



4TH ANNUAL SADC INDUSTRIALISATION WEEK

Implication for African Continental Free Trade Area for SADC Industrialization Strategy Road Map (AfCFTA).

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1.0 INTRODUCTION

The African Continental Free Trade Area (AfCFTA) is a crucial driver for economic growth, industrialization and sustainable development in Africa. Southern Africa Development Community (SADC) Industrialization Strategy and Roadmap is the necessity for the structural transformation of the SADC region with three strong pillars namely:

- (i) Industrialization as champion of economic and technological transformation.
- (ii) Competitiveness (at the firm/industry, country and regional level) as an active process to move from comparative advantage to competitive advantage.
- (iii) Regional integration and geography as the context for industrial development and economic prosperity.

1.1 Technological Advancement Opportunities

There are so many opportunities to SADC countries under AfCFTA SADC industrialization Strategy and roadmap including but not limited to:

The AfCFTA will stimulate co-operation in other areas such as technology transfer and innovation.

1.1 Technological Advancement Opportunities;

- Intra-African trade has higher technology content than extra-African trade (UNCTAD 2018). Intra-African trade also has a higher industrial content than African countries' trade with the rest of the world (UNCTAD 2011).

- Therefore SADC countries are in the better position of increasing its technological advancement and hence; producing competitive value chain products for exportation to other SADC and non- SADC countries.

Technological Advancement.....

Pre-requisite:

- SADC Countries need to put priorities in intra-regional and intra-Africa Technology transfer to realize the real technological advancement opportunities.
- Strengthening innovation and usage of simple technologies to small and medium scale industries in sectors like agro-processing etc.

Pre-requisite:

- Creation of enabling Environment for industrial development such as **affordable energy, Road infrastructures, railways infrastructure, Air ways infrastructures** etc.
- Here we can learn better from Tanzania through the current initiatives of the government in the creation of enabling environment through construction of hydropower plant at the *Stigler's Gorge* that will generate 2100 Megawatt, Construction of Standard Gauge Railways, Revival of Air Tanzania Company Limited (ATCL) airways infrastructures, Road constructions to connect to other nearby countries etc.

1.2 Market Creation Opportunities;

Large Continental Market Accessibility:

Trade liberalization under AfCFTA will allow firms to access a large continental market and gain from economies of scale because the AfCFTA aims to create a single market for goods and services on the continent and to boost intra-African trade.

- The potential economic benefits of having a single market will lead to specialization among African countries in goods in which they have a **comparative advantage**, thus improving efficiency in the use of productive resources and increasing output hence; creating bigger and integrated regional market for African products.
- Consumers will also benefit by being able to consume a larger variety of African products in the single market.

1.2 Market Creation Opportunities;

Large Continental Market opportunity:

Due to this market creation/opportunity, it will permit/allow producers (Small, Medium and Large) to benefit from **economies of scale** and to access cheaper raw materials and intermediate inputs as well as increasing competitiveness of downstream producers and promoting the generation of regional value chains.

Pre-requisite:

- SADC countries should insist on the removal of **trade barriers** on imports (tariffs and quotas), which will reduce import costs and consequently, consumer prices.
- However; there might be fears of **significant tariff revenue** losses and an *uneven distribution of costs and benefits* are among the main obstacles to the continent's integration.
Therefore Immediate measures and flexibilities should be explored for a fair sharing of costs and benefits, to reduce adjustment costs and to attain the full long-term benefits of the CFTA.
- Creation of enabling environments by removing unnecessary obstacles associated with trade of consumable and non-consumable products and services.

1.3 Consumer Products Accessibility at Lower Costs

- Trade Liberalization in the Continental Free Trade Areas (CFTA) offers the opportunities of **consumable products accessibility at lower price** i.e. the AfCFTA for SADC industrialization Strategy allows consumers to have access to **cheaper imported products** from other African countries.
- This is because the AfCFTA commits African economies to the **removal of trade barriers on imports (tariffs and quotas), which will reduce import costs and, consequently, consumer prices**. Consumers will benefit by being able to consume a larger variety of African products in the single market.

1.3.1 Pre-requisite

- All authorities dealing with certification and other safety requirements on industrial products should increase awareness and knowledge on the necessary requirements to consumer products before its production if possible but in a facilitative/supportive ways.

