

SACU POSITION ON THE AfCFTA AND GEARING THE NAMIBIAN PRIVATE SECTOR FOR THE OPPORTUNITIES OFFERED

BANK OF NAMIBIA 21ST ANNUAL SYMPOSIUM

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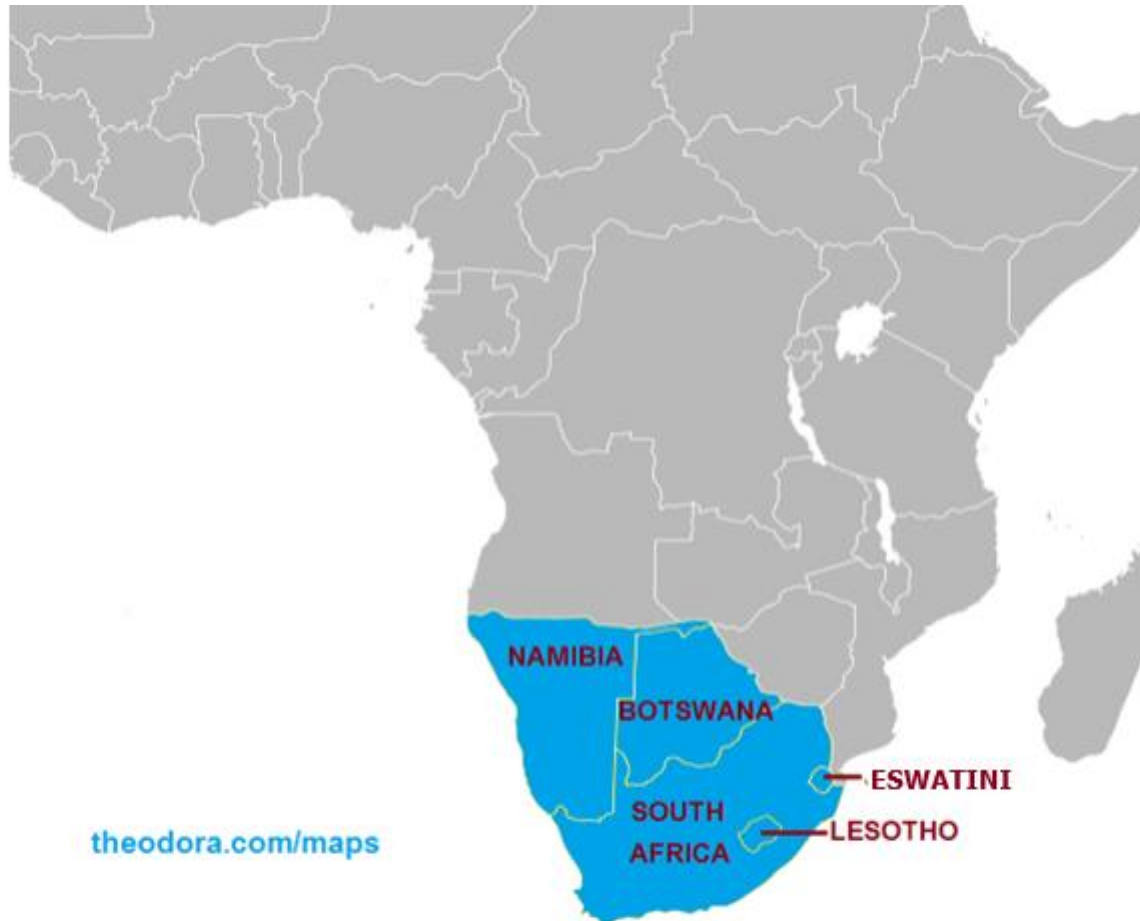
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Presentation outline

1. Introduction
2. The Scope of the AfCFTA
3. Liberalisation modalities for trade in Goods and Trade in Services
4. Importance of the AfCFTA to SACU
5. SACU approach to the AfCFTA negotiations
6. SACU interventions to support the AfCFTA process
7. Status of ratification of the AfCFTA in SACU
8. Policy recommendations for Namibia
9. Conclusion

