 76% of membership of the AU, 86% (954 million) of its population and 80% (US\$1.9 Trillion) of its GDP.

As ECOWAS is a fully-fledged Customs Union with a Common External Tariff and common trade policy, and the COMESA, EAC and SADC Tripartite countries are on the verge of launching the Tripartite FTA, negotiations between ECOWAS and the COMESA-EAC-SADC Tripartite countries can be conducted within the timeframe foreseen by the AUC.

The two blocks of countries can build on their currently prevailing duty-free trade regimes and on tariff lines with zero tariffs as a starting point and gradually eliminate tariffs on other products in a phased but incremental manner.

The Tripartite-ECOWAS FTA should cover both trade in goods and trade in services and would also reinforce on-going initiatives by the private sectors of the two regions to boost cross-border trade and investment.

Already, we are witnessing the expansion of the financial institutions, namely banks, from West Africa to East and Southern Africa, expansion of manufacturing enterprises from Southern Africa into West Africa, and it is our firm belief that these efforts must be supported and encouraged through an ECOWAS-COMESA-EAC-SADC Tripartite FTA.

The resultant benefits from such a geographically-wide FTA have been sufficiently elaborated in various papers, publications and studies.

I thank you all for your kind attention.