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**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

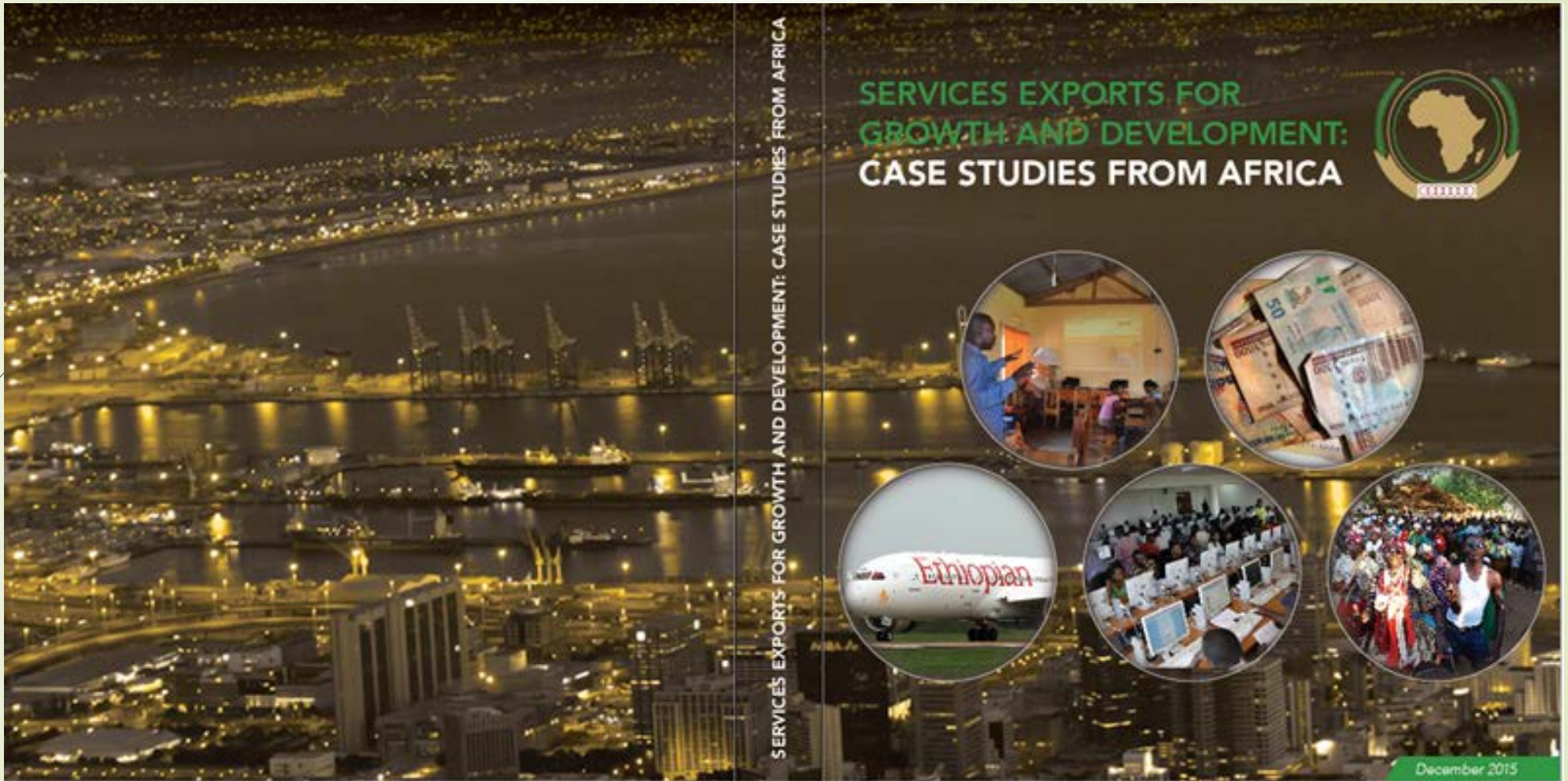




# Regulations and Policies

- ▶ 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

# AUC Publication on Services Exports



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# 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 BIAT Action 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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