Gordon Institute of Business Science
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The potential impact of the African Continental Free Trade Area agreement on a regional service provider

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ABSTRACT

The advent of trade in services theory has been a developing research topic since 1980, where various factors are in place to determine trade flows and the impact of regulatory frameworks and policies. Services trade is an important contributing factor towards economic objectives and continues to drive development. With growth in services trade across the globe there is increased value in understanding the impact of the services sector on the African continent. The evolving reliance on services towards globalisation in low-income economies is proven to contribute significantly to gross domestic product. The African Continental Free Trade Area (AfCFTA) agreement was instituted to integrate economies by creating ease of access for the intra-trade of goods and services across the continent. This study aimed to explore the impact of the AfCFTA agreement on a regional financial services provider. The research followed a semi-structured interview methodology, which measured and tested the impact of the agreement on trade in services for this qualitative study. The results indicated that the service provider would adopt the AfCFTA agreement's requirements in the expansion of its operations, to establish services across the continent. Although the minimum number of countries required supported the ratification process, a lot of work is needed to develop and understand the effect of international trade, on the back of reformative policy changes such as the AfCFTA agreement.

Keywords: African Continental Free Trade Area agreement, financial services, trade in services, intra-trade, trade agreements

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy (International Business) at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

1.1 Introduction

The African Union (AU) has defined an agenda for 2063; a plan that is aimed at structural transformation, inclusive growth for members, and sustainable development (ICTSD, 2017). Part of the AU's objectives is to promote the integration of the continent and accelerate Pan-African trade to achieve socio-economic benefits that are of interest to the people of the continent.

The African Continental Free Trade Area (AfCFTA) agreement is an initiative by the AU to achieve their ambition for integration and intra-trade activity within the African continent. The formation of a single market is a vision that the AU has in pursuit of structural transformation. The AfCFTA agreement, as such, becomes a key programme and initiative to liberalise the movement of goods and services, creating free trade as a result. The requirements of this liberalisation rest on policy changes and the rigour required for implementation to take effect. The promotion of the AfCFTA agreement will have an impact on all activities, such as business that takes place on the continent. For one service provider, a South African financial services provider in particular, the AfCFTA agreement becomes an important cog in its strategy for driving growth on the continent that is still to reach its potential. The first chapter of this research articulates the significant role that services play in driving integration and trade activity. The chapter further expands on what determines trade in services, the barriers existing for trade in services, and the benefits of trade liberalisation. The chapter is summed off by an expansion to the AfCFTA agreement and the implications it stands to have for service providers.

1.2 Research Problem

Services are an important factor in economic development and are of growing importance in trade (Hoekman & Mattoo, 2002). With growth in services, there is increased value in understanding the impact of services as a sector in economic globalisation. The evolving reliance on services is changing within trade, as services contribute towards a third of gross domestic product (GDP) in low-income economies and modern economies benefit largely from services (Papageorgiou, Loungani, Mishra, & Wang, 2017). The growth of the services sector, as Connell (2014) articulated, is a growth and transformation factor that most modern economies should understand. This tradability of services promotes economic stimulation and development, and further increases the significance of trade in services. Although in practice there is growth and reliance on trade in services, much work is still to be done to develop and understand the effect of international trade on the back of policy change to services trade (Chen & Whalley, 2011; Staiger & Sykes, 2016); this as investment opportunities and the political economy affect international cooperation (Hoekman, 2006). Earlier contributions towards theories on services trade could only determine services rendered intertwined with goods as comparative advantage and not for services rendered as a standalone offering (Walsh, 2006).

1.2.1 Trade theory and its application to trade in services

The international trade theory supports the existence of trade among countries. It is well documented that international trade contributes to the economic participation and development of a country (Morgan & Katsikeas, 2015). As internationalisation continues to take place, international trade theories account largely and primarily for the trade of goods, with recent research focusing on the impact of services as a contributing factor to development (Reinsdorf, Slaughter, & Lipsey, 2013; Staiger & Sykes, 2016). The advent of trade in services theory has been a developing research topic since 1980, where various factors are in place to determine trade flows, the impacts of regulatory frameworks and policies, and the impact of trade in services towards productivity (Hoekman, 2006). Trade in services theory further unpacks the determinants of trade in services, barriers to trade in services, and the ability to adequately measure the impact that services trade has on GDP (Walsh, 2006). This research project used the theory of trade in services to test the impact of services trade on a service provider, and to understand the impact of barriers to trade towards a regional financial services provider.

There are significant barriers to trade in services that impact on service providers productivity (Baldwin, 2016), although some are based on theories applicable to a combination of trade in both goods and services. These barriers create restrictions to operate in markets and are often reflective of the country's political economy and state of legislative requirements (Maggi, Mrázová, & Neary, 2018). Other barriers to trade are introduced to deliberately regulate, moderate, and manage foreign service providers in direct competition with domestic providers, with the main aim of these barriers often being to protect and conserve domestic conditions while trying to create growth opportunities for domestic service providers (Beghin, Maertens, & Swinnen, 2015). Where barriers exist as a construct of protectionism, agreements such as free trade can be initiated to facilitate the movement of goods and services, while promoting growth of trade in services as a large sector that contributes to the economy (Dhingra, Ottaviano, Sampson, & Van Reenen, 2016). Free trade agreements are utilised within a regulated and controlled environment to spur greater mobility of goods and services (Hoekman, 2017).

1.2.2 African Continental Free Trade Area (AfCFTA) agreement implications for regional service providers

The AU introduced the AfCFTA agreement as part of its strategic efforts to integrate trade and form a cooperative agreement that aims to liberate and promote intra-trade activity across markets by reduction and removal of barriers to trade (Ismail, 2017). The agreement goes beyond trade in goods and includes trade in services (Ismail, 2017). The integration project, with the proliferation of trade, provides an exhaustive collaborative approach for regional Pan-African trade (ITC, 2018). The agreement is a concept developed by the AU to deliver intra-trade activity within the African continent (Ezeani, 2018). The current trade activity averages less than 2.6 per cent of global trade (Páez, 2013). The impact of the AfCFTA agreement on the African continent, where trade services contribution should be significant, is an underdeveloped topic that requires further enquiry (Ezeani, 2018).

Africa’s trade services restrictions are high in relation to the world average. This research project aimed to provide a unique opportunity to assess the potential implications of the continent-wide services agreement for a South African financial services provider. Export and investment decisions are factors that are influenced by barriers such as the regulatory frameworks and political stability in countries. A reduction in these barriers, through a continent-wide integration agreement should influence the way that this regional financial services provider operates and invests across the continent.

1.3 Research Objectives

The trade theory talks about the importance of services and the potential gains from services liberalisation. It highlights the different kinds of barriers to trade in services, and their effect on trade and investment. The theory further reveals how the AU is looking to remove these barriers to trade in services, through the AfCFTA agreement for regional integration, which will stimulate trade and investment in services. However, there is little done to understand the impact of services towards corporates and individuals in services, and their response to, and indeed benefit from, the trade agreement. The intention and objectives of this research was to ascertain whether there was a benefit for one of the largest financial services providers on the continent

1.4 Research Philosophy

Globalisation is an overarching area in literature that encompasses the integration of goods and services in world trade (Mutalemwa, 2015). According to Panda, Sethi, and Chaudhuri (2016), the growth of globalisation has seen the development of multiple trade related theories, where trade in services theory is researched as a theory for international trade. The gap in research is to determine the effect on international trade, of trade agreements, and the effect on services trade of a financial services provider. Furthermore, less is known on the influence of liberalisation and the measures of gains, in terms of distribution and associated costs of services trade. As such, the impact of the continent-wide services agreements on a regional service provider would provide a good test to contribute to trade in services theory (Hoekman, 2006).

An interpretivism philosophy was used to measure and test the impact of the agreement on how management makes decisions around trade in services for this qualitative case study of the regional financial services provider, as a major continental investor and trader. The approach of the study was explorative as a new phenomenon took place.

1.5 Conclusion

While globalisation takes place, the integration urgency on the African continent introduces the opportunity of ease of doing business through various forms or modes of supply. This research contributed to understanding the influence of the AfCFTA agreement on service providers. Furthermore, it aimed to understand how the effect of the ratification of the financial services provider and changes in the financial services provider’s approach would grow its presence further on the African continent. The value of this research was to enlighten and provide a practical scenario of the importance of policy creation, reformation, and change.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Chapter 2 begins with a review of literature on trade theory and its application to trade in services; defining trade in services and modes of supply. Barriers to trade in services and the effect of service agreements on trade in services are discussed. The impact of trade agreements on liberalisation is examined, and finally the AfCFTA agreement and its implications for regional service providers is deliberated.

The nature of the research on the AfCFTA agreement is exploratory, as the impact of trade in service agreements on a regional financial services provider is determined, along with the measurement of the financial services provider's export and investments.

2.2 Trade Theory and its Application to Trade in Services

Over time, services have become an important growth area in trade, which is evident in the contribution that services make towards growth and development (Hoekman & Mattoo, 2002). The increased value in trade and free trade agreements on services trade has necessitated further understanding of how services organisations' experience barriers, benefits, and gains of service agreements. The evolving reliance on services is evident, as services trade contributes one-third towards GDP in low-income economies (Papageorgiou et al., 2017), emphasising the relevance of this sector. The growth of services trade, as Ghani and O'Connell (2014) specified, is a growth and transformation factor for economies; most of which should attempt to understand and participate in services trade. Thus, the growth of services trade should be met with greater liberalisation efforts in order to increase its growth and market access capability for greater trade opportunities (Hoekman & Te Velde, 2017).

2.2.1 Defining trade in services

In 1995, the World Trade Organisation (WTO) defined trade in services, as it is currently known, as part of the General Agreement on Trade in Services (GATS); this demarcated the importance of services trade (Hoekman & Te Velde, 2017). The characteristic make up of services, according to Hoekman (2017), includes non-storability, which means services are difficult to quantify, monitor, and preserve. The definition of trade in services details one of the most recognised multilateral rules of international trade and introduces the different trade modes in which services can be supplied (Hoekman & Te Velde, 2017).

The WTO defined trade in services according to four modes of supply, which are principles of the GATS and, these modes cover cross-border activity, commercial presence through foreign direct investment, movement of service suppliers and producers, and consumption of a service abroad (Hoekman, 2017). The trade of services has been a growing phenomenon in research and a growing area in international trade (Papageorgiou et al., 2017). In relation to the recognition of trade of goods, the trade of services has continually been found to contribute positively to growth as a key economic contributor towards global trade; the exchange and delivery of an intangible commodity traded among buyers and sellers is the reason why trade in services is paramount to any economy (Papageorgiou et al., 2017). According to Hoekman and Te Velde (2017), trade in financial services has to date had an unequivocally positive effect on economic growth and development in markets such as Kenya. This has necessitated research to understand the wide span effect that services trade fosters, and which results in economic transformation, bringing about high levels of skills that directly influence growth and development (Hoekman & Te Velde, 2017).

The trade of services represents an increasingly important value add to productivity that varies with the different services types, such as financial services, professional services, computer and information services, construction services, and technical services (Breinlich, Soderbery, & Wright, 2014), given that some services are priority sectors compared with others. As Briggs and Sheehan (2019) articulated in their paper on services trade liberalisation and economic growth, the importance of trade of services in international trade links to liberalisation, and in markets such as the Association of Southeast Asian Nations (ASEAN), the growth experienced is as a result of the direct link between liberalisation and the growth of services trade. Liberalisation agreements require improved access and mobility; therefore, most priority sectors, such as financial services and telecommunications, require greater liberalisation efforts as the removal of restrictions (for financial services) creates an opportunity for funds to be used and invested in various ways, to the benefit of the consumer (Hoekman, 2017).

The global output of services trade represents two-thirds of trade; hence, services trade is important to policymakers looking to increase participation and productivity

(Briggs & Sheehan, 2019). While the promotion of services trade is important to developing and transitional economies (Briggs & Sheehan, 2019), the determinants of services trade lie in existing factors that govern the productivity of services. These are factors such as geographical similarities and distinctions, the size of the economy, market accessibility, barriers to trade, various intra-trade agreements and political influence, and/or interference and instability (Cole & Guillin, 2015). These factors are among a host of other determinants that play a significant role in the productivity of services trade (Cole & Guillin, 2015).

In the promotion of services trade and the productivity of services is met with different determinants in each sector; this has resulted in different commitments being made to accommodate the existing modes of supply (Karam & Zaki, 2013). The trade of services is a separate and multifaceted area in trade, different to goods trade, due to its intangibility (Karam & Zaki, 2013). Services trade also has various commitments, such as the number of determinants for trade performance and participation (Karam & Zaki, 2013). The complexity of trade agreements is such that the different commitments required are not readily available and clear from the inception of trade agreements (Beghin et al., 2015). The negotiations that take place are complex; several commitments and negotiations have to occur as part of the process (Beghin et al., 2015). What is common in most trade negotiations is a staggered approach of liberalisation and commitment; this approach allows for greater consideration of the different priorities due to the varying degrees of impact that exist in each sector (Cole & Guillin, 2015).

Services thus result in greater contributions to GDP, employment opportunities, skills growth in low-income countries, where all these factors contribute towards greater GDP output, creating a positive impact and increased growth from service related activities (Hoekman & Mattoo, 2011). This process takes place at a rapid rate in relation to trade in goods, notwithstanding that trading services are to be found as influential as trading goods, where the production of goods requires services (Hoekman & Mattoo, 2011).

2.2.2 Determinants of trade in services

The unique nature of services is that they are intangible, and this affects their tradability (Cole & Guillin, 2015). The determinants of trade in services are thus dependent on the service offered, the mode in which it is offered, and the composition of the service offered (Hoekman & Mattoo, 2011). For trade agreements, the determinants of services trade are based on the input level of the services, such as the production of new equipment, as well as the design, research and development services that go into the production of the tangible equipment (Hoekman & Mattoo, 2011). In addition, these determinants are assumed by the number of obligations taken on by the specific sector (Karam & Zaki, 2013). The availability of the commitments by mode means that service determinants should be specific to the members when determining what obligation to apply (Karam & Zaki, 2013). As such, the determinants of services is based on the different sectors provided for, and with varying barriers applicable to the different determinants, such as the distance between member states in pursuit of bilateral agreements on trade (Christen, 2012). Other determinants to trade in services include factors such as time zone, geography, culture, history, and politics (Egger, Francois, & Nelson, 2015).

As Hoekman and Shepherd (2015) explained, the determinants of trade in services find an open market and foreign direct investment to be major factors in the participation of countries, organisations, and people.. Determinants such as regulation and technology infrastructure are also imperative towards productivity and aid in the effort to create a commercial presence by a cross-border foreign entity, as well as prompt a natural person to apply their service skills cross-border (Hoekman & Shepherd, 2015). As determinants of trade differ, for services, econometric analysis can determine the most significant determinant per service sector negotiated (Stern, 2002).

In services trade, the various inputs become determinants, particularly in the negotiation of free trade agreements (Cole & Guillin, 2015). There are also more pertinent determinants to services trade, these relate to economic factors and variables that are significant to trade agreements (Hoekman & Te Velde, 2017). Other determinants are the geographic disparity between potential trade partners, which remains an important determinant as distance between markets contributes to costs and logistical considerations (Hoekman & Te Velde, 2017). This determinant contributes to any inherent country competitive advantages; as part of trade negotiations the determinant informs which sectors are prioritised (Hoekman & Te Velde, 2017). What remains, is the importance of services not only to the productivity of other services, but services in the production of goods (Hoekman & Te Velde, 2017).

2.2.3 Modes of supply

As trade in services takes on different modes, the GATS creates policies that maintain guidelines for services (Hoekman, 2013). These policies allow for ease of access to markets (for member states) and for the establishment of agreements to facilitate commitments by countries for the benefit and proliferation of services (Hoekman, 2013). The GATS also participates as a moderator in the negotiations of the member states, promoting market access and the use of technology among other development-based initiatives (Antimiani & Cernat, 2018).

Trade in services are delivered in four modes as defined by the WTO's GATS (Landau, 2010). These modes of supply are:

- *Mode 1: Cross-border*: A consumer purchases a service from another country (information and communication technology);
- *Mode 2: Consumption abroad*: The consumer crosses the border to consume the service (tourism industry);
- *Mode 3: Foreign investment into a country of interest*: The establishment of the service provider in another country for service consumption (investment by a financial services provider); and
- *Mode 4: Sending employees cross-border to work*: Individuals travel across-borders to provide a service (services rendered by a foreign person in another country) (Cole & Guillin, 2015).

The modes of supply are important to the services industry as they detail how countries, organisations, and people can apply cross-border services (Christen & Francois, 2017). This is especially important because there are various forms of establishment and consumption of services that can be realised in different forms, such as foreign direct investment (FDI), transferring skilled staff to provide for services, and establishing a presence in a foreign country (Christen & Francois, 2017). Thus, the various tools available for an organisation and people depend on the applicable strategy, risk appetite, and the knowledge available to the organisation and people, in applying the various modes at will (Christen & Francois, 2017). The impact of supply modes means that to support the promotion of economic activity and participation, a concerted effort in liberalisation, with responsive free trade frameworks, needs to be in place, to encourage and stimulate the local economy in attracting cross-border interests (OECD, 2013).

The application of the modes of supply also present challenges, because each mode has its own restrictions and determinants, and as Van der Marel and Shepherd (2013) describes, liberalisation is not uniform, and has different effects on the provided modes and sectors. This presents a challenge for services negotiations that require information symmetry for liberalisation; should this be achieved, opportunities sought after will be defined after liberalisation efforts (Hoekman, 2006). In services liberalisation certain sectors experience a surge in exports and some of the sectors could be priority, as per the trade agreement; however, in other instances there is no statistically measurable data available to understand the impact of services trade and the contributions it has made to the domestic economy (Briggs & Sheehan, 2019). Since services are not uniform, priority sectors stated in trade agreements are of imperative value in the negotiation of free trade; in developing and other less developed countries, priority sectors such as the telecommunication and financial services sectors mandate reformative actions to allow for growth and investment (UNCTAD, 2011). The different modes of supply will also require unique reformative actions as the barriers to trade in services vary (Borchert, Gootiiz, & Mattoo, 2014).

The different modes of services present various restrictions in services trade and the removal of those restrictive barriers present several ways in which analysis on the impact of liberalisation can take place, to determine if there are any benefits to trade agreements (Briggs & Sheehan, 2019). In assessing the different modes, econometric models are used in instances where there are requirements in place to understand the impact of services liberalisation (Briggs & Sheehan, 2019). Analysis per service industry can also be through data collected via import and export activity, as well as other indices that present various data points, which allows for countries to understand and note what reformative steps need to take place to liberalise (Van der Marel & Shepherd, 2013).

Van der Marel and Shepherd (2013) articulated that the modes of supply for trade in services should not be limited to the GATS modes of supply, as other modes relate to any service input in the production of goods. This latest mode has created a further requirement to understand its impact on trade; in the production of goods, this mode exists to service the productivity of goods (Antimiani & Cernat, 2018). Mode five, as Antimiani and Cernat (2018) explained, is the ‘new’ mode, this mode applies to the exporting of services and is different to the four existing modes of the GATS; this mode’s unique attribute is that it attracts tariff payments.

The fifth mode is decisive in the facilitation of technological advancements and can be found in the manufacturing of specific goods, where services such as the design and research that goes into the production of a good are noted to attract tariffs (Antimiani & Cernat, 2018). Mode five of services is defined as services that are used in the production of goods; this includes services such as research and development, design, and engineering in the production of goods (Antimiani & Cernat, 2018).

2.3 Barriers to Trade in Services

The barriers to trade in services are restrictions that limit the flow of services (Briggs & Sheehan, 2019). These barriers can include factors such as mobility of people, foreign entry and ownership, and regulatory approvals before any activity can take place (Briggs & Sheehan, 2019). The barriers to trade in services may also lead to options such as switching the modes of supply as a response to the applicable trade barriers for the service offered, or to be offered (Khachaturian, 2018). Barriers to trade in services can further be defined as methods in place to either protect or restrict any supply of services in a country where there is a concerted effort by the country to protect and restrict certain activities (Borchert et al., 2014). The barriers to trade can inhibit and discriminate against foreign supply of services, which in turn can see reduced income and growth in the economy, as a result of reduced productivity in import and export proceeds generated (Briggs & Sheehan, 2019).

2.3.1 Types of barriers to trade in services

The reduction of barriers to trade can be a solution for transparent and clear trade principles; the GATS described the benefits as, the creation of just and equitable means for economic stimulation and tradability (Cole & Guillin, 2015). The GATS has further articulated the need for 'deep integration' which is centred around the removal of barriers to trade, in order to create market expansion and access, and fulfil this purpose through the removal of restrictions placed by regulation, legislation, and policies (Staiger & Sykes, 2016). All trade agreements set out reformative measures, which are intended to provide clarity and give guidance on the transferability of services across jurisdictions (Borchert et al., 2014). A country's professional capital and skills contribute to its strength and endowment and the transferability of this is important for trade practices (Borchert et al., 2014). This strength influences the competitive nature of a country and the negotiating terms in services agreements (Van der Marel & Shepherd, 2013).

As Cole and Guillin (2015) explained, one of the distinctions that make up trade in services is that services are not restricted by tariffs; they are restricted by market access. Antimiani and Cernat, (2018) stated that certain services attract tariffs, and as tariffs do apply to services, they become restrictions. Van der Marel and Shepherd (2013) described trade costs as another influencing factor in the delivery of services. Costs to trade are known to be prohibitive factors towards trade facilitation (Van der

Marel & Shepherd, 2013). In as much as legislative and regulatory factors act as well-known natural barriers to services trade, trade costs also contribute to the level of competitiveness or restrictiveness, the result of which is either to facilitate or produce goods and services (Aichele & Heiland, 2018; Manfred, 2018).

Regulatory rigour is important in enabling intra-trade activity (Heuser & Mattoo, 2017). The cross-border trade of goods and services often attracts multiple scenarios of barriers, where guidelines in regulation and policy will either account for the proliferation of trade, market expansion, and growth or for the missed opportunities and failure to participate in cross-border trade activity (Heuser & Mattoo, 2017). While barriers to entry and trade are dependent on the same regulatory requirements, other barriers include the infrastructure, technology, and trade facilitation processes, which all are unintended limitations in the facilitation of services trade (Balchin et al., 2016). The advancements of modern living and globalisation has created an important opportunity for trade, where market spaces necessitate the need for open and liberalised markets (Panda et al., 2016).

