

The background features a large orange trapezoidal shape on the left side, which tapers towards the right. To the right of this orange shape, there is a complex arrangement of overlapping, semi-transparent green and olive-green geometric shapes, including triangles and polygons, creating a layered, abstract effect. The overall composition is modern and professional.

# **Expanding revenue base through a robust Intra-Africa Trade**

Presentation by Erastus Mwencha

# GLOBAL SCENARIO & TREND

- ▶ Global Trade is under close scrutiny. Trampism the rise of anti-globalisation
- ▶ Global growth...opportunities and challenges : trade policies eg retaliation stance, monetary and fiscal policies
- ▶ Global trade: US \$ 17 tn. (Machandise) and 5tn. Commercial services.
- ▶ WTO is under serious threat...( 1947 to date) Return of Mercantilism
- ▶ DDA. ...Trade Facilitation major outcome...NAMA and agricultural policies
- ▶ Pluralateralism - TPP, TTIP,
- ▶ Rise of China, India and Brazil
- ▶ US-CHINA Trade War - labour, currency, intellectual property and subsidies
- ▶ BREXIT - security and demographic concerns due to migration

# Impact of Global trade cont'd

- ▶ Incentives: subsidies or other govt support
- ▶ Technology - Robotics and Artificial Intelligence
- ▶ Currency manipulation
- ▶ Labour costs
- ▶ Interest rates
- ▶ Comparative advantage
- ▶ Competitive advantage

# Weak outlook

- ▶ The loss of economic momentum in the advanced economies is having knock-on effects for developing countries.
- ▶ **Weak industrialization and productivity growth**
- ▶ Turning more towards the regional market may offer important benefits.
- ▶ Intra-African exports consist mostly of manufactures and processed commodities; it thus has the potential to support industrialization and diversification

# Determinants of Intra-African Trade

- ▶ Demand side: market (size and effective demand - purchasing power)
- ▶ Supply side: availability of goods and services at competitive prices,
- ▶ Macroeconomic environment: infrastructure, interest rates, payment systems, exchange rates and currency convertibility, information, peace and security
- ▶ Technical barriers, non-tariff barriers; technical barriers ....standards, sanitary
- ▶ Trade arrangements: : WTO (MFN), ACP, AGOA, EPA, GSP, COMESA, EAC, BILATERAL
- ▶ CFTA, TFTA

# OPPORTUNITIES AND ECONOMIC TRANSFORMATION THROUGH TRADE

- ▶ Trade in services: ICT, FINANCE, HEALTH, TRANSPORTATION, EDUCATION, TOURISM,
- ▶ Goods and Commodities: Agriculture, Manufactures goods, minerals, oil
- ▶ Examples...India...Mauritius, Kenya, Ethiopia

# Intra-Regional Trade Indicators

- ▶ INTRA- AFRICAN TRADE - 12-15%
- ▶ INTRA EUROPEAN TRADE- 60%
- ▶ INTRA AMERICAN TRADE- 40%
- ▶ INTRA ASIAN TRADE- 50%

# Challenges and Opportunities

- ▶ Africa not yet in global trade system
- ▶ CFTA
  
- ▶ Total elimination results is US 16 bn - additional trade
- ▶ Enhances competitiveness, transformation and industrialization
- ▶ Excluding one sector benefits drop by 5bn.
  
- ▶ Least developed economies - transitional adjustment costs of falling tariff revenues, temporal unemployment and falling economic activities



# CFTA -STATE OF PLAY

- ▶ CFTA, 2012- 49 signed and 8 ratification
- ▶ TFTA, 2008- C
- ▶ COMESA
- ▶ EAC

# TMEA

- ▶ Trade Facilitation - OSCBP
- ▶ Infrastructure Development
- ▶ Diversification
- ▶ ICT - Single Window (UNCTAD)
- ▶ Skills developments
- ▶ Working primarily with EAC and neighboring countries through COMESA

# Tax Revenue

- ▶ At the conclusion of Uruguay Round (WTO/GATT) industrial tariffs were:
  - ❑ Industrialized countries: 6.3% - 3.8
  - ❑ Developing Countries. 15%- 12%%
  
- ❑ As the Doha round is very ambitious developing countries like Kenya will face significant tax revenue losses
  1. Identify sectors which can trigger higherVAT
  2. Support and facilitate e-commerce with VAT and excise duty
  3. Identify and examine trade commitments made at global level
  4. Reduce tax rate and encourage compliance and expand tax base