



**Remarks by Treasure Thembisile Maphanga, Director of
Trade and Industry, African Union Commission –
“Towards a continental integration agenda”**

**Ladies and Gentlemen;
Distinguished Participants;**

H.E. Commissioner Acyl extends her greetings and apologies for not being able to join this important conference. Allow me to take this auspicious opportunity to sincerely thank *tralac* for inviting the African Union Commission and choosing such an impressive and modern theme of “Towards a continental Integration Agenda”. All topics to be discussed in this conference are equally important. Be it the **Architecture of the Continental Free Trade Area**; industrial policy; Trade Remedies and Dispute Settlement in African RECs; the proposed Tripartite Non-tariff Barrier Elimination Mechanism; Services regulatory issues; an update on regional trade in services developments, and the Tripartite Free Trade Area.

Ladies and Gentlemen;

Africa’s integration initiative is embedded within the Abuja Treaty (signed on 3rd June 1991) – the Treaty Establishing the African Economic Community through the following stages: *Strengthening of Regional Economic Communities; Establishment of a Continental Customs Union; Implementation of Common Sector Policies; and Establishment of a Continental Common Market.*

That's why the January 2012 Summit of Heads of States and Government endorsed the Action Plan on Boosting Intra African Trade (BIAT) and decided on the establishment of a Continental Free Trade Area by an indicative date of 2017. The Action Plan has seven clusters on; trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information and factor market integration. It is believed that development and implementation of projects in each of the clusters will increase intra African trade substantially by the next decade. The AU has adopted the Strategy on Accelerated Industrial Development of Africa (AIDA), sectoral programmes such as the Common African Agricultural Development Programme (CAADP), the Programme for Infrastructure Development (PIDA), the Africa Mining Vision (AMV) and Action Plan and so forth. These sectoral policy frameworks are already being implemented by the AUC, RECs and member states. Agenda 2063 which is a visionary framework for the continent will provide an impetus to have a people-driven approach to implementing, monitoring and evaluation of continental programmes. More than ever before, the African Union is engaging all stakeholders on the continent in the implementation of these continental programmes, especially the private sector and civil society.

Distinguished Participants; Ladies and Gentlemen;

Africa's integration is not a matter of choice. It is rather imperative. The African market at 1.1 billion people is one of the biggest in the world with a growing middle class, the highest number of young people, and the rate of urbanization ranking one of the highest in the world. Africa is indeed the world's fastest growing but least globally integrated continent. In order to benefit from the looming deepening of integration at sub-regional to continental levels, African countries must be able to produce tradable manufactured products that will enable them to enhance or boost cross border or intra-regional trade in manufactured goods. Total African trade

in 2012 was around \$630 billion with the biggest proportion of 38.3% or \$240 billion of this trade, going to and from the EU, 25.3% to Asia and North America enjoying only 11.7% of Africa's trade with intra- African trade of \$81billion (13%).

However, intra African trade is growing faster than exports to the rest of the world. From 2000 – 2010, exports to the rest of the world grew by only 2/3rds of the rate of exports within Africa which has been growing at a rate of 13.5% annually in the same period. Notwithstanding, while imports into Africa grew faster than in any other region of the world, the share of these imports going to African producers was minimal. Imports have grown twice as fast as exports, averaging 13.8% per year but African countries have least participated in this import growth. The enabling environment has seldom been directed to domestic industries as it is directed to foreign direct investment (FDI).

Intra-African exports are somehow fairly diversified, 46% of intra-African trade comprises of manufactured goods, according to a study conducted by UNECA in 2011. Trade in Manufactured and intermediate goods enjoyed more dynamism among the sub-regional groupings than at continental level. So as we discuss the CFTA, it is imperative to consider how we can boost our intra-African trade in manufactured and intermediate goods. This requires accelerating Industrialization through promotion of regional value chains. For this to happen we need to build our domestic industries productive capacities and technological, capabilities through regional value chains by giving focus on 5 key areas: infrastructure, trade facilitation, Rules of Origin, trade Finance and Quality Infrastructure.

The Good News! Empirical studies revealed that implementation of the CFTA will double intra-African trade to 22% by 2022. The CFTA and the implementation of the Action Plan on Boosting Intra-African trade will lead to the structural transformation for the continental economy driven by value addition is of industrial goods and increased competitiveness of services. Trade creation amongst African countries as a result of CFTA

implementation will see an increase in welfare. Furthermore, various analytical assessments have underscored the dynamic impact of increased trade among African countries for industrial development, better infrastructure connectivity, and economies of scale, enhanced competitiveness and structural transformation.

