

# What have we learnt from pilot countries about impacts of PTAs on inclusive trade in Africa?

Enhancing the contribution of PTAs to  
inclusive and equitable trade

Geneva, Switzerland  
14 July 2017



# The project in Africa

- **Target countries:** Mauritius, Burkina Faso, Guinea and Senegal
- **Also benefited:** Comoros, Kenya, Mozambique, the Seychelles and South Africa
- **Training workshops:** Mauritius (Nov 2015, with IORA), Senegal (May 2016, with IDEP)
- **Regional Dialogue:** 28-29 September 2017 in Douala, Cameroon
- Supported by **ECA research** on CFTA, MRTAs, Africa and emerging economies etc.



# The context – structural transformation

- Given that, e.g....
  - 11 m young people enter workforce every year
  - Africa the only developing region to not achieve MDG on poverty
- Poverty reduction, inclusive benefits = job creation
- Regional vision for STRUCTURAL TRANSFORMATION



Intra-African trade a key channel!

Continental Free Trade Area (CFTA)

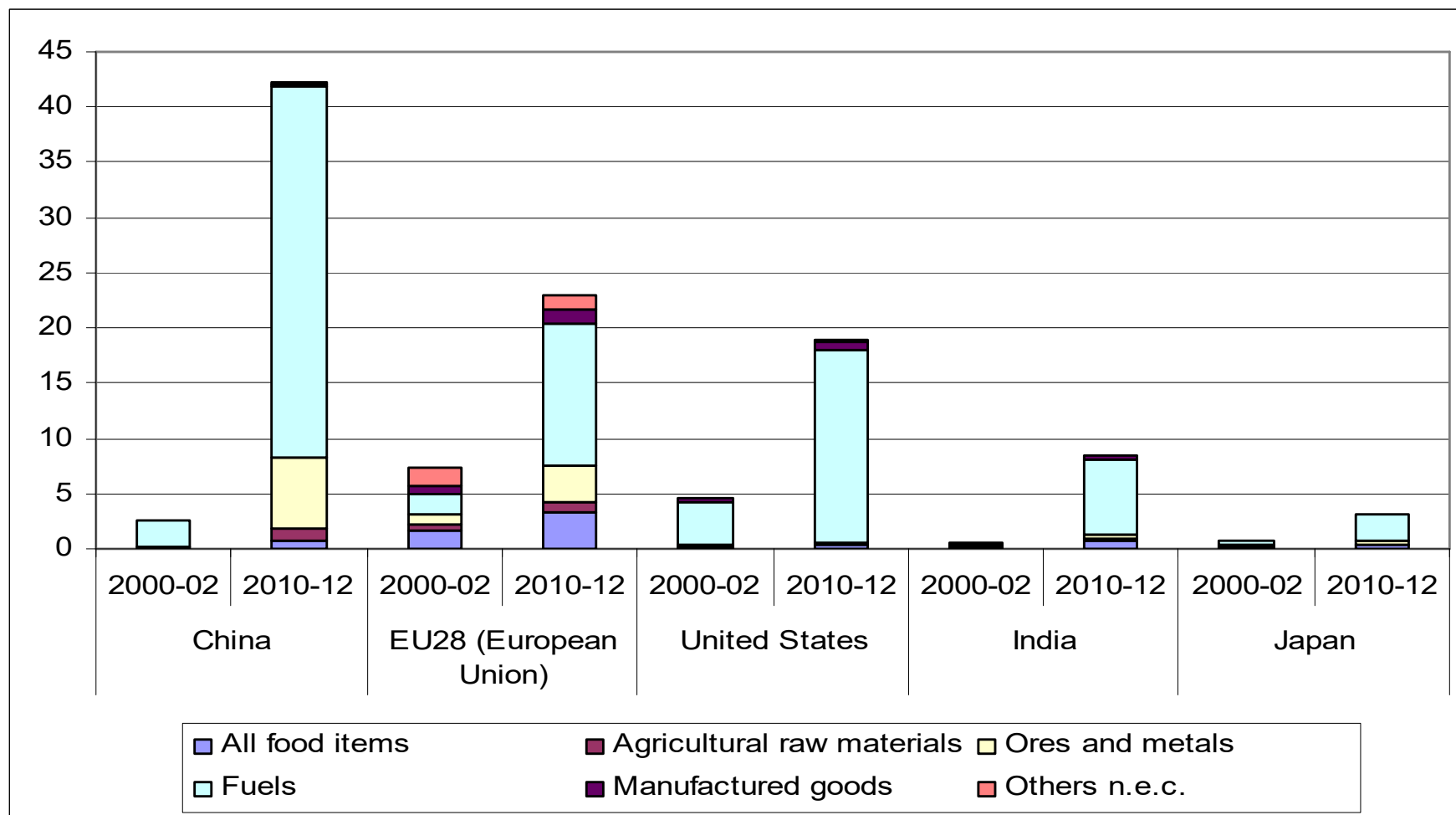


# Not all PTAs are the same...

- African countries are involved in around 30 PTAs + benefit from preferential trade arrangements
- Within Africa in the context of RECs, TFTA(, CFTA)
- Some countries implementing EPAs, preferential arrangements from EU, US, China, India, Japan
- Increase in trade flows – but isolated benefits, little diversification of exports or industrialization



# African LDC exports, \$US bn



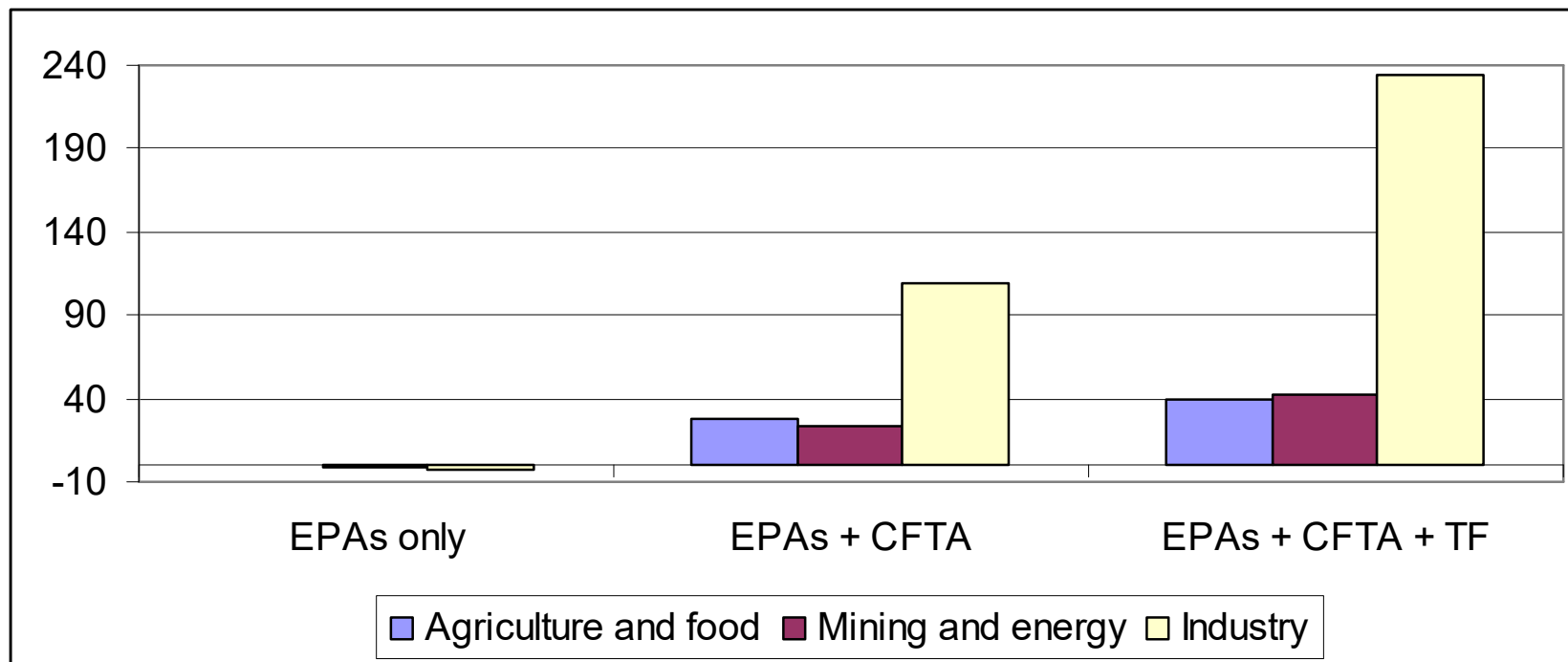
# ... Change through intra-African trade?

