

## **Background note**

### What does Regional Integration mean for Zambia?

#### **Overview**

On 17 June 2016, the Minister of Commerce, Trade and Industry, Honourable Margaret Mwanakatwe signed the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA) Agreement and Zambia became the 17th country to sign the TFTA Agreement. The TFTA aims to liberalise trade among the 26 Member States of three Regional Economic Communities (RECs): COMESA, EAC and SADC. These countries make up half of the African Union in terms of membership and currently contribute 58 per cent of its total GDP, estimated at approximately USD 1 trillion.

As conversations on regional integration are increasingly beginning to gain traction across the continent, questions pertaining to the inclusiveness of these discussions are increasingly beginning to come to the fore. This meeting seeks to probe into the implications of regional integration on all participants in the Zambian economy.

#### **1. Background**

In Africa, economic integration is the cornerstone of the agenda of the RECs. Reducing intra-African trade barriers and unifying trade policies is seen as a means towards creating a predictable and more competitive environment that will benefit producers and consumers alike in these regions.

Its importance lies in that Africa is marred by chronic challenges to deeper regional integration and effective transformation. These include undiversified markets with low value addition; overdependence on raw material exports; numerous trade and non-trade barriers that increase transaction costs; inadequate infrastructure networks; regional food insecurity; and conflicts and political instability in some countries. These challenges hinge on demands of overlapping REC membership and so special attention in addressing these concerns requires a continental approach to addressing these issues.

The regional economic agreements that have emerged in Africa are presently at different levels of implementation having been anchored in a number of binding and voluntary legislations. Countries belonging to different RECs have to abide to various sets of rules hence the difference in the levels of implementation. Of primary importance is the Lagos Plan of Action (LPA) that was adopted in 1980 by African heads of states and laid the foundation for the formal recognition of the importance of regional integration across the African continent. However, at the dawn of the twenty-first century, African leaders felt obliged to evolve a new continental economic blueprint and the New Partnership for Africa's Development (NEPAD) was formed and replaced the Lagos Plan of Action. The other crucial step towards regional integration was the adoption of the Abuja Treaty in 1991 under the auspices of the Organization of African Unity (OAU) with a goal of establishing an African Economic Community (AEC) by 2025.

So far 18 preferential trade agreements have emerged on the African continent. However, the AU has identified eight RECs as the pillars of the AEC including the Arab Maghreb Union (AMU), the Common Market for Eastern and Southern Africa (COMESA), the Community of Sahara-Sahel States (CEN-SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Inter-governmental Authority on Development (IGAD) of the Horn of Africa, the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC).

#### **2. Recent developments on regional integration in Africa**

On June 10, 2015 heads of states signed a historic agreement to officially launch a Tripartite Free Trade Area (TFTA) among the EAC, COMESA and SADC that will bring 26 African countries from Cairo to Cape

under one market. The grand integration process will expand and facilitate market access for the about 625 million people of the region that make up more than half of the total African population and half of the Africa Union membership. Moreover, it is expected to enhance intra-regional trade, which stands at a meagre 12 per cent; and boost the economy of the region from its present level of US\$ 1.6 trillion Gross Domestic Product. The launch of the TFTA will build on the efforts being made to arrive at a Continental Free Trade Area (CFTA) by 2017.

The CFTA is one of the key flagship initiatives under the African Union's Agenda 2063 designed to boost intra-African trade, consolidate African markets and reinforce regional integration. The CFTA portends a real opportunity to change the structure of African trade.

Presently, the CFTA roadmap shows that FTAs are supposed to be consolidated into the CFTA between 2015-2016. The final phase of the CFTA roadmap is the proposed launch in 2017. The pressure of possibly being left at a weaker global bargaining position seems to play its part in motivating the continental push.

As many of the largest countries in the world, and Africa's most significant trading partners, are moving towards the establishment of mega-regional trade agreements, which according to sceptics, will weaken Africa if it does not position itself and move towards establishment of the CFTA as quickly as possible, the launching of the TFTA presents an opportunity towards achieving the CFTA.

Successful regional integration can serve as a strong foundation for economic ties and bring about socio-political stability and improved cultural ties; however, increasingly, there is growing debate about how inclusive the process has been, particularly in incorporating the views and needs of the people of the concerned region.

### **3. Implications of regional integration in Zambia**

Party to SADC and COMESA FTAs, Zambia is a strong supporter of regional and multilateral trade reforms. It has committed to the COMESA and SADC Trade Protocols and the liberalisation schedules. Zambia is also host to COMESA and the TFTA Taskforce exemplifying its strong political commitment to the integration process. African RECs however are more often than not perceived as government-to-government interactions, partly due to the lack of participation from citizens of member states. In SADC and COMESA for instance, CSOs play virtually no role during the negotiation and policy-making stages.

In order to address this gap, there is therefore a need for multistakeholder discussions on the impact of the CFTA on Zambia as this will help in providing a clear road-map for government and its negotiators to come up with a model for the whole range of interactions between trade and development and the potential negative and positive effects induced by the TFTA. With Zambia being a member to SADC and COMESA, the precautionary principle should apply at each stage of the negotiations keeping in mind the uncertainties and the possible negative effects of globalization on weak economies.

### **4. Objectives**

The conference will therefore: i) seek to identify common positions on the CFTA between the government, private sector and civil society, as the discussions on the CFTA gain momentum; and ii) contribute to the required analytical work of understanding Zambia positions and their implications in order to seek ways for maximising gains for Zambia from the trade initiative. Furthermore, the conference will enhance Zambia's participation in the CFTA/TFTA framework.

The conference will therefore seek to:

- Determine the impact of increased regional integration on Zambia's GDP, employment and other macroeconomic indicators
- Identify which sectors will likely lose and which sectors will gain in the FTA

- Assess the welfare implications for Zambia from the FTAs
- Determine how the formation of FTAs affect trade expansion through the trade creation and trade diversion effects
- Know the fiscal implications of the FTAs