Borchert et al. (2014) stated that little is known on the effects of policies on services trade at an international level and scale; however, what is known relates to the requirements and commitments by countries that have to be made towards consensus on trade agreements. Service barriers and restrictions that impact on financial services providers (also referred to as banks) revolve around any limitations that exist in regulation and policy (Borchert et al., 2014). These limitations and restrictions are considerations that prompt the need for foreign ownership, acquisition, or licensing for a foreign bank to invest and trade across its own borders (Borchert et al., 2014). These restrictions impact the risk appetite framework by foreign banks and in certain markets these restrictions are intentional as they preserve and protect local banks from competing directly with larger banks, given the strengths some foreign banks may have (Borchert et al., 2014).

The modes of entry all have individual requirements and obligations in which restrictions and barriers exist, modes 1 and 3 require regulations and rules for the interaction of local and foreign service providers with local consumers (Borchert et al., 2014). The modes further present international guidelines that service providers are regulated by and for these to be in effect, the guidelines must be clear and acted upon by local providers (Borchert et al., 2014). For mode 1 there are guidelines in most instances on how cross-border trade should take place (Borchert et al., 2014). For mode 4 there is regulation around offering services by natural persons and these are covered by immigration regulations and sector specific requirements, such as certification to provide a service (Borchert et al., 2014). Given the simplicity of the modes, the difficulty stems from the negotiation around the commitments, as each country might have its own views around how to apply and use the commitments, to either support local business through restrictive measures and limit competition, or the opposite by introducing more entities into the country through removal of barriers (Borchert et al., 2014).

2.3.2 Barriers to trade for financial services

The financial services industry is one of the most regulated industries across multiple jurisdictions where financial regulations are created to protect and preserve the financial system of each country (Aggarwal & Evenett, 2017; Hoekman & Mattoo, 2011). This industry is imperative towards trade agreements and serves as priority on trade negotiations; however, this is because financial services enable all the other services and products to take place (Aggarwal & Evenett, 2017; Hoekman & Mattoo, 2011). The services resulting from financial inclusion are responsible for a stimulated economy that attracts investment across different sectors (Aggarwal & Evenett, 2017; Hoekman & Mattoo, 2011). The financial services industry is largely responsible for the inclusion and generation of organisations and people, notwithstanding the intricacies of the financial services industry when it comes to global regulatory standards and rigour (Aggarwal & Evenett, 2017; Hoekman & Mattoo, 2011). The rigour and scrutiny of the financial services industry is designed to preserve the industry, such that there is governance and overseeing by regulators, and that there is clear scrutiny of controls in place that manage financial services (Aggarwal & Evenett, 2017; Hoekman & Mattoo, 2011).

Even though financial services are regulated, evidenced by the different regulatory inspections that take place (Hoekman & Mattoo, 2011), services still experience fines and penalties levied against financial services institutions (Hoekman & Mattoo, 2011). These punitive measures, meant to reduce risks taken by financial institutions, are perceived as barriers to trade, and financial service providers are calculative on the environments in which they would set up operations (Hoekman & Mattoo, 2011). The regulations in place influence opportunities by financial services providers, due to appetite (Hoekman & Mattoo, 2011). Most economies and markets with a strong financial services sector result from regulatory prudence and strength (Hoekman & Mattoo, 2011). In setting up operations, financial services providers look towards these policies and regulations before a decision is taken; if policies promote clear principles and benefits for financial services, there is greater attraction to the market by financial services providers; however, if there is lax regulatory overseeing, this creates a barrier to trade (Hoekman & Mattoo, 2011).

The opaque nature of policies create service restrictions that service providers have to work out with policy makers, and in certain instances the openness of developing countries in certain sectors can create regulatory risks as a result of lax regulatory rigour, which is linked to the service trade restrictiveness index score (Borchert et al., 2014). The service restrictiveness score index (SRTI) is a measure of a country's restrictiveness based on policy application and effectiveness, and plays a critical role in depicting patterns on policy application across various sectors and countries (Borchert et al., 2014). However, it must be noted that SRTI only focuses on policy discrimination on foreign providers (Hoekman, 2017). The SRTI does not cover lost revenue as a result of corruption and negligent processes, such as border control and the customs process, this opportunity cost impacts cross-border trade (mode 1) (Hoekman, 2017).

The banking sector is impacted on three modes of supply namely, cross-border offering (mode 1), foreign investment into a country of interest (mode 3), and sending employees cross-border to work (mode 4) (Hoekman, 2017). These barriers to entry are high in developing and industrial countries, where services limitations and prohibitions exist due to regulatory, licensing, immigration and qualification standards restrictions (Hoekman, 2017). The modes are also important to consumers as access to these services directly influences consumers in the country of choice (Borchert et al., 2014). The restrictions faced by mode 1 and 4 require regulatory approval in most instances, as these services are highly regulated as they enable activity and participation for either natural persons or juristic entities, for which there is constant regulatory scrutiny and involvement to verify qualifications and license appropriately (Borchert et al., 2014).

To allow banks to offer financial services, governments maintain restrictions through regulation enforced by regulators (Borchert et al., 2014). The regulators measure prudential matters and put in place precautionary measures imperative for financial services organisations; these measures equip service providers with prudent controls, such as adequate capital allocation, which should be in place for banks to operate (Borchert et al., 2014). The prudential measures placed provide the regulator opportunities to oversee controls and further limit the exposure banks have in the economy (Borchert et al., 2014). This is also true for the number of products and services banks can offer; banks must measure and conduct due diligence to protect the local market from volatility and exposure introduced by foreign banks operating in the local market (Borchert et al., 2014). The restrictions by local regulators can be used as a management tool that foreign banks have to apply in operating its products and solutions, which are in line with the country's requirements and needs (Borchert et al., 2014). In certain countries, the respective regulators go as far as approving appointments on management staff, which conveys the regulators' control over the banks operation (Borchert et al., 2014). This requirement is used to drive and improve local skills by exposing domestic employees to management principles brought by foreign banks and retaining intellectual property generated by the bank without compromising the domestic economy (Borchert et al., 2014). Other initiatives include the training of locals to become senior management of the domestic entity/subsidiary/branch so that domestic interests stay at the heart of the foreign bank operating in the market (Borchert et al., 2014).

2.4 Service agreements and trade in services liberalisation

According to Hoekman (2006), the contribution of trade in services was not always the economic contribution it is understood to be today. Research and work around understanding the economic benefits of trade in services started increasing from 1980 (Hoekman, 2006). To date, literature has grown significantly in order to understand the determinants, impact, and contributions of trade in services (Hoekman, 2006). The growth of services trade, as it is also known, is part of growth in productivity that global markets have found to be important economically, and continues to contribute towards global GDP; this case shows the dominance of trade in services across various markets (Hoekman, 2006). The growth of trade in services reflects improved global awareness, participation, and a mature global market, which are the result of thorough understanding by participating markets (Papageorgiou et al., 2017). The study by Hoekman (2006) concluded that benefits from trade in services and liberalisation agreements are considerable towards trade theory. Given the importance of services, the result has been global growth and production (Hoekman, 2018).

Further studies by Hoekman and Shepherd (2015) links trade in services and liberalisation to increased economic activity and development, so long as the barriers to trade are minimised and/or removed. Since the tradability of services promotes economic stimulation and development (Papageorgiou et al., 2017), the significance of trade in services must be met with a liberalised market place in which the market conditions increase services trade participation; in turn, the benefits are ease of conducting business (McGuire, 2002).

To benefit of liberalisation agreement and the removal of barriers to trade, the requirements in place by trade agreements should revolve around any restrictions that hinder on the benefits (Imbruno, 2016). These require guidelines and policy changes which will contribute to encouraging growth and development (Imbruno, 2016). The role of liberalisation agreements is to develop integration among countries, and to structurally create a consistent integration framework across diverse countries and markets where development opportunities are high (Asongu, 2015). The removal of restrictions as a benefit, encourages market integration which is an opportunity of growth and investment for investors and other stakeholders (McGuire, 2002).

Low-income and under-developed countries are then required to have well-developed and robust integration policies in place that promote pro-liberalisation efforts (Asongu, 2015). In order to attract foreign direct investment (FDI) and other investment opportunities in different sectors (spill-over effect), there must be significant economic development that attract new markets seeking entities and corporations (Asongu, 2015). The importance of structural reformation for most African countries is that policy plays a critical role in the same way that economic and political stability is required to attract intra-African trade activity (Asongu, 2015). Furthermore, the services sector should be recognised as a growing contributor across economies and to be functional to operate at a global level (Asongu, 2015).

2.4.1 Trade in service agreements

Services trade formed an integral part of the Uruguay round of trade negotiations where the WTO discussed the General Agreement on Tariffs and Trade (GATT) (Briggs & Sheehan, 2019). The GATT and the GATS were defined and signed in 1995 for implementation (Briggs & Sheehan, 2019). While the GATS was less known and understood, implementation mandated trade liberalisation, where the trade liberalisation agreement would form part of the Doha round prioritised by the WTO (Briggs & Sheehan, 2019).

Trade in services liberalisation for the African continent, where services trade activity is growing, is a focus of all governments on the African Continent, including the AU (Hoekman, 2017). Services trade has experienced significant digital transformation through information and communication technology, and the internet of things provides access to cross-border facilities, this reduces the time it takes and the distance between a provider of a service and their respective consumer (Hoekman, 2017). The digital transformation requirements for the exploitation of opportunities need to have infrastructure in place for services trade (Hoekman, 2017). In liberalisation efforts, countries that have developed infrastructure and sound corporate governance will enjoy benefits such as employment opportunities, which are a consequence of growth in the market (Breinlich et al., 2014). The effects of liberalisation are the introduction of competitors that will likely benefit the local economy and consumers, the existence of competition drives better output of services and pricing, and becomes a lot more favourable to the customer (Ishikawa, Morita, & Mukunoki, 2016).

As liberalisation strengthens and integrates trade, the African continent's integration efforts are only picking up now (Hoekman, 2017), and its global value proposition requires concerted effort in facilitating trade; the trade of finance, information, and investment will add value to the benefits available to an integrated market (Hoekman, 2017).

2.4.2 Trade in services negotiations

The WTO has identified six benefits for services liberalisation (Heuser & Mattoo, 2017). These include economic activity and performance, the development of the local economy, consumer savings and access to services that are superior in value, access to innovation, transparency and stable expectations, and lastly transfer of technology (Heuser & Mattoo, 2017). Notwithstanding these benefits, the workings of trade in services negotiations requires considerable input and deliberation in order to get meaningful input and outcomes (ECA, 2017). The complexity in negotiating services requires that there be a checklist against which countries can be measured throughout the negotiations (World Bank, 2009). This checklist enlists a roadmap where scoping, planning, preparing, conducting, implementing, and supplying form part of the aim to which all responsible stakeholders will account and measure progress (World Bank, 2009).

There is vast complexity in the negotiation of trade agreements since inception, due to the inherent nature of trade agreements, services in particular have been found to be a challenge on the negotiations (World Bank, 2009). Trade in services negotiations thus require a map that details a plan of action and incorporates all factors that have to be accounted for in the negotiation steps (World Bank, 2009). In the strategy map, the preparations of the negotiations include any part of dialogue that is vital to the objectives of the negotiation; financial services are a priority sector to AfCFTA agreement (World Bank, 2009). The negotiations include stakeholders such as:

- Government and government agencies;
- Public and private associations;
- Private stakeholders, who are normally individually affected; and
- Customers, who are affected end-users of the agreements (World Bank, 2009).

The negotiations will result in the creation of conduct, rules of engagement, and dialogue, providing clarity on the impact of removals, amendments, and initiation of new policies (World Bank, 2009). As expected, service trade negotiations' procedures are not uniform (World Bank, 2009). The objectives outlined in the checklist will contain important steps and areas that require concession; however, with the flexibility apparent, the main objectives, integration and removal of restrictions/barriers, should be priority, similar to the priority sectors (World Bank, 2009).

The benefits derived as a result of liberalisation lead to a stimulated economy where access to markets, technology, and inclusion, are contributing factors to trade activity and important principles for the process to follow in the negotiation plan (Batuo & Asongu, 2015). The impact of prospective liberalisation is aimed at the promotion of economic activity and access to resources (Asongu, 2015). This is usually the case, due to factors such as regulation, corruption controls, and a stable government administration that will create growth and either a positive or a negative economic outlook (Asongu, 2015). Liberalisation agreements require operational efficiencies before any measure to test their effectiveness can take place (Batuo & Asongu, 2015). These operational efficiencies should be contained in the services plan, as detailed in the implementation manual (World Bank, 2009).

The gains of liberalisation relate to the relationship between political stability, trade policies, and micro- and macro-economic factors (Kollmeyer, 2015). Other gains resulting from forming a part of liberalisation include expansions across borders, creating a comparative advantage as a service provider, and productivity, among other factors such as financial inclusion benefits (Liu, Qiu, & Zhan, 2017). The value of liberalisation is that members of the agreement get favourable collective bargaining solutions, where in the past this access to services would have been difficult to attain (Saggi, Wong, & Yildiz, 2019). The impact of liberalisation is often measured through the general equilibrium model/framework, as the framework captures the intersect of a market and links that to the economic performance (McGuire, 2002). The assessment, as a result of this framework, looks at the policies put in place by the trade agreement (McGuire, 2002). The impact of prospective services liberalisation is also measured through the gravity model (Nordås & Rouzet, 2015). However, these measures of services negotiations are not limited to the econometric models (World Bank, 2009). In the creation of services trade negotiations, considerations in formulating a request or offer provide countries with potential benefits of liberalisation, supplemented by the scenarios raised as concerns, and any regulatory changes and reformations that require mediation (World Bank, 2009).

As Nordås and Rouzet, (2015) states, the potential gains to be derived from trade are increased if the countries from where organisations are importing and exporting come from liberalisation. The gains are as a result of market access, which is aided by improved conditions in the country (McGuire, 2002). Other gains are greater use of income to get more value added services, reduced mark-ups of services, and greater tradability (Aichele & Heiland, 2018). The description of services should include the actions taken if there are existing bilateral and multilateral agreements (World Bank, 2009). An overarching trade agreement should complement what is currently in existence due to the size and consultations in place between member states (World Bank, 2009). These considerations are imperative to dialogue and consensus among all stakeholders in the negotiation of trade agreements (World Bank, 2009).

2.5 AfCFTA Agreement Implications for Regional Service Providers

The inter connectedness of markets has created a global dependence among countries (Baier, Bergstrand, & Mariutto, 2014); this process of interconnectedness has seen the proliferation of trade among countries and increased trade agreement' requirements (Baier et al., 2014). To eliminate barriers and provide for principles around the legality of international trade (Baier et al., 2014), trade agreements become a formal process in which governments establish rules, guidelines, and norms on arrangements and engagements for economic participation (Baldwin, 2016).

The AfCFTA agreement is such an agreement; an intercontinental agreement in place for regional integration with the aim of accelerating economic growth and coordinating trade to achieve structural transformation as part of the AU's 2063 agenda (Ismail, 2017). The AfCFTA agreement aims for greater liberalisation and for the fair and equitable cross-border movement of goods and services (Manfred, 2018). The formation of this agreement is aligned with the AU's single market vision and becomes the first step in establishing trade agreements that promote multilateral participation for trade growth, and benefit across all AU member states (Manfred, 2018).

The AfCFTA agreement also aims to boost intra-African trade through the elimination of barriers to trade, given the growing need for regional integration (Mold, 2018). Africa to date has one of the lowest intra-regional trade volumes across the world (Mold, 2018). The integration efforts stand to create a market where services and goods could be offered to Africa's population of one billion; thereby, creating a potential combined GDP of $2.6 trillion, making this ratified agreement the biggest trade bloc in the world (Doss, 2019). However, Africa is least integrated and developed, and is marred with high barriers to entry and lax regulatory rigour in frameworks, creating one of the lowest intra-regional trade disparities in the world (Mold, 2018).

2.5.1 AfCFTA agreement in terms of trade in services

The AfCFTA agreement comprises three frameworks of which a protocol on trade in services is included (ITC, 2018). The trade in services protocol contains an outline of general requirements that are yet to be negotiated, on the basis that negotiations must first determine liberalisation models for services trade. The elimination of barriers that exist in the trading of services is the responsibility of trade ministries of the AU and member states, who are tasked to develop schedules and models for services trade (ITC, 2018). With no uniform definition of services, the World Trade Organization's (WTO) definition applies (ITC, 2018); four modes of supply to determine which method is applied by organisations, people, and governments in cross-border trade of services (ITC, 2018). This is not different to the way in which services are defined in the AfCFTA agreement (ITC, 2018).

The WTO adopted a sector-based classification model in adherence with the different commitments made under the GATS (ITC, 2018); these sectors determine the trade agreements discussed and from where they derive (ITC, 2018). To negotiate for trade in service agreements, it will be imperative for trade ministers negotiating for the liberalisation of services to align their approach to the existing principles and structures outlined by the GATS (ITC, 2018).

The alignment between the AfCFTA agreement protocol and GATS clarifies the similarities in descriptions and applications (ITC, 2018). These similarities relate to the definitions of the modes of supply, measures of trade in services, impact of trade in services, supply of government services, and availability of air services (ITC, 2018).

These similarities aid in the structuring of the protocol on services trade; existing practices such as barriers to services trade will be constants and are thus consistent across existing regional economic communities and agreements (ITC, 2018).

The protocol of trade in services objectives is critical in the AfCFTA agreement's articulation and communication of trade in services (ITC, 2018). The objectives set out are as follows:

- Increase competition of services by:
    - Creating economies of scale,
    - Reducing cost,
    - Increasing intra-trade connectedness, and
    - Accessing of resources, trade instruments, and facilities;
- Create sustainable development through the Standardisable Development Goals (SDGs);
- Improve foreign direct investment and domestic investment;
- Promote liberalisation of services trade through equitable, balanced, and mutually beneficial relationships;
- Remove barriers to trade in services and liberalisation according to GATS Article V, which states the importance of export services within the conservation, through rigour in regulation;
- Create complimentary scenarios between services sectors and the trade environment;
- Enhance communication and dialogue through private and public sectors, inclusive of government, to understand the importance of services to markets; and
- Allow for research and development, and the proliferation of technology for the development of the economy (ITC, 2018).

2.5.2 AfCFTA agreement negotiations

The negotiation of the AfCFTA agreement will be no different to how other trade agreements have been negotiated (Tralac, 2018). Albeit the AfCFTA agreement is a new agreement there are comparisons to similar trade agreements within the African continent (De Melo & Tsikata, 2014). These agreements cluster regions such as the South, East, and West (De Melo & Tsikata, 2014), and these sub-Saharan communities have regional integration agreements such as the; Economic Community of West African States (ECOWAS), Central African Economic and Monetary

Community (CEMAC), Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC), where there are overlaps in membership (Crawford & Fiorentino, 2005).

The negotiation of the AfCFTA agreement's trade in services protocol requires an understanding of intra-African trade and to which current trade blocs countries belong (ITC, 2018). The scope and mandate in place provide an ability to map out trade service commitments currently in existence (ITC, 2018). The considerations made would be to understand what sectors are defined as 'W/120' and if these form part of the current trade bloc's liberalisation efforts (ITC, 2018).The AfCFTA agreement protocol would ideally compliment these regional economic communities' trade commitments, and negotiate equitable access to member states for the same benefit (ITC, 2018).

The services agreement protocol requires an outline of duties and responsibilities that any member states would be required to adopt in the negotiations (ITC, 2018). The AfCFTA agreement lists these as Articles 4 to 7, which breakdown areas of responsibility, and are to be followed by member states to successfully adopt the protocol on services trade (ITC, 2018). The articles detail prescriptive measures on which member states must negotiate, which includes removing anti-competitive practices, creating dialogue and mutual recognition of licensing and certification standards, transparent information disclosures, and lastly increased involvement by member states to benefit (ITC, 2018). These measures have an ultimate goal of liberalisation; member states are urged to take a proactive and measured approach on the liberalising of service sectors to boost intra-Africa trade (ITC, 2018).

2.5.3 AfCFTA agreement's impact on services sector

The service sector for the African continent constitutes over 50 per cent of GDP across multiple countries; however, this significant contributing sector remains low on intra-trade activity on the African continent (ITC, 2018). The UNCTAD (2017) stated that the potential impacts of the AfCFTA agreement include:

- The creation of a larger market for African products;
- Cost advantages related to accessible materials and inputs;
- The creation of global value chains related to improved market conditions;
- Movement and access to goods and services;
- Diversification of resources and skills offering;

- Structural reformation on multiple trade agreements;
- Intra-African trade and investment; and
- Greater access to innovation, technology, and infrastructure.

The impact of trade liberalisation has short- and long-term effects; short-term being adjustments made to the trading of services, resulting in increased competition from new and foreign providers (Saygili, Peters, & Knebel, 2018). The long-term impacts include competition and efficiencies that benefit end users such as customers (Saygili et al., 2018). The AfCFTA agreement, as a new agreement, is yet to be tested against its aim; however, bilateral and multilateral trade agreements have, in the past, contributed to lowering costs, resulting in greater access to services and in turn affording customers an array of variety and choice (Saygili et al., 2018). Given these factors, Africa experienced these various trade agreements between regions, with intra-Africa trade still low in comparison to how efficient and operational other trade agreements, such as NAFTA and WTO within other blocs, have been (Hartzenberg, 2011).

To assess the impact of the AfCFTA services agreement, there needs to be clarity and understanding of the immediate gains and losses that are derived from the agreement (UNCTAD, 2018). The impact will inform the structure and negotiations on trade in services (UNCTAD, 2018). While the benefits of trade agreements are clear, their removal of barriers related to goods are also clear; whereas, the impact of services and the removal of specific barriers to services trade require an understanding of the services and inputs required for downstream offerings (Saygili et al., 2018). Services are intangible and so regulation, the political economy, and distance between markets should be noted as potential impacts that services agreements would require; specifications and clarity on workaround should benefit members equitably (Kolcava, Nguyen, & Bernauer, 2019).

