



Economic Commission for Africa
Committee on Regional Cooperation and Integration
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Intra-African trade and Africa Regional Integration Index

Progress report on intra-African trade

I. Background

1. A regional integration agenda has been part of Africa's strategy for economic transformation for more than three decades, and in some cases for almost a century. The first experiment with integration, the Southern African Customs Union, began in 1910. The Southern Rhodesia Customs Union emerged in 1949 between South Africa and present-day Zimbabwe. The Ghana–Upper Volta Trade Agreement between Ghana and Upper Volta (now Burkina Faso) started in 1962, as did the African Common Market linking Algeria, Egypt, Ghana, Guinea, Mali and Morocco. In 1962 the Equatorial Customs Union, the predecessor to the Customs Union of Central African States, joined Cameroon, Central African Republic, Chad, the Congo and Gabon. The East African Community (EAC), comprising Kenya, Uganda and the United Republic of Tanzania, began in 1967 as perhaps the most far-reaching of early integration attempts in Africa (ECA, 2004).

2. At the continental level, the post-independence integration effort dates back to May 1963, when the Organization of African Unity (OAU) was established. The OAU Charter and the Constitutive Act establishing the African Union define the anchoring ideals of African unity (OAU, 1963; African Union, 2000). The Lagos Plan of Action and the Abuja Treaty establishing the African Economic Community (OAU, 1980 and 1991) spell out the economic, political, and institutional mechanisms for attaining this goal. The treaties establishing regional economic groupings have pan-African dimensions but still reflect the rich geographic and economic diversity of the continent. To this end, the regional economic communities are pursuing the integration agenda through free trade and development of customs unions and common markets.

3. African leaders now recognize more than ever the urgency of accelerating Africa's integration, especially given the challenges of regionalism amid globalization. This urgency is reflected in the varying development agendas that African countries have adopted thus far: the New Partnership for Africa's Development (NEPAD), the overarching development framework for the region in 2001; the 2012 adoption of a Framework, Roadmap and Architecture for fast tracking the establishment of the Continental Free Trade Area (CFTA) and an Action Plan for Boosting intra-African trade (BIAT); and Agenda 2063.

4. The benefits of regional integration are gains from new trade opportunities, larger markets, and increased competition. All formal regional integration arrangements reduce barriers (such as tariffs) to trade among member countries. Economic theory predicts that free trade will improve welfare by enabling citizens to procure goods and services from the cheapest source, leading to the reallocation of resources based on comparative advantage. Regional integration improves policy stance in many areas of development. Pooling of economies and markets through regional integration provides a sufficiently wide economic and market space for economies of scale.

5. Eventually, all these efforts are expected to converge to an African Economic Community, whereby fiscal, social and sectoral policies will be continentally uniform. Through such an economic marketplace, Africa can strengthen its economic independence and empowerment with respect to the rest of the world. A major aim of these efforts is to increase intra-African trade by breaking down trade barriers and enhancing mutually advantageous commercial relations through trade liberalization. Trade allows countries to specialize, increase employment and raise incomes. Trade is also widely accepted to be a key engine for the promotion of economic growth and development in today's globalized economy. The countries and regions of the world that have been able to achieve sustained improvement in the living conditions of their peoples, are those with good trade performance and that have become well integrated into the global trading system.

II. Intra-African trade as a share of total trade and Africa's GDP

6. Figures 1 and 2 represent the overall picture of intra-African exports and imports between 1995 and 2013. Intra-African trade, as percentage of gross domestic product (GDP) as of 2013, stands at around 9 per cent (figure 1) – a figure that is low as compared to other regions of the world. Trade in Africa is currently at around 14 per cent of Africa's total trade, implying that 86 per cent is trade with the rest of world (figure 2). It can also be observed that the average level of intra-African trade, though fluctuating, has consistently remained around 15 per cent of Africa's total trade over the past decade.

Figure 1
Share of intra-African trade in Africa's GDP



Source: UNCTADStat database (United Nations Conference on Trade and Development, 2014a).