SACU Member States



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Introduction

SACU was created to:

- ❑ serve as an engine for regional integration and development, industrial and economic diversification, expansion of intra regional trade and investment, and global competitiveness
- ❑ the AfCFTA is in alignment to this SACU ideals

Introduction

Africa's Trade landscape

- ❑ 18-20% intra Africa trade
- ❑ 50% of Africa's trade with the RoW
- ❑ Little trade and scope to expand trade
- ❑ Lack of market integration only at the RECs level
- ❑ AfCFTA timely policy imperative

Agreements Establishing the AfCFTA

Protocol on Trade in Goods

Protocol on Trade in Services

Protocol on Rules and Procedures on the Settlement of Disputes

Protocol on Competition Policy

Protocol on Investment

Protocol on Intellectual Property Rights

Protocol on E-Commerce

Concluded as part of Phase I negotiations

Phase II negotiations

Annexes

- Schedules of Specific Commitments
- Rules of Origin
- Custom Cooperation and Mutual Administrative Assistance
- Trade Facilitation
- Non-Tariff Barriers
- Technical Barriers to Trade
- Sanitary and Phytosanitary Measures
- Transit
- Trade Remedies: Guidelines on Implementation of Trade Remedies

Annexes

- Schedules of Specific Commitments including the MFN Exemption(s)
- Air Transport Services
- Framework document on Regulatory Cooperation

Annexes

- Working Procedures of the Panel
- Expert Review
- Code of Conduct for Arbitrators and Panelists

Modalities - Tariff Negotiations

- 16th June 2017 approved parameters for tariff negotiations modalities:

	Non-LDCs and LDCs	Timeframe: Non-LDCs	Timeframe: LDCs (SDT)
Level of Ambition	90 percent	5 years	10 years
Sensitive Products	7 percent.	10 years	13 years
Exclusion List	3 percent	exempted	exempted

Modalities- Tariff Negotiations

- The 3% exclusion list:
 - exempted from tariff liberalisation
 - Ensures effective liberalization
 - subject to anti-concentration clause
 - limits the exclusion of products to not more than 10% of imports from Africa(10% double qualification clause)

Modalities - Trade in Services

- **Scope and coverage:**
 - no exclusion of any service sector or modes of supply
 - two phases negotiation
 - 1st phase, 5 prioritized (5) sectors Business Services, Communication, Financial Services, Transport and Tourism
 - 2nd phase the remaining sectors
- **Method of negotiations:**
 - Progressive liberalization
 - positive list based on request and offer approach
 - Regulatory Cooperation

Importance of the AfCFTA to SACU

□ High priority for SACU offering:

- ✓ Enlarged market of 1.3 billion consumers and 3.4 trillion GDP
- ✓ Alignment with SACU objective of deepening regional integration
- ✓ enhance trade and attract investment
- ✓ Enhanced productive capacity & welfare gains \$16 billion