- Share of intra-African trade low – but dynamic within the RECs that have integrated more
  - E.g. 78% of SADC trade with Africa within SADC, 66% for ECOWAS (2007-2011)
- CFTA estimated to increase intra-African trade by 52%\*
  - Mainly industrial goods, doubled if with TF measures
  - Development of RVCs, buffer to external shocks



# CFTA can buffer negative impacts on intra-African trade (1)

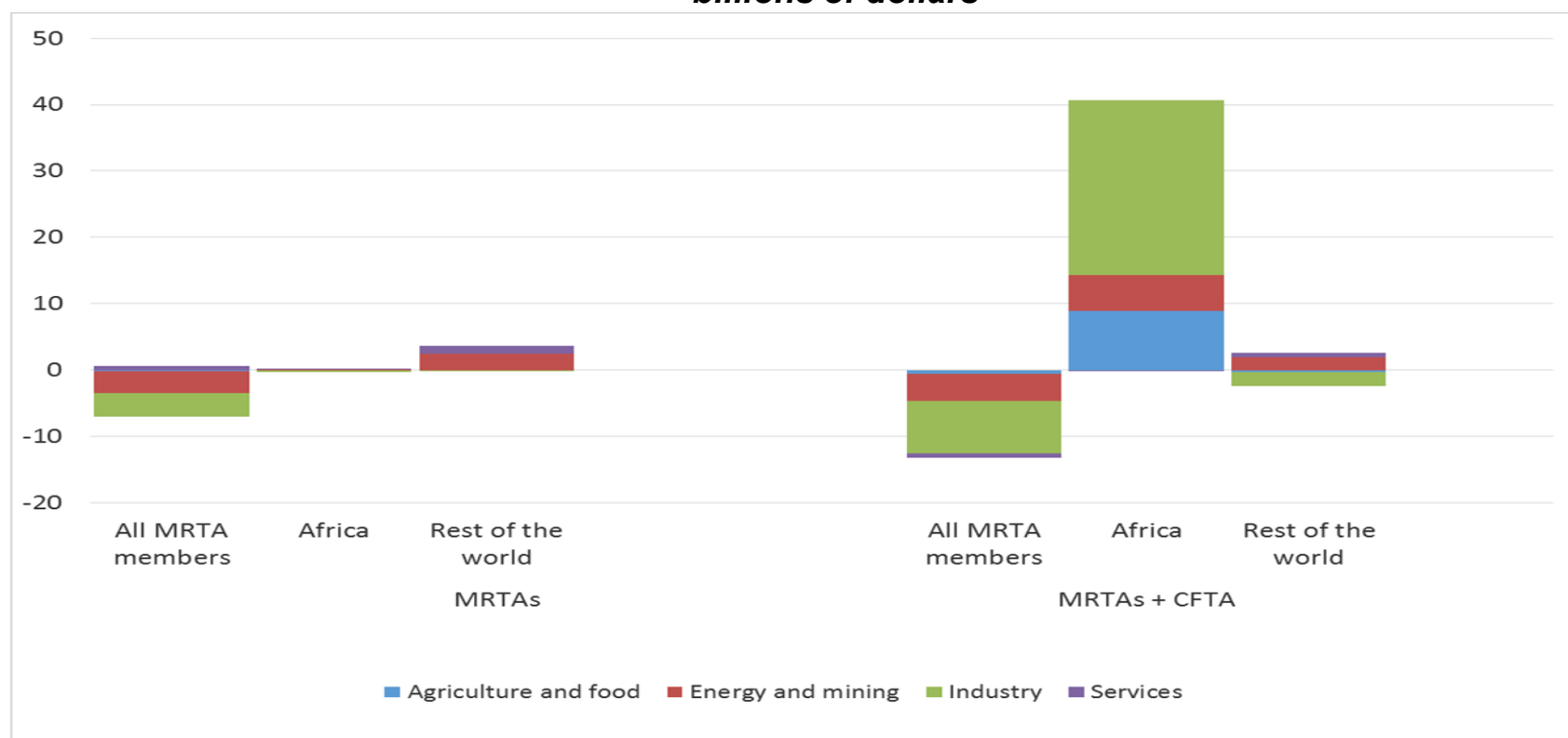
*Changes in intra-African trade per key sectors following the EPAs in relation to EPA+ZCFA in comparison with EPA+CFTA +TF – 2040 – in billions of dollars*