Figure 2
Share of intra-African trade in Africa's total trade



Source: UNCTADStat database (United Nations Conference on Trade and Development, 2014a).

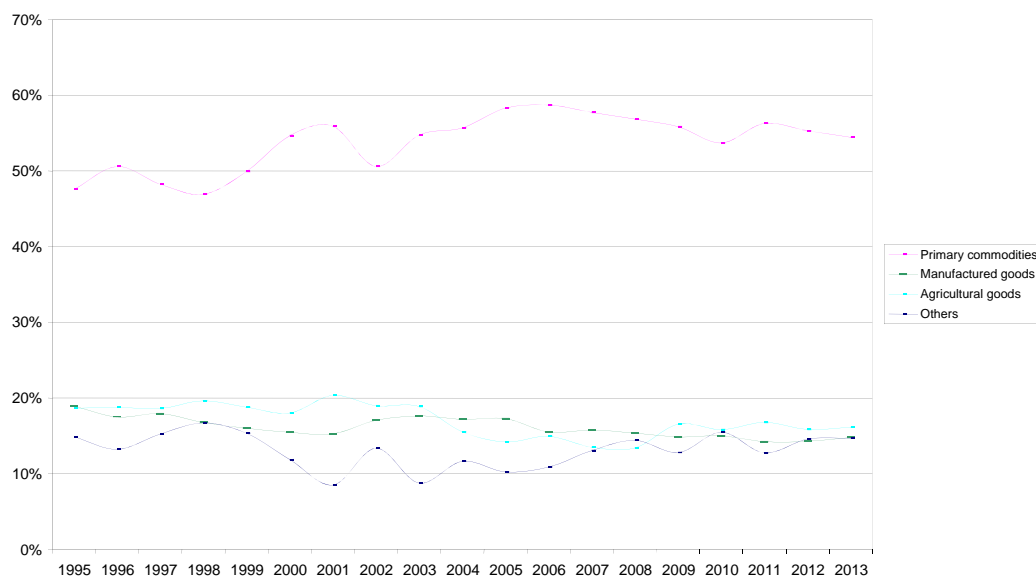
7. The share of intra-African trade in Africa's total trade compares unfavourably with other regions of the world, at 14 per cent of total exports. Only Western Asia has a lower share of intraregional trade as a percentage of total exports (9 per cent). In comparison, the shares of intraregional trade in South and Central America, North America, European Union–28 and Asia stand at 17 per cent, 49 per cent, 61 per cent and 62 per cent respectively.

8. Africa's regional economic communities also have a low share of intra-group trade relative to other regional groupings. The 14 top-performing regional groupings worldwide have an average share of 42 per cent of intra-group trade in their total trade with the rest of the world, while Africa's regional economic communities' average is 10 per cent (UNCTADStat, 2015). Africa continues to have some of the highest trading costs of any region in the world, surpassed only by Eastern Europe and Central Asia (where the percentage of landlocked countries is higher). Furthermore, trade barriers among African countries are often higher than those between the African countries and the rest of the world.

