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African Continental Free Trade Agreement: Opportunities for the African Cultural Economy

by

Nhimbe Trust Perspective

a Pan African creative civil society organisation

AFRICAN CONTINENTAL FREE TRADE AGREEMENT:

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In March 2018, 52 out of 55 African countries signed the historic African Continental Free Trade Agreement. Recently, Africa's Tech and Creative Industry leaders and forward-thinking ecosystem builders gathered for a two-day conference in Kigali, Rwanda to explore the opportunities that will emerge with the signing of the trade agreement for the creative economy on the continent.

The Kigali event took place from 15th to 16th August 2019. According to the organisers, it saw a group of African technology and creative sector players, as well as forward-thinking ecosystem builders, in collaborative sessions recommend the governance structure and definitive guide on the goals and objectives of the group in relation to the implementation of the African Continental Free Trade Agreement (AfCFTA). The meeting tackled the role of technological innovation in unlocking value for the creative sector. The sessions were led by the Africa Technology and Creative Group (ATCG), which is a coalition of technology and creative professionals. The group is working to forge catalytic frameworks and reference points for the success of the free trade area. “The purpose was to deconstruct the AfCFTA, which was put together by the Africa Union by the governments that make up the African Union. The creative and cultural industries wanted to see how they could leverage on the agreement to advance the pan African creative economy,” said Josh Nyapimbi, Executive Director of Nhimbe Trust, and Co-chair, Global CSO Coordination, 2005 UNESCO Convention and Co-pan-African Rep, Global CSO Coordination and member African Technology and Creative Group. Nyapimbi attended the Rwanda meeting and has sat on a number of international platforms representing the African creative and cultural industries civil society.

Context

To give context, the 2010 United Nations Conference on Trade and Development (UNCTAD) report states that: “In 2008, the eruption of the world financial and economic crisis provoked a sharp drop in global demand and a contraction of 12% in international trade. However, world export of creative goods and services continued to grow, reaching $592bn in 2008 – more than double the 2002 level – indicating an annual growth rate of 14% over six consecutive years.” As per the same report Africa’s share of the global creative economy is less than 1%, with the key contributors to this 1% being North African countries and South Africa.

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According to a 2018 report by research think tank, South Africa Cultural Observatory (SACO), the broader Creative and Cultural industries (CCIs) are responsible for 6.72% of all South Africa jobs, which is a figure of over one million. The same report states that South Africa's creative economy contributes over R90 billion to the national economy or 2.9% of the GDP ahead of the agricultural sector at 2.2%.

Diversifying the African economy

The African Union's vision and policy framework to stimulate socio-economic development, New Partnership for Africa's Development (NEPAD), stresses the urgency for the continent to "find ways to diversify their economies, namely by boosting non-traditional sectors; expanding their range of products and exports; and engaging with new economic and development partners." Whilst the continent is mineral rich, and countries such as Botswana having an over reliance on diamond revenue for instance, the need for exploring other areas of the economy is a matter of economic prudence. The place of the creative and cultural industries in terms of potential contribution to national GDPs and job creation can hardly be overestimated.

Defining the pan African creative economy

The United Nations Conference on Trade and Development's Creative Economy Report 2008 defined the creative economy as "the interface between creativity, culture, economics and technology as expressed in the ability to create and circulate intellectual capital, with the potential to generate income, jobs and export earnings while at the same time promoting social inclusion, cultural diversity and human development.

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This is what the emerging creative economy has already begun to do." According to UNCTAD, the creative economy revolves around the following nine sectors:

- Traditional cultural expressions – arts and crafts, festivals and celebrations
- Cultural sites – archaeological sites, museums, libraries, exhibitions, etc.
- Visual arts – paintings, sculptures, photography and antiques
- Publishing and printed media – books, press and other publications
- Design – interior, graphic, fashion, jewelry and toys
- Performing arts – live music, theatre, dance, opera, circus, puppetry, etc.
- Audiovisual – film, television, radio and other broadcasting
- New media – software, video games, digitalized creative content
- Creative services – architectural, advertising, creative R & D, cultural and recreational

The various sectors have been identified as key drivers of foreign exchange earnings and employment creation. Arguably, tourism and related leisure activities overlap with the creative and cultural sector and can be included in the reckoning of the sector. Information and Communications Technology (ICT) has in the last twenty years forced an expansion of the list of sectors that form the creative and cultural sector.