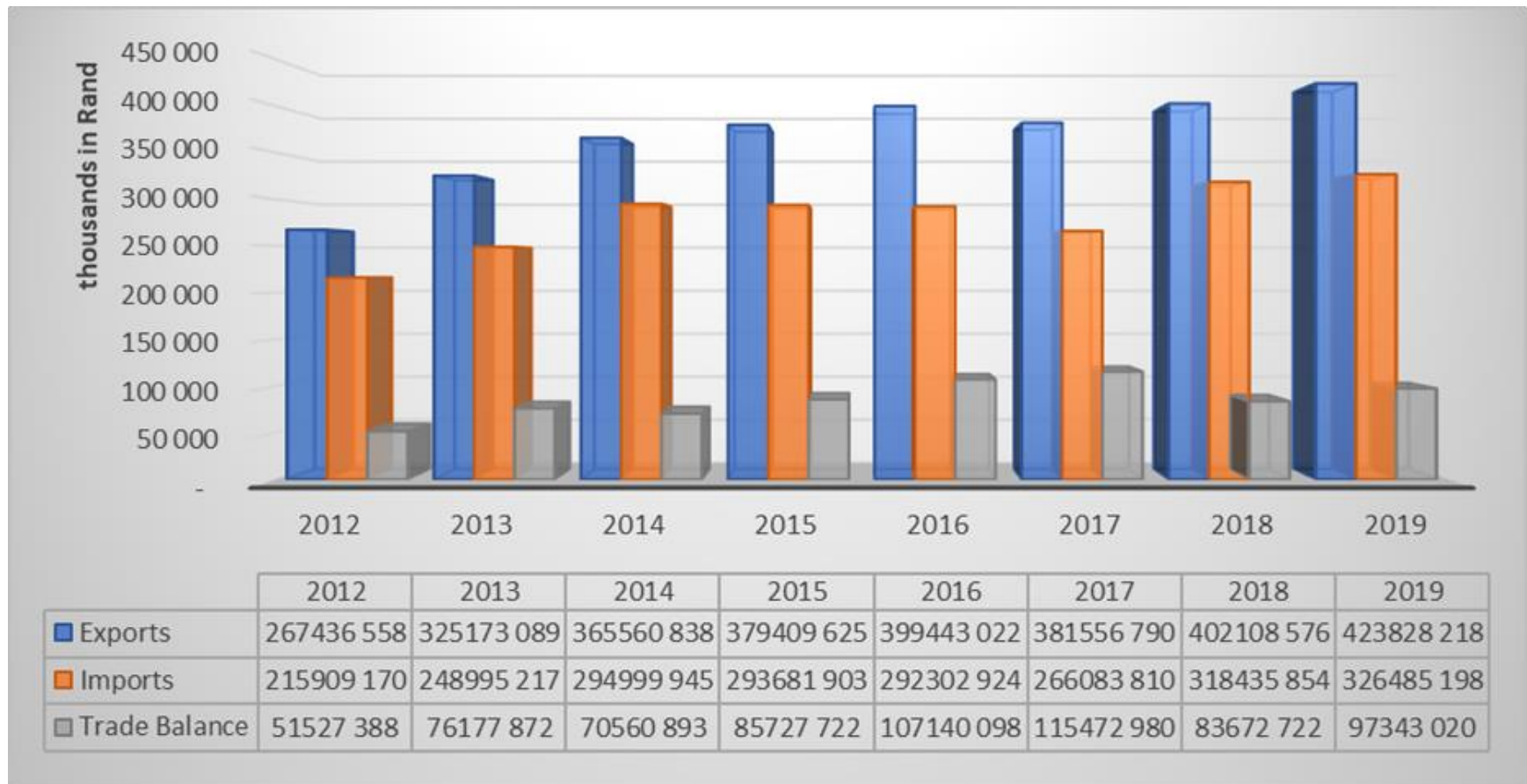
Importance of the AfCFTA to SACU continues....

- ✓ increase Intra-Africa trade from the current 20% to over 50%.
- ✓ potential to unlock opportunities and enhance service trade for SACU.
- ✓ Potentially important sourcing market for SACU.

Potential challenges

- ✓ Low benefits for smaller and less diversified economies.
- ✓ Increased competition.
- ✓ Transshipment and counterfeit products.