A. Composition of intra-African trade

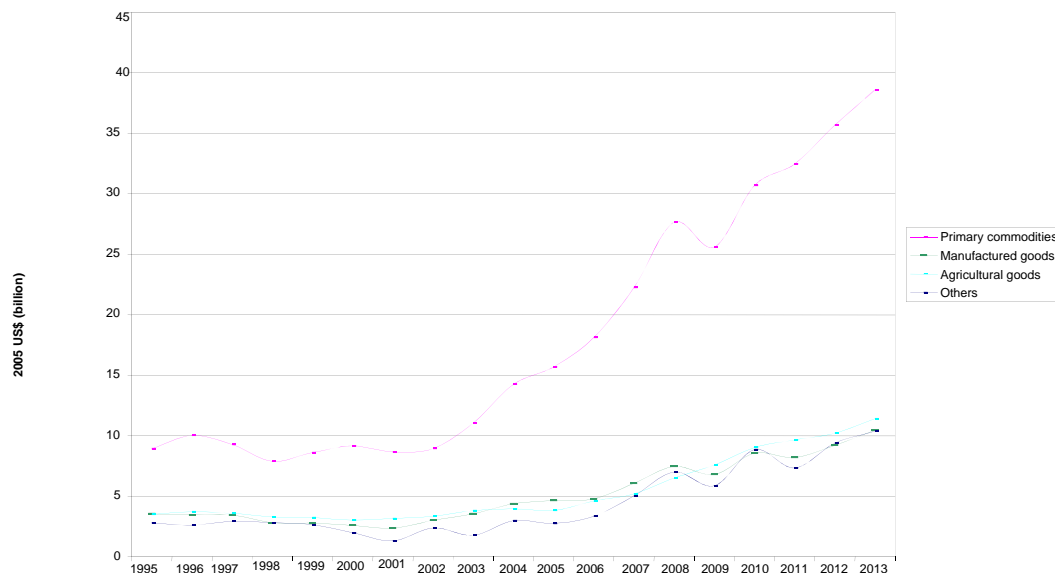
9. Figures 3 and 4 depict the composition of intra-African trade in percentage and absolute value up to 2013. Primary commodities tend to dominate the composition reflecting low levels of industrialization and hence, low levels of transformation on the continent. Primary goods' high share in intra-African trade can also be explained by the similarity of the commodities being produced by African countries and the lack of value addition in Africa. Thus, the real significance of increasing intra-African exports is an attempt to diversify the economies of Africa, and add value for sustainable and inclusive growth.

Figure 3
Intra-African exports by product group (percentage)



Source: UNCTADStat database (United Nations Conference on Trade and Development, 2015a).

Figure 4
Intra-African exports by product group (value)



Source: UNCTADStat database (United Nations Conference on Trade and Development, 2015a).

B. Intraregional economic community integration

10. The Abuja Treaty stipulated the following targets for African countries with regard to trade integration:

(a) By 2007 – stabilization of tariff and non-tariff barriers, customs duties and internal taxes in each regional economic community; schedules for the removal of such barriers; harmonization of customs duties; strengthening of sector integration and coordination and harmonization of the activities of the regional economic communities;

(b) By 2017 – establishment of a free trade area and customs union in each regional economic community. Indeed, Africa has more recently agreed to establish an African Continental Free Trade Area by 2017.¹

11. There is still much work to do in order to meet these targets. Many regional economic communities have not yet established free trade areas. At present, EAC and the Economic Community of West African States (ECOWAS) are the only regional economic communities in Africa to have established a customs union that is in operation (the Common Market for Eastern and Southern Africa [COMESA] has also launched a customs union), and only EAC, ECOWAS, COMESA and the Southern African Development Community (SADC) have free trade areas that are in operation (the Economic Community of Central African States [ECCAS] also has a free trade area in operation, but there are problems with the implementation)

¹ African Union Decision (Assembly/ AU/Dec.394 [XVIII]).

III. Africa Regional Integration Index

12. The African Union Commission, the Economic Commission for Africa, and the African Development Bank are working together to produce the Africa Regional Integration Index. At present, the project is in the data collection phase, with substantial data (almost all countries for 28 indicators) already collected. The methodology for the index was developed in consultation with African Member States (direct consultations were held with 18 Member States), regional economic communities and leading experts on measuring regional integration from inside and outside the continent.

13. The methodology for the index was also presented to the eighth Joint Annual Meetings of the African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development, the seventh Conference of African Ministers in charge of Integration, and the first Joint Session of the Committee of Directors General of National Statistics Office and the Statistical Commission for Africa, all of which passed resolutions supporting the methodology presented.

