

Davies maps route for free trade area

CAPE TOWN: The first phase of setting up a free trade area across 26 countries in Africa is expected to come into effect in three years, trade and industry minister Rob Davies said on Monday, 13 June 2011.

Briefing the media in parliament, following Sunday's meeting in Sandton to set up a free trade area between the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (Comesa) and the East African Community (EAC), Davies said member countries had agreed to carry out negotiations in two phases - with the first to be concluded within 36 months.

Phase one, the current phase, is a trading goods agreement - which deals with tariff liberalisation, rules of origin, dispute resolution, customs procedures and simplification, transit procedures and non-tariff barriers.

The first phase would also include the movement of business people across the three regions, said Davies.

Phase two will tackle trading services, competition policy and intellectual property rights across the three regional blocs.

A work programme to address industrial development still needed to be set up.

Davies said though no time frame had been set as yet for the conclusion of this phase, the aim was to finalise the second phase after phase one was completed.

He said the time period for phase one had been set at a rather short three years as each of the regional economic communities already ran free trade agreements confined to their respective community.

Members from the three regional economic communities have also committed to ongoing monitoring and negotiations.

Two committees had been set up, namely a tripartite trade relations committee, which would file quarterly reports, and a sectoral ministerial committee on trade, which is expected to meet every six months and would report to the council of ministers on negotiations.

Davies said negotiations would allow for special differential treatment so that smaller states would not be treated more leniently in the implementation of tariffs and other objectives.

Added to this, nothing would be agreed upon until everything was agreed in full, he said.

At home, the South African government would engage with business and labour through the National Economic Development and Labour Council (Nedlac) and will be engaging them at every stage.

Davies said though South Africa was by far the largest economy of the 26 across the three regions, it would not dominate trade when the free trade area was set up, as all members would play a role in negotiations.

Added to this, the 25 other member countries did not hold any expectation that South Africa would finance all the continent necessary infrastructure development projects, he said.

But Davies was quick to point out that South African companies should get involved in key infrastructure projects such as the North-South Corridor, which cuts through Zambia and Zimbabwe.

He also stressed that the planned free trade area would also not necessarily impact on any trade relationships South Africa had with other countries outside of the 25 other countries represented by the three blocs.

Davies said the idea was to set up a single regional economic community covering all three existing blocs.

Next on discussions would be to include West African countries in the free trade negotiations, he said.

He explained that practical considerations meant the three blocs of SADC, Comesa and EAC were in way predisposed to working together to set up a single free trade area.

Many of the members of the three blocs were already members of more than one of these regional economic communities which necessitated that they work together, particularly in achieving a unified customs union. Under World Trade Organisation (WTO) rules, member countries cannot be a member of more than one customs union.

Davies said Africa was a growing opportunity and experiencing the third fastest growth behind China and India. However, just 10% of Africa's trade is between fellow countries on the continent.

He said formal trade blocs won't reach proper fruition unless the continent's infrastructure backlog is addressed.

To this end, about 80 projects are already on the go in the North-South Corridor, he said.

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