Overall SACU's Trade with the rest of Africa (2012-2019)



Source: ITC (2020)

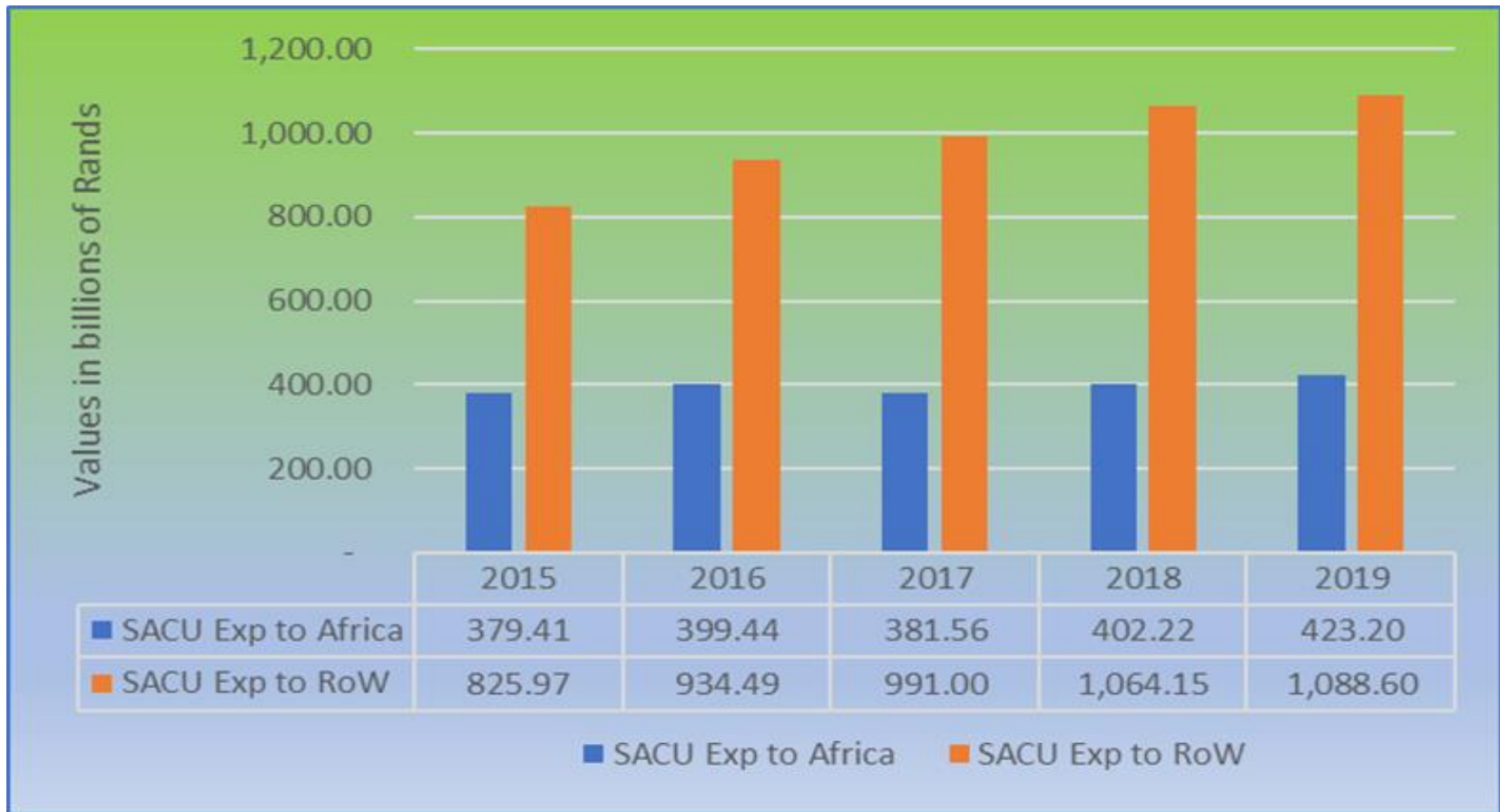
Key SACU Exports to Africa, 2019 (%)