To any trade agreement, there are positive and negative consequences that affect countries (Saygili et al., 2018). The negative impact around trade agreements centres around the generation of income from taxes and tariffs, which are of interest as they contribute significantly to GDP; lowering these costs impacts directly on GDP (Saygili et al., 2018). The positive impact of the AfCFTA agreement is around boosting intra-trade activity for all countries and members regardless of infrastructure development issues and concerns (ECA, 2017). Other inherent impacts relate to the countries' profiles, the trade structure, and current strengths such as trade facilitation (ECA, 2017). These factors contribute to understanding the effect and impact of trade agreements (ECA, 2017).

Trade agreements require in-country policies that are complimentary in nature (ECA, 2017). As services contribution is significant, trade negotiations should have significant scope in highlighting the impact and importance of services, as services go beyond themselves (ECA, 2017). The trade of goods also requires upstream and downstream input by services, thus in manufacturing of goods, the tariffs that apply in the production of goods would be ideally low if there is liberalisation efforts in place (ECA, 2017). For member states of the AU, policy adaptation and application in turn becomes a critical success or failure factor, as liberalisation of services is as important to the development and integration of economies (ECA, 2017). The impact of services is thus justified for all products and services, given that products and services rendered are inherently influenced by the use of services (ECA, 2017).

2.6 Conclusion

According to theory, the relevance of trade in services in global output of trade is dependent on the trading of services (Hoekman, 2017). Services are critical towards growth and development, and with the introduction of free trade agreements, services can continuously contribute to welfare gain (Baier et al., 2014). The removal of barriers to trade is well understood for trade in goods as its linked to tariffs and taxes related to goods trade, whereas for services trade, regulation and infrastructure account for the majority of service-related barriers that exist (Karam & Zaki, 2013). Services trade and free trade agreements are imperative for the proliferation of trade and increased participation by countries negotiating trade agreements.

CHAPTER 3: RESEARCH QUESTIONS

The purpose of the study was to test the existing theory on trade in services empirically, along with the potential benefits of service liberalisation. The study also aimed to extend the application of this theory, specifically to a financial services provider, in the developing country context, and understand the impact of the AfCFTA agreement on its operations.

3.1 Main Research Question

The main research question (RQ1) asked: What is the reason for the export of services from the large South African financial services organisation, and identify the determinants of trade in services in the target countries?

The research instrument asked the following questions in an attempt to answer the main research question:

i. In which countries does your organisation operate and offer services?
ii. Why does your organisation operate in those countries?
    a. What business format does your organisation operate in, in those countries? (branch / joint venture / wholly owned subsidiary)?
iii. How do you sell your services in these countries?
iv. In what format have you established a presence?
v. Why have you established presence in this format?
vi. What informs your decisions to operate?
vii. Why do you trade differently in different countries?
viii. Is there a reason why you opted into this agreement?

3.2 Sub-Questions

The four sub-questions follow, with the corresponding research instrument questions.

3.2.1 Research Question 1.1 (RQ1.1)

What impact will the AfCFTA agreement have on regional service providers and the increasing importance of trade in services?

i. Are you aware that African countries are negotiating a free trade agreement that will cover the entire continent? Yes/No
ii. Are you aware that this agreement will include negotiations to make it easier for financial services providers to invest and trade across the continent? Yes/No
iii. In what ways could your large South African financial services organisation benefit from an agreement that reduces and/or completely eradicates barriers to trade in goods and services across Africa?
iv. In what ways could large South African financial services organisations' operations be affected if it became easier to offer services from South Africa across the continent?
v. What threats or risks could there be for large South African financial services organisations if it became easier for other African banks to invest and trade across the continent (including South Africa)?

3.2.2 Research Question 1.2 (RQ1.2)

What are the main barriers to trade in services that the large South African financial services organisation faces in exporting its services, or investing, in other African countries?

i. Are you aware of any barriers that exist in exporting of services or investing in other African countries/markets? Yes/No (if yes, please describe)
ii. Are there specific barriers that prevent or limit your organisation from operating in other African countries/markets? Yes/No (if yes, please list)
iii. Do you understand the ways in which the ratification of the AfCFTA agreement will remove existing barriers to trade in services? Yes/No (if yes, please explain)

3.2.3 Research Question 1.3 (RQ1.3)

What potential gains could the large South African financial services organisation be exposed to if the AfCFTA agreement succeeds in lowering these specific barriers?

i. In what ways might the AfCFTA agreement benefit your organisation?
ii. Are there specific gains/benefits that your organisation might derive from the agreement? Yes/No (if yes, please explain how these gains might materialise)

iii. What specific actions would be necessary for your organisation to achieve these gains?
iv. Does the removal of barriers to exports of services and investment rely on the ratification of the AfCFTA agreement? Yes/No

3.2.4 Research Question 1.4 (RQ1.4)

In assessing the AfCFTA agreement, is the large South African financial services organisation satisfied that the expected reforms will support its plans for rolling out its services across the continent?

i. Is your organisation involved in AfCFTA agreement discussions, internally and externally? Yes/No (if yes, please describe)
ii. What could/should your organisation do to ensure that it is able to use and derive benefits from the AfCFTA agreement?
iii. Is the AfCFTA agreement aligned with your organisation's strategy in rolling out its services across the African continent? Yes/No
iv. How will the AfCFTA agreement support and/or improve on your organisation's plans to roll out its services?
v. In what ways would the AfCFTA agreement make things different?
vi. Are the expected changes as a result of the ratification of the AfCFTA agreement in line with your financial services institution's strategic objectives and operational model? Yes/No (if yes, please list changes)

The survey questions associated with each research sub-question required further probing, which necessitated a degree of dialogue between the researcher and the interviewees.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The aim of this chapter is to outline a detailed method of approach that was followed for this research project, which tested the research questions in Chapter 3. The research project followed a qualitative method to interpret and understand the impact of the AfCFTA agreement on a large South African regional financial services provider. The qualitative method of research required the triangulation method of data collection that mandated the use of semi-structured interviews, literature reviews, and publicly available information, the results of which are presented in Chapter 5 and discussed in Chapter 6.

4.2 Choice of Methodology

The research unpacked a detailed method of approach that tested the correlation between trade in services theory and the AfCFTA agreement on trade in services through the research questions. The research questions aimed to test and understand the relationship between trade in services theory and the impact of trade agreements on the financial services provider, through triangulation of data from interviews, literature, and publicly available information. This was in line with the methodology as available literature assessed the determinants to trade in services, the modes of supply, and the main barriers experienced to trade in services. These principles were tested against the current investment and trading operations of the financial services provider. The interviews were with individuals involved in driving strategy; the decision-makers of the financial services provider. The interviewees articulated how service providers understand and react as a result of trade agreements; in particular how a financial services provider deemed the impact of the AfCFTA services agreement in the management of their operations.

The contribution of the research was to trade agreements in services trade and trade theories. It is unlikely that the impact of trade agreements in developing countries across Africa has been fully tested, and this trade services theory has not been applied to financial services providers and how they apply the AfCFTA agreement. The research approach was to openly identify and analyse trade in services factors and their influence on the decision-making process for a financial services provider, while also making deductions on the impact of the AfCFTA agreement towards the service provider. The research philosophy, approach, method, design, strategy, time horizon, and technique required a qualitative inquiry that sought to understand the introduction of a new approach. As such, an interpretivist philosophy, where exploratory research explored a developing phenomenon, was suitable for this research (Saunders, Lewis, & Thornhill, 2016).

The research problem identified required a triangulation methodology, testing validity by use of three data methods. The methods tested the impact of the agreement on trade in services for the financial services provider. The steps applied for triangulation included:

- The use of available literature to assess the main barriers to trade in services; how those barriers affected trade and investment decisions; and how financial services providers were likely to respond to the removal of those barriers through services negotiations and liberalisation;
- A description of the financial services provider's current investment and trading operations across the continent, based on secondary data from the financial services providers reports and other sources within the organisation;
- Observations around where and how the financial services providers conducted business on the continent and the reasons therefore; and
- A further exploration of the elements, through interviews with individuals involved in making decisions around how the financial services provider enters and trades in different African markets, the main barriers it faces, and how it would most likely respond if certain types of barriers were reduced or removed entirely.

This explorative research was conducted over a three-week period, using semi-structured interviews with a list of research questions articulated for the participants to provide responses to. These participants are involved in managing country operations and/or are responsible for making strategic decisions around the countries the financial services provider would enter and operate in, or not enter at all. The questions (Appendix A) asked in the semi-structured interviews required the participants' understanding of key emerging issues, which the research linked to the literature and theory explored in Chapter 2 of this research report.

4.3 Philosophy

The research followed an interpretivist philosophy as interviews were carried out to determine the interests of respondents towards proposed reformative steps. As interviews were the preferred instrument for sourcing qualitative information in this research, this was triangulated with literature. The interpretivist measures interpreted the theoretical variables discussed in Chapter 2 and the outcomes from the interviews. This approach allowed for a methodological link between the research problem, literature, and the developing phenomenon through theory, based on similar types of agreements and interviews. Data constraints limited the sourcing of data against which to test literature on the developing phenomenon around trade in services; this limitation prompted the use of a case study. As developing theory on trade in services has prompted further enquiry, the impact of trade agreements in services were tested for a financial services provider that trades in services. The interpretivist purpose also aimed to understand new interpretations of theory against current changes (Saunders et al., 2016). The interpretative nature of this research allowed idealistic constructs from literature and knowledge generated from respondents, to understand the outcome of developing theory on an existing theoretical concept. The approach to test the research objectives required triangulation of literature, secondary data, and semi-structured interview data. As a result, knowledge was generated and constructs created, showing a relationship between the impact of a phenomenon and service providers. With new insights sought, the qualitative approach, analysis identified and mapped, unequivocal links emerged between literature, theory, and results (Saunders et al., 2016).

4.4 Approach

An inductive approach for this research study aided in providing context to documented data, and established associations between the research problem, objectives, and the information obtained during interviews. This approach enabled the determination of associations between the research problem and results from interviews. The inductive approach for this qualitative study followed a straightforward evaluation, focusing on analysing research findings in relation to the research problem, without the limitation of structure that is often present in other methodologies (Thomas, 2006). The inductive approach applied insights gained from interviews and created clear connections between the research problem and objectives. The results of the research could contribute to academic theory on trade in services, and was substantiated by the information discussed in the results and discussion chapters.

4.5 Purpose of Research Design

The purpose of this research project was based on explorative measures aimed at analysing the connection between trade in services and service agreements in a financial services provider. Explorative research undertook to understand an area that had not been fully developed, and explain the limitations. In pursuit of this approach, a review of secondary data took place which included understanding the financial services providers strategy among other research means such as interviews. The data and information collected was reviewed against currently available public data. The results were synthesised to understand the research problem and respond to the research questions (Saunders et al., 2016). Given the case study, an in-depth understanding of changes made by the financial services provider was tested against any changes made because of the trade agreement. However, with limitations on data that surveys trade services, an explorative approach of interviews allowed for data gathering on the impact on, and amendments to any decisions and strategies taken by the financial services provider (Saunders et al., 2016).

The explorative study guided the process of understanding and gaining insights into the 'what' and 'how' of trade agreements. This process explored a new concept in a unique market and its impact on the current environment and decision-making processes (Saunders et al., 2016).

4.6 Time Horizon

A cross-sectional approach was used for this research, given the research objectives and allocated time. The research aimed to study a new concept in a unique market and environment, within a specific period, and concluded on the impact of the concept.

4.7 Research Methodology and Design

The exploratory research design was based on a financial services provider that operates in over 20 African countries. A descriptive analysis of the regional service provider and patterns of trade in services is provided in Chapter 5. The academic enquiry on developing areas in trade was tested against the financial services provider's operations across the continent (Saunders et al., 2016). The semi-structured interview design provided the respondents an opportunity to engage with the research questions and respond with insights according to the function they perform for the financial services provider. The respondents explored all functional benefits and concerns experienced in trade and compared these experiences in financial services, to barriers to trade as a service provider in the service sector. This was concluded with an in-depth exploration of benefits derived and concerns experienced as a result of the financial services provider offering products and services.

4.8 Population

The population of this research study consisted of various functional senior managers of the financial services provider, and other management who were tasked with setting strategy for trade by the service provider. The respondents contributed towards the financial services operations across the African continent. In total, 11 people were interviewed, the interviews covered various themes in the questionnaire where it was important to understand the level of impact that trade in services had in managing operations across the financial services providers operations.

4.9 Unit of Analysis

The unit of analysis included respondents in the trade finance, research and economics, regulatory advocacy, risk, and operations management teams. The selection of respondents was based on their roles as management responsible for the development, rollout, and execution of strategy. This included the management of the financial services provider’s subsidiaries in their present countries. The respondents also provided management capability in country operations, and supported the in-country management of operational responsibilities through group strategy and guidance.

4.10 Sampling Method and Size

The research sample was a targeted selection of respondents; this included senior management employees of the financial services provider. The selection was based on the responsibilities, experience, knowledge, and functions of the roles. The respondents were tasked with formulating and executing strategy on Bank requirements, their role involved advisory and execution on subsidiary operations. The non-probability sampling approach was followed for conducting research interviews with respondents employed at one organisation. The non-probability sampling interviews allowed respondents the flexibility to respond and be tested on theory. The semi-structured interviews were limited to the financial services provider, where applicable, senior management delegated interviews to other employees who understood management of in-country operations (Saunders et al., 2016).

4.11 Measurement Instrument

The measurement approach of the research was through the collection of primary data through one-on-one interviews with the respondents. The semi-structured interviews covered four themes (business model and rationale, barriers to trade in services, potential impact of liberalisation, and strategic engagement and response), where follow up questions related to the themes were included to allow for an open and engaging conversation for data collection and analysis. Other questions included where to delve further into understanding the themes, and what the respondents understood as part of the overall research objectives.

The interviews all took place face-to-face, except for one interview, which took place via conference call. The basis of face-to-face interviews was to form a relationship with the respondents and get the respondents to form a constructive measure and to provide insights beyond the scope of the objectives; however, the analysed feedback was in line with the objectives of the study.

4.12 Data Gathering Process

The data gathering process of this case study was facilitated through interviews where dialogue took place between the researcher and respondents/participants. The location was comfortably setup, where a recorder was used after consent from the respondents/participants. The semi-structured approach better enabled variation between the questions and the current operations at the financial services provider. The semi-structured standard questions were elaborated on by follow up questions included during the interview process. Given the exploratory nature of the research design, a semi-structured data gathering process allowed for an in-depth interview process that probed contextual understanding of the background to the research problem presented.

4.13 Data Analysis

The data analysis, for exploratory measures, of the in-depth interviews, where the participants/respondents were asked open-ended questions. The sample size analysed and tested the dependent variable, while understanding the relationship between the research problem and the research outcomes identifying any relationships between the literature and the research problem.

4.14 Limitations

Limitations to the research included available data on the service sector, and prohibitions by the financial services provider on disclosure of proprietary information. Other limitations were the different implications of the respondents' understanding of negotiations on trade in services; the respondents fully comprehended barriers that exist for goods; however lacked such knowledge for services. Further limitations included data quality issues, which prompted that the study focus only on one financial services provider. The researcher's bias was also a limitation, having had prior engagements with a number of the respondents, there were areas of interview bias. However, there was credibility, reliability, and dependability of the respondents and their provision of responses.

The data collection provided for limitations of trade in services, which included:

- The determinants of trade in services;
- Safeguarding of sensitive information not covered as part of the disclosure agreement;
- Country restrictions on trade (restrictions versus protectionism); and
- Full extent of benefits and costs associated with liberalisation agreements.

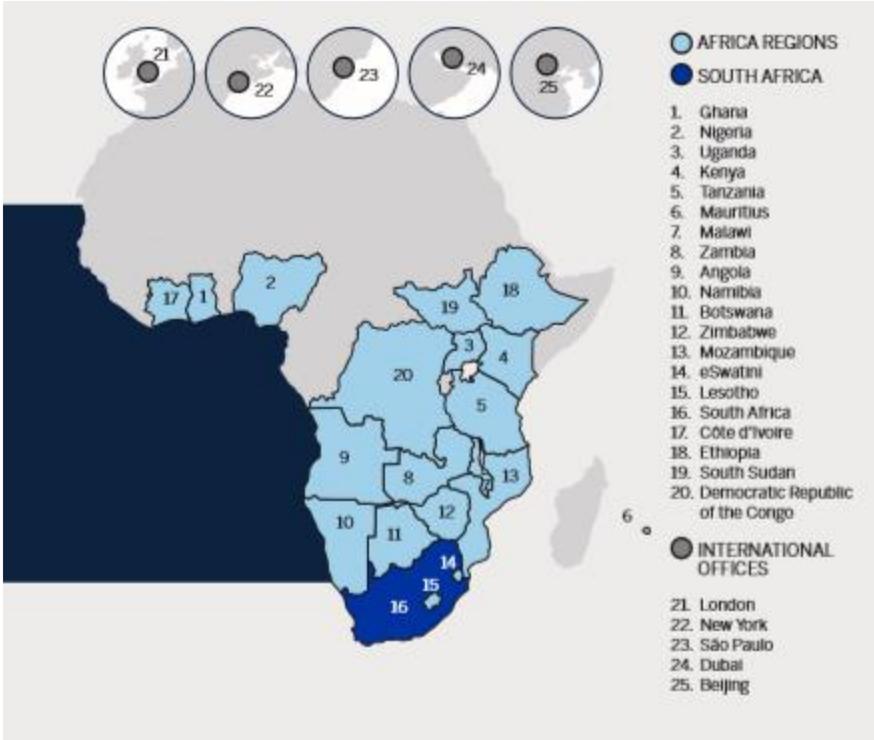
CHAPTER 5: RESULTS

5.1 Introduction

This chapter is presented in two sections; the first describes the financial services organisation and analyses the financial services organisation's operations across different markets and its operational setup in those markets. The second discusses the survey results and the identification, exploration, and analysis of data. The results, in relation to the relationship between trade in services and trade agreements are described. The data was obtained from one financial services organisation through semi-structured interviews with respondents. The response rate was 100 per cent, as the respondents were targeted for the roles and functions that they perform within the services organisation. The respondents managed the financial services provider's strategic functions and influenced operational decisions across the continent.

5.2 Description Analysis: A Large Financial Services Organisation

This research focused on one of the continents largest financial services providers. The service provider, hereafter also referred to as the Bank, is head quartered in South Africa and has a large footprint across the African continent. This financial services provider operates in over 20 African markets (see Figure 1) with an employee compliment of over 50 000 employees. The Bank also has registered offshore entities to offer clients the opportunity of products and services related to its offshore offering. The financial services provider operates under a registered banking license and trades on the Johannesburg Securities Exchange in South Africa. The subsidiaries of the Bank are also regulated and licensed within the confines of domestic regulations and operate their respective licenses in the banking, insurance, and securities sector.



(Note: Ethiopia is a representative office)

Figure 1: Bank operations and countries

Source: The Bank (2018, p. 23)

The financial services provider is hugely influential and has vast assets and exposure to the African continent; it is the largest bank on the African continent (King, 2019). The large financial services provider has a wide variety of products and services that include corporate banking, retail banking, investment banking, global markets, securities, and wealth investments (see Figure 2). The Bank with its operations in 25 markets is directly focused on the African continent, with the aim of developing and growing the African continent through its strength in balance sheet and astute business capability.

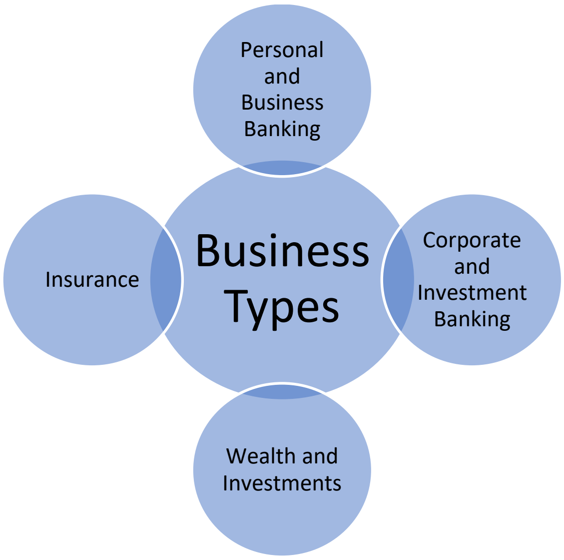


Figure 2: Business types

Source: Adapted from The Bank (2018)

The Bank has various business models in which it sets its operations across the continent. The majority of these operations are wholly owned entities that are controlled as subsidiaries of the Bank. Other entities registered under the Bank's name initially started as joint ventures with domestic banks in those markets. In any environment where the Bank has subsidiaries, the Holding structure would have control over shareholding, which would result in either the Bank holding 100 per cent ownership of the subsidiary, or having over 51 per cent of the shareholding of the domestic subsidiary (see Figure 4). The Bank's primary focus on sub-Saharan Africa has been part of their ongoing strategy; since 2013 the Bank has been able to sell off its interests in emerging markets, to largely focus on becoming an African bank, with an Africa focused strategy aligned to the prospects and growth of the continent.