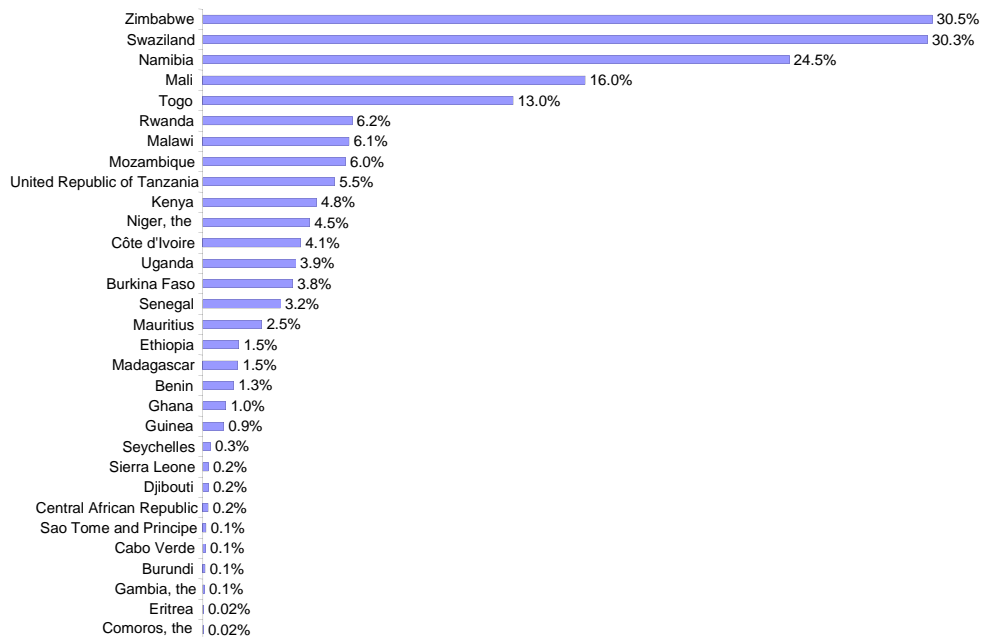
14. The index covers the following dimensions: tariff liberalization, trade facilitation, free movement of persons and labour markets, financial integration, macroeconomic policy convergence, social and cultural integration (including gender issues), regional economic community institutional capacity, regional value chains, statistical harmonization, and regional infrastructure (including communications, transport and energy).

15. The present paper will give a highlight of some of the emerging findings from the data collected to date, organized according to its various dimensions.

A. Trade integration

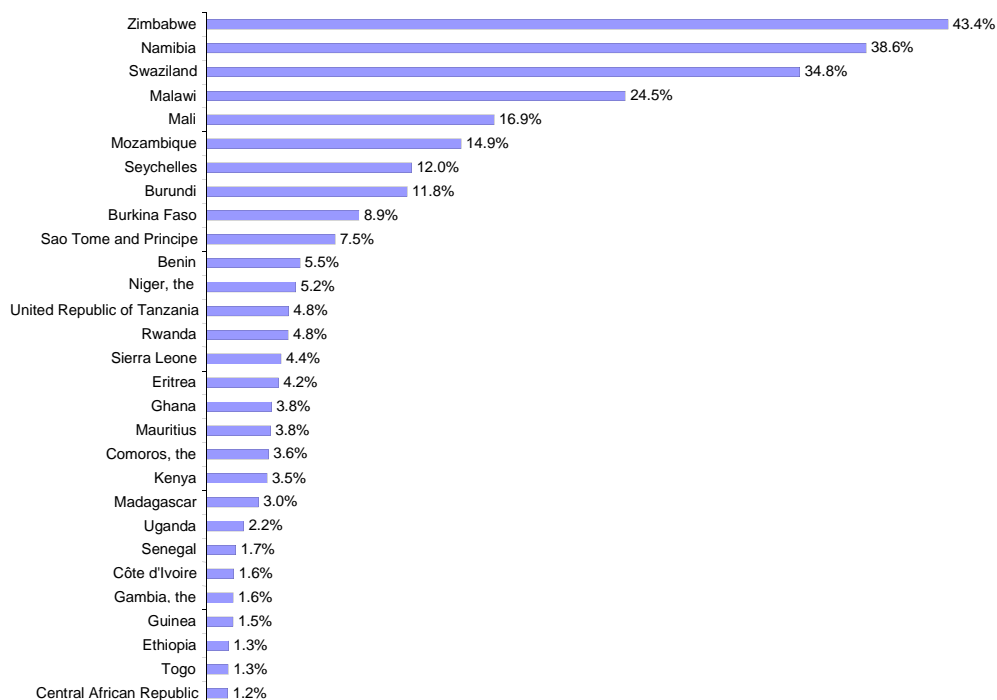
16. Data on trade, excluding re-exports as a share of GDP, was available for 31 countries. Figures 5 and 6 display the most recent data for each of those countries.