HS Description	Botswana	Eswatini	Lesotho	Namibia	South Africa	SACU Total
Machinery	18.3	5.7	19.2	10.4	15.9	69.5
Textiles & clothing	-	3.9	50.0	2.2	3.2	59.3
Chemical products	5.5	37.6	0.8	5.8	7.2	56.9
Precious stones and metals	46.4	-	5.5	-	-	51.9
Sugar and Confectionaries	-	40.4	-	3.6	7.0	51.0
Base metals	6.3	1.9	2.0	27.1	12.9	50.2
Mineral products	7.1	15.2	2.1	8.5	10.7	43.6
Food, beverages & tobacco	0.1	11.1	3.0	11.6	5.0	30.8
Vegetable products	0.1	5.5	3.7	7.5	5.4	22.2
Misc. manufact articles	2.1	0.5	6.0	-	6.2	14.8

Key SACU Imports from Africa, 2019 (%)

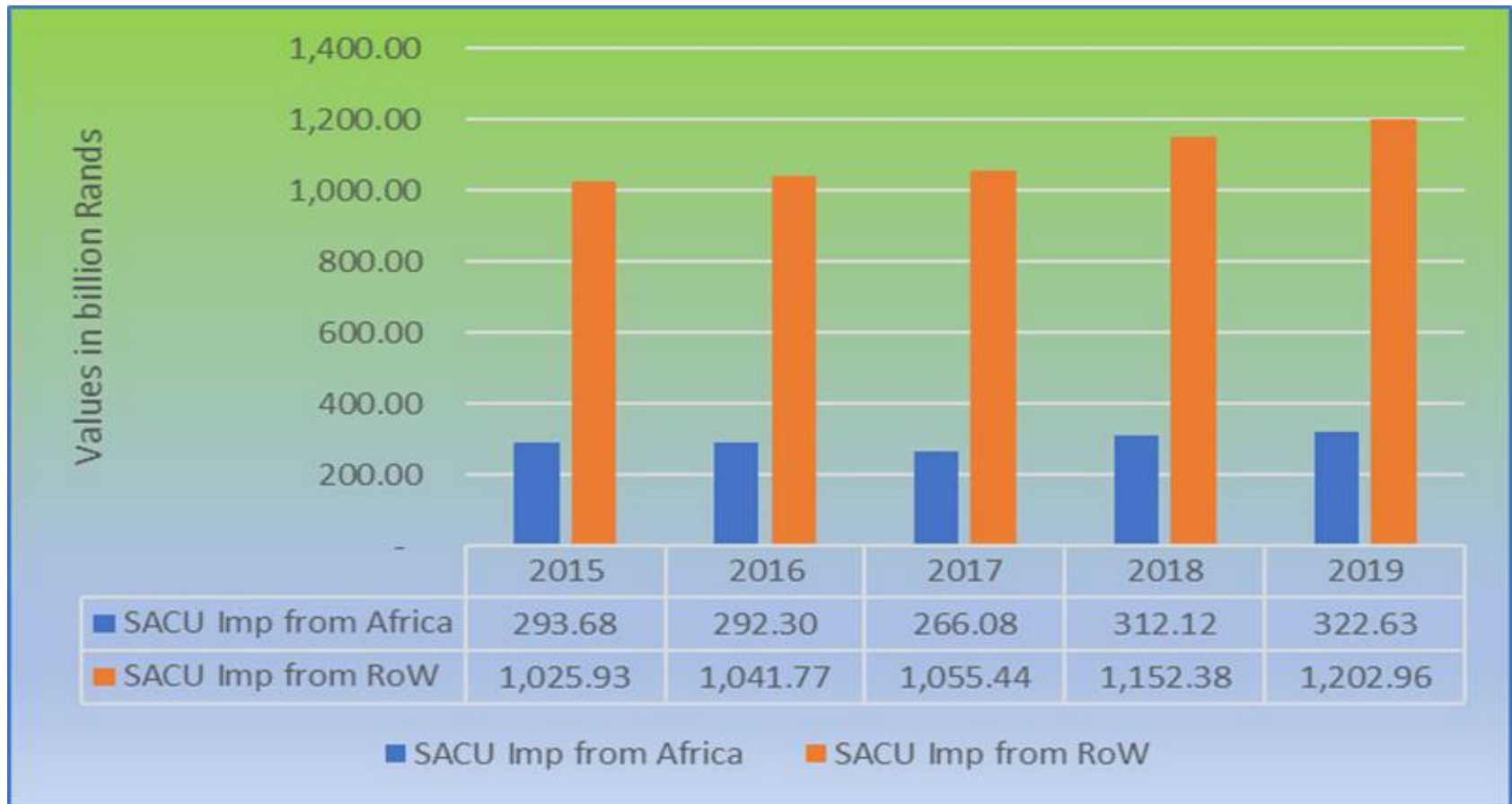
HS Description	Botswana	Eswatini	Lesotho	Namibia	South Africa	SACU Total
Mineral products	19.3	117.0	3.9	27.4	58.9	226.5
Vegetable products	18.4	31.5	6.7	1.1	3.2	60.9
Textiles & clothing	13.0	3.9	28.5	2.7	7.1	55.2
Machinery	-	15.5	10.0	9.4	3.4	38.3
Base metals	2.9	5.1	17.5	9.3	2.0	36.8
Food, beverages & tobacco	8.0	9.9	10.5	6.6	0.9	35.9
Precious stones and metals	15.5	-	-	2.2	1.3	19.0
Specialised equipment	2.4	3.2	5.2	4.2	1.1	16.1
Non-metallic minerals	2.6	1.6	1.3	7.5	1.6	14.6
Pharmaceutical products	-	0.1	6.9	5.8	0.8	13.6