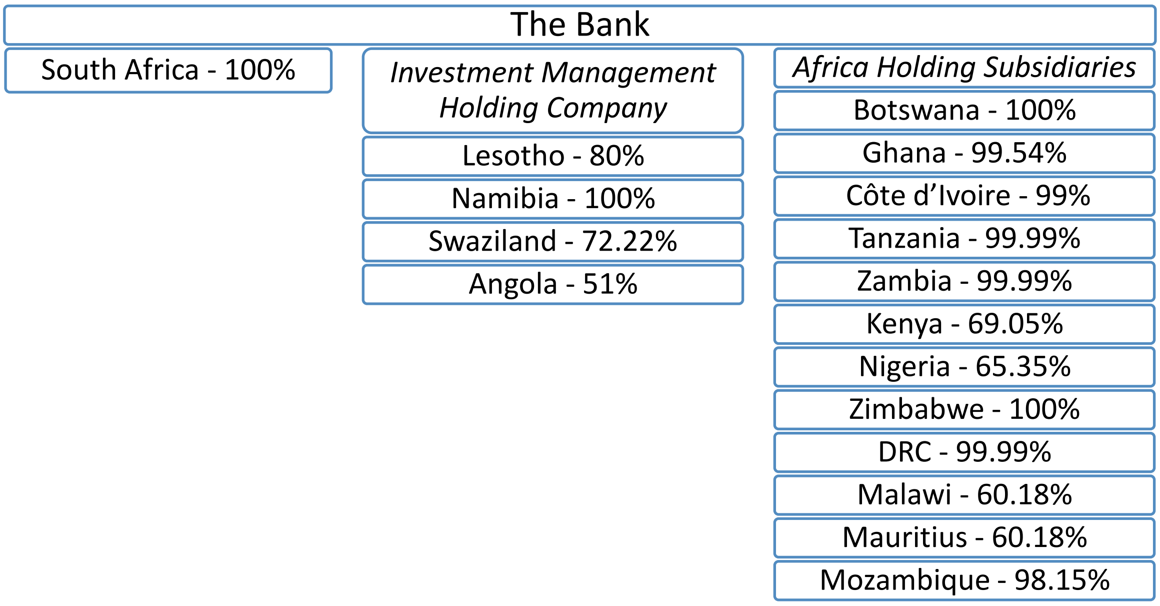


Figure 3: Bank ownership structure

Source: Adapted from The Bank (2018)

The Bank has been operating on the African continent since the early 1990s, expanding into various African markets when route to market opportunities presented themselves. The most recent subsidiary of the Bank in Côte d'Ivoire was established after the Bank was transformed from a representative office to cater to the growing Francophone West African Economic and Monetary Union (WAEMU) region. The subsidiary aims at targeting growth expected in West Africa, which has been dominated by European Banks, as a result of the close ties to Europe.

As part of the Bank's strategy, leveraging off the growing needs of the African continent and setting up a presence in markets with great growth potential are some of the efforts aimed at increasing the growth of the continent to match other parts of the world. The Bank is intent on its growth strategy and aims to see off the potential of the African continent.

5.3 Survey Results

This section presents results from the semi-structured interviews that were conducted at the large financial services provider. The interviews conducted were of 10 experienced managers of the Bank with roles in the management of the Bank's operations in South Africa and the African countries entities (see Table 1). The participants are directly and indirectly in charge of driving strategy, operations, and management of the Bank, and the activities that the Bank has on the African continent.

Table 1: Respondents business unit

Business Unit	Number of respondents
Trade and Transactional Products & Services	5
Economic Research	1
Regulatory Advocacy	1
Risk	1
Finance	1
Personal and Business Banking	1
Compliance	1
Total	11

To test the main research question, which is highlighted in Chapter 3, a qualitative research study was conducted to understand the potential impact. The research was conducted on 11 respondents, where one respondent was a preliminary test interview to gauge the efficacy of the semi-structured interviews. From the 11 respondents, 10 respondents met the criteria of selection, which entailed having direct and indirect responsibilities of driving the strategy and operations of the Bank's operations across the African continent. Of the 10 participants, four participants perform a bank function, meaning that their roles and responsibilities are focused on all markets where the Bank has an operation. The remaining six participants perform Africa region related roles and responsibilities from Johannesburg, which requires them to extensively support and participate on matters relating to the direction, operation, and performance of the Bank's subsidiaries. The findings of this research are directly related to the research questions stated in Chapter 3.

The findings are summarised into four themes, business model and rationale, barriers to trade in services, potential impact of liberalisation, and strategic engagement and response. These themes are substantiated as key contributors to the research questions, given the relationship between the themes and the overall research question.

5.3.1 Business model and rationale

To understand how the financial services provider exports its services to the African continent, and the method it chooses on how to trade in each market. The respondents were asked questions in order to determine how the financial services provider trades in services and the differences in each market. According to all the respondents, the financial services provider has a model and rationale in how its approaches each market (see Figure 4).

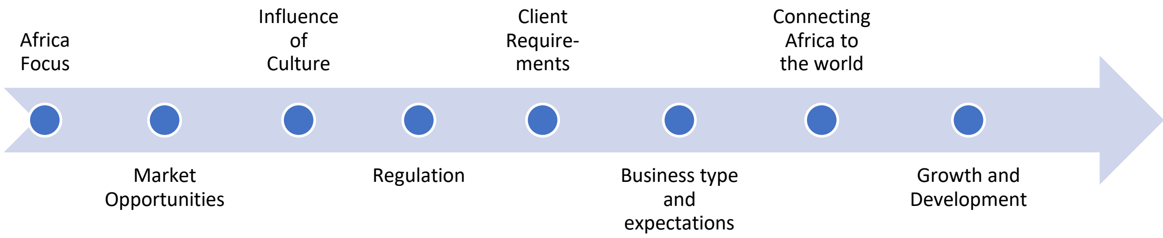


Figure 4: **Business model and rationale**

Source: Author's own compilation (2019)

The Bank's business structure (see Figure 5) to operate on the African continent is driven by its strategy to focus on the African continent. The Bank has its objectives to drive growth and value across the African continent by unlocking economic opportunities on the continent. The Bank wants to connect Africa, and the opportunities that exist, to the rest of the world, as the preferred banking partner to all clients across the continent.

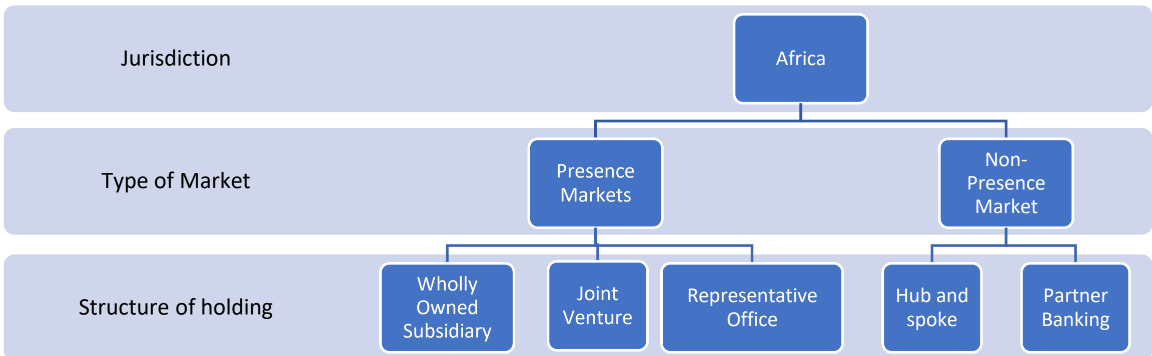


Figure 5: Business structure

Source: Author’s own compilation (2019)

The Bank’s subsidiaries are split into three business functions; one focused on personal and business banking (PBB), the other on corporate and investment banking (CIB), and the last being wealth and investment. These various functions of the Bank are set up to facilitate client requirements for each market (see Table 2).

Table 2: PBB and CIB functions per country

Country	Personal and Business Banking (PBB)	Corporate and Investment Banking (CIB)
South Africa	✓	✓
Angola	✓	✓
Botswana	✓	✓
Côte d'Ivoire	×	✓
DRC	×	✓
Ghana	✓	✓
Kenya	✓	✓
Lesotho	✓	✓
Malawi	✓	✓
Mauritius	×	✓
Mozambique	✓	✓
Namibia	✓	✓
Nigeria	✓	✓
South Sudan	✓	✓
Swaziland	✓	✓
Tanzania	✓	✓
Uganda	✓	✓
Zambia	✓	✓
Zimbabwe	✓	✓
Representative offices	×	×

Source: Adapted from The Bank (2018)

These business functions have their own processes, which require extensive capital expenditure. The Bank makes a choice as to which functions to offer; PBB requires a brick and mortar branch service capability to rollout and enable facilities. This approach, as one respondent stated,

> *… is the preferred option by the Bank as a practical banking model to developing client relationships across the markets. It's also important given the underdevelopment in many of the markets there is subsidiaries, clients can access the branch and, in the case, where there is technology constrains it is easier for clients to bank at the branch.*

It also emerged from the respondents that given the cash management process in most markets, where chequebooks and hard currency are used, the branch setup is favourable to enable clients to bank. Some limitations in the markets, mean that the PBB business model will require high setup costs. In the CIB business model, the Bank is able to create a small operations, which is not as capital intensive as the other business formats. Most respondents stated that, if there is a strong corporate client base, the Bank starts with CIB and later expands it to include retail banking. One respondent articulated that the decision to operate differently depends on the skills available in the country, and if regulation applies in moving and importing skills from other markets.

The Bank uses these business functions (see Figure 6) to cater to the market demands. The business function needs to be in line with the Bank's risk appetite, and clients are serviced through a relationship manager and/or an account executive/manager. The relationship management model is product agnostic and sales teams will offer solutions available by the subsidiary from the already documented and approved Bank products. These products are sold according to the availability in the market, as such if there is a client request for a solution, this facility and capability must be available from the subsidiary to offer the product.

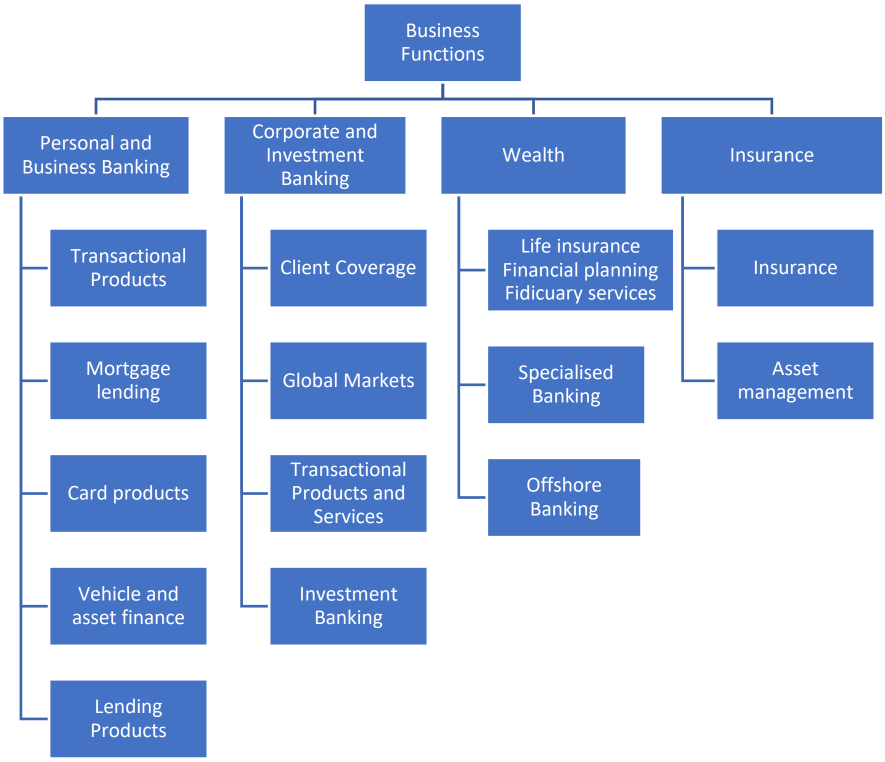


Figure 6: Business functions and products

Source: Adapted from The Bank (2018)

The Bank, prior to its Africa focus, held several subsidiaries and operations across various emerging markets. The decision to sell-off the emerging markets business was as a result of subdued economic activity and saturation in most of the markets by larger financial services providers. A decision was therefore taken to sell the emerging markets business to other shareholders. As a result of the sale, the Bank has been able to hold a significant view on Africa's growth potential, and views the subsidiaries of the Bank as truly pan-African banks in multiple jurisdictions. The Bank has also been deliberate in how it operates on the African continent by solely focusing its subsidiary operations across specific markets on sub-Saharan Africa.

The reasons the Bank has decided on sub-Sahara Africa is purely based on the cultural proximity it has on the continent as well as that a cultural diversity perspective, the countries in sub-Sahara Africa have closer ties to the continent, where there are opportunities and interests for pan-African trade. In comparison to European Banks, the Bank has been able to set up subsidiaries in countries that have close ties with and operate within the context of Africa. However, many of the respondents stated that this is changing as the Bank has been able to setup a new subsidiary in Francophone West Africa, where it has a legal entity in Abidjan, Côte d'Ivoire. The Central Bank of West

African States, which is one regulator that oversees eight countries under its membership, regulates the Côte d'Ivoire legal entity. The aim of creating a new subsidiary in Côte d'Ivoire was to facilitate growing client demands in the West African community and further competing with European Banks who currently have a stronghold on the market given the close ties between Europe and West Africa. Areas where the Bank has not been able to create operations are throughout North Africa. From a religious perspective, these countries are closely tied to the Islamic and Arabic, Middle Eastern communities, inclusive of trade that takes place.

A few respondents also noted that where clients seek new market opportunities, the Bank will take a decision to either follow a client into the new market and/or partner with a local bank to be able to service the client using its partner bank model. The decision to operate fully as a subsidiary of the Bank in a new market is often because of market conditions, where there are great opportunity projections and growth is expected in the market. The decision to form a subsidiary is an extensive one where the Bank will consider factors such as regulation, demographics, client needs, and requirements specific to the market.

The Bank has always used this model and rationale to enter into new markets; however, there have been exceptional cases where the Bank was approached by governments and regulators. An approach by regulators would be for the Bank to take over a domestic bank that did not have the capital adequacy requirements to operate. The Bank would buy out the domestic bank with the idea of rebranding it under the Bank’s Africa region naming convention, and having majority shareholding and hence controlling power. The Bank would scope current market requirements to provide support and service to existing clients, and create risk appetite requirements, where current clients are risk rated, to understand if they are in line with the requirements of the Bank’s risk appetite. The Bank operates in a market where there is sound corporate governance, regulatory certainty, and political stability for them to initiate expansion to countries of interest.

The request by governments to operate and establish a subsidiary relates to government’s concerns on the financial services sector and the stability provided through sound banking principles. If local banks go into administration and/or receivership this creates a risk to the market and the financial sector. The 20 markets wherein the Bank has operation currently accounts for 88 per cent of sub-Saharan Africa’s GDP, which is line with the Bank’s vision for Africa’s growth.

In non-presence countries, the Bank can partner with a domestic bank to create a partnership. The partner Bank model also has effectiveness where the Bank does not have immediate plans to expand into a market, because of market demands, regulatory regimens, and the Bank's risk appetite. Most of the respondents also stated that the Bank's decision to follow clients to market, is based on the Bank's ability to multi bank clients across all the jurisdictions in which the client has operations or a presence. As this client-led structure is used, the Bank considers the balance sheet of the client and aims to understand if there are potential spill overs to other areas in the market from which the Bank and the client can benefit. The approach of client services across various jurisdictions creates client centricity and knowledge of requirements in the country. This approach is however contingent on regulation, due to the various risks such as concentration risk in a market. In other cases, risks such as regulation, where regulators do not allow foreign banks to hold licenses in their jurisdiction, the regulator might insist on partner banking with a domestic bank to create efficiencies.

In the case where licensing is a restriction and a barrier to entry, the Bank upon regulatory approval can create a 'hub and spoke model' where a domestic representative office exists in the market. The representative office does not fulfil its requirements as a bank or a subsidiary; however, as a client contact centre it would then book facilities for clients on any of the Bank's subsidiaries' balance sheet. This is to service clients using the hub and spoke representative office model. The Bank has also been able to set up portfolio banking through the representative office, which allows the Bank to sell solutions and service clients on the balance sheet of the subsidiaries of the Bank. For this approach, the Bank scopes and analyses the market, making an informed decision on the market conditions before setting up.

As a result of this barrier, the Bank has been able to create a representative office in Ethiopia where it is run using one subsidiary of the Bank's balance sheet for its business. Many of the respondents are of the view that should the Ethiopian government and its regulator agree to offer foreign banking licenses, the Bank would initiate a process of applying for a banking license in the Ethiopian market. The Ethiopian market is of importance to the Bank and is deemed a priority market in the Bank's expansion across the continent; notwithstanding, Ethiopia's regulation is a barrier to the Bank.

A few respondents also articulated that the Bank has global exposure in other parts of the world such as New York, Dubai, London, and Beijing. These representative offices are ideally placed in these financial hubs to ensure that there is extensive cover to the

Bank and for the Bank to be able to provide adequate representation and exposure to international markets. The Bank uses these hubs to introduce investors to the African continent and drive the continents value proposition. The Bank's competitive advantage in this case is to be one Bank across various jurisdictions, attracting the need for clients who ideally want a multi-bank approach across the Bank's network of subsidiaries.

Other considerations that all respondents spoke of was the rationale of the Banks presence in the African market, which revolved around the variations of establishing a wholly owned subsidiary in the country. The Bank approaches all its business with either a wholly owned subsidiary where the management and board of directors are in control of the Bank. However, the Bank has also been able to establish subsidiaries through joint ventures with domestic banks where the domestic bank would subsequently be branded and named under the Bank's Africa naming convention. For all the joint ventures, the Bank has a majority shareholding for voting rights purposes. This is done for effective and practical management control and decision-making. In all markets, as all the respondents stated, the subsidiaries are run as independent legal entities, which are registered and regulated with the hosts' domestic regulatory bodies. The respective legislation and regulations would apply, and the bank's management in the jurisdiction run a decentralised business, where autonomy on decisions are taken by the domestic management team.

In summary, the Bank's decision to operate across the continent is based on the strategy. The rationale of this is to follow clients to market and determine what services to offer in those markets depending on the market needs. One respondent stated:

> *So, we take going into a new market kindly. We go about it in a way whereby if there's an opportunity, and if the opportunity is client-led, so it's our client base, who's asking us to go into the market to support them, then we do that.*

Any client-led decision to operate in a new market, must involve understanding the size of the market, the strength of the client, the client requirements in the market, and the local appetite, along with other opportunities that exist outside of the client. The Bank's rationale must include the client's presence in the market, and the existence of a sizeable market share to back the commercial setting up of the Bank. If the commercial benefit exists, the Bank also looks at the different business models in order to support the client appropriately.

5.3.2 Current barriers to trade in services:

The Bank faces various barriers to operating and trading across the African continent. The barriers to trade for a services organisation differ and depend on the service offered and the service type. For financial services providers the different barriers are not only limited to services provided by financial services providers, but also impact on other sectors and segments. The role that banks play in services is such that their offering cuts across various products and services to clients; if client's experience any barriers and restrictions towards their operations, these in turn affect the Bank and become limitations for the Bank. The trade in services experiences these various barriers and there are no limitations to the numerous service segments given the various modes of supply applicable.

Some barriers to services include the political economy, the jurisdiction with its restrictions, market conditions, and other prescriptive barriers. The respondents all agreed that they are aware of multiple barriers that exist to trade in services. The barriers as indicated by respondents, apart from those listed above, are included in Figure 7.

Barriers											
The cost of services	Tariffs costs	Exporting processes to markets	Taxes related to products and services	Lack of infra-structure	Draconian legislation and regulators	Efficiency of custom and port services	Manual processes	Theft and smuggling of goods and services	Repatriation of investment proceeds and dividends	Work permits and visa applications	Culture

Figure 7: **Barriers to trade list**

Source: Author’s own compilation (2019)

Given that services extend beyond themselves, there is a greater effort by trade agreements to understand the benefit of lifting any barriers that exist to trade in services. Experience has shown that in negotiating services trade, a great deal of effort goes into understanding the various barriers that exist. As it stands, the ease of doing business on the African continent is unique when it comes to operating. Given the growth opportunities reported by various institutions, such as the AU, the International Monetary Fund (IMF), and the World Bank, many factors exist that influence the opportunities noted. These factors are primarily underscored by politics and the political landscape of the country. The influence of politics is perceived as interference by investors, which creates high entry barriers, high set up costs, and can result in barriers to the movement of goods and people. The barriers introduced by politics can extend to obstacles in creating good corporate governance.

Barriers faced by the bank:

In services trade, the respondents stated that the jurisdictions in which the Bank operates require country understanding in order to trade. This country specific requirement has resulted in the lack of uniformity across operations because of differences in regulation and policies. The AU and its member states aim to integrate the markets through the creation of policies that are productive and conducive for trade, to be applied across all jurisdictions. The respondents understand the importance of government in leading any regulatory and policy changes that enable trade. The steps are to create operational efficiencies for trade and improve on productivity. The barriers highlighted by one respondent focused solely on culture. Given the diverse cultural dynamics where the Bank operates, two neighbouring countries close to each other are often so distinct that the cultural differences and political environment are respectively unique. The barriers created by culture means that the Bank must create organisation specific principles and values, which should create cultural homogeny in line with the Bank's values; implementing these values requires changes to be driven by the subsidiaries. Subsidiary management will be tasked to drive and implement Bank values and address any cultural differences that create limitations and barriers for the Bank to operate efficiently. Management will not only be tasked with achieving the overall strategy of the Bank, but also driving the corporate culture as part of the strategy of the Bank. One respondent stated:

> *As I always said, the best way for nations to have good relationships with each other, is to trade with each other. That's why India and Pakistan every once in a while, try to create trade with each other, because that's*

one of the best ways to get people close one another. And to my mind, increased trade with Africa is one of the ways we can address some of the more socio-political issues that we are facing.

All the respondents noted that the Bank has been able to operate across the continent and experienced political interference and instability in certain markets, which is a cause for concern in the rollout of the Bank's strategy. The nature of politics, according to the respondents, is such that they influence the economy of a country and this affects investor confidence in the market. In order to protect the economy, one responded stated that in the AfCFTA agreement, there must be reformative action and steps in place to insulate and protect domestic markets from any of the political dynamics that play out in the economy. The majority of the respondents noted that investors look to countries where the ease of doing business and repatriation of proceeds invested is fully supported, understood, and documented by government. This process is one of the complexities that the AU will have to address in creating an inclusive continental trade agreement as the respondent's state.

The operating environment, as a barrier for the Bank, presents both an opportunity and a challenge in that, the certain conditions plagued with political and regulatory risk creates an opportunity for the Bank to influence good corporate governance in the country. However, the risk presented creates uncertainty in investors and inherently becomes a barrier that cannot continue to exist in the continent. This high barrier to entry influences financial services as a positive contributing sector towards the economy; notwithstanding that the financial services sector is one of the most regulated industries globally. The inherent risk of financial services is insulated with regulatory rigour aimed at protecting the financial services system where there are prudent measures in place for the sector. The function of regulatory rigour is to control and remediate any of the systematic risks that exist to operate as a financial services provider.