1.4. Elimination of Spaghetti Bowl Effect

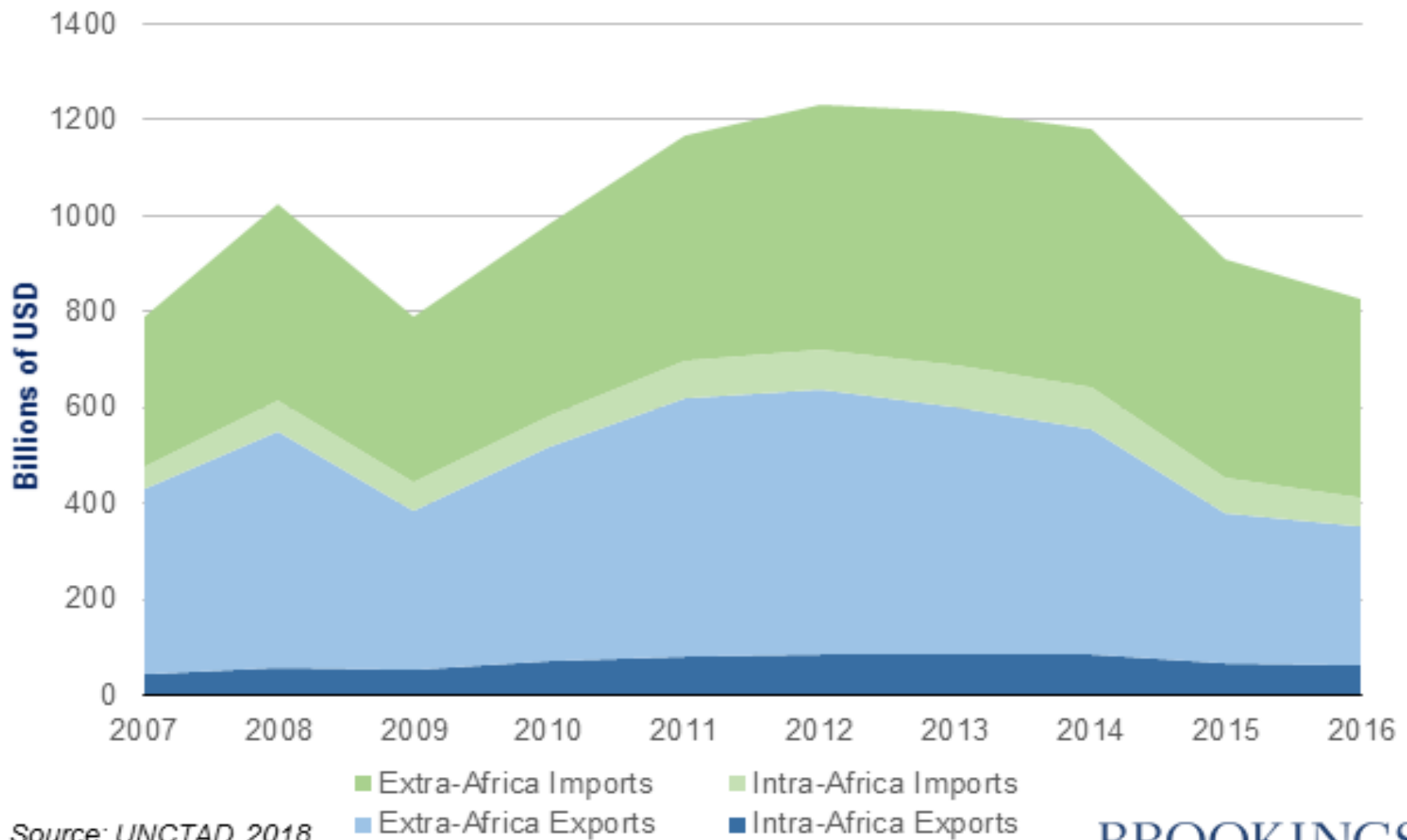
(To strengthen Intra-Africa Trade)

- The **spaghetti bowl effect** is the multiplication of free trade agreements (FTAs). Too many crisscrossing FTAs would represent a costly complication of World trades, and would allow countries to adopt discriminative trade policies which would, in turns, reduce trade welfare. The African Continental Free Trade Area (AfCFTA) for SADC industrialization strategy should eliminate some challenges associated with multiple and overlapping trade agreements in Africa (spaghetti bowl) and therefore boosting economic and trade growth to SADC countries.

1.4.1 Pre-requisite

- Strengthen intra-Africa trade by eliminating multiple overlapping trade agreement. Intra-African trade is still very low, **stands at around 13% compared to approximately 60%, 40 %, 30% intra-regional trade** that has been achieved by Europe, North America and ASIAN respectively (UNCTAD 2018).

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BROOKINGS

1.5 Employment Creation Opportunities

- Having appropriate Technology Transfer/advancement in SADC countries, having sustainable market for industrialized products, having low costs of consumer products and elimination of spaghetti bowl effects will definitely create massive employments specifically to youth groups in producing industries and intra-regional and intra-Africa trade (increased business activities creates massive employment).

1.5.1 Pre-requisite

- However, to realize the potential gains, SADC countries need to go beyond **simply signing and eventually ratifying agreements**; Implementation of AfCFTA industrialization strategy and roadmap as well as promoting growth sectors such as Agriculture is key.

2.0 CONCLUSION:

Opportunities

- Creating bigger and integrated regional market for African products.
- Permitting producers (Small, Medium and Large) to benefit from economies of scale and to access cheaper raw materials and intermediate inputs.
- Improving conditions for forming regional value chains and integrating to global value chains (GVCs).

Opportunities

- Allowing consumers to have access to cheaper imported products from other African countries.
- Leading to better allocation of resources and faster economic and trade growth.
- Catalyzing the structural transformation of the countries from resource and low technology based economies to more diversified knowledge based economies.

CONCLUSION:.....

Opportunities

- Eliminating some challenges associated with multiple and overlapping trade agreements in Africa (spaghetti bowl).
- Encouraging both intra-African and external direct capital flows to African countries.

Opportunities

- Stimulating cooperation in other areas such as technology transfer, innovation, investment and continent-wide infrastructure development.



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