SACU's Exports to Africa and Rest of World (2015-2019)



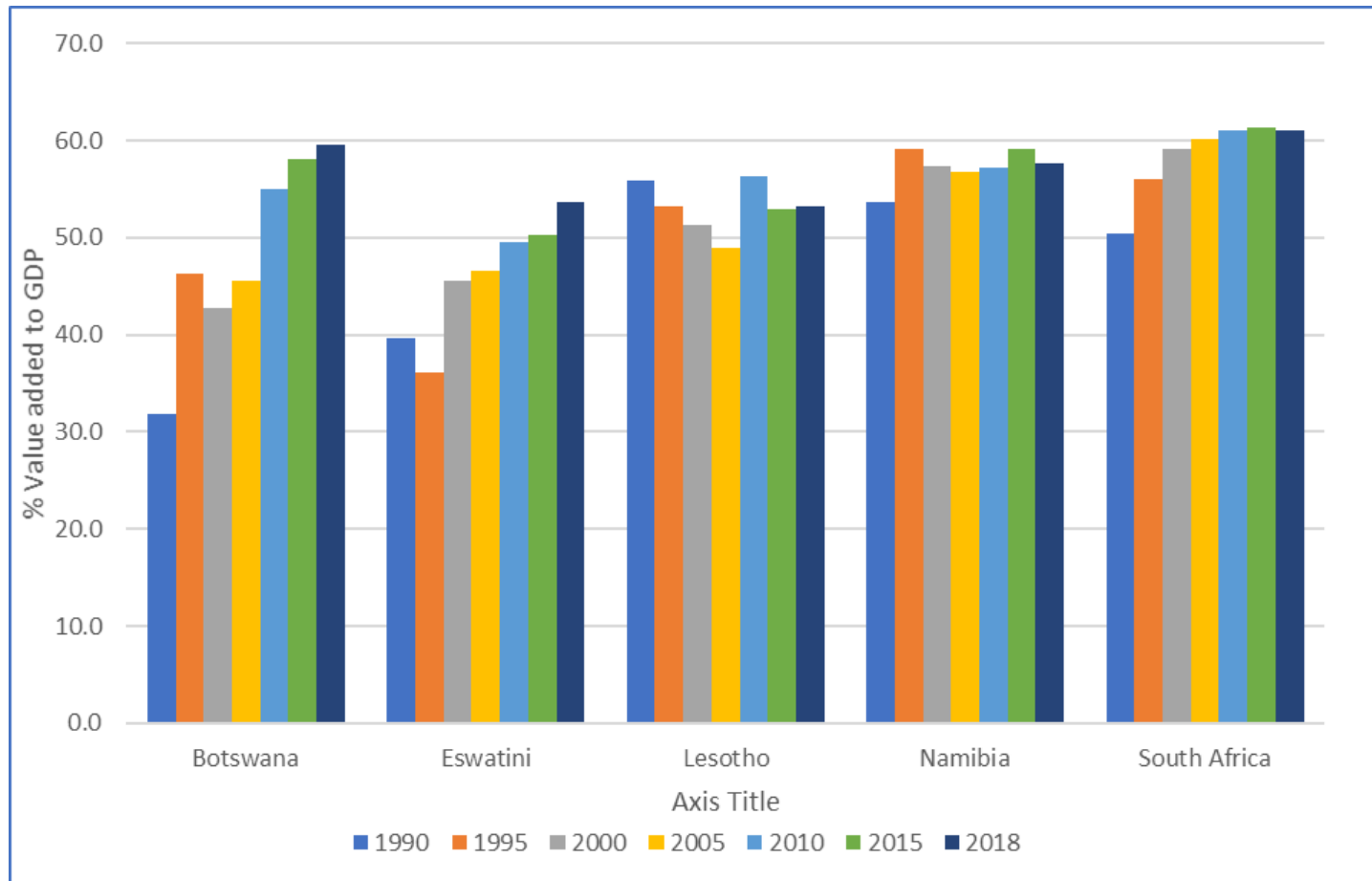
Source: ITC (2020)