In order to balance the influence of inherent risks, there is great emphasis on removing the impact of political influence towards the economy of a country. This influence could interfere with how financial services are offered, and the regulatory framework and landscape in which the country operates. The removal of this barrier would create a clear regulatory environment where principles for operations are limited from interference caused by political influence and interference in the market. The regulation as a result should be in place to protect the financial system from any volatility experienced in pan-African trade. In most markets, all the respondents noted regulatory rigour as both an enabler and a limitation to growth, depending on its use and application.

From a banking perspective, banks not only apply domestic regulation to their operations, but also adhere to the requirement of applying supranational regulation, to ensure that domestic measures in place are equal to protect both the domestic market and the international market. This supranational standard provides specific controls that are commensurate across markets, to create consistency across all jurisdictions in order to operate according to international standards. Where there are gaps in legislation domestically, the benefit of applying international standards and regulation is that the controls in place would positively affect the domestic market. However, if there are gaps domestically and no application of international standards, this creates a barrier for the Bank as international bodies and regulators will institute punitive measures against the Bank due to its operating in risky environments. The Bank could be de-risked through financial exclusion measures in those countries.

The Bank is also faced with the need to constantly adoption digitisation in its processes. However, digital methods in certain countries lack the infrastructure and in certain instances go against regulatory requirements such as having a brick and mortar operation. In applying digitisation, the Bank can convert branches into digital methods of servicing clients; whereas some regulators require the Bank to invest in infrastructure, such as brick and mortar establishments. The challenges presented have meant that in some areas, the Bank has had to discontinue its brick and mortar presence by closing branch premises and offering digital means of accessing services. In undeveloped parts, this creates a barrier for clients to access the Bank's services if there are limitations in network and telecommunication facilities, which are required for the Bank to offer services through digital means.

Should domestic regulators deem it fit for the Bank to proceed with digitisation, it is then able to create a retail branch network, where the Bank can roll out its digital footprint in providing access services for clients. The infrastructure challenges that hinder the strategic imperative of offering digital services requires that the Bank has other means of support for its clients. Given the technological advancements, it has become unnecessary, in certain cases, for the Bank to spend capital on maintaining brick and mortar facilities because the current proliferation and use of technology goes beyond branch reach, convenience, and output.

Given that service trade across the African continent is low, there are inefficient processes in place to determine the full extent of services trade. However, this process is compounded by lack of thorough understanding of service trade and the limitations in place. The existing measures lack data and therefore countries and the AU cannot process and determine the full impact of importing and exporting trade in services. This complexity has created concerns across the trade environment due to the lack of clarity; the trade environment has also created informal service markets. This lack of infrastructure is a large barrier experienced by banks, exporters, and importers trading across the markets.

Barriers faced by the clients

The African continent is known for complexities, such as a tough operating environment where setting-up business requires extensive knowledge of the market and capital. The high entry barrier noted by all respondents included current gaps in infrastructure, communication, and regulation. The Bank is also faced with barriers that affect its clients, and there is a relationship between the barriers faced by clients and those the respondents deem applicable to the Bank. In articulating the barriers the faced by the Bank, the respondents also shared their concerns on barriers their clients face in operating across the continent. The respondents listed barriers faced by clients similar to those that apply to trade in goods. With trade in goods, many of the respondents understood the various barriers applicable to trade in goods, better than they understood those applicable to trade in services. This limitation from the respondents saw many of the barriers the respondents noted as applicable to the Bank, as trade in goods.

As a financial services organisation, the Bank faces its own related service barriers; however, the respondents spoke largely of other barriers related to trade in goods. The trade in goods is largely understood with processes and frameworks in place to determine its ability to transact. In stating the barriers the Bank faces, the respondents spoke of those related to trade in goods, which apply to their clients. The barriers such as tariffs, taxes, infrastructure, and custom and port services are all applicable to trade in goods. The distinction between trade in goods and services was not clear to some respondents, which limits the identification and understanding of barriers applicable to the Bank.

The respondents indicated that growth countries, such as Ethiopia, have measures in place to limit the Banks scope and activity. As a financial services provider, the Bank cannot be granted a domestic banking license in the market. The Bank would like to forge its strategy of growth by closely working on key markets such as Ethiopia; however, significant restrictions limit that Bank and other providers from entering the market. Country barriers that the Ethiopian market have instituted are done to protect and preserve the markets, to create opportunities for domestic enterprises to compete and fulfil the requirements in the market. The growth of Ethiopia, as expressed by many of the respondents, has presented significant opportunities for the Bank. However, the country barrier limits the Bank and the clients of the Bank from services that result in goods limitations.

The Bank recognises the opportunities that exist in the Ethiopian market and agrees that should regulation change in order to cater for foreign banks to operate in the domestic market. The Bank will seize the opportunity of operating in Ethiopia; however, approvals might also mean that the Bank can only offer a limited product line, as the Ethiopian regulator gets to understand and scrutinise the impact of granting banking licenses to foreign banks. Any of the products on offer would then require regulatory approval where the mechanics and benefits are explained to the regulator. As such, the Bank has experienced these challenges, among others, in operating across the African continent. The Bank's clients are faced with similar barriers in providing goods and/or services in the market because of these restrictions.

In certain markets, various barriers affect the logistical processes of moving goods in the market; this could be underdeveloped rail and road infrastructure. The gap that exists in moving goods is inefficient logistics; with underdevelopment, there is a gap in the market where goods cannot be delivered as seamlessly as possible. This is further exacerbated by custom and border protocols that hinder the efficiency and delivery of goods. The process of moving goods from one destination to the next becomes an expensive and costly burden on clients. The custom and port process adds to the barriers of moving goods. The gap and complexity is a difficulty that goods providers, with the intention of selling and purchasing goods, have to encounter; clients are faced with high costs of moving goods, and other risks such as theft and damage to goods carried through border control and customs. The barrier for clients is that it would be easier to operate in their domestic market and not move any of their goods across the border.

With the roll out of the AfCFTA agreement, the intention is to create no-borders and closely tied markets where products and services can move with efficiency. The aim of creating a collaborative policy is to create business opportunities in a market where goods can be sold in a particular jurisdiction, and be consumers in another. In achieving this target, the AfCFTA agreement would create operational benefits for the domestic economy to interact with other partners from various jurisdictions. As a result, the Bank will have close ties with various domestic counterparts such as the private sector, clients, and government to facilitate trade in its entirety.

In summary, the various barriers the Bank faces cuts across services and goods. With the Bank's intention, both services and goods apply to the Bank. The Bank is seeking government intervention in implementing and creating effective regulations and policies on services and goods trade. These policies will aid economic growth of trade in services as well as trade in goods across the markets. The private sector has largely been able to operate through the costly environment of services and goods; given the opaque nature of the environment, there is the ability to drive economic growth. Governments are therefore responsible to create a competitive environment through removal of the barriers listed by the respondents; the removal is imperative for growth and development. Government must acknowledge that regulation is important for trade and development across services and goods trade. There is a dire requirement of creating policies to set up economic growth and drive development where government works with the private sector to recognise and promote opportunities. These policies would drive principles of operational efficiency and remove any ambiguity and unnecessary barriers to trade.

What the interviews highlighted suggest that the Bank follows its clients to new markets and the products that it offers in these markets are determined by the needs of its existing clients. It follows, that the Bank is more aware of and concerned about the barriers confronting its clients, than those facing its own operations. It also follows that much of the benefit from the AfCFTA agreement will flow from the goods agreement, which is expected to benefit its clients, rather than from the services agreement, through which the Bank might benefit directly.

5.3.3 Potential impact of liberalisation

The process of liberalisation aims to integrate and facilitate trade among countries. The impact of liberalisation often goes beyond the scope of the trade agreement. The Bank operating across the continent would be influenced by any factors that change in the market. These changes could either have a positive or negative impact on the Bank's subsidiaries. In liberalising, many of the respondents stated that they understand trade agreements in general and what the principles are for liberalising. The importance of trade agreements is often tied to creating uniformity where members and/or countries agree to make reformative changes in order to achieve a common equitable goal.

Trade agreements are created to achieve the common goal of integration where increased trade can be achieved among members of the trade agreement. This is also supported by the objective of creating a seamless integration process and framework where countries can enlist to trade in order to work towards greater growth and development. In trade agreements, various protocols and negotiations take place where trade in services have a separate protocol. One respondent understands the extent of this process and knows the protocols and the priority sectors for trade in services as per the AfCFTA agreement (see Figure 8).

> *I am indeed aware of it. And in fact, financial services is part of the initial priority segments or sectors, that's going to be focused on.*

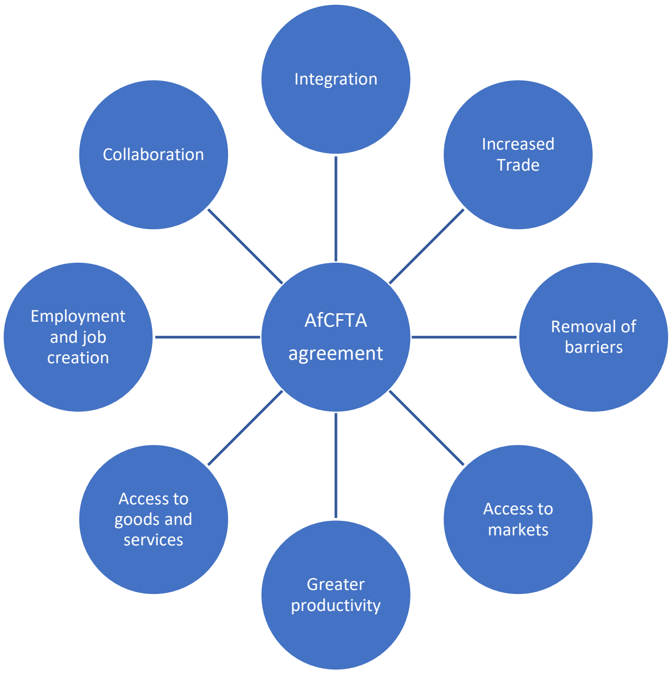


Figure 8: Impact of the AfCFTA agreement

Source: Author's own compilation (2019)

Many of the research respondents understood trade agreements in general and understood that trade agreements and liberalisation often drive similar principles, to remove any barriers to trade and to increase trade among members. The ability to trade requires a seamless process where guidance, regulation, and policy is provided. This process is an important factor of growth, which is in line with the Bank's strategy, which is to continuously provide services across markets as a key financial services provider. The Bank, notwithstanding the market conditions, has been able to grow and participate in cross-border business where it has supported clients in order to transact across various jurisdictions, although this process has not been without difficulties.

As a result of the market, the Bank has had to transfer skills cross-border in order to facilitate the movement of goods and services as part of its business objectives. The impact on the Bank in offering products and services is threatened by the various markets in which it operates. The threats to the Bank relate to the opaque regulation and business environment. Many of the respondents were of the opinion that liberalisation in these markets would create a better focus and understanding, through the agreement, and alleviate any pressure experienced by the Bank and its clients to trade.

While most of the respondents stated that they did not have full disclosure on the AfCFTA agreement, they understand it to be a mean to enable the cross-border movement of services and largely goods. The impact of the AfCFTA agreement becomes important for trade, as it is perceived to remove any of the barriers to trade; the respondents view the agreement as a significant step in the right direction for intra-trade activity among African countries. Although one respondent was not aware of the parameters and details of the AfCFTA agreement, they understood the principles and that certain industries and sectors would be excluded by the agreement. These exclusions are normal to any trade agreement as countries avoid any negative impact towards its industries because of liberalisation of key country specific industries. As a result of this, the respondent understood that certain countries will ring fence their priority industries against any liberalisation, to protect the productivity of these industries. The same respondent indicated that minerals, such as Uranium, are regulated by supranational standards, which the agreement will not liberalise or affect.

The ratification process of the AfCFTA agreement has taken place, and over 22 countries have ratified, which has put the trade agreement into force. Although the ratification process has taken effect, only one respondent stated that they fully understand the successive steps from ratification. The complexity of ratification is that member states must prepare changes and provide their respective parliaments with liberalisation requirements. This process includes undertaking AfCFTA agreement requirements by amending certain regulations and policies, which would require approval by the respective parliaments for roll out purposes. This parliamentary process includes consultation with all respective stakeholders and ministries that oversee trade. Analysis and feedback will be shared across member states and where there are implications; feedback will be provided to incorporate any changes. The respondents further stated that the ratification process by countries is often protracted and lengthy due to advocacy efforts required to adopt any resulting changes. One respondent was happy with the pace at which the 22 countries ratified the AfCFTA agreement, which they explained as a milestone in terms of how quickly the ratification took place. Once the ratification has taken place, countries can still change thoughts on the agreement; however, ratification is a step towards realising increased trade.

The impact of removing tariffs to allow for the ease of movement of goods and services, according to many of the respondents, incentivises the production of more goods and services. This removal potentially lowers the costs related to imports and exports that affect the Bank and its clients, who are expected to have greater disposable income and increased productivity of service and goods. The consequence of improved access leads to the affordability of goods and services and other price advantages in the market. The respondents are aware that if successful, the AfCFTA agreement will have an impact on the countries that are involved.

The benefit sought for clients and the Bank include greater economic growth, investment, and foreign investment flows. The expected growth will stimulate the economy and create employment opportunities. The removal of tariffs, which is goods related for the Banks clients, is not the only area of focus of the AfCFTA agreement; other areas of improvement ideal for trade will include the removal of taxes and other ancillary costs associated with trade. The ratification process, as understood by the respondents, would address these various costs to trade, and countries must establish frameworks on how to reform the market for change. These changes will be related to trade improvements, which should be in line with the removal of barriers covered under the trade agreement.

The impact of the removal will equate to seamless trade, which is in line with the objectives of the Bank. Most of the respondents stated that the removal of total barriers will require effort and that it will take a long time before any real benefits are experienced (see Figure 9). One respondent says:

> *… the ratification does not automatically remove the barriers. The ratification does two things on principle and if you sign up, then you want to be a member. The obligation is then on the country to make amendments to legislature and regulation in which to make sure that laws and regulations fall within the parameters of that agreement.*

Proliferation of Trade	Lower costs to products and services	Seamless custom controls	Clear processes for import and export	Regulatory changes	Access to local and foreign currency	Access to products and services

Figure 9: **AfCFTA agreement benefits**

Source: Author's own compilation (2019)

The Bank's strategic view on the 20 African markets largely aggregates to the countries that have ratified the AfCFTA agreement. As part of the trade agreement, the respondents state that the Bank is well positioned to be able to facilitate trade transactions across multiple jurisdictions in which it offers services. The impact and opportunities that exist for the Bank are for Africa's trading partners such as Asia and Europe, to benefit from the increased inter-continental trade. The respondents unequivocally agreed that intra-Africa trade transactions and volumes are currently low, and that the impact of liberalisation could assist in seeing more local content, products, and solutions being traded across the continent.

The respondents referred to the importance of increased intra-Africa trade activity on the continent, for the Bank, and emphasised the opportunities of greater facilitation of trade with counterparts from the continent. The Bank would still be in the position to facilitate with counterparts from outside of the continent for the benefit of the continent. The agreement will influence this trade behaviour in favour of Pan-African trade. The benefit noted by the respondents included integration of various markets in which the Bank operates. The Bank currently spends a significant amount of time, effort, and capital on standardising market processes.

The benefits of integration mean that the Bank could lead with one process and system that can be applied consistently across the jurisdictions. This universal model will reduce costs and offer standardisation across markets. The benefit, as indicated by the respondents, are that the Bank, with its vast client base and reach can create efficiencies through universal banking for clients and attract a greater number of new clients. As a Bank following clients in pursuit of new markets, the Bank can easily set up operations and/or partner with domestic banks in order to facilitate transactions and services for its clients because of integration.

With all the benefits noted, the AfCFTA agreement will not be able to change historical restrictions that are inherent in the countries. A respondent stated:

> *All of those restrictions are our historical baggage and will not get addressed through the African Continental Free Trade Agreement. So, those barriers will remain. Simply put, just because the agreement has come into force doesn't make it easier for us to go and start rendering banking services in a market we don't currently exist in.*

The low intra-Africa trade volume and trade activity between African countries needs to improve. The respondents highlighted that where similar trade agreements are noted, there are increased trade volumes, which requires collaboration across various disciplines. The respondents highlighted the potential benefit of intra-Africa trade as a link between clients to various other service providers on the continent. The Bank prefers the connectivity of clients to various service providers, if the Bank maintains both clients; this link could create an end-to-end structure for both parties looking to trade with one another.

The notable free movement of people is a benefit that applies to anyone looking to travel within the continent. The benefit could be to either consume a service cross-border or render a service cross-border. The respondents highlighted that clients looking for alternative financial services providers for their respective domestic and Africa wide ambitions, the client would potentially look for banking partners that would guide them in operating across various borders with minimal effort. The Bank's approach in this case would be to facilitate any requirements of the client, and provide them with guidance in markets of interest. The respondents recognised the opportunities of the agreement in two-scenarios, one being for opportunities created for the Bank, and the other for opportunities created for its clients. The Bank is then able to offer clients and itself better exposure and expansion into the continent.

The respondents understood the potential removal of barriers to intra-Africa trade and the impact on the Bank. From a compliance and regulatory perspective, the reduction of barriers should include efficiencies such as clear and transparent trade principles steered by regulation. These principles are beneficial to trade, which is currently cumbersome given regulatory gaps and lack of clarity experienced by trading, as some respondents explained. If there are clearly defined regulations and seamless trade principles and processes in place, there is potential to improve client experience.

The respondents understood that with these benefits are threats and risks. The introduction of regulation, improved principles, and clarity introduces competition. Where competition recognises the improvements made there are further benefits for the environment and clients. The introduction of competition is not a negative sentiment as one respondent stated:

> *Clients ultimately will have various options to choose from in service providers, and the benefit will not just be for the client but for the growth of the continent, which is an imperative objective of our organisation.*

The Bank's market is an area where new entrants could reduce control and market share. As a result, increased competition includes having to compete for top tier clients in the market; however, one respondent saw it as follows:

> *It's only a problem to share the market if there's no growth. When* there's *growth in the market, market share is not a problem.*

In pursuit of these benefits, the Bank is at risk because of its trading environment. The risks to conduct cross-border trade are reduced based on clients being familiar with each other, and removing the need for financial services intermediaries.

If clients are more comfortable trading directly with each other, this could limit financial services and risk mitigation solutions offered by Banks. What might take place, as one respondent understood it, is with the proliferation of financial technology ('fintech'), the role of financial services changes. The ability of fintech in aggregating payments creates an efficient system to effect payments. One respondent said:

> *Where the value of organisations like ourselves can offer services, we understand what the real risk is, relative to what the rest of the world may perceive as risk.*

The benefit of the AfCFTA agreement for the African continent is in tying together the different regional agreements that exist as these trade blocs are complimented by the AfCFTA agreement. The uniform arrangement creates greater negotiation power with foreign counterparts outside of the African continent; the agreement has the potential to encourage smaller entities and organisations in the market to close existing gaps created by the segregation of economies. This potential increases the importance of development and is instrumental to the formation of new competitors and entities. However, the proliferation of trade is met with existing trade gaps, in that there are not enough financial services providers for trade activity, or in a position to lend and provide credit. One respondent stated:

> *Africa is joining the free trade bandwagon 30 years too late... it takes a long time, before we get to that point where this volume is worth the risk. … it took the EU best part of 50 years.*

Other benefits noted by the respondents included opportunities created in industries where raw and unfinished goods and services are exported outside of the continent to be later imported in final form.

5.3.4 Strategic engagement and response

The Bank and its subsidiary operations consider the importance of the AfCFTA agreement, and the collaborative efforts required for its success an imperative function, vital for the negotiations, according to many respondents. Collaboration as a factor does not just apply to the countries negotiating, but also to the private sector and individuals who are affected by the implementation of the agreement. In the interviews conducted with the respondents, many of them stated that on various terms, there is the need for collaboration between all affected stakeholders.

In an effort to collaborate, the AU has created plenaries centred on the participation of the private sector in achieving set out objectives of the agreement. The Bank and certain of its subsidiaries have been involved in discussions around the AfCFTA agreement. As a result, the Bank has mandated an active work stream to be created in order to prepare and incorporate factors raised at the different plenaries hosted by the AU. The actions taken by the Bank to incorporate requirements by the AU, for the Bank and its clients, are aligned with what the trade agreement set out to achieve. These factors, according to the respondents, are important for both the Bank its clients.

The negotiation of the AfCFTA agreement included collaboration with various stakeholders such as countries, policy makers, banks, regulators, and government departments. In order to allow for effective collaboration, it is imperative that clarity is sought by stakeholders involved, and that roles and responsibilities be defined in effecting the objectives of the AfCFTA agreement. The effects of collaboration will have a downstream impact on all stakeholders across the different countries in participation.

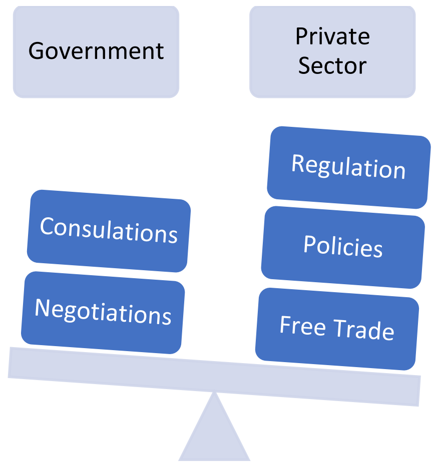


Figure 10: AfCFTA agreement requirements per engagement

Source: Author's own compilation (2019)

Many of the respondents believed that in the AU's efforts to establish the AfCFTA's agreement objectives and strategy, there was limited engagement and dialogue with the potentially impacted industries (see Figure 10); the expected discussions between governments and the private sector were noted as minimal by the respondents. The lack of engagement has created a further layer of complexity in the negotiations, as the private sector is critical of the success of trade agreements. The expected discussions would have been to prepare and solicit insights into the AU's intentions. This information would then be used to align and strengthen government and private participation. The developments and proposed changes would have prepared the stakeholders for the actions required to align to the agreement.

