African business leaders urged to take a fresh look at opportunities in Africa

Early in July this year South Africa joined 49 of the 55 members of the African Union (AU) in signing the largest free trade agreement since the creation of the World Trade Organisation – the African Continental Free Trade Area (AfCFTA). Nozipho Sithole, Transnet Port Terminal's Chief Executive believes that African business leaders should be making more use of home ground advantage through this single continental market for goods and services.

The signing of the AfCFTA agreement has been a long time coming. And when it happened, its significance seems to have been largely underestimated. While there are already African companies operating in Africa, there is certainly some way to go before it starts becoming significantly easier for more companies to do business in the continent. However, the risk for shareholders and business owners is that they could lose out on a growing and increasingly affluent market if they allow the status quo to cloud their judgement. As can be seen by the looming international trade wars sparked by United States President Donald Trump and the Brexit negotiations, no market is totally secure. It therefore makes good business sense to diversify and spread risks.

The business and political case for a united Africa was first recognised by nationalists Kwame Nkrumah and Julius Nyerere who led their countries Ghana and Tanzania to independence in 1957 and 1961 respectively. Both were famous for cautioning that without unity, there was no future for Africa and that in Africa, we have looked outward too long for the development of our economy and transportation. The signing of the AfCFTA agreement brings us much closer to the vision of an economic union of African states. It opens up opportunities for both small and big business. Writing for the Atlantic Council think tank based in Washington, Abdoul Salam Bello and Jonathan Gass say that the biggest beneficiaries could be Africa's small and medium-sized enterprises (SMEs) which account for approximately 80 percent of the continent's businesses. The AfCFTA agreement will put measures in place that allow companies to tap into regional markets that they might not otherwise access through a combination of preferential trade regimes, transit and customs cooperation, and tariff reductions on intermediate and final goods. "These measures should improve the risk-return profiles of participating countries and bring new investors to the table," they state.

Investors are drawn by an African market of around 1.3 billion people, the majority of whom are already connected by sea, road, rail or air. According to the Trade Law Centre (TRALAC), the continent's combined gross domestic product is over US$3.4 trillion.

At Transnet Port Terminals (TPT) we can talk first-hand about the opportunities. As the operator of many of the busiest and most modern ports on the continent, we are already active in the market. Our goal of partnering with terminal operators elsewhere in Africa is based on research and first-hand experience of working on the continent and seeing the potential. We see partnership opportunities in countries like Senegal, Liberia, Nigeria, Ghana, Togo, Benin, the Democratic Republic of Congo and Kenya, as well as our Southern African Development Community (SADC) neighbours. Considerable investment is being made in most of the major port gateways on the continent. The next challenge is linking the ports to the hinterlands they serve, which includes what are now known as the 16 "land-linked" (previously land-locked) countries.

For now, South Africa remains one of the three major gateways to the African market – with sound infrastructure, logistics, banking, manufacturing capabilities, education and legal structures. As with all competitive advantages, this can and probably will change – which is a good thing. Stronger economies to our north will open up new two-way trade opportunities. South Africa can – and should – be helping African countries to unlock the potential of their own markets. South Africa is in a strong position to be a conduit for inward investment and the opening up of global markets for goods made in Africa.

The hosting of the BRICS summit in Johannesburg last month shows that South Africa is recognised as a facilitator of growing two-way trade between other African countries and its BRICS partners Brazil, Russia, India and China. From my meetings with a large number of South African business leaders, I know they are very willing to be part of Africa's drive for economic renewal – and they are putting their money where their mouth is. According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2018, South Africa was the leading African investor in the continent in 2017. Some US$7,4 billion was invested in the rest of Africa by South African companies last year.

In an article written for the 2018 World Economic Forum annual meeting Kingsley Makhubela, Chief Executive Officer of Brand South Africa points out that South Africa is in the unique position of holding membership to several multilateral fora. "As we take over the BRICS presidency for 2018 and as the only permanent African member of the G20, it is our responsibility to champion the case for Africa. Moreover, Africa's significance to our own economic future cannot be underestimated".

With AfCFTA gaining momentum there is certainly a case to be made for more investment.

UNCTAD estimates that the free trade area has the potential of boosting intra-Africa trade by 52 per cent. Most importantly, it will help African countries expand domestic productive capacity, climb up the value chain and diversify local production and export baskets by facilitating the transformation of commodity-dependent economies into exporters of more sophisticated, processed goods.

Opportunities are already opening up. The priority areas for free trade have been ratified in the agreement signed by President Cyril Ramaphosa and 48 other African heads of state as transport, communications, tourism, financial and business services. It is significant that three of the five are in the service industry – where the barriers to entry are lower than in manufacturing.

This month (August 2018) negotiations will start on protocols for investment, competition and intellectual property. The African Union assembly decision requires these protocols to be submitted to the January 2020 session for adoption. Schedules of tariff concessions and of specific commitments on trade in services are due to be submitted in January 2019.

According to TRALAC, the goal is for 90% of tariff lines to have a zero duty within five years (or 10 years for least developed countries). That is well within the planning horizon of most companies.

In short, the time for African business leaders to get serious about intra-African trade is right now – before multinationals recolonise the continent. It should not take another 55 years for Africa to win economic freedom.

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About the Author

Since July 2017, Nozipho Sithole serves as the first female Chief Executive at Transnet Port Terminals (TPT), South Africa's leading terminal operator responsible for loading and offloading cargo aboard vessels calling the seven South African ports. Sithole holds B Com, LLB Laws and MBA degrees and has held varying executive positions at Transnet after practicing law as an attorney at Webber Wentzel specialising in labour law, litigation and later – conveyancing. The emphasis Sithole places on strong work ethics, teamwork, accountability, speed of delivery and quality describe her leadership style. This Durban-born mother of two boys, is responsible for repositioning the TPT business as a facilitator of trade and among the world's top five in the next five years.

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