

## Advancing the AfCFTA – the need for and status of physical connectivity & logistics

Summary of proceedings

WTO Chairs Programme (South Africa)  
and Trade Advisory bi-annual conference  
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Many would agree that the African Continental Free Trade Area (AfCFTA) holds enormous potential to boost Africa's intraregional trade, which has traditionally been very low compared with that in North America, Europe and Asia. However, despite noticeable progress having been made in the negotiations on tariffs, rules of origin and other administrative standards, the harsh reality is that Africa has serious infrastructure and logistics shortcomings which make the physical movement of goods on the continent both difficult and costly. If this problem is not proactively addressed by governments, in partnership with the private sector, the research community and other stakeholders, the impact of the AfCFTA will fall well short of expectations.

This was the focus of the **15th bi-annual conference** of the **WTO Chairs Programme and Trade Advisory** held on **10 May 2022** titled '**Advancing the AfCFTA – the need for and status of physical connectivity and logistics**'. The conference hosts were Prof Wilma Viviers (Research Professor in the TRADE research entity and holder of the WTO Chair at the North-West University [NWU] in South Africa) and Dr Martin Cameron (Managing Director of Trade Advisory, an NWU spin-out company). The diverse audience was drawn from international bodies such as the World Trade Organization (WTO), European and African governments, the private sector and academia. The panel of local and international speakers comprised policymakers, organised business leaders and directors of private companies who together offered fascinating insights into both the policy and practical, day-to-day implications of Africa's infrastructure and logistics challenges.

**Dr Mustapha Sadni Jallab**, Technical Assistance and Academic Networks Coordinator at the WTO, emphasised the importance of ecommerce as a driver of economic growth and poverty alleviation in Africa, with services trade seeing particularly strong growth in digital applications. Yet many African countries have been slow to adopt digital technologies. For example, according to the International Telecommunication Union, only 28% of people in Africa (37% of men and 20% of women) use the internet. 'Africa's digital gap is therefore compounded by a significant digital gender gap,' said Dr Sadni Jallab. He added that Africa has notoriously high trade costs, with supply-side constraints impacting the efficiency and effectiveness of both soft and hard infrastructure; thus, stronger trade facilitation efforts on the continent are a priority. Many African countries, said Dr Sadni Jallab, have reported a spike in ecommerce activity in the wake of COVID-19 and have devised regulatory frameworks to ensure online privacy, consumer and intellectual property rights protection, and interoperability of mobile platforms. 'However, Africa has a \$450 billion infrastructure gap which needs to be filled if the

continent is to tackle its supply-side constraints, reduce logistics costs, improve competitiveness and drive job creation.'

**Dr Martin Cameron**, Managing Director of Trade Advisory, expressed the concern that the focus in the AfCFTA negotiations appears to be on less tangible aspects, such as administrative formalities and digital harmonisation. Large quantities of traded goods still need to be moved physically, primarily by road, but 'according to the African Development Bank, only 34% of the African population live close to an all-weather road,' he said. Infrastructure and logistics should therefore be central to the AfCFTA negotiations. **Dr Sadni Jallab** concurred, saying that Africa faced challenges both in its macroeconomic environment and its business environment, evidenced in numerous non-tariff barriers.

**Peter Webber** and **Nigel Pusey**, CEO and Deputy CEO of Container Trades Statistics, painted an interesting picture of container traffic movements in different parts of the world and changing volume-price dynamics in recent years. Nigel reported that global container trade volumes have not been significantly affected by COVID-19 – a sign of trade resilience. However, prices have risen dramatically and have almost doubled in the past 12 months, despite a small (6%) increase in volume terms. He attributed these unprecedented price spikes to inefficiencies in global supply chains and the massive disruption caused by the pandemic to port operations and ship management. Sub-Saharan Africa's container trade has been relatively restrained in recent years but has been subject to similarly sharp price increases, with the last 12 months seeing a 67% spike in the price index – signalling the highly integrated nature of container trade across different regions. 'What has exacerbated the situation is a shortage of container ships, vehicles and inland logistics facilities to cater for the surge in demand for goods as the adverse economic effects of COVID have subsided,' Nigel remarked.