The research respondents indicated that at this stage, discussions taking place within the Bank are within the different business functions that constitute the Bank and its subsidiaries. The result of participation by the different business functions will require time to unpack any developments and propose amendments, which will address any tasks and commitments made as a result. This process is evident in the Bank's support of the AfCFTA agreement as indicated in its 2018 annual integrated report. The engagements are to measure the full scope and impact of the AfCFTA agreement on areas of the Bank and its clients. The discussions held within the Bank are also done by the respective subsidiaries where the respective chief executives conduct country level engagements to meet the expected changes. The discussions within the subsidiaries all revolve around the importance of the agreement and any actions to be taken by the subsidiaries towards enabling its vision.

In trade finance, the trade team has written a position paper for the Bank on the expected effects of the AfCFTA agreement. The working paper was drafted to educate the various trade teams and senior executives of the Bank, on the history of the trade agreement, its significance, and benefits. The position paper articulates the objectives of the AU and the agreement, and the implications for the Bank. The Bank has further been involved, and indeed influential, in various forums and conferences organised by the AU and the UN, to discuss trade in Africa and the direction that needs to be followed in order to promote trade on the continent and improve movement of goods and services. The respondents acknowledged that the Bank's participation across various forums will require a dissemination of information gained to be shared within the Bank and used as insights for the creation of opportunities in the various markets. The respective business functions will then ensure application and alignment with the agreement.

In the drafting of the AfCFTA agreement, the respondents' believed that little consultation between government and private sector took place, which was perceived as unfortunate, given the requirements and importance of collaboration. The AU, in recognising the concern, has done roadshows and consultations with stakeholders that will assist in implementation and execution of the AfCFTA agreement objectives. As a result, the Bank's involvement in plenaries organised by the AU have also involved discussions with 17 ministers from African countries representing the AU to discuss the role of the private sector in the agreement. The conference discussions have driven the importance of trade agreements and their operationalisation by the private sector. These discussions have improved on collaboration and efficiency for the free trade agreement.

The Bank's business functions that deal in trade across the continent are impacted and to drive trade discussions, the business must identify the important parts of the trade agreement that link closely with the business function and the facilitation of trade. The Bank's subsidiaries have also been involved in the implementation processes of the AfCFTA agreement, and client sessions are being held, with the Bank hosting clients and providing insights from the Bank's perspective and explaining the support it can offer through the ratification. The Bank's head of trade has represented the Bank at various plenaries on trade, to ensure that across the Bank and in the various markets, the Bank is positioned to utilise any of the benefits derived from the AfCFTA agreement. The head of trade products has also represented the Bank at the ICC

Banking Commission where discussions largely dealt with services provided for in the AfCFTA agreement.

One of the subsidiaries' chief executive's spoke at the World Economic Forum on the benefits of the AfCFTA agreement for the Bank and what the subsidiary's steps have been leading up to the negotiations of trade in services of the agreement. In all jurisdictions, the Bank and its representatives have been involved in domestic discussions on trade. Nigeria, as the continents largest economy, was one of the last countries to ratify the AfCFTA agreement; to ratify, there where engagements between the Nigerian government and domestic business around the impact on domestic business. The ratification process was explained, and the Nigerian government and its private sector discussed these particular points, which substantiated the importance of dialogue and communication by all stakeholders in Nigeria. The consultations between government and private sector cleared up any threats and risk concerns the private sector had in terms of increased pressure coming from competition in the domestic market.

The Bank's subsidiaries across sub-Saharan Africa emphasised the importance of working closely with regulatory bodies and government authorities; the creation of close links is to leverage the deployment of regulatory rigour, corporate governance, and collaboration for the benefit of the market. The Bank also highlighted the need to educate its corporate clients on the benefits of trading intra-Africa, creating new business opportunities, which means that corporate clients can expand into the continent with increased access to markets and financial services. Other synergies created through the agreement are understanding client needs and creating potential partnerships with other domestic banks, which can support business interests of corporate clients.

The agreement, as perceived by the respondents, created efficiencies for domestic markets, a reduction of costs, and greater affordability; the customer will ultimately be better placed to benefit from the agreement. Other consequences are the transfer of skills in which entities and people can operate across various jurisdictions, sharing and providing skills and guidance on operational and strategic matters. One responded explained:

> *Let's take a Côte d'Ivoire as a simple example. If you're able to create the efficiencies in Côte d'Ivoire, or any African market for that matter, to get a foreign organisation to set up a manufacturing plant in Ethiopia, in Zambia*

> *or wherever else that will allow local content to be derived and then sold into the African continent. That for me is where the real opportunity is because not only are you creating jobs, you're creating local content value add. You're able to then sell those goods into the local market more efficiently, more cost effectively compared to the importing of a similar set of goods from Europe, US, or China.*

Many of the respondents spoke of the changes anticipated in the market, such as innovative client solutions with the aim of seamless integration in the markets, and the ability of a client to trade across multiple jurisdictions with minimal interruptions as a core benefit that will make things different. Clients are then able to source different products and services across the continent and establish a presence in various countries to operate auxiliary functions. The real benefit, as expressed by the respondents, is in the ability to offer and do multiple things in different markets.

In summary, all respondents agree that the expected changes are in line with the financial services institution's strategic objectives. In anticipation of the changes, the Bank is preparing its own subsidiaries by having conversations on the real benefits. The Bank is also looking to expand on its product and service offerings to other new markets. One respondent stated that the AfCFTA agreement in its current construct is designed and focused around government and was written from a government perspective; as a result, there is little on private sector intervention; however, that is changing.

The respondents did not believe that the agreement thoroughly encapsulates private sector requirements, and as such the agreement largely addresses the current sticking points governments have among themselves, negating the importance of the private sector towards mobility and the offering of products and services. One of the respondents stated that the work required to make the agreement functional will involve *"effort and heavy lifting*". Once the agreement achieves the role of opening borders, trade is the next step for all stakeholders. Other areas of interest are how entities and people become a lot more competitive in the open market. One respondent stated:

> *The changes might not be taking place on the ground yet, but conceptually these changes are taking place as organisations are thinking about how best to place themselves against the required changes. Globally there are a lot of headwinds to globalisation. So the US / China trade war and what's happening with Brexit are some of the indications of*

how there is headwinds to trade as we understood cross-border trade, as you understood that, which can only mean that the trade that we do with the rest of the world could come under pressure, which means we have to find the will to motivate among ourselves.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The main objective of this research was to understand the impact of the AfCFTA agreement on a financial services provider that operates on the African continent. The financial services provider is a bank that operates across 20 markets on the continent and has other offshore operations outside of the African continent. The bank was used to understand the impact the AfCFTA agreement would have on the Bank's strategy and decision-making. The bank is further used as a proxy of how financial services providers react to, perceive, and use trade agreements, and the impact of the agreement on the services provided.

The literature chapter reviewed trade in services and expanded comprehensively on trade in services determinants. The review of trade in services included a description of barriers to services trade, benefits of trade liberalisation, and the impact of the AfCFTA agreement on services providers. The research instrument and data collected was through interviews conducted with 11 management employees of the bank. The employees chosen had roles and responsibilities of driving strategy and operations of the Bank throughout the African continent. Their responsibilities extended into providing insights of the subsidiaries' micro and macro-economic factors. The interviews were aimed at discovering why the Bank operates in and exports its services to the African continent, what barriers it encounters, and the benefits it experiences. Lastly, it wanted to ascertain what the removal of barriers to trade in services means for the Bank, and if there are any gains or benefits that result from this removal. This chapter discusses the results from the interviews, what literature outlines in reference to trade in services agreements, and all the exhaustive factors that influences this.

6.2 Discussion of Results

Each research questions is answered in the sub-sections that follow.

6.2.1 Business model and rationale

- *RQ1*: What is the reason for the export of services from the large South African financial services organisation, and identify the determinants of trade in services in the target countries.?

The aim of this research question was to determine the service organisation's reasons for operating across the African continent and the reasons for its subsidiaries being set up in a different manner in different countries. In addition, it determined the financial services organisation's business model and rationale for operating across the continent. The Bank has a vast footprint, trading services across the continent; therefore, it is necessary to understand factors influencing its operations in other jurisdictions, and its ability to embed itself across the continent and continue to offer products and services according to the requirements of each market in which it operates.

The African continent is undeveloped in certain areas, and investment opportunities exist in various sectors, such as the service sector (UNCTAD, 2017). In order to achieve the development objectives that exist on the African continent, there needs to be policy and reformative changes in the way in which the continent trades (UNCTAD, 2017). As such, the AfCFTA agreement provides a solution of integration where markets can be viewed collaboratively, and where trade among all markets have a singular view and solution (De Melo & Tsikata, 2014). The Bank has realised the opportunities that exist, and these opportunities will aid in the structural transformation created by the AfCFTA agreement (UNCTAD, 2017). The Bank's subsidiaries operating across the various African countries can reap the growth and development prospects created on the African continent (Hoekman, 2017). This view ties into the Bank's strategy of continuous growth in sub-Saharan Africa.

The 20 African countries where the Bank has subsidiaries have, as a result, been driven by focusing on growth and development initiatives as well as effecting changes across the markets (Hoekman, 2017). The Bank's large focus on sub-Saharan Africa is also related to the size of the market, the Bank's deep understanding and expertise in operating subsidiaries across the continent, and the potential market share. Literature has indicated that organisations that trade in services are looking to increase value in order to provide growth and development (Ghani & O'Connell, 2014). These growth factors are not limited to the Bank, services trade is a high productivity sector and it contributes one-third of GDP in developing economies (Hoekman & Te Velde, 2017).

The increased value from which the Bank benefits is linked to the resources available in locations where the Bank has the capability to facilitate business for and on behalf of its clients across the continent. Given the exposure the bank has, it operates as the largest financial services provider across the continent and has sizeable operations with the ability to provide extensive facilities and instruments for clients (King, 2019).

Ismail (2017) also indicated that resources available on the African continent have attracted similar investors from around the world and the value created by this attraction has substantiated current growth levels across various countries on the continent.

The Bank's strategy in providing value and growth by operating throughout sub-Saharan African countries is aimed at the potential that exists in the African continent (ICTSD, 2017). A challenging factor created by operating on the African continent is that in its vastness, operating is complicated through slow infrastructure development and political interference across the markets (Ismail, 2017). The potential for growth, which has been largely substantiated, requires that any operator on the continent deploy good corporate governance, and show strength in its balance sheet (Balchin et al., 2016).

Operations in these markets is driven by the Bank's understanding of the market and the significant value in its balance sheet, which positions the subsidiaries as the preferred banking partners. Prior to its Africa focus strategy, the Bank was invested in the emerging markets space as core to its business strategy. The emerging markets strategy has subsequently changed, as the Bank was able to sell its emerging market businesses to pursue its current Africa focused strategy. The reliance on trade within emerging markets was to alleviate any dependence on traditional markets (ECA, 2017). The Bank's emerging markets exposure diluted its earnings, as the Bank could not fully establish itself in those markets. The diversification and disinvestment, as a result, required the sale of its emerging markets portfolio to refocus on investment and operation on the African continent. The focus was done to offer its core African clients support in breaking ground across the continent (Khanna, Papadavid, Tyson, & de Velde, 2016).

The Bank has a client-led strategy where it follows its clients into the continent; where it has clients operating it examines the environment for any opportunities and establishes a presence to support the client (Khanna et al., 2016). In other exceptional instances, the Bank was invited to merge with and take over a domestic Bank, in order to provide sufficient capital allocation to operate in the market. Given the balance sheet strength, sound corporate governance the bank has been able to turn around the subsidiary in the domestic market (Carina & Goswami, 2016). The decision to take over domestic banks confirms the Bank's relevance on the continent and confirms the client-led strategy.

The Bank offers various products and services; personal, retail, or business banking related which are corporate, trade, or investment banking related. This services offering is followed by various business models applicable to the services required in the market (Andrenelli et al., 2018). The business format chosen is ideally linked to the Bank's market and client base. The format followed must incorporate the banks decision-making model, which is based on the Bank's risk appetite and economic indicators (ECA, 2017). The vast growth potential that exists on the African continent has been deemed an imperative economic transformation factor for the Bank when making its financial decisions (Hoekman & Te Velde, 2017). The growth driven potential relates to entry specifications and indicates the various business areas, which includes the format in which the Bank will set up. The Bank has been able to partner with domestic banks, form joint ventures, and/or start a wholly owned subsidiary where the Bank has controlling rights within the domestic set up. Notwithstanding these factors, the Bank experiences barriers to trade in order to service the market (Borchert et al., 2014).

The Bank has been able to offer products and services remotely from various jurisdictions due to the limitations that exist in certain markets. The Bank has had to offer services through its respective representative offices in order to cater to market demands. In order to service clients in Ethiopia, the Bank utilises its representative office in conjunction with a subsidiary bank to enable products and services in the domestic market. Ethiopia is one of the countries in which the Bank wants to operate; however, regulatory measures protect the Ethiopian market through restrictions against foreign banks and offering of licences to trade put in place by the Ethiopian Goverment (Borchert et al., 2014). This is linked to other closed trade principles and policies in Ethiopia, of which services such as air transportation and logistics, form part of the greater restrictions (Borchert et al., 2014). This limitation is used as a barrier and a restriction in Ethiopia to limit foreign financial services providers from holding a banking license (Borchert et al., 2014).

The Bank has been able to sell its services through relationship managers and client coordinators who are product agnostic in services, and are normally based in the domestic environment. The Bank controls 100 per cent and/or holds over 50 per cent of shareholding in all its operations. The majority shareholding held is based on the decision-making model the Bank utilises in order to integrate and drive strategy. The decision taken by the Bank to operate will look at these operational variations, regulations, and policies in place by countries (ICTSD, 2017). As a result, the Bank will trade differently in different markets due to the market variations and demands that exist (Breinlich et al., 2014). For the Bank to operate, the market must require a bank to facilitate and provide products and services in line with the requested requirements in country (Asongu, 2015).

The bank will then respond with the appropriate business model, given that financial services have a positive economic contribution towards a country's GDP (Hoekman & Mattoo, 2011). The appropriate business model will look at existing variables, such as a strong corporate client base and/or extensive retail network among other development indicators that exist in the market (Hoekman & Mattoo, 2011). These variables indicate whether entering the market should be aimed at corporate clients or if there is a large unbanked population, which necessitates , personal and retail banking services, where entry to the market will be through its PBB offering (Hoekman & Mattoo, 2011). The determinants of trade are specific to the bank's use of the different modes of supply to enter and trade in the market (Hoekman & Mattoo, 2011), and take into account regulations, economic factors, and political stability (Egger et al., 2015).

The opportunities that the Bank looks into should consider the potential of the African continent and how growth can be achieved. Given that the African continent lacks development, opportunities rely on infrastructure development, which if it to be achieved will create an inflow of investment (Ghani & O'Connell, 2014). Operating on the African continent, the Bank has the potential to benefit largely from this development and should be able to support varying clients by offering investment opportunities and other products and services (Ghani & O'Connell, 2014). The Bank has been able to do this by facilitating financial instruments toward client expansion throughout the African continent (Batuo & Asongu, 2015).

In conclusion, the Bank's strategy in pursuing growth is driven by the underdevelopment in the continent and led by clients; the bank must service the requirements that exist in the market as well as their clients' needs (Batuo & Asongu, 2015). The respondents states that the Bank operates in markets that have close ties to trade within the African continent, and where there are necessary skills and people to achieve these growth objectives (Batuo & Asongu, 2015). The Bank has been able to establish its presence through various business formats, and ultimately this strategy is, in most cases, client-led. The critical point is that the Bank would do this through either starting a wholly owned subsidiary in the country or through joint venture initiatives with a domestic bank, where the Bank would ideally have a majority stake in the agreement for strategy and operational input (see Figure 12).

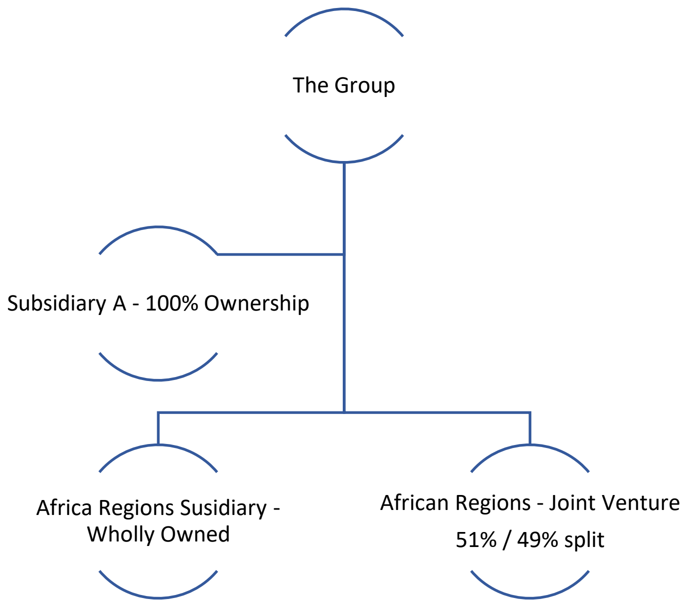


Figure 11: Ownership structure

Source: Author's own compilation (2019)

6.2.2 Current barriers to trade in services

- *RQ 1.2*: What are the main barriers to trade in services that the large South African financial services organisation faces in exporting its services, or investing, in other African countries?

This research question is aimed at understanding the barriers that prevent the Bank and its clients from operating in certain markets. The respondents stated that the Bank faces a multitude of barriers in operating across the African continent. The major barriers identified included tariffs, efficiency of services (custom services), costs on services, and infrastructure development such as roads, railways, and port facilities. The trading of services is impaired by these restrictions. Other barriers relate to the costs associated with trading in services.

The trade in services is an extensive process imperative to trade negotiations in the AfCFTA agreement (Tralac, 2018). The importance of trade in services is because development and growth is promoted; in certain markets trade in services attracts investment flows that generate over two-thirds of the output experienced in the economy (Tralac, 2018). As important as trade in service is, it is plagued by various factors that restrict tradability; this is prevalent in Africa given the service limitations that affect trade across service sectors adversely (Hartzenberg, 2011). The restrictions or limitations for trade in services are documented as any form of prohibitions that limit any service provider and/or people from operating, offering, or benefiting from services (UNCTAD, 2017). There are underlying economic effects, where the prohibition directly influences tradability, compounding the existing barriers to trade on the African continent (Saygili et al., 2018).

The barriers to services trade on the African continent are similar to other regions, as are the definition, limitations and restrictions (Borchert et al., 2014). The trade in services requires countries to make a list of commitments, among other requirements such as regulatory alignment and cooperation (ECA, 2017). Given the route to market, which is client-led, the measures the Bank must observe to trade across the African continent include those of the Bank as well as those experienced by clients. These barriers are thus relatable to services as well as goods.

The barriers relevant to the Bank are the applicable modes of supply that the Bank utilises to offer services (Hoekman, 2017). The barriers by mode of supply faced by the Bank include cross-border trade (mode 1), commercial presence (mode 2) and presence of people (mode 4) (Hoekman, 2017). These modes of supply have barriers around which the Bank has to navigate in order to provide its services (Hoekman, 2017). In the same way, the African continent has similar barriers to trade in services; discriminatory regulatory barriers across various parts of the continent where the Bank faces challenges (Borchert et al., 2014). These regulatory barriers do not allow foreign financial services providers to provide services; a way to restrict and limit any activity sought out by the foreign service provider (Hoekman, 2017). Given the need for the AfCFTA agreement, integration across the continent does not remove the current limitations that are due to the operating environment. These limitations include rail and road infrastructure, which are underdeveloped and therefore result in the compounding of any restrictions, such as regulations that limit foreign service providers. The integration will not change productivity immediately, as there are market nuances and principles, which create barriers (Hoekman, 2017).

The African market often has distinct differences between two neighbouring countries that trade with each other. Each country has its own diverse environment where the political economy and sociocultural factors are different (Karam & Zaki, 2013; Lee & Park, 2016). The integration of these markets through the AfCFTA agreement will not iron out these differences (Hoekman, 2017); countries have various influences, which could either create a mature political environment where there is certainty, or an environment where the political regime has set itself apart from its neighbours (Lee & Park, 2016).

The political landscape of a country affects the economy widely and was highlighted by the respondents as a large contributing factor for the Bank, considering that there are complexities in getting the requisite buy-in from governments to operate and sell services (Hoekman, 2017). Culture is another significant trade factor across the continent because the African continent boasts vastly diverse cultural practices, which tie into the productivity of the economy (Lee & Park, 2016). With the proposed integration of economies, culture becomes a limitation to the agreement (Lee & Park, 2016). In operating across the continent, the Bank needs to be aware of domestic cultural norms; as a result it has been able to develop and create its own cultural identity, which encompasses all the values the subsidiaries should have in place (Andrenelli et al., 2018).

For the Bank to operate across various jurisdictions there is a requirement to have uniformity across values and standards. The uniformity in cultural processes creates a single view enabling the Bank to create relationships with a single view of the organisation, irrespective of the jurisdiction the client is being serviced in or from (Andrenelli et al., 2018). When comparing the Bank's subsidiaries, the services offered must be similar across the board given that they would be driven at the core by the same value drivers.

To sustain any growth proposed by the AfCFTA agreement, member states should work towards creating and implementing economic governance processes that are pro-liberalisation. These processes are to eliminate any barriers hindering the application of business, and opening up the market to investment in various formats (Balchin et al., 2016). In order to attract investment, countries have to create a stable political outlook necessary for long-term growth and productivity (Balchin et al., 2016). Service organisations, such as the Bank, require certainty in markets given the inherent risk of operating as a financial services provider across various jurisdictions (Carina & Goswami, 2016).

In order to determine the risk appetite, the Bank examines the political economy and regulations that support the economy, to determine if a market is feasible for entry (Balchin et al., 2016). This known determinant inversely becomes a barrier to service providers should the political economy and the regulatory framework be negligent.

Most service organisations require this certainty as they identify other market barriers, prior to deciding on the market. The barriers faced would include competition in the market, as has been experienced where government has state-owned enterprises competing with foreign entities (Andrenelli et al., 2018).

Competition in any market is perceived as a growth indicator, and more importantly, competition creates improved processes for the delivery of goods and services (Asongu, 2015). Ultimately, should there be competition in the market, clients benefit from the efficiencies created (Batuo & Asongu, 2015); however, where government, through its state-owned entities, operates in the same service segment, clear regulation imploring fair and equitable means must be well-documented and robust to confirm the tradability of domestic and foreign entities (Asongu, 2015).

