

# IMPLICATIONS OF THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA) AGREEMENT FOR THE INSURANCE SECTOR

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# SIPPING VODKA

- 1) Sip the vodka, don't gulp.
- 2) There are 10 commandments, not 12.
- 3) There are 12 disciples, not 10.
- 4) Jesus was consecrated, not constipated.
- 5) We do not refer to Jesus Christ as the late J.C.
- 6) The Father, Son, and Holy Ghost are not referred to as Daddy, Junior and the spook.
- 7) David slew Goliath; he did not kick the shit out of him.

# WHAT IS A FREE TRADE AREA?

- ▶ Trading bloc where at least two countries agree to reduce trade barriers, import quotas and tariffs on goods and services originating from each other's country;
- ▶ In the East and Southern African region, examples are: COMESA, EAC, SACU and, SADC;
- ▶ Objective is to make goods and services traded between members of the FTA cheaper thereby increasing internal markets;
- ▶ Goods and services from other FTA members given **national treatment**, i.e. as if emanating from domestic market
- ▶ In contrast, goods and services from non-FTA markets become less competitive as they attract normal import tariffs and other trade restrictions.

# DYNAMICS OF MARKETS IN AN FTA

- ▶ Focus is on the comparative and competitive advantage of producers of the goods and services, i.e.
  - ▶ More efficient producers increase cross-border market share and should become more profitable - benefiting from **trade creation** effects;
  - ▶ Less efficient producers lose markets as they cannot compete (may also face job losses or closure) - resulting from **trade diversion** effects
  - ▶ Consumers have wider choice and have increased access to cheaper and better quality products and services available in the trading bloc
- ▶ Theory is that producers will focus on becoming more competitive drawing on their comparative advantages thus, spurring investment and innovation

# OVERALL OBJECTIVE OF THE AfCFTA

- ▶ Deepen the economic integration of the African continent in accordance with the Pan African Vision of “An integrated, prosperous and peaceful Africa” enshrined in Agenda 2063



