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HARNESSING REGIONAL RESOURCES
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Highlights of ARIA IV

Rationale

- Intra-regional trade - important agenda of RECs
- A key concern of policy makers/stakeholders

Status of Regional Integration in Africa



- **Update of progress in the main RECs in terms of achievements & challenges**
- **Status of FTAs/CUs, Policy convergence, Infrastructure, Free Movement,**

African Trade flows and Patterns



- **Figures and analysis on Africa's trade flows and patterns by REC**

- **Analysis of the data highlight a few facts:**
 - **Intra-REC trade appears to be growing, but slowly**
 - **On average, intra-African trade remains under 15%**
 - **Intra-REC exports dominated by a few regional powers**
 - **EU and USA are major export destinations and sources of imports for Africa**
 - **Africa's trade represents about 2% of world trade**
 - **Africa has potential to supply its import needs from its own sources in some project categories (e.g. fuels, beverages and tobacco)**
 - **Continent shows some lack of capacity to be self-sufficient in basic foods.**

Informal trade in Africa



- Mainly unregistered trade across borders**
- Participants and beneficiaries: people and communities along border areas**
- Includes both female and men of all ages**
- Often not reported in national accounts and does not pay tax**
- Goods traded include agricultural products, clothing, shoes, electronics**
- Harassment by customs officers and police, and seizure of goods**

Trade Facilitation



- **Analysis leads to the following key conclusions:**
 - **Weak trade facilitation still exists in all aspects of African economies**
 - **Contributory factors: bureaucracy, rent-seeking practices, red-tape etc.**
 - **Weak trade facilitation contributed monetary and non-monetary cost of doing business**
 - **Cost implications arising from insufficient road networks to border delays and road blocks.**
 - **Best practices are however also highlighted by the Report through initiatives within the RECs**

Development of Trade Transit Corridors



- **Peculiar circumstances of Africa's 15 landlocked countries in the context of intra-African trade.**
- **Dependence efficiency of the trade corridors and transit points**
- **Extensively addresses the operations and challenges of the various corridor management institutions**
- **Analysis leads to the following key conclusions:**
 - **Almaty Program of Action**
 - **Corridors management institutions playing a critical role**
 - **Some structured institutionally**
 - **Others lack effective institutional frameworks**

Payments systems



- **Common national payment architecture: RTGS, clearing systems, card switch/ATMs, electronic transfers, etc.**
- **Regional context: some initiatives within the RECs**
- **Key conclusions:**
 - **National payments' systems reforms produced some encouraging results (e.g. introduction of RTGS, advances in payments technology etc)**
 - **Regional payment systems still remain a challenge (cross border transaction fees remain high in Africa)**
 - **Some Agenda for Action proposed – payments system reform to continue, networking of national systems, encourage competition, enhance regulatory environment and risk management, basel core principles for effective banking supervision. Towards a regional integrated payment system in Africa etc)**

Infrastructure



- **Key areas analyzed include: TAHs, Railways, Maritime, Air traffic, ICT, Energy, financing of infrastructure etc**
- **Key conclusions:**
 - **Large savings can be made through effective maintenance of existing infrastructure**
 - **Completion of the TAH missing links**
 - **Rail freight important, but its use insignificant**
 - **Maritime transport/ports ; room for improvement (e.g. in terms of container traffic, inland water ways development)**
 - **Air traffic, though growing, still has minimal use in intra-African trade**
 - **Evidence of significant increase in resources towards infrastructure;**
 - **Project preparation, development and packaging are considered key areas needing improvement**

Supply and Demand Constraints



- **Gravity model analysis of potential for intra-African trade**
- **Import/export similarity index to illustrate the potential of certain major suppliers in Africa to meet the import needs of other countries across the continent (Potential major suppliers: South Africa, Nigeria, Egypt)**
- **Nonetheless, in terms of revealed comparative advantages, suppliers from the developed world tend to have a cost and price advantage over the major African suppliers**
- **The Chapter then outlines some of the underlying reasons why intra-African trade is not realizing its full potential; reasons that are also extensively discussed in the preceding parts of ARIA IV.**

EPAs and their potential impact on intra-African trade.



- **The report discusses the whole issue of EPAs and Aid for Trade and how they can impact on intra-African trade.**

- **Some negative impacts**
 - **EPAs seem inevitable. Their reciprocity principle could lead to displacement of trade already taken place in the RECs**
 - **EPAs are therefore seen as posing a major challenge to raise the levels of intra-REC trade**
 - **ECA/AU projections have shown that EPAs could lead to import surge from the EU countries**

- **Some Arguments in favor**
 - **EPAs could contribute to speedy rationalization of the RECs through harmonization of the CU/CET process**
 - **Financial incentives**

- **Attempts to mitigate effects**
 - **EPAs with a development focus**
 - **Use of EPA template**

Gender Dimensions of intra-African trade



- Report provides some insights into the gender dimensions of intra-African trade, drawing on a case study in West Africa
- It reinforces the argument that women are key players in intra-African trade both in the formal and informal economies through their involvement in agriculture and trade in general
- However, they face some peculiar challenges that need to be addressed: (e.g. national level measures to support production and trade, and commitment to implementing regional integration agendas)

Regional integration experiences beyond Africa



- EU experience in building and consolidating its single market :Lessons for Africa:
 - **Supra-nationality:** Formal autonomy from member states and “Leadership’ functions granted to the EU Commission
 - **Enforcement:** Commission has enforcement tasks
 - **National implementation:** Legislative instruments require transposition in all member states into national law
 - **Public Participation:** EU offers several avenues for civil society input in policymaking. Two of the most significant are: 1) the European Economic and Social Committee (made up of representatives of employers, workers, and other civil society sectors from each member state and provides input to the European Commission, and 2) the social partnership process, in which trade unions and employer groups develop proposals for EU initiatives.

LOOKING AHEAD



- **Intra-African trade needs to grow rapidly to levels comparable to other regions**

- **To this end, what should be the Way Forward?**
 - ***Improve Infrastructures***
 - ***Landlink landlocked countries***
 - ***Simplify and harmonize documentation, rules and procedures***
 - ***Improve governance and institutions***
 - ***Improve international payment facilities***
 - ***Address supply-side***
 - ***Mainstream gender***



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