In summary, the Bank faces various barriers in trading and operating on the African continent. The barriers to trade in services vary depending on the service requirements requested (Hoekman, 2017). In this case, the jurisdiction in which services are applied, and the regulatory framework of the country, are important indicators that the Bank consults to determine in which market the Bank partakes (Balchin et al., 2016). These barriers are not limited to the above-mentioned only. There is a nuanced view in each mode of supply where barriers to trade are either a positive or a negative link or indicator in an economy (Hoekman, 2017). Looking at the application of the four modes of supply that the bank utilises for its capacity as a financial services organisation, three of these modes are used (modes 1, 3, and 4) (Borchert et al., 2014). However the Bank's clients vary and might use all four modes of supply for services, all relatable barriers to the four modes of supply will apply to the client, and directly affect the bank in providing its services (Hoekman & Te Velde, 2017).

Table 3: Barriers to trade

Barriers faced by the Bank	Barriers faced by the Clients
Regulation	Tariffs
Political regime	Efficiency of custom and port services
Operational restrictions	Infrastructure development
Socio-cultural	Capital requirements
Economic factors	Opaque guidelines

Source: Author's own compilation (2019)

As a result of the various barriers the Bank and its clients face (see Table 3), the Bank has been able to adopt standardised processes and policies. The governance of the policies is aimed at creating a bank-wide standard that can be used throughout its subsidiaries. These policies provide internal guidance, and given the Bank's extensive operations in various markets, provide a best practice approach (Borchert et al., 2014). The structure of the policies create value and consistency across the Bank, where there are integration principles and best practices (Borchert et al., 2014). With the rollout of the AfCFTA agreement, the Bank, through its internal policy process, is well-positioned to benefit from the integration practices created by the agreement (Mevel, de Alba, & Oulmane, 2016). The Bank will be able to support the roll out of changes across various jurisdictions through amendments to existing best practices, and adopt the AfCFTA agreement (Mevel et al., 2016). The Bank's clients will also benefit from the seamless integration process. Given the client-led strategy, the Bank will consider any changes and amendments to barriers to trade that exist for the Bank and its clients (Mattoo & Fink, 2012). The alleviation of any of the barriers faced will be pivotal to the Bank's operations, and how the Bank services clients across the continent (Mattoo & Fink, 2012). In this case, all barriers towards modes, inclusive of consumption abroad (mode two), are important to the services the Bank provides to clients.

6.2.3 Potential impact of liberalisation

- *RQ 1.1*: What impact will the AfCFTA agreement have on regional service providers and the increasing importance of trade in services?
- *RQ 1.3*: What potential gains could the large South African financial services organisation be exposed to if the AfCFTA agreement succeeds in lowering these specific barriers?

The aim of these questions was to understand any potential impact of the AfCFTA agreement towards the Bank, and if the expected reformative changes in policy and regulation will affect the way in which the Bank operates. Furthermore, with the introduction of AfCFTA agreement, would the Bank, and its subsidiaries, change its approach towards the African continent and what changes are expected. The Bank's objectives were determined and the different business formats the Bank operates under in different countries ascertained. Lastly, the financial services provider's footprint and potential operational impact was expanded upon.

The follow up to the questions was to gather information, from the respondents, on the respective gains the Bank can benefit from if the AfCFTA agreement succeeds in lowering barriers to trade. The respondents stated that any changes in policy that lessen or remove any barriers to trade will attract mobility and investment flows. The gains will be increased economic participation by the Bank across the continent. The respondents agreed that liberalisation would encourage increased volumes of transactions between African countries, which would aid in the growth of the Bank and of the continent. The Bank has been involved with various regulators across the continent to ensure uniformity with all relevant stakeholders who are pertinent to the success of the implementation of the AfCFTA agreement. In principle, intra-African trade is a potential gain that the continent, private entities, and organisations benefit from if there is improved access to trade.

The AfCFTA agreement, by the AU, was developed to create free trade among member countries (Saygili et al., 2018). The agreement has objectives to form a single market where there is free movement of goods and services and to date, the agreement has been ratified by the minimum requirement of 22 member states, which enforces the agreement into action (Tralac, 2018). The AfCFTA agreement is aimed at bringing integration across the African continent, creating a pan-African trade area where goods and services move freely across borders, and where people and investment can move to achieve ultimately a common custom union across the continent (Saygili et al., 2018). The purpose of the AfCFTA agreement is aimed at the removal of existing tariffs for goods and the removal of barriers to trade in services (Tralac, 2018). The integration purpose of the agreement is linked to creating an integrated African economy with a common goal of trade facilitation and trade liberalisation (Mevel et al., 2016). By creating this integrated view, there is greater inclusion and collaboration among member states, which benefits the continent through growth and development measures (Mevel et al., 2016).

The AfCFTA agreement’s aim of bringing integration, reformative regulation, and policy has various protocols in place within its first phase, where the rollout of this phase is on trade in goods, services, and dispute settlement requirements (Tralac, 2018). The proposed requirements and changes enable the AU to consolidate its objectives and create greater collaboration and trade among member states, which is in line with growth and economic development objectives created through trade agreements (Balchin et al., 2016). The AfCFTA agreement represents integration and possibly the largest trade bloc to exist among other similar trade agreements (Tralac, 2018). The economies represented by the member states of the AU are of a growing youth population, which presents potential demographic dividend for the African continent (ECA, 2017).

The benefits to be derived from the agreement will create improved access to facilities where the growing youth can potentially realise the demographic dividend as a result of integration (ECA, 2017). The integration by member states creates a critical growth path and development which literature has proved (Balchin et al., 2016; Tralac, 2018). The AfCFTA agreement aims not only at growth, but also at realising equal bargaining for countries negotiating terms of trade with partners from across the world (ICTSD, 2017). Pertinent to the Bank, from the agreement, has been to equip traders and trading economies with the opportunity to trade cross-border with improved products and services that are beneficial to the country (ICTSD, 2017).

The agreement's aim to achieve this process is linked to phase one that has priority sectors specified, these sectors remain imperative towards growth and development and are in line with the Bank (ECA, 2017). The agreement prioritised five sectors that are imperative towards growth in each economy: transport, telecommunication, financial services, tourism, and business services (Balchin et al., 2016). These sectors are imperative to the services that the Bank focuses on, and are often plagued with various barriers that restrict the organisation, clients, and industries by use of protectionism methods (Beghin et al., 2015). The sectors can potentially boost trade activity across the continent where there is subdued economic activity (UNCTAD, 2011).

To achieve the economic benefits from the AfCFTA agreement, there needs to be greater effort in creating processes and controls to realise these benefits (Balchin et al., 2016). The Bank is enabled because of the process to set up changes to its operations to apply better trade principles created by the trade agreement (ICTSD, 2017). Should the regulatory changes required be expedited and realised, the Bank will enable any of the efficiencies created by these regulatory changes to its operations to be used as part of its strategy (ICTSD, 2017). Any policy changes across the markets require both internal and external changes to be made, followed by process driven changes required to accommodate the affected processes (Mutalemwa, 2015). The agreement can potentially create these changes, which are deemed in their current construct as efficient and beneficial to the Bank.

According to Heuser and Mattoo (2017), trade in services is a significant sector in globalisation; the integration achieved as a result of the implementation of trade agreements is in line with growth of services and productivity. The AfCFTA agreement, as a trade agreement, has to date had a minimal impact on the Bank and its current operations; however, it does not take away the importance of trade agreements for financial services. Respondents were encouraged by the effort made by the AU to include the private sector in discussions and consultations around the trade agreement. This process, although retrospective, has highlighted the importance of collaboration and the need for greater integration across the continent. The AU has to achieve this through remediation efforts on historical circumstances of low volumes of intra-Africa trade (Manfred, 2018). The consultations are done to understand the difficulties experienced when trading across multiple African markets.

Further positive attributes of the agreement are linked to the rollout by the private sector. In achieving the purpose and objectives, buy in by the private sector is imperative (UNCTAD, 2017). The agreement would largely be a complimentary framework that the Bank and other service providers use in order to attract investment opportunities such as foreign direct investment (ECA, 2017). However, given the Bank's exposure there are many other examples of providers that will benefit from the trading of services across the continent, should there be minimal barriers in place.

The proposed removal of barriers in trading of goods and services, as part of the phase one protocol, is a critical function that creates opportunities that service providers such as banks will use to rollout services throughout the continent (Saygili et al., 2018). The different industries will benefit positively, creating a spill over effect across other industries and clients (ECA, 2017). The complimentary aspect of the agreement is the removal of barriers for the Bank and its operations, which are largely reliant on the African continent's framework signalling a positive attribute (ECA, 2017). Should the barriers be removed, the Bank can enable its clients, creating a cycle of value add to clients and other beneficiaries.

The negotiations on trade in services are priority in phase one of the AfCFTA agreement; significant in services contribution towards GDP (ECA, 2017). The specific negotiations of services trade are different to goods trade; the successful implementation of services will increase trade activity due to the inherent importance of services (Hoekman & Mattoo, 2011). The negotiations on services trade are specific and focused, as there is a challenge in quantifying services (Van der Marel & Shepherd, 2013). The complexities around services across the world is the accuracy of data, compounded with further complexities that form part of the trade environment on the African continent (Beghin et al., 2015).

The member states of the AfCFTA agreement would ideally like equitable solutions to replace existing restrictive practices, and improve on trade practices that do not compromise any benefits, where a positive outcome of tradability is derived (UNCTAD, 2017). Liberalisation also presents a negative impact for organisations and governments, which could be the reduction of revenue generated from tariffs and taxes (Saygili et al., 2018); however, this is a short-term loss (Saygili et al., 2018). The lower revenue, compared to the long-term benefits of tariff removal, runs the risk of greater loss if tariffs are not completely removed (Saygili et al., 2018). The process of liberalisation is imperative for member states to understand that the projections prepared by the AU are for long-term economic benefit (Saygili et al., 2018).

The trade in services agreement will require concession, flexibility, and political will to influence commitments required (Saygili et al., 2018). The flexibility of benefit will either be realised by gradual reduction, which is a linear tariff removal approach where a selection of products and services are progressively liberalised (Saygili et al., 2018). Immediate tariff elimination is a linear approach that requires two phases and is to be conducted over a specific period (Saygili et al., 2018). The act of negotiating trade in services will require the different trade rules to apply and for the member states to be driven by the AU and their handbook on negotiating service trade (World Bank, 2009). The impact of these processes on the Bank will be either immediate or phased, both of which are supported the Bank. The commitments by member states through these various models will be of significance to the Bank in setting out its objectives. The process by which members discuss and organise, is a process that each country must participate in with their respective industries, to determine from a ministry perspective which commitments are to be made (World Bank, 2009).

The application of tariffs to the Bank is a factor of concern for subsidiaries. The Bank's client-led strategy affects the Bank's strategy and thus trade in goods and services will apply equally to the Bank and its subsidiaries in trade negotiations (World Bank, 2009). The AU will require a reformative strategy, which mandates that countries change requirements at the same pace in order to meet AU principles, designed and based on the liberalisation requirements (Saygili et al., 2018). These requirements could be to tighten the regulatory framework or to regulate to ensure similarities across member states (World Bank, 2009).

The importance of trade in services for the Bank is complimented by the AfCFTA agreement. The current barriers to trade for the service provider are not limited to trade in services but to trade in goods as well. The benefits of services trade extend the Bank’s appetite and creates a conducive market in which to operate. To trade in services, the Bank anticipates market conditions where the environment has rigour and clarity, these factors include any regulation and policy to be enacted to align and encourage trade activity. The removal of barriers does not automatically introduce favourable market conditions, as there are other factors to consider in achieving a conducive business environment (Staiger & Sykes, 2016). The respondents were aware of the AfCFTA agreement; however, have limited knowledge on trade in services negotiations and understanding trade-based complexities in service negotiations. Service negotiations have proven to be a complex area in negotiating trade agreements (World Bank, 2009).

The complexities of the negotiations for trade in services are well-documented in literature due to the vast differences in service requirements (World Bank, 2009). Countries that negotiate would normally have trade-offs where they apply concessions in order to realise consensus on agreements (ECA, 2017). However, the nature of services and the intangibility thereof complicates the requirements that need to be in place to reach this consensus. The World Bank (2009) introduced a paper that addresses the different service negotiations and principles that are pertinent towards negotiating service agreements. As part of this process, they identified the need to have different cycles of negotiations to cover all principles that would form part of any trade agreement action plan (ECA, 2017). The plan would address the various events that should place and highlight any foreseen limitations as a result of the negotiations (ECA, 2017).

The Bank, in pursuing its Africa focused strategy, requires an open view of the different negotiation items, and should advocate for any changes required prior to process changes (ICTSD, 2017). This will aid the Bank in preparing its subsidiaries and clients to ensure that changes implemented are consistent within the required framework. Thus the purpose of the Bank does not only become that of a beneficiary to the AfCFTA agreement, but also a key contributing organisation towards negotiations, as the impact would likely be felt by the Bank, clients, and other organisations that trade and offer services and products cross-border (Mevel et al., 2016).

The role the Bank plays focuses not only on services trade, but also has interests in trade in goods negotiations. The impact of these negotiations creates business opportunities for the Bank and its subsidiaries, as financial services can be pan-African (ECA, 2017), and opportunities vary from financial services to other goods/service-oriented organisations and providers. The opportunity presented to the Bank is in understanding how its services will aid its clients and the extent of the client's appetite for solutions (UNCTAD, 2011). The clients will be in a better position to make market entry or exit decisions, understanding the limitations and costs as a result of trade agreements (UNCTAD, 2011). In conclusion, the AfCFTA agreement has and impact on the Bank, its clients, and other organisations as a result of the various benefits and opportunities created by the trade agreement, notwithstanding the threats and risks created.

6.2.4 Strategic engagement and response

- *RQ 1.4*: In assessing the AfCFTA agreement, is the financial services organisation satisfied that the expected reforms will support its plans for rolling out its services across the continent?

This research question focuses on the Bank's response towards the AfCFTA agreement, and its satisfaction level with the suggested reforms proposed by the AU. The research question tests if the assessment by the respondents on the agreement will be in support of the Bank's rollout of services across the continent. The assessment is based on any changes made in how the Bank operates, after the ratification of the agreement. The literature review stated the characteristics of trade agreements and listed the benefits derived from trade agreements; in this case, whether the Bank has responded and engaged where there are changes in operations. Is the Bank satisfied with the expected changes and will these reforms be supported by the Bank's rollout of services?

Since the ratification, the Bank has been interacting with domestic regulators on the priorities mapped out in the AfCFTA agreement. The priorities include financial services where the Bank would have communicated the importance of trade across the continent on services and some of the welfare gains to be derived (Hoekman, 2017). The Bank has communicated the importance of any of the decisions to be taken by ministries and regulators in domestic markets on the impact of integration and reformation towards its services (Hoekman & Te Velde, 2017). The cost implication of these decisions is that the Bank and its respective ministries across the various markets could look at previous trade agreements as case study guidance towards the actions to be taken (Hoekman & Te Velde, 2017). Any of the decisions taken by ministries and regulators in domestic markets, which affect goods and services, will inform the organisation on what actions to take.

Trade in services liberalisation has highlighted the importance of collaboration and information symmetry (Dihel & Goswani, 2016). For trade policy reformation, any of the rules, policies and regulations in place require that this be clear from the onset (Dihel & Goswani, 2016). These rudimentary principles of trade in services are aimed at removing cumbersome processes in trade that create barriers such as lack of information symmetry (Dihel & Goswani, 2016). To achieve the level of recognition where all trade stakeholders are involved, there needs to be high levels of communication between all stakeholders where government, regulators, private sector, and individuals are all involved in the discussions on how to deliver reduced barriers to trade (Dihel & Goswani, 2016). The cooperation between all these stakeholders should not be limited, as all external stakeholders that form part of trade in services require overseeing in any consultations that take place. In this case, the AU becomes an imperative function to not only provide its input, but also disseminate any of the feedback from plenaries held by countries to other key constituents of the AfCFTA agreement (Hoekman, 2017).

The AU's involvement transcends beyond being the custodian of the AfCFTA agreement. The function of the overarching organisation is to provide guidance and facilitate conversations/dialogue with all stakeholders across the AU's influence (Saygili et al., 2018). Through this process, the AU becomes a critical conduit between countries and partners across the world that would ideally like to understand and benefit from any of the decisions taken by the countries (Saygili et al., 2018). Data collected by the AU will therefore be used in the facilitation of engagements, to get to a point of consensus with all constituents of the trade agreement (ICTSD, 2017). The AU will be pivotal in creating a clear and transparent framework that will be used to drive consultations with countries and member states that have already ratified the AfCFTA agreement (ICTSD, 2017). The objective then becomes information symmetry to achieve success, as this forms part of the strategic engagements between countries and the AU (ICTSD, 2017).

The articulation and importance will be motivating factors that the AU will use in its application of trade in service importance for the continent (ICTSD, 2017). The engagements from the AU are there to minimise any adverse impact towards the continent as the impact could relate to economic loss (ICTSD, 2017). To derive benefit, regulatory cooperation unlocks the information symmetry where domestic regulation can be complimented by international regulation, to support trade (Mattoo & Fink, 2012). The level of cooperation required insists that policy standards across the continent should be based on common rules and guidance, which remove any divergent policies to trade (Mattoo & Fink, 2012). The AU, through its trade structures, will create regulatory standards that are to be benchmarked on best practice for what is applicable to the African continent. This is imperative as commonalities and similarities across the markets create a standardised approach to trade (Mattoo & Fink, 2012). The broad principles created are regulatory interconnectedness, which attracts investment from various parts given universal understanding of the continents processes (Mattoo & Fink, 2012). This interconnectedness compliments the Bank's view of the African continent and it further compliments the Bank's internal policies that have been standardised across markets to create a singular view of corporate governance.

The Bank's response towards the AfCFTA agreement is to support fully the initiatives driven by the AU, where the real benefits to be experienced revolve around any changes towards regulation that creates regulatory cooperation. The Bank has indicated, in its financial statements, the need for integration. To achieve this integration, the discussions held by various countries covered by the AfCFTA agreement, and those led by the AU, have involved robust discussions between all stakeholders on the importance of economic integration (Saygili et al., 2018). The integration dialogue goes beyond removal of barriers and seeks to understand how efficiencies and improvements to infrastructure will take place, how regulation will change to incorporate the movement of goods and services, and how the AU can promote the initiatives of the African continent to a global scale (Saygili et al., 2018).

In summary, the Bank's response to the impact of the AfCFTA agreement is led by the various business functions within the Bank, the various trade teams, and regulatory functions within the Bank. The Bank, through its subsidiaries, has been involved in the next steps that the AU member states have to commit to, which include any regulatory changes that are required to achieve the correct strategic response (Saygili et al., 2018). The Bank's operations are prepared to provide services to clients who would seek the opportunities created by the trade agreement. If the AfCFTA agreement achieves its purpose, the Bank is prepared and positioned to extend its existing processes and realise benefits from the success and implementation of the trade agreement.

The Bank, through the articulation of the benefits from the AU, has noted that to achieve these objectives, much cooperation and collaboration is required to create and reap the full benefits (ECA, 2017). The Bank has also been involved in communicating any barriers that currently hinder progress and trade on the African continent, which have been widely noted as being similar to other parts of the world where trade agreements exist. The African continent has a nuanced view and the ability to use technology in certain instances to close any gaps that exist in the market (Dihel & Goswani, 2016). The AfCFTA agreement, although aimed to be rigorous, will experience challenges as the political economy on the African continent is complex, even for an agreement that has the correct principles. Services trade ideally requires vast amounts of concession to cater for any cooperative measures (Hoekman & Te Velde, 2017).

CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter presents a summary of the research, which investigated the impact of the AfCFTA agreement on a South African financial services provider with operations in 20 other African countries. The study aimed to understand trade in services and the various factors that affect trading as a service provider. The setup of the study was specific to the African continent with the now ratified AfCFTA agreement. This chapter consolidates findings from Chapters 5 and 6 to conclude on the research objectives. The implications for the Bank along with the limitations of this research are explained, and recommendations for future studies are considered.

7.2 Research Findings

The research explored the impact of the AfCFTA agreement on a financial services provider that delivers services across sub-Saharan Africa. The objectives were to understand if the AfCFTA agreement would have any impact on the service provider, and determine what factors the service provider deemed important in trading services across the continent. The findings of the research are summarised into four key themes that are vital to the financial services provider.

The first theme was to determine the business model and rationale of the financial services provider in exporting services to other African countries. The second theme was to understand the barriers to services trade across the continent. The third theme, following the ratification of the AfCFTA agreement, was to understand the potential impact of liberalisation for trade in services. The fourth theme centred around what strategic engagements took place and how the financial services provider has prepared strategically for the AfCFTA agreement. These four themes respond to the research questions compiled at the beginning of this study, which specifically set out to explore whether the existing theory on the determinants of trade in services applied to a specific financial sector services provider and the AfCFTA agreement.

7.2.1 Business model and rationale

The financial services provider operates across various jurisdictions based on knowledge, expertise, and information is has on the market. In some markets, the Bank followed clients into the market to facilitate clients' domestic operations, thus investing across the continent. In other cases, the Bank was requested by domestic regulators and government to take over domestic banks given the risk presented by the domestic bank towards its fiduciary requirements and the stability of the domestic financial system.

The Bank has rolled out its Africa business based on these variables; however, what has worked to the Bank's advantage, in terms of business rationale, has been tied to the cultural awareness of every market in which it operated. In each market, the Bank employs management that understands domestic content and creates a separate legal entity as part of a subsidiary structure, where each operation is run autonomously, as a legal entity on its own. This overarching structure enables the Bank to provide the subsidiary with support, often in the form of the Bank's balance sheet, among other variables the Bank has to support its domestic subsidiaries.

Other forms of support come from the creation of Bank standards, which provide guidance on sound corporate governance principles. The Bank has been able to operate throughout sub-Saharan Africa where it has clear understanding of the different market demands; there are cases where it has been unable to set up a subsidiary due to limitations and restrictions by regulations that prevents the Bank from obtaining a banking license.