SACU's Imports from Africa and Rest of World (2015-2019)



Source: ITC (2020)

Services holds potential for SACU Member States



Source: World Bank (2020)

SACU Member States' Comparative shares of value added by Services, Agriculture & Manufacturing to GDP (1990- 2018)

Country	Indicator	1990	1995	2000	2005	2010	2015	2018
Botswana	Services VA (% of GDP)	31.8	46.3	42.7	45.6	55.0	58.1	59.5
	Agriculture VA (% of GDP)	4.5	4.6	2.8	1.8	2.5	2.2	2.0
	Manufacturing VA (% of GDP)	4.8	5.3	5.6	4.9	6.4	5.8	5.2
Eswatini	Services VA (% of GDP)	39.6	36.1	45.6	46.6	49.6	50.2	53.7
	Agriculture VA (% of GDP)	8.9	10.1	12.3	11.0	10.2	9.3	8.6
	Manufacturing VA (% of GDP)	31.4	32.8	33.9	34.2	32.5	31.6	28.9
Lesotho	Services VA (% of GDP)	55.9	53.2	51.3	48.9	56.3	52.9	53.2
	Agriculture VA (% of GDP)	12.2	8.8	7.8	5.7	5.1	5.0	6.0
	Manufacturing VA (% of GDP)	9.5	9.0	13.6	20.0	12.5	14.6	14.0
Namibia	Services VA (% of GDP)	53.7	59.1	57.4	56.7	57.2	59.1	57.7
	Agriculture VA (% of GDP)	9.1	9.5	11.0	10.6	8.6	5.9	7.2
	Manufacturing VA (% of GDP)	10.4	10.2	10.0	10.7	12.5	9.7	10.1
South Africa	Services VA (% of GDP)	50.5	56.1	59.1	60.1	61.0	61.4	61.0
	Agriculture VA (% of GDP)	4.2	3.5	3.0	2.4	2.4	2.1	2.2
	Manufacturing VA (% of GDP)	21.6	19.5	17.5	16.3	13.1	12.0	11.8

Status of Ratification of the AfCFTA in SACU

- ❑ All SACU Member States signed the Agreement
- ❑ Botswana and Lesotho are yet to ratify the AfCFTA
- ❑ Entered into force on 31 May 2019
- ❑ 30 countries ratified thus far (Angola latest)
- ❑ implementation of the AfCFTA requires ratification by all SACU Member States

SACU approach to the AfCFTA negotiations

- ❑ Through unified and coordinated approach (Art.31 & CNM)
- ❑ Initial tariff offer based on the agreed RoO approved by SACU Council and tabled
- ❑ Initial tariff offer 68%, about 5335 tariff lines out of a total of 7834
- ❑ Aiming to improve offer to a 90% reach the threshold per modalities
- ❑ Supplementary offer planned per adopted RoO

SACU approach to the AfCFTA negotiations.....

