

Regional integration – quo vadis? An agenda for competitiveness and inclusive growth?

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A regional integration agenda for competitiveness and inclusive growth



Regional integration defined

- Regional integration - outcome of decisions by investors/entrepreneurs, producers, traders, workers, consumers to engage in economic activity that transcends national borders/has a cross-border dimension
- Such decisions result in the integration of markets and economies - across national geo-political borders
- Why are such decisions taken? Pursuit of opportunities, efficiency/productivity gains..... competitiveness gains, search for development outcomes



Competitiveness defined

- OECD definition: competitiveness refers to the capacity of a country to "produce goods which meet the test of international markets while simultaneously maintaining and expanding the real income of its people over the long term"
- Firm competitiveness: a firm that does better in terms of productivity/efficiency/performance than its competitors
- Note: firm competitiveness, depends not only on the firm's strategy, innovation and enterprise, but also on the quality of policy, governance, infrastructure and associated services (energy, transport, communication.).... In short the quality of governance



Inclusive growth defined

Inclusive growth is economic **growth** that creates **opportunity** for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, **fairly** across society

www.oecd.org/inclusive-growth/

Notes:

- Growth is the outcome of decisions by investors/entrepreneurs, producers, traders, consumers, workers
- Quality of growth matters – availability and accessibility of opportunities, **capacity** to access to opportunities; distributional issues/equity matters (identity of winners and losers matters)
- Quality investment (incl FDI) matters for inclusive growth
- Beyond aggregates, and per capita measures; understanding linkages and relationships in economy and society



Government-led integration initiatives

Role of government.....regional integration for competitiveness and inclusive growth

- Measures (policies/regulatory initiatives) that facilitate rather than hinder cross-border economic decisions and activities
- Governments can implement such measures independently (eg customs/border management, Namibia's strategy to be a logistics hub), or collectively (as part of regional integration initiatives/regional economic communities – these may well limit the scope for unilateral action eg customs union membership)
- What should be on the integration agenda to support competitiveness and inclusive growth? What are the key barriers to regional integration? What should be the priorities for Africa's regional integration agenda?



Quo vadis? Reference recent experience: Tripartite Free Trade Area negotiations

- From 2008: vision of an integrated economic space (Cape to Cairo) – resolve problem of overlapping membership
- What has happened since then?
- Launch of negotiations - 2011 – and then redirecting the negotiations (regional economic communities will continue – only those member states that are not party to an FTA will negotiate tariff liberalisation)
- Where are we now? Launch of the TFTA in 2015, and negotiations are ongoing. No FTA yet – tariff negotiations are still in process – what are the implications; what does tell us about regional integration (government –led)



Key fault lines of regional integration

- Focus on policy space features prominently (sovereignty matters)
- Do countries consider regional integration as rules-based (binding commitments, do they implement commitments, what happens if they do not implement/comply with commitments?)

Substantive issues on the regional integration agenda

- Trade in goods: tariff-related agenda (import tariff, rules of origin, trade remedies) – has become very sensitive
- Standards and quality assurance matters (NTBs may emerge)
- Trade facilitation - addressing practical integration challenges (challenges of eliminating non-tariff barriers)
- Beyond trade in goods: services, investment, competition, intellectual property, movement of persons – essence of a competitiveness agenda – is there impetus for new approaches?



Services in economy, society and regional integration– foundations for competitiveness and inclusive growth

- Contribution to GDP; employment, trade
- Services and competitiveness (role in agric, manufacturing and ...); servicification of production; technology developments (cut across firm size, sectors); services must be a key focus in a national and regional industrial strategy
- Infrastructure/network services (communication, transport, financial services...) inputs in all economic activity, but also key development drivers
- Services sector development (recognising linkages and relationships; policy development)
- Services and inclusion in mainstream/formal economy (public interest/inclusive growth objectives – universal access, financial inclusion; pro-competitive regulation)
- Services in trade facilitation value chains (ICT - communication, logistics, transport...finance....)



Services matters in regional integration

- Services matter for employment (low barriers into a range of services sectors) productivity, competitiveness – inclusive growth
- Services sectors – important destinations in Africa for FDI (2015 – 52% into services sectors)
- Services are regulatory intensive (sector specific as well as cross-cutting regulation/governance)
- Regulatory reform, harmonisation, cooperation on the regional agenda - what are the real barriers to services integration? Example: FDI in services
- Traditional definitions and classifications have been overtaken by technological developments (negotiations should be organised to recognise and leverage clusters and connections eg ICT connections to transport, logistics, education, health care ...)
- Connections between trade in services and trade in goods agenda's must be strengthened (CFTA parallel trade in goods and trade in services negotiations)



Leveraging the youth dividend

- Africa is a youthful continent; Namibia - a youthful country (median age – 21)
- Youth dividend and 4th industrial revolution 'fusion of technologies that is blurring the lines between the physical, digital, and biological spheres' – industrial development beyond core manufacturing – industrial development is about agriculture, industry and services (delineation is no longer clear)
- In a 21st century economy and society: access to opportunities requires new approaches to education/training – digital literacy – the 4th dimension of literacy (reading, writing, maths/arithmetic)
- ICT – connections across the economy, across the continent (key infrastructure for development – as necessary as roads or energy infrastructure)
- Movement of persons (sensitive but necessary)



Conclusions – quo vadis regional integration?

- Regional integration makes sense for Africa – can reduce barriers to competitive, inclusive development by facilitating access to opportunities that transcend national geo-political borders

BUT – a 21st century agenda is required

- Address **practical** impediments to cross-border integration (eg trade facilitation agenda (WTO + regional) – leverage ICT-related benefits)
 - Address quality infrastructure issues (quality standards, protection of environment, human, animal health)
 - Leverage the role of services (linkages, regulatory reform...)
 - What can regional integration offer the youth?
- RI must subscribe to rules based governance principles (transparency, accountability, predictability, contestability – dispute resolution) – commitments are commitments