Creativity, technology intersection

According to the 2018 report of the Global System for Mobile Communications (GSMA), which represents the interests of mobile operators worldwide, uniting more than 750 operators with almost 400 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors, the mobile phone subscriber base in the sub Saharan African region totaled 444 million at the end of 2017, equivalent to around 9% of subscribers globally. Market penetration stood at 44% of the African population, still well below the global average of 66%. The mobile industry contributes $144 billion to the continental GDP representing about 8.6 percent. Mobile internet users stand at 239 million (23 percent of the population) whilst smart phones are 39 percent of all mobile phone connections. The figure is projected to rise to $185 billion by 2023. The following African countries by Internet use (in millions) are:

Nigeria – 91.88 (population 173.6 million)

Egypt – 34.8 (population 82.6 million)

Kenya – 31.99 (population 44.35 million)

South Africa – 28.58 (population 52.98 million)

Morocco – 20.21 (population 33.01 million)

(Source: www.mobileecosystemforum.com)

The Mobile Ecosystem Forum cites statistics in an All Africa report that 'indicate that 62% of mobile users consume online video content in Africa and video will account for 70% of all mobile traffic by 2021.' The Forum notes that 'the continued growth of data consumption – fuelled in part by the demand for online video content – is creating robust revenue growth for operators.' Additionally, the website cites a report by Ovum which 'estimates that mobile data in Africa will grow from $6.40bn in 2015 to more than $27bn in 2021.'

Given this background, the role of technology in the creative and cultural industries growth matrix is critical when one considers the intersection between creation and distribution of creative 'goods' (film, television shows, music etc.) to the global market. It is nearly impossible to think of consumption of cultural products without considering the role which ICTs play.

The business of creativity

The digital economy is content and data driven and those business entities that are able to offer their services at competitive prices will be at an advantage. Therefore, companies such as U.S. giant Netflix have joined the fray in accessing the African market using the World Wide Web platform. Netflix is fighting for the space that has been dominated by MultiChoice Africa as the leading distributor of creative content on the continent. The business model of MultiChoice Africa relies heavily on technology (digital satellite infrastructure) to monetize its operations across the continent and the value proposition of being the 'home of African storytelling'. Indeed, there has been a surge in interest in African narratives or content based on an African context and this trend has best been exemplified by the global success of *Black Panther* and *The Lion King*, which have grossed over two billion dollars between them. Whilst this alone does not fully illustrate the point being made, African producers such as South Africa's Kagiso Lediga, have received commissions from Netflix to produce content (*Queen Sono*) which will be accessible to subscribers on Netflix's online platform.

Monetising creativity through technology

In July, French television company Canal+ acquired the ROK film studio from Video On Demand company IROKOtv, which was founded by Jason Njoku in 2010 (and backed by $45 million in venture capital) for an undisclosed amount. IROKOtv has an extensive catalogue of Nollywood film content, which is the largest in the world. It has viewers in 178 countries and this ability to span a larger network of African consumers on the continent and the Diaspora was a major contributor to ROK's acquisition by Canal+. IROKOtv's key online streaming markets are Nigeria, the U.K. and the United States.

According to Fortune magazine report, in 2014, the Nigerian government released data for the first time indicating that Nollywood is a $3.3 billion sector, with 1844 movies produced in 2013 alone. The report states that 'many observers believe that the global reach of African films could take off, led by video on demand (VOD) platforms and productions of Nigeria — the continent's largest economy and most populous nation.'

African creative and policy makers may also take a cue from the freakish success of South Korean musician PSY. Around 2012, PSY, the South Korean born Park Jae-Sang, shot to global fame on the back of 'Gangnam Style', a satirical song. The video generated massive global attention with 3,362,306,376 billion views on You Tube to date. The South Korean singer and rapper has a net worth of US$60 million.

On average, You Tube pays content creators who own copyright material on its platform, between US$600 and US$7000. The company calculates these figures via a system called CPM or cost per 1,000 views. Other factors are considered such as demographic segmentation of viewers (age, gender, location), views by geographic location, type of content (viral, informational, news, comedy), frequency of video uploads, duration of views, subscriber count and engagement.

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Monolithic market not yet

The overarching aim of the ATCG is to galvanise grassroots actions in the technology and creative industry to make AfCFTA work for Africans as well as to relay the message of the opportunities for new market linkages, intra-trade and intellectual property and laws. Investment is poised to be inspired by an awareness of the opportunities brought by the creation of a huge marketplace, scalability of operations and harmonized cross border trade regulations and movement. The integrative power of ICTs and namely the Internet is undoubtedly vast but the major challenge with technology is the cost of data for users. This fact alone emphasizes the interrelatedness of ICTs and the creative sector viz à vis content distribution and scalability for businesses within the sector.

For example, in 2018, Liquid Telecom and Telecom Egypt inked a deal that has to date enabled the completion of a 60,000-km terrestrial data network, known as "The One Africa," that runs from Cairo to Cape Town. Telecom Egypt is Egypt's biggest fixed-line and mobile operator. The memorandum of understanding stipulated that Liquid Telecom would link its "network from Sudan into Telecom Egypt's network via a new cross-border interconnection". Founder and Executive Chairman of Econet, Strive Masiyiwa, said at the time that, "Completing our vision of building a single network running on land, all the way from Cape to Cairo, is a historic moment for the company and for a more connected Africa… This network not only represents a remarkable engineering achievement that has overcome some of the most challenging distances and terrains on the continent, but it is also supporting the rise of Africa's digital economies. Wherever the One Africa network has been completed, we have seen dramatic increase of data traffic between nations connected to it. We expect to see a lot of traffic between Egypt and the rest of Africa. Where there is improved communications, improved trade follows as well. We need to see more trade between African countries. Therefore, 'One Africa' will provide an alternative to the multiple subsea cables that connect Sub-Saharan Africa and North Africa and in turn improving the connectivity of Africa and enhancing the prospect that business services such as cloud computing and storage will become more affordable."