Figure 5
Intra-African exports as a share of GDP, less re-exports



Source: United Nations Comtrade database (United Nations Statistics Division, 2015). Available from <http://comtrade.un.org/>.

Figure 6
Intra-African imports as a share of GDP, less re-exports



Source: United Nations Comtrade database (United Nations Statistics Division, 2015). Available from <http://comtrade.un.org/>.

17. Where re-exports are included, in 2013, Lesotho had the highest total intra-African trade to GDP ratio (91 per cent), then Swaziland (81 per cent), Namibia (57 per cent), Zimbabwe (46 per cent), Botswana (43 per cent) and Zambia (41 per cent) (UNCTADStat, 2015)

18. Looking at the tariffs applied on intraregional economic community imports,² in 2014 EAC had no tariffs on intra-EAC trade; the Intergovernmental Authority on Development (IGAD) had an average applied tariff for intraregional economic community trade of 1.8 per cent. The equivalent figures for the others were as follows: ECCAS and COMESA – both 1.9 per cent; the Arab Maghreb Union (AMU) – 2.6 per cent; SADC – 3.8 per cent; ECOWAS – 5.6 per cent; and the Community of Sahel-Saharan States (CEN-SAD) – 7.4 per cent.

19. Looking at the individual countries with the lowest average applied tariffs on intraregional economic community trade, Mauritius places zero tariffs on all imports from either SADC or COMESA. No other member of SADC places zero tariffs on all SADC imports; Libya is the only other COMESA member to place zero tariffs on all imports from COMESA. Libya places zero tariffs on all imports from AMU (although this statistic dates from 2006, and more recent information is not available from public databases) (International Trade Centre, 2015; United Nations Statistics Division, 2015).

20. In terms of trade facilitation, the countries with the fewest document submissions required to be allowed to import goods are Djibouti, Mauritius and Seychelles (five documents each). Mauritius, Morocco and Tunisia require the fewest documents for exports (four documents each). For the World Bank's indicator on the ease of trading across borders, in their most recent edition of "*Doing Business*", the highest-scoring countries were Mauritius and Morocco (World Bank, 2014). The landlocked country with the highest score was Swaziland. The countries making the greatest absolute improvement in their scores for this indicator over the most recent period were Côte d'Ivoire, the Sudan and Burundi.

B. Financial integration (including investment facilitation)

21. Africa's mean rank in the "*Doing Business*" indicators was 140 in 2013 and 2014. However, the continent's scores in the index have seen a significant improvement since the project first started in 2004 (indeed, the average score across all indicators has almost doubled between 2004 and 2014, relative to the baseline of the lowest overall rating in Africa during the same period). The highest ranked African countries in the latest data are, in descending order: Mauritius (ranked 28 worldwide), South Africa (43), Rwanda (46), Tunisia (60), and Ghana (70). The greatest improvements in overall scores in 2014 were made by Mozambique, Benin, Togo, Nigeria and Côte d'Ivoire (World Bank, 2015).

22. Looking at regional economic community by regional economic community, SADC has been the most successful at increasing foreign direct investment (FDI) over the past two decades, with the value of net inward FDI increasing by 2013 to over 80 times the figure in 1995. This is followed by COMESA (20 times), AMU (15 times), EAC (12 times), CEN-SAD (9 times), ECOWAS (7 times) and ECCAS (6 times). Data for outward FDI were not available for IGAD so it was not possible to calculate net FDI (UNCTADStat, 2014).