- Gains from Trade;
- Promote enhanced production capacity and cross border value chains
- Expansion of market
- RoO to promote industrialization and value addition and promote RVC

- Strongly supports the operationalisation of the AfCFTA by 1st January 2021 based on agreed RoO Tariff Offers

- The conclusion and implementation of the AfCFTA is a high priority for SACU
- State of readiness ahead of 1 January 2021

SACU interventions to support the AfCFTA process

- ❑ trade liberalisation not sufficient to maximize gains from trade
- ❑ Industrialisation an overarching objective for SACU and the AfCFTA
- ❑ A systematic deepening the region's industrial base and leverage opportunities created by the AfCFTA
- ❑ Agreed Principles, public policy interventions and tool to guide the development of regional value chains
- ❑ Priority sectors identified: (i) Agro-processing; (ii) Automotives; (iii) Mineral Beneficiation (iv)Pharmaceuticals and Chemicals; and (v) Textiles and Clothing (vi) Services

SACU interventions to support the AfCFTA process.....

- ❑ Trade Facilitation Programme realigned to support trade SACU Customs Modernisation Programme developed
- ❑ Specific FT in place:
 - ✓ Model Bilateral Arrangement to facilitate automatic exchange of information
 - ✓ Preferred Trader Programme Engagement Strategy, Manuals and guides
 - ✓ IT Connectivity Blue Print
 - ✓ IT Connectivity Utility Block “Your Export Is My Entry”
 - ✓ IT Connectivity Unique Consignment Reference
 - ✓ Regional Customs Risk Management and Enforcement Strategy; and
 - ✓ the Regional Customs Compliance Management Strategy

Challenges & remedies

- ❑ Potential challenges associated with the AfCFTA:
 - ✓ homogeneous production of agricultural products could lead to increased competition for SMMEs
 - ✓ Surge in imports
 - ✓ dumping
 - ✓ Risk of Transshipment
 - ✓ Customs capacity constraints
 - ✓ Production capacity constraints could hinder full benefits from the AfCFTA
- ❑ Remedies
 - ✓ in-build regulatory provisions on trade defence instruments
 - ✓ Strengthened Customs and Risk Management, including verification of RoO declarations

Policy considerations for Namibia and its private sector

- ❑ **Development of a national strategy that entails:**
 - policy coherence across all sectors of the economy and alignment to existing policy frameworks
 - Diversification of the industrial base and export basket
 - Addressing supply side constraints including skill development
 - Identification of new opportunities and products to trade through a targeted AfCFTA export development strategy
 - Prioritise services in the negotiations
 - Rules of origin and strengthening customs administration
 - Accelerate implementation of Trade facilitation

Policy considerations for Namibia and its private sector

- Namibia's Strategy as transport and logistics Hub to facilitate seamless movement of goods through the supply-chains and infrastructure
- Measures to support SMEs, women, youth and informal traders to derive benefits from the AfCFTA
- extensive outreach campaigns to promote utilisation and benefits of the Agreement
- Most importantly: creation of an enabling environment for the country to fully exploit the benefits and market access opportunities offered by the AfCFTA through multi stakeholder coordination.

Conclusion

- AfCFTA can be catalyst for growth, both at the regional and the continental level with industrialization as an overarching objective that engenders sustainable development.
- How SACU Member States position themselves to reap maximum benefits from the AfCFTA is fundamental.

THANK YOU