Governments and businesses will have to continue to find ways to cooperate to set up the infrastructure. Aside from this, regulation may be necessary to curb the predatory instincts of businesses in the ICT sector in terms of profiteering at the expense of subscribers as this will prove inhibitive in the long run.

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Downside

The operational phase of the African free trade area was launched during the summit of Heads of State and Government of the African Union (AU) on the 7th of July 2019 in Niamey, Niger. Africa's 1.3 billion population almost matches China's population of 1.4 billion and India with 1.3billion but it is largely hobbled with barriers such as nationalism, xenophobia and the daily needs of individual countries. This means that the free flow of goods and citizens is still a dicey proposition. The recent spat between Nigeria and Ghana, where reports of Nigeria closing its borders to Ghanaian traders in agricultural commodities, is an example. Nigeria has a nascent agricultural sector. It feels the need to protect its own. For the SADC region, there is the albatross of the snowballing xenophobic attacks that began with those on foreign truck drivers in Durban and have now spread to places such as Pretoria and Johannesburg metropolitan area affecting nationals from the region and Zimbabweans too.

Growing Threat

Despite the removal of visa requirements for citizens in regional blocks such as SADC and ECOWAS, trade amongst African countries is faced with a serious threat because of growing intolerance. Prior to AfCFTA, intra Africa trade has not been that significant with only 18% of Africa's exports going to other African countries compared to the intra-European trade being at 70% and 60% in Asia. Factors such as high import duties, poor transportation networks and border controls have been blamed as some of the reasons.

Still, South Africa stands poised to benefit from the continental trade agreement because of its industrial infrastructure which can be scaled up to meet continental demand. Aside from this, the country has served as a launching pad into African countries for global finance and investors. For example, Multichoice Africa, a digital satellite television company, has 15.1 million subscribers spread across Africa and generates revenue of R50.1 billion annually. The company's annual report says that the rest of Africa constitutes 29.6% of group revenue with 7.7 million active subscribers 'across 49 geographies'. Given the groundswell of violence against foreigners, what will be the knock-on effect for South African companies with an African footprint? Already, there have been calls for retaliation by groups such as the National Association of Nigerian Students (NANS) on South Africa multinationals.

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To integrate or not?

Tough questions have to be asked as to whether officials in the South African government recognize the existential threat posed to its economy if say, for example, SADC nations impose retaliatory measures in protest of the attacks on their nationals. Figures from the Zimbabwe National Statistics Agency (ZIMSTAT) indicate that Zimbabwe imported goods worth $6.3billion between February and December 2018, marking a spike from the figure of $4.9 billion the previous year against total exports of $3.9 billion. Of the import figure, goods from South Africa account for 49% of the total bill representing a trade deficit in favour of South Africa.

Zimbabwe

The continental trade agreement can only skew the balance of trade in South Africa's favour because of a strong manufacturing base and an ailing Zimbabwean economy. The question that arises with the growing intolerance for foreigners is how the government of Zimbabwe can balance the need to maintain diplomatic ties with its biggest trading partner. Zimbabwe stands to lose the most from the AfCTA, ironically for an agreement that is in principle designed to enlarge the market place for signatory countries. Zimbabwe is ill placed to benefit from the agreement because of structural problems. It also has a challenge of unfavourable policies such as the foreign exchange retention regulations for exporters. These have been criticized as hampering the operations of exporters. If exporters are shackled, then how can the country reasonably expect to generate revenue? Zimbabwe will have to follow the advice of one economic analyst, Dumi Sibanda, who says, "If you take economic freedom from an economy you can never have economic security. Even for exporters, you saw that even exporters have been delaying bringing money home because you bring your money and we have the 30 days window in which you are supposed to use it and if you don't use it, you are supposed to sell it to the interbank market."

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Notwithstanding, the creative and cultural industries need to be taken seriously and this means African governments need to support research and development and entrepreneurs such as Strive Masiyiwa and Jason Njoku of IROKOtv with policy interventions to facilitate the growth of similar businesses. James Wolfensohn, who served as the ninth president of the World Bank Group (1995–2005) is quoted in an article by the World Policy Organisation saying:" ...the leadership of many African countries do not themselves support their cultures. And that's a shame. I don't know whether all the countries have cultural ministers. But if they do, I don't think they meet together very much to project an African image." The UN Sustainable Development Goals (SDGs) can be taken as a useful guide for how business can play its part in constructing a more equitable, secure and sustainable world.

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