**John Rocha**, Chief Director: Trade Invest Africa at the Department of Trade, Industry and Competition, spoke about the significant challenges that Africa faces in making the AfCFTA work for the continent, from market failures to massive gaps in productive capacity. He emphasised that both hard and soft infrastructure development in Africa needs efficient, harmonised backup services to prevent bottlenecks and to generate optimal returns. While significant investment has gone into undersea cables, terrestrial fibre installations are lagging behind. John said that leveraging the AfCFTA calls for 'a very comprehensive and integrated approach, which means we need to mobilise entities and service providers and actors along the entire supply chain', particularly as intraregional trade on the continent is set to increase in the wake of the FTA.

John added that it was important for African countries to determine what inbound and outbound goods flows are likely as the continental market opens up and to plan the transport and other modalities accordingly. He also emphasised the important role played by the private sector, saying that it should be more proactive in engaging with government on the questions of critical infrastructure gaps and priorities. John remarked that while priority infrastructure projects have been identified in Africa, there is insufficient collaboration between government and the private sector, particularly when it comes to project funding. At present the private sector provides only about 2% of infrastructure funding on the continent. He added that in South Africa's case, the government offers various incentives to the private sector, including the part funding of market feasibility studies and in-country business missions.

**Cas Coovadia**, CEO of Business Unity South Africa (BUSA), agreed that the private sector should be more proactive in engaging with government on how to tackle Africa's infrastructure and logistics

challenges – without which the continent has little chance of becoming more competitive. However, he stressed that government needs to create an environment in which the private sector feels motivated to become more actively involved. ‘The problem is not a lack of private sector capacity; rather, the private sector needs to feel confident that their investments will be safe. We need to get beyond the political debates and ensure that all available resources are used to promote trade efficiency and sustainability in the national interest. The government needs to display leadership if the private sector is to deploy its resources and expertise.’

Cas added that there should be much more collaboration between organised business structures in Africa to develop a more unified ‘African’ position when presenting the private sector’s case in AfCFTA negotiations. This could go a long way towards unlocking sustainable business opportunities on the continent. There is also a need, he said, to critically review existing regional structures, such as SADC, EAC, ECOWAS and others, and determine whether they are still fit for purpose – particularly given some blocs’ overlapping memberships and mandates. Picking up on Cas’s view that the private sector and government do ‘not always appear to be on the same page’, **Dr Sadni Jallab** referred to the WTO Chairs Programme as a unique vehicle for encouraging dialogue between government, the private sector and academia and for mobilising evidence-based studies to inform policymaking.

**Dr Juanita Maree**, CEO of the South African Association of Freight Forwarders (SAAFF), said that international trade supply chains are multifaceted and extremely complex – like the human body. Yet, despite their different characteristics, all the links in the chain (whether controlled by the government or the private sector) have to ‘talk to each other’. Supply chain efficiency, she said, relies on all stakeholders working together to share information and promote efficiency, with a blockage in one area potentially affecting the entire chain. She emphasised the importance of Africa embracing ‘smart logistics’ as the continent cannot afford to be left behind in the digital race. Moreover, harmonised regulations along the length and breadth of the supply chain and integrated planning schedules are critical success factors as they help to shorten delivery times and eliminate unnecessary costs.

In closing the conference, **Dr Cameron** referred to a recent (March 2020) McKinsey study which revealed that Africa’s infrastructure development programme is not being impeded by a lack of funding but rather by a lack of bankable and executable projects. With only about 10% of projects that get off the conceptual starting block actually reaching financial closure, much more needs to be done by government and private sector stakeholders to clear the hurdles to improved infrastructural connectivity on the continent. In other words, projects need to be appealing in practice, not only on paper, if the objectives of the AfCFTA are to be met.

**Prof Wilma Viviers** from the North-West University drew delegates’ attention to a new book on Africa’s place in a fast-digitalising world (edited by Wilma Viviers, Ali Parry and Adelia Jansen van Rensburg) titled *Africa’s digital future: From theory to action*. As an open-access book published by AOSIS, it can be downloaded free of charge from:

<https://books.aosis.co.za/index.php/ob/catalog/book/199>

For more details about the work of the TRADE research entity at the North-West University, contact **Prof Zandri Dickason** at [zandri.dickason@nwu.ac.za](mailto:zandri.dickason@nwu.ac.za), and to learn more about the WTO Chairs Programme, contact **Prof Wilma Viviers** at [wilma.viviers@nwu.ac.za](mailto:wilma.viviers@nwu.ac.za). For more information on the identification of realistic export opportunities in Africa and other parts of the world, contact **Dr Martin Cameron** at [martin.cameron@tradeadvisory.co.za](mailto:martin.cameron@tradeadvisory.co.za).