Distinguished Participants; Ladies and Gentlemen;

Lowering the cost of production is critical for boosting Africa's competitiveness. This requires huge investment in infrastructure mainly transport, ICT and energy. A mix of policy prescription that allow backward and forward linkages in infrastructure investment would support domestic production and accelerate industrialization. Likewise simplifying regional import and export procedures can boost intra-African trade in manufactured products. Trade in services used to be seen as a separate agenda before we had understood the implications of global value chains and the rise of the importance of the service sector in our economies.

As we move into negotiations of CFTA we should ensure that we put in place the Rules of origin that favour regional value chains and to promote made in Africa branding as well as the promotion of trade amongst African countries. This will not only support regional value chains development but will also integrate Africa's small and medium industries into global value chains. Last but not least is the issue of quality infrastructure and the minimizing that Non-Tariff Barriers; Standards and other related quality infrastructure issues such as SPS, are key to supporting industrialization and enhancing intra- regional trade in processed products.

Fortunately in a number of areas we are seeing good practices emerging, which should make it easier for other countries and regions to replicate. As the Commission we do not believe in reinventing the wheel rather we endeavor to build upon that which is operational and effective already. We

are also keen to be explore innovative approaches which could enable us to achieve our targets.

Ladies and Gentlemen;

The preparations for the launch of the CFTA negotiations at the June Summit are advanced, with several studies being concluded as requested by the last African Ministers of Trade Meeting held in December last year. We also have key documents, namely the Draft Objectives and Principles Guiding the Negotiation of the CFTA, the draft Terms of Reference for the CFTA Negotiating Forum, the RoadMap and Draft Schedule for the CFTA Negotiations, as well as a draft Declaration and draft Decision, being considered by the AU policy organs in the next eight weeks, culminating in the launch of the CFTA negotiations. Much has been said about the indicative date of 2017, this is not the most important issue in my view.

What is urgent is for Africa to advance its integration starting with consolidating and implementing existing levels of liberalisation, and to engage in negotiations that will go beyond trade in goods, including trade in services regulatory harmonisation, movement of people, investments, competition and intellectual property rights. This is especially true in view of the mega-trade deals that are being negotiated outside the continent and their impact on setting rules outside of the WTO framework. Further analytical work on the impact of the CFTA is being undertaken in order to make the case more eloquently. Also, the impact of third party agreements should be properly analysed and in our view should be subject to notification within the CFTA process, so that there is greater transparency of undertakings by AU member states.

The institutional capacity building as outlined in the CFTA Architecture is critical for the efficiency and effectiveness of the negotiations and most critically the implementation of the regional agreements which have already been concluded. We are working on the establishment of the

African Trade Observatory, African Business Council as well as a Monitoring and Evaluation framework for BIAT and the CFTA- this will strengthen evidence based policy making. Through closer collaboration between the AUC and RECs, the private sector and member states, the engagement of civil society, parliamentarians, and the private sector through innovative means, we foresee a different approach and outcomes for the CFTA. The African Trade Forum which was foreseen to hold annually has been unable to meet due to financial constraints – we need to revive it in 2016 and beyond. An advocacy and communication strategy has been developed to ensure that there is a buy in from all these stakeholders, so that they can play their respective roles in this critical process. The need to enhance the capacity of the AUC has come into the spotlight and we are working with member states and development partners to establish a dedicated CFTA Negotiations support unit and a capacity building programme for the national, regional and continental levels as a priority given the envisaged scope and ambition of the negotiations.

Distinguished Delegates, Ladies and Gentlemen,

As I conclude my remarks, I have to reiterate that African countries need to display the political commitment to push through with the principles of integration that they have already agreed to. It is recognized that the CFTA provides a strategic route for Africa's integration into the global economy as a respected partner. Achievements of the CFTA will be an important milestone in the realization of the Abuja Treaty establishing the African Economic Community. At the global level, AU member states through the Common African Position on the Post-2015 Development Agenda have reaffirmed the need to implement "continental mechanisms to promote intra-African trade" in the context of the AU's Agenda 2063 "which presents the vision for the continent's development". To this extent, the CFTA is not just about trade liberalization agenda between African countries and regional economic communities. It is an important pillar in the continent's overall strategy for transformation. Therefore it would be a

significant achievement to have all AU member states engaged in the negotiations from the beginning, with their specific concerns being addressed within the negotiations and the ensuing implementation process. We sincerely appreciate the excellent collaboration from institutions such as UNECA, UNCTAD, ITC, tralac, inter alia with the support of a broad range of development partners which make our work feasible.

With these remarks, I once again congratulate *tralac* for such a wonderful event where we expect fruitful and healthy discussions whose outcome will guide Africa's integration journey.

I thank you. God bless you.