# CFTA can buffer negative impacts on intra-African trade(2)

*Changes in African exports following the mega agreements or mega agreements+ CFTA – 2022 – in billions of dollars*







# South-South opportunities

- What if.... the CFTA and TPP would be merged?
  - Would foster trade between Africa and some countries of North, central and Latin America members of the TPP;
  - The increase in African exports is dominated by energy and mining products
  - The steepest (and more diversified) increase for African exports to TPP countries target RCEP member countries
- Or.... the CFTA and RCEP would be merged?
  - Increase in African exports more than double compared to a CFTA and TPP merger, MRTA trade diversion offset
  - Increased trade in industrial goods: more than thrice compared to a CFTA and TPP merger;
- Beyond RCEP (in particular, with Middle East countries), the potential for diversification more significant – benefits fairly well distributed in Africa



# Why are benefits not realized?

- Design of the agreement
  - Limited capacity to evaluate impact and negotiate
  - Priorities not set by African countries
- Limited implementation of the agreement
  - Conflicting national interests
  - Lack of capacity to implement
- Limited use of the agreement
  - Limited knowledge by the private sector
  - No productive capacity to use the agreement
  - Inability to meet standards set by partners – esp. SPS
  - Large informal sector – many women

# Going forward

- Sequencing of trade policy matters
  - CFTA harmonizes Africa's trade policy and address problem of multiple memberships
  - Cooperation beyond trade can support competitiveness and value chain development (investment, innovation, standards)
- Technical assistance from development partners is required for the effective use of preferences
  - But domestic level complementary policies have to be implemented!
  - Targeted outreach and capacity building can support inclusivity

# THANK YOU!

**Heini Suominen  
Economic Affairs Officer  
African Trade Policy Centre  
United Nations Economic Commission for Africa**



# References

- ECA (2015). Economic Report on Africa 2015. Industrializing through trade. ECA. Addis Ababa.
- Mevel S. and M. Mathieu (2016). “Emergence of mega-regional trade agreements and the imperative for African economies to strategically enhance trade-related South-South Cooperation”. Paper selected for presentation at the 19th Annual Conference on Global Economic Analysis, Washington D.C., 15-17 June 2016.
- Mevel, S., G. Valensisi and S. Karingi (2015). Implication of EPAs for Africa's Continental Integration. Addis Ababa.
- Mevel, S., and S. Karingi (2012). “Deepening Regional Integration in Africa: A Computable General Equilibrium Assessment of the Establishment of a Continental Free Trade Area followed by a Continental Customs Union.” Selected Paper for Presentation at the 7th African Economic Conference, Kigali, Rwanda, 30 October to 2 November 2012.