**Creating One African Market**

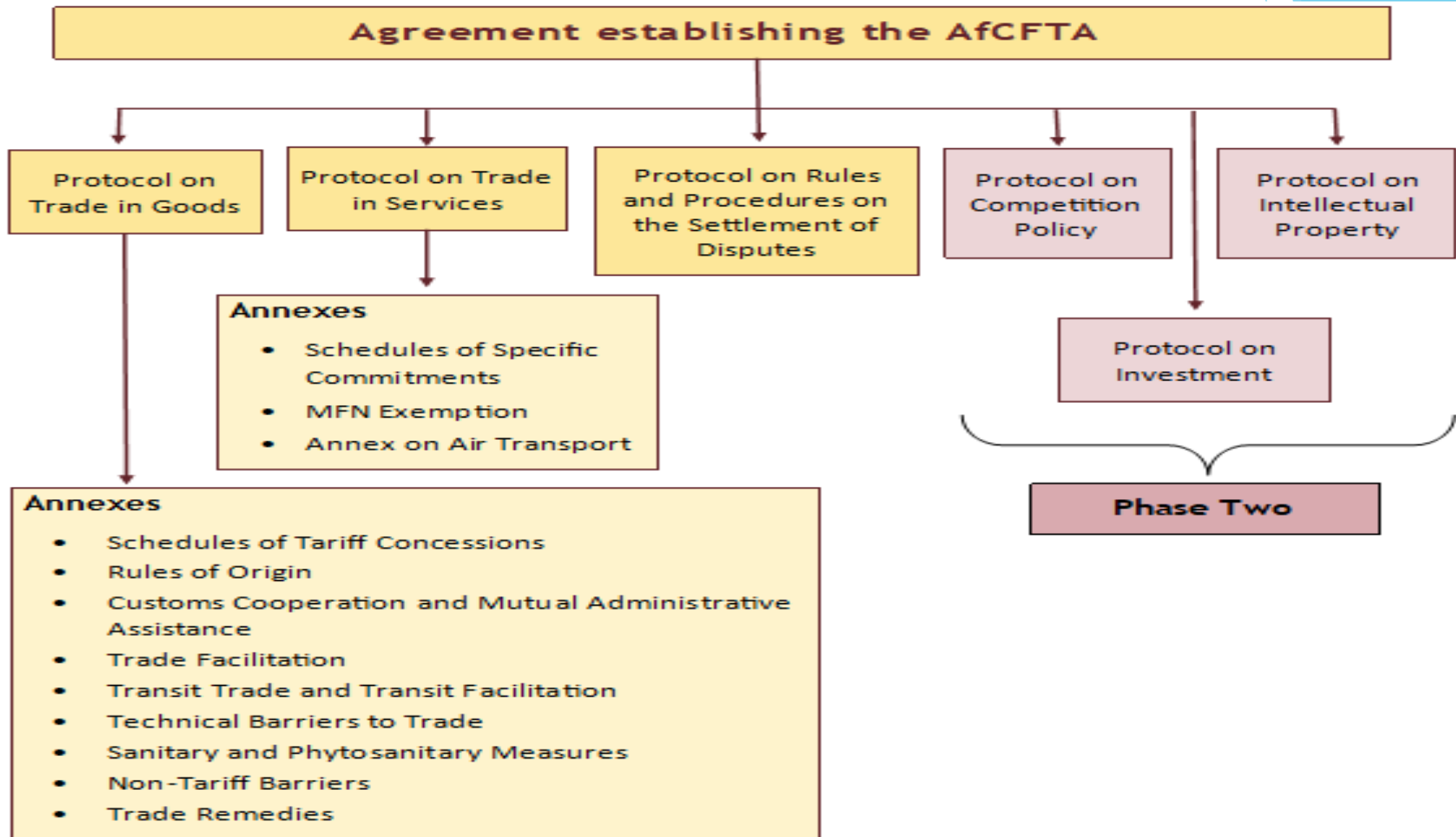
# SPECIFIC OBJECTIVES OF THE AfCFTA

- ▶ To create a single continental market for goods and services, with free movement of business persons and investments
- ▶ Bring together all 55 member states of the African Union covering a market of more than 1.2 billion people, including a growing middle class, and a combined GDP of more than US\$3.4 trillion
- ▶ To lay foundation for the establishment of a Continental Customs Union, i.e. free circulation of goods and shared customs revenue:
- ▶ Promote attainment of sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties;
- ▶ Enhance competitiveness of the economies of State Parties within the continent and the global market;
- ▶ Promote industrial development through diversification and regional value chain development, agricultural development and food security; and
- ▶ Resolve challenges of multiple and overlapping memberships and expedite regional and continental integration processes.

# SPECIFIC ACTIONS

- ▶ Progressively eliminate tariffs and non-tariff barriers to trade in goods;
- ▶ Progressively liberalise trade in services;
- ▶ Cooperate on investment, intellectual property rights and competition policy;
- ▶ Cooperate on all trade-related areas;
- ▶ Cooperate on customs matters and the implementation of trade facilitation measures;
- ▶ Establish a mechanism for the settlement of disputes concerning their rights and obligations; and
- ▶ Establish and maintain an institutional framework for the implementation and administration of the AfCFTA.

# SCHEMATIC REPRESENTATION (from TRALAC)





# STATUS OF IMPLEMENTING THE AfCFTA

- ▶ BY 7<sup>th</sup> July 2019, the AfCFTA agreement had been signed by 54 out of 55 countries (Except Eritrea)
- ▶ The operational phase of the AfCFTA also launched on 7<sup>th</sup> July 2019 after 27 countries deposited instruments of ratification to the AU Commission (minimum is 22 countries)
- ▶ Notably, in the ESA region countries that have deposited instruments of ratification include: DRC, Eswatini, Ethiopia, Kenya, Namibia, South Africa, Uganda and Zimbabwe. Zambia is yet to the ratify agreement!
- ▶ Negotiations have however commenced to establish rules and procedures for implementing the AfCFTA Agreement

# INDICATIVE IMPLEMENTATION TIMETABLE

- ▶ Presently finalising the legal and regulatory frameworks that will guide trade in goods for adoption by Heads of State by June 2020, covering:
  - ▶ Tariff reduction concessions, Rules of origin, trade remedies,
  - ▶ Non Tariff Barriers (NTB) reporting, monitoring and elimination mechanisms
  - ▶ Guidelines for protecting infant industries and, regulations for special economic zones/arrangements
- ▶ Adoption of legal instruments covering: Investment, Intellectual property Rights (IPRs) and Competition policy to be concluded by June 2020
- ▶ With regard to Trade in Services, initial focus is on the liberalisation 5 sectors, namely:
  - ▶ Business services,
  - ▶ Communications services,
  - ▶ Financial services,
  - ▶ Tourism and trade related services; and,
  - ▶ Transport services.
- ▶ At present, negotiations actively taking place including national consultations with Regulators and the private sector. This period is expected to be concluded between July and September 2019
- ▶ The adoption of regulatory frameworks is expected to take place between April and June 2021.

# IMPLICATIONS OF THE AfCFTA ON THE INSURANCE SECTOR

- ▶ Increased trade in goods will open up opportunities for insurance services within Africa:
  - ▶ Insurance companies can expect increased demand for trade facilitation services
  - ▶ Companies with market presence in other African countries likely to benefit more from increased trade in goods
  - ▶ Overall, brokers should also expect increased demand for services
- ▶ But, implementation of FTAs notoriously take long! COMESA started in October 2000 but there still some member states that have never ratified the treaty!

# IMPLICATIONS OF THE AfCFTA ON THE INSURANCE SECTOR - 2

- ▶ Opening up of markets for trade in services will have a number of implications as countries will no longer impose restrictions on number or type of service provider that can set up in their market
- ▶ Well capitalised service providers will not be limited by jurisdiction but competition policy measures, where necessary
- ▶ Companies presently thriving in protected environments will be exposed to increased competition, especially that services are easier to set up than manufacturing or mining enterprises!
- ▶ Smaller companies that cannot form strategic partnerships with others likely to be more exposed and may drown in the open market environment!

# HOW CAN THE INSURANCE SECTOR ADAPT

- ▶ Assume that the AfCFTA is a certainty, it has come and will affect how the insurance sector does business in every affected country.
- ▶ Zambia has adopted a more cautious approach than it did for the COMESA and SADC FTAs (joined without exhaustive assessment and consultations with affected parties, especially private sector - trade in goods under FTA still problematic!
- ▶ Negotiations on offers for liberalising trade in services presently underway, how much is the PIA involved and insurance companies? Need to be pro-active and influence what Zambia prioritises in its negotiations
- ▶ The goal of the insurance sector should be to “underwrite” what Zambia develops as offers and finally agrees to covering: trade facilitation services and liberalisation of services that will affect the industry

# HOW CAN THE INSURANCE SECTOR ADAPT - 2

- ▶ Presently the government engages ZACCI and ZAM on the assumption that all affected private sector associations and sectors are represented, but is this the case?
- ▶ PIA as the Regulator is supposed to be regularly consulted, if so, are they involving the stakeholders and ensuring that their interests are being adequately represented?
- ▶ The Insurance sector needs to assert its interests using available business voice channels
- ▶ Important to shape the future that best represents the sector as it adapts to change,
- ▶ Remember, change is the only constant!

**THANKS YOU**

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The overall composition is clean and modern, with the text 'THANKS YOU' centered in the upper left quadrant.