Negotiating the CFTA and Implementing the BIAT for Competitive Services Sector Development

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
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Services Contribution to Growth and Development in Africa – What do we know?

- Contribution to GDP – around 50% (in some countries – 100%)
- Job creation – significant (1/3 of total employment)
- Contribution to value added in manufacturing
- Drivers of innovation and investment
- Rise of creative and cultural industries (film, art, fashion design, sports)

**BUT**

- Services trade in Africa – still low compared with other regions
  - Only 2% of world services trade
- Gaps in statistics – need for more statistics gathering, collation, analysis
The Continental Free Trade Area

- **CFTA**
  - launched in 2012 by AU Heads of State and Government
  - Indicative date of end of 2017 for conclusion
  - Precursor to African Common Market and African Economic Community
  - Expansion of intra-African trade by lowering trade barriers to goods and services and movement of people throughout Africa
  - Estimated that it would increase intra-African trade and contribute USD $35 billion per year to Africa’s GDP
  - African Ministers of Trade Meeting in June: approved Modalities for trade in services negotiations
The Action Plan for Boosting Intra-African Trade

- Partners are called upon to assist Regional Economic Communities (RECs) in developing regional frameworks for services trade liberalization;
- The AUC and RECs should assist Member States in strengthening domestic regulations in specific service sectors in preparation for regional and continental liberalization;
- The AUC and Partners should assist RECs/Member States to mainstream services into regional and national export strategies with a focus on sectors with potential to enhance intra-African trade in services;
- RECs and Member States should improve services trade statistics to aid policy analysis and formulation.
Services Policies and Regulation

- Overarching principle of regulatory autonomy: the right of governments to regulate
- “Liberalisation” and “Deregulation” – often conflated but the two are not the same
  - The relaxation of trade restrictions cannot be equated with the deregulation of services
- Trade agreements do not necessarily result in the removal or weakening of regulatory frameworks
- In most cases – the more services markets are open the stronger the regulation or re-regulation is required to ensure effective functioning of services in a given sector
- But care to be taken to craft regulatory framework appropriate to the policy objective and the service sector
Regulations and Policies

- Can address critical market failures
- Gains from market access - not automatic
  - regulations/policies
  - institutional structures
- Transparent and impartial
- May themselves become barriers to trade even where not discriminatory
- Beware that vested interests do not influence policy formulation
- Regulatory audits – help negotiators be better fully informed - key to trade negotiations
5 Case Studies of Successful Services Exports

- Air transport services in Ethiopia
- Banking services in Nigeria
- Business processing outsourcing/ICT services in Senegal
- Cultural services in Burkina Faso
- Higher education services in Uganda
- Actual regulatory changes in the services area in selected African countries (all regions) and observe the impact on the country’s development and export performance
- The countries and sectors - selected on the basis of their service sector performance. In some cases (e.g. cultural services in Burkina Faso) non-traditional service sectors were selected, particularly where the private sector’s role in exploring foreign market access was a critical success factor.
- Most of the services exports go to the regional market, but some countries have already diversified beyond the continent.
Objectives of the Case Studies

- To promote knowledge of services trade and of the actual and potential contribution of services exports to economic development and regional integration in Africa
- To obtain data on services sectors and exports for inclusion in a repository of services “best practices” in Africa and an African Trade Observatory services database
- To illuminate the critical impact of policy choices on successful services sectors development and export growth across Africa
Findings from Two of the Case Studies

**Ethiopia – Air Transport**
- Contributes USD 2 billion annually to economy
- Trade through Modes 1, 2, and 3
- Generates double amount of foreign exchange as coffee
- Generates over 200,000 full time jobs
- Tourism revenue – considerable

**Nigeria – banking services**
- Leader in African banking
- 2.3% of Nigerian GDP in 2013 (30% growth)
- Trade through Mode 3 mainly (Mode 1 statistics not captured)
- Regional and world wide expansion
- Bank consolidation helped growth of industry
- Highly regulated industry (Financial System Strategy)
Overall Lessons Learned from the Studies

- Appropriate and enabling regulatory framework - key feature for success
- Neutrality of incentives generated by regulatory policies re modes of supply - exports in complimentary modes are developed
- Regulations - laid basis for export growth or development of initial advantage
- Different types of sectors need/benefit from varying types of policies - fashion the regulatory framework for the needs of the sector
- Constraints and weaknesses of other services sectors threaten expansion of successful services exports in other areas
DTI Services Development Programme

- Five Year Programme
- Six interconnecting Pillars
- Mandate drawn from the BIATAction Plan
- Objectives:
  - Liberalisation of trade in services - REC level and CFTA
  - Strengthen regulatory frameworks
  - Build capacity of DTI officials to assist negotiators and policy makers
  - Engage private sector in trade negotiations and policy making
  - Design of Sector Specific Strategies and regulatory frameworks for identified priority sectors
Content of DTI Services Development Programme

- Design of Sector Specific Strategies and regulatory frameworks for identified priority sectors
- Compilation of a regulatory audit and strengthening of regulatory frameworks for services in AU Member States, together with the mapping of regulatory institutions
- Identification of capacity building activities for AU Officials in services work
- Enhancement of private sector involvement in policy making and trade liberalisation
- Development of an information and communication strategy for AUC DTI
- Identification of channels to improve coordination between AUC-DTI and RECs on the work of services.
Thank you for your attention
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