The findings confirm that the Bank is operating across the continent based on unrealised opportunities; most important of which is the lack of financial services providers that can support banking on the African continent.

7.2.2 Current barriers to trade in services

The Bank and its subsidiaries operating on the continent encounter various barriers to trade, including regulation and lack of infrastructure, which adds to the costs of trade. The barriers to trade as identified in literature are consistent and similar to those that the Bank encounters as it trades in services. Further to the barriers faced by the Bank, the Bank also considers barriers to trade that impact their clients. The Bank, being client focused, and client-led in certain markets, considers any of the client's barriers as one of their own. The Bank's modes of supply to offer services are modes 1, 3 and 4. For the Bank's clients, all four modes of supply are imperative; this prompts the importance of mode 2 for the Bank as it continues on its client-led strategy. The Bank also considers those barriers that exist as part of the sector or industry to which the client belongs.

Regulation in each market plays a critical function for growth and development, and operation of the Bank. There needs to be stability and political wellbeing, as a stable economic environment spurs growth and development in an economy. Other barriers that exist for the Bank’s operations across the continent are the lack of infrastructure and country specific processes; if the infrastructure to support economic objectives lack, the growth trajectory is hampered. If processes are clearly implemented, the Bank is in a better position to make an informed decision on which country to offer services. In conclusion, the Bank faces the same barriers to entry that restrict any service organisation; while as a financial services organisation, the Bank is also impacted by barriers that relate to any of its clients.

7.2.3 Potential impact of liberalisation

To liberalise in a market requires open and clear guidelines/principles and the removal of barriers and/or limitations to trade. The impact of liberalisation can immediately be experienced by the Bank as the agreement introduces efficiencies that are in the short-term costly; however, long-term benefits must be remembered. To improve on investment, growth, and development, liberalisation requires that there are principles in place to support initiatives that create welfare gain. These very same principles are required by the Bank to pursue its Africa focused strategy. The initial impact could be costly, which is the negative side to the framework; however, the gains are in creating efficiencies and structure. The African continent has many underdeveloped economies and to achieve development objectives, the economies represented require that there be actions in place in the market to create growth and spur capital flows and investments (Hoekman & Te Velde, 2017). Such growth requires structural change, and should structural change continue to take place through the AfCFTA agreement, this is directly linked to growth, productivity, and job creation. The Bank is prepared to take on the challenge that is brought about by the AfCFTA agreement on liberalisation and will utilise any of the changes in its own operations.

The impact of liberalisation is welcomed by the Bank, as noted in the various engagements between the Bank and stakeholders, including the AU and its clients. The investment opportunities created by trade agreements are beneficial to the welfare of a country where employment opportunities are created because of economic growth created in the market. The AfCFTA agreement aims to encourage the transfer of skills and resources and create improved economic conditions from which the Bank can benefit. The policy and reformation changes that come with liberalisation allow the Bank and its clients to extend their capability to other markets and segments. The policy change and focus of the AfCFTA agreement is likely to be encouraged by international investors, and the creation of strengthened policy can provide greater access and administrative measures to reduce burdens previously encountered (Hoekman & Te Velde, 2017).

The Bank considers that the AfCFTA agreement will bring forth greater participation across markets, alleviate lack of trade, and raise low intra-Africa trade activity between markets. Liberalisation, as literature articulates, links to growth and productivity leading to economic opportunities and participation for various sectors across the market. The outcome of liberalisation sees greater access and improvement to products and services for and by clients.

7.2.4 Strategic engagement and response

The Bank anticipates the AfCFTA agreement to bring about various changes; for these changes to take place there needs to be engagement between the custodian of the agreement and all the respective stakeholders, to either implement the changes required for end users of products and services, as a result of the negotiation of the agreement. The Bank has to date been involved in sessions held on the benefits of the AfCFTA agreement for the continent. The Bank has further been able to facilitate plenaries and workshops with clients on the need for collaboration and engagement in rolling out the AfCFTA agreement. The immediate impact of the negotiation for the Bank has been through its trade business, as the agreement is focused there. However, other areas of the Bank, such as regulatory advocacy teams, have been involved with the various continent-wide trade teams on the need to have the AfCFTA agreement deliver growth objectives.

The AfCFTA agreement has been able to convey the importance of collaboration, and create information sessions between various governments and private sector organisations. This recognition of collaboration is critical towards engagements that take place and the Bank’s response towards the agreement is to create dialogue within its structures in preparation for the agreement. The Bank is further engaging with clients to understand client requirements and ascertain clients’ appetites for growth on expanding across the continent. These engagements further increased the likelihood of understanding what steps the Bank needs to take, as the outline of the engagements increase not only intra-trade activity across the continent, but also participation, across the various countries, of organisations and people. The Bank is reliant on the growth of the African continent, and entering into the various markets where the Bank has operations, is part of its Africa focused strategy. The Bank agrees that there is need for participation across multiple markets in the African continent. Due to the importance of the AfCFTA agreement, the Bank will utilise the principles set out from trade liberalisation and trade in services to roll out its own strategy of Africa's growth and development.

The Bank, in consultation with the various stakeholders, requires a balance of interests. The interests are that in consultations and negotiations of the trade agreement, the interests by the private sector, such as favourable regulation and policies, need to be conducive and allow for greater influence by the private sector. In line with growth and development initiatives of the AfCFTA agreement, the regulation required needs to be conducive for the private sector and enable private sector organisations and people to grow their interests, which could further improve the domestic environment. In the same way, government is concerned with the consultations and negotiations of the AfCFTA agreement, which needs to be balanced with the interests of the private sector of pro-liberalisation. To engage with the private sector, inclusive of the Bank, there needs to be greater engagement on the benefits sought out, and any negative consequences of trade liberalisation. This could vary to include costs, competition, and greater access, in which certain markets have been able to create constructive industries that compete domestically with each other. However, the construct of liberalisation means greater access and influence of external factors, such as competition from foreign providers.

In summary, the Bank and its subsidiaries are working closely with policymakers and the AU to drive and create collaboration. The engagements the Bank has taken part in, include those facilitated by the AU, UN, and other key Africa-wide regional economic committees that are critical to the success of the AfCFTA agreement. The Bank is best placed to use its Africa strategy and benchmark, based on the importance of intra-Africa trade, which is critical to the success of the AfCFTA agreement. The Bank is strategically in line with the AfCFTA agreement and aims to benefit from its continued success and rollout.

7.3 Implications for the Bank

The trade of services creates new opportunities and opens up markets for exploration, suggesting that this would result in growth (Hoekman, 2017). There is real economic benefit and opportunities initiated through liberalisation, where growth and development are created (Saygili et al., 2018). For the African continent, the Bank and its subsidiaries stand to benefit and support trade and investment created by the agreement. The support by the Bank enables client specific services, where clients can realise any opportunities created by the trade agreement. The expected mobility and expansion across the continent is a shift towards realising trade, further supporting domestic entities in integration efforts, and catering to other parts of the market such as new sectors and jurisdictions (Saygili et al., 2018). Given its extensive trade across the continent, the Bank is in the position to facilitate these client appetite changes and any activity resulting in new markets; through its service segment it can facilitate the movement of capital to markets in order to secure the potential that exists (Hoekman, 2017).

The growth created through liberalisation in turn attracts domestic clients in new markets, and provides access to opportunities through facilities and instruments offered in those markets. Other implications from the benefits related to liberalisation are of greater connectivity throughout the markets. The competitive advantage of the Bank in each market can grow exponentially as the Bank and its subsidiaries facilitate solutions for clients (Hoekman, 2017).

The Bank can facilitate international trade through technology, where provision of services and support of clients is done remotely, using improved digital technology (Hoekman, 2017). Notwithstanding the benefits of liberalisation, trade in services has adjustment costs where governments and the private sector should expect to experience changes in the market as implications of liberalisation (Saygili et al., 2018). The adjustment costs relate to a transitionary period, during which costs and tariffs, as revenue generated into the economy, are lost; this impact of liberalisation is to be expected.

The ultimate result of liberalisation is the creation of integration across various markets. To achieve integration, policy and regulatory changes are expected. The impending changes create opportunities that the Bank and competitors in the market can realise. The Bank understands that in order to achieve sustainable growth across the continent, the measures to facilitate services need to be improved (Fiorini & Hoekman, 2018).

Service providers, such as the Bank, become key to growth and development in an open market, which can have a direct impact on investment growth if service providers provide quality services across the continent (Fiorini & Hoekman, 2018). The objectives of the AfCFTA agreement become a long-term solution in creating value across the markets.

Given the size of the Bank and services offered across the various jurisdictions, involvement with the AU, UN, and other economic communities, can influence the various trade policies and encourage the adoption of a proactive view on changes to be operationalised and adopted across the African markets. The Bank's extensive network across the continent will continue the facilitation of trade for and on behalf of clients. The implications for the Bank are to see growth and development take place. The AfCFTA agreement needs to achieve its objectives of integration and the removal of tariffs across the various markets. The Bank stands to benefit and should advocate for changes required for liberalisation in the markets.

7.4 Recommendations for Future Research

The research conducted a case study of a single financial services provider that operates across the African continent. The qualitative analysis of the financial services provider measured the perceived impact of the AfCFTA agreement towards the Bank's subsidiary operations across the continent. It wanted to determine if there would be any fundamental changes towards the Bank and its subsidiaries in offering services across the continent. To enable growth across the continent, it is said that integration efforts would aid to develop and grow the market. The measures for trade in services were closely linked to measures for trade in goods. Perhaps this is as a result of the client-led strategy of the Bank, where ultimately considerations matter more for clients than for the Bank. The discussions predominantly scoped the requirements of trade in goods, which should have a greater focus on unpacking the implications for services. Even though policy changes impact trade in goods and services, trade in goods, especially for the African continent where there are low volumes of trade, will be impacted by trade in services and related negotiations.

The ratification of the AfCFTA agreement also presents challenges to the various ministries that should prepare plans to change regulations and policy. These plans are to create efficiencies in which trade can take place seamlessly. The ability to draw data of trade volumes on goods and services is a limitation that the AfCFTA agreement would need to address. At present, trade between countries, and volumes of trade are not well documented, nor is the level of significance of those goods and services to the growth and development of the continent accurately presented.

Future research should focus broadly on the following topics:

- The improvement of trade data and its documentation, explicitly using the guidelines provided by the AfCFTA agreement;
- Intra-trade activity for trade in goods and services to be adequately defined;
- A study of various financial services providers operating across the continent, detailing the different strategies and dynamics in place, and the varying effect of the AfCFTA agreement on these service providers; and
- Future research, through the use of qualitative and quantitative methods, to determine if financial services providers will apply the same methods.

7.5 Research Limitations

The exploratory nature of the research required a qualitative study based on one financial services provider, which was used as a case study to determine its views on the impending impact of liberalisation. The use of one financial services provider could provide a biased the view as results were limited and might not apply to other financial services providers, given the differing strategies and approaches towards markets.

The researcher is employed by the Bank, has been involved in various internal projects, and understands its different strategies. This knowledge could result in subjectivity and as a result create a biased view. The researcher has also been involved in projects with some of the respondents, which could lead to subjectivity in response to the semi-structured interview questions. The subjectivity of the researcher and the respondents could be biased, based on the researcher’s and respondents’ understanding of the AfCFTA agreement and similarly other trade agreements. The limitations of the study include the following factors:

- The sample was of a select number of senior management of the Bank who provided strategic overseeing and guidance to the Bank and all its subsidiaries.
- The select sample was limited to management based in South Africa, except for one respondent who is based in Nigeria.
- The majority of the sample involved CIB management, and one other on the PBB based business. Similar representatives based in other countries could not

be interviewed due to the limitation of the number of people and time allocated to the research.

- There is geography bias of the respondents as the majority gave feedback and used examples of work taking place in South Africa, where the Bank is headquartered; however, respondents do oversee the African market in which the Bank operates.
- The test interview required that the researcher amend certain questions, as responses were duplicated or very similar.
- The researcher had engaged and dealt with the respondents on previous occasions, which could have led to various biases in terms of interviewing and analysing the responses from the interviews.
- The non-disclosure agreement signed with the Bank also presented limitations, as information used in the research could not have any links to the Bank.

7.6 Conclusion

The AfCFTA agreement is a dynamic trade agreement that is aimed at integrating the African continent. Various other regional economic communities and trade blocs exist that perform a similar function to that of the AfCFTA agreement. In order to achieve integration across the existing regional economic communities, the AfCFTA agreement must be complimentary to the existing trade blocs. To successfully rollout the AfCFTA agreement, most of the members of the AU must work collaboratively with governments, industries, and individuals, thus aligning expectations and providing further clarity on the need and importance of the agreement.

Currently, various barriers to operating on the African continent exist, the majority of those are related to infrastructure, skills, regulation. and political influence. These factors influence various investment decisions on the African continent; as investment is sought for the continent there needs to be changes to policy in order to remediate any adverse factors. The barriers to operate affect both services and goods. For services trade, the barriers include restrictions and limitations in regulation, which account for the majority of barriers to trade experienced on the African continent.

The integration of the AfCFTA agreement is a long-term strategy that will require input and output by all stakeholders, before realising any benefits. In this case, there were certain countries that would immediately benefit from the agreement, whereas others would take time to realise the benefits. Given the current market conditions and operations, certain industries, such as financial services, are better placed and prepared to take advantage of the AfCFTA agreement. The agreement is in line with the Bank's strategy and will continue to be unpacked within the Bank in order to realise welfare gains resulting from trade agreements. The Bank has been able to put resources and teams in place to manage any of the expected changes resulting from the agreement; going forward, the agreement will influence the decision-making processes embedded in the Bank.

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APPENDIX A: INTERVIEW GUIDE AND RESEARCH INSTRUMENT

Interview Guide:

The interviews are planned to take around 90 minutes and permission will be sought to record the interview.

The anonymity of the participants will be communicated prior to data collection. An informed consent letter is be provided to the interviewees for further clarity on the collection, use and protection of data.

All responses collected and synthesized for data analysis will be transcribed thereafter.

The topic of the research project will be explained to the interviewees prior to commencement, and clarity will be provided should there be any further questions.

The identified research problem requires a triangulation methodology which tests for validity using three data methods. These methods will test the impact of the agreement on trade in services for a large South African financial services organisation. The steps for triangulation that to follow include:

- The use of available literature to assess the main barriers to trade in services; how those barriers affected trade and investment decisions; and how financial services providers were likely to respond to the removal of those barriers through services negotiations and liberalisation;
- A description of the financial services provider's current investment and trading operations across the continent, based on secondary data from the financial services providers reports and other sources within the organisation;
- Observations around where and how the financial services providers conducted business on the continent and the reasons therefore; and
- A further exploration of the elements, through interviews with individuals involved in making decisions around how the financial services provider enters and trades in different African markets, the main barriers it faces, and how it would most likely respond if certain types of barriers were reduced or removed entirely.

Research Instrument:

1. What is the reason for the export of services from the large South African financial services organisation, and what are the determinants of trade in services in the target countries?

   i. In which countries does your organisation operate and offer services?
   ii. Why does your organisation operate in those countries?
      a. What business format does your organisation operate in, in those countries? (branch / joint venture / wholly owned subsidiary)?
   iii. How do you sell your services in these countries?
   iv. In what format have you established a presence?
   v. Why have you established presence in this format?
   vi. What informs your decisions to operate?
   vii. Why do you trade differently in different countries?
   viii. Is there a reason why you opted into this agreement?

1.1 What impact will the AfCFTA agreement have on regional service providers and the increasing importance of trade in services?

   i. Are you aware that African countries are negotiating a free trade agreement that will cover the entire continent? Yes/No
   ii. Are you aware that this agreement will include negotiations to make it easier for financial services providers to invest and trade across the continent? Yes/No
   iii. In what ways could your large South African financial services organisation benefit from an agreement that reduces and/or completely eradicates barriers to trade in goods and services across Africa?
   iv. In what ways could large South African financial services organisations' operations be affected if it became easier to offer services from South Africa across the continent?
   v. What threats or risks could there be for large South African financial services organisations if it became easier for other African banks to invest and trade across the continent (including South Africa)?

1.2 What are the main barriers to trade in services that the large South African financial services organisation faces in exporting its services, or investing, in other African countries?

i. Are you aware of any barriers that exist in exporting of services or investing in other African countries/markets? Yes/No (if yes, please describe)
ii. Are there specific barriers that prevent or limit your organisation from operating in other African countries/markets? Yes/No (if yes, please list)
iii. Do you understand the ways in which the ratification of the AfCFTA agreement will remove existing barriers to trade in services? Yes/No (if yes, please explain)

1.3 What potential gains could the large South African financial services organisation be exposed to if the AfCFTA agreement succeeds in lowering these specific barriers?

i. In what ways might the AfCFTA agreement benefit your organisation?
ii. Are there specific gains/benefits that your organisation might derive from the agreement? Yes/No (if yes, please explain how these gains might materialise)
iii. What specific actions would be necessary for your organisation to achieve these gains?
iv. Does the removal of barriers to exports of services and investment rely on the ratification of the AfCFTA agreement? Yes/No

1.4 In assessing the AfCFTA agreement, is the large South African financial services organisation satisfied that the expected reforms will support its plans for rolling out its services across the continent?

i. Is your organisation involved in AfCFTA agreement discussions, internally and externally? Yes/No (if yes, please describe)
ii. What could/should your organisation do to ensure that it is able to use and derive benefits from the AfCFTA agreement?
iii. Is the AfCFTA agreement aligned with your organisation’s strategy in rolling out its services across the African continent? Yes/No
iv. How will the AfCFTA agreement support and/or improve on your organisation’s plans to roll out its services?
v. In what ways would the AfCFTA agreement make things different?

vi. Are the expected changes as a result of the ratification of the AfCFTA agreement in line with your financial services institution's strategic objectives and operational model? Yes/No (if yes, please list changes)

The survey questions required further probing, which necessitated a degree of dialogue between the researcher and the interviewees.

APPENDIX B: ETHICS CLEARANCE

Gordon Institute of Business Science
University of Pretoria

21 August 2019

Thabo Dipholo

Dear Thabo

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

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APPENDIX C: COPYRIGHT DECLARATION

Gordon Institute of Business Science
University of Pretoria

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19.1 COPYRIGHT DECLARATION FORM

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Degree:	MPhil International Business	Year completed:	2019
Title of research:	GIBS		
Supervisor:	Dr Matthew Stern		
Supervisor email:	matthew.stern@dnaeconomics.com		

Access

A.	My research is not confidential and may be made available in the GIBS Information Centre and on UPSpace.

I give permission to display my email address on the UPSpace website

Yes	✓	No	

B.

	My research is confidential and may NOT be made available in the GIBS Information Centre nor on UPSpace.

Please indicate embargo period requested

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Copyright declaration

I hereby declare that I have not used unethical research practices nor gained material dishonesty in this electronic version of my research submitted. Where appropriate, written permission statement(s) were obtained from the owner(s) of third-party copyrighted matter included in my research, allowing distribution as specified below.

I hereby assign, transfer and make over to the University of Pretoria my rights of copyright in the submitted work to the extent that it has not already been affected in terms of the contract I entered into at registration. I understand that all rights with regard to the intellectual property of my research, vest in the University who has the right to reproduce, distribute and/or publish the work in any manner it may deem fit.

.

Signature: T.B. Dipholo	Date: 2019/12/02
Supervisor signature:	Date: 2019/12/03

APPENDIX D: ADDITIONAL SUPPORT CERTIFICATION

I hereby certify that (please indicate which statement applies):

- *I DID NOT RECEIVE any additional/outside assistance (i.e. statistical, transcriptional, and/or editorial services) on my research report:*
  ………………………………………………………………………………………

- *✓I RECEIVED additional/outside assistance (i.e. statistical, transcriptional, and/or editorial services) on my research report*
  ………………………………………………………………………………………………

If any additional services were retained– ***please indicate below which:***

☐ ***Statistician***

☐ ***Transcriber***

✓ ***Editor***

☐ ***Other (please specify) ……………………***

Please provide the name(s) and contact details of all retained:

NAME: Angie Urban……………………………………………………………………...

EMAIL ADDRESS: angie@urbanwriter.co.za ……………………………………………

CONTACT NUMBER: +27 83 304 4682 ………………………………………………….

TYPE OF SERVICE: Editor ……………………………………………………………….

I hereby declare that all ***statistical write-ups and thematic interpretations of the results for*** **my study were completed by myself without outside assistance**

NAME OF STUDENT:

Thabo Dipholo ………………………………………………………………………………

SIGNATURE:

…………………………………………………………………………………………………

STUDENT NUMBER:

19111135……………………………………………………………………………… ………

STUDENT EMAIL ADDRESS:

19111135@mygibs.co.za ……………………………………………………………………

APPENDIX E: CONSISTENCY MATRIX

Research Questions (RQ)	Literature Review	Data Collection Tool	Analysis
RQ 1: What is the reason for the export of services from the large South African financial services organisation, and what are the determinants of trade in services in the target countries?	Hoekman, 2017 Balchin, 2016 Connell, 2014 Hoekman, 2006	Case Study Question 1	Assess and analyse on close ended questions in the case study
RQ 1.1: What impact will the AfCFTA agreement have on regional service providers and the increasing importance of trade in services?	Heuser & Mattoo, 2017 Hoekman, 2018	Case Study Question 1.1	Assess and analyse on close ended questions in the case study
RQ 1.2: What are the main barriers to trade in services that the large South African financial services organisation faces in exporting its services, or investing, in other African countries?	Dhar, 2013 Beghin, Maertens, & Swinnen, 2015 Papageorgiou, Loungani, Mishra, & Wang, 2017	Case Study Question 1.2	Assess and analyse on close ended questions in the case study
RQ 1.3: What potential gains could the large South African financial services organisation be exposed to if the AfCFTA agreement succeeds in lowering these specific barriers?	Heuser & Mattoo, 2017 Hoekman, 2018	Case Study Question 1.3	Assess and analyse on close ended questions in the case study
RQ 1.4: In assessing the AfCFTA agreement, is the large South African financial services organisation satisfied that the expected reforms will support its plans for rolling out its services across the continent?	Ayoki, 2018 Balchin et al., 2016 Hoekman & Mattoo, 2011	Case Study Question 1.4	Assess and analyse on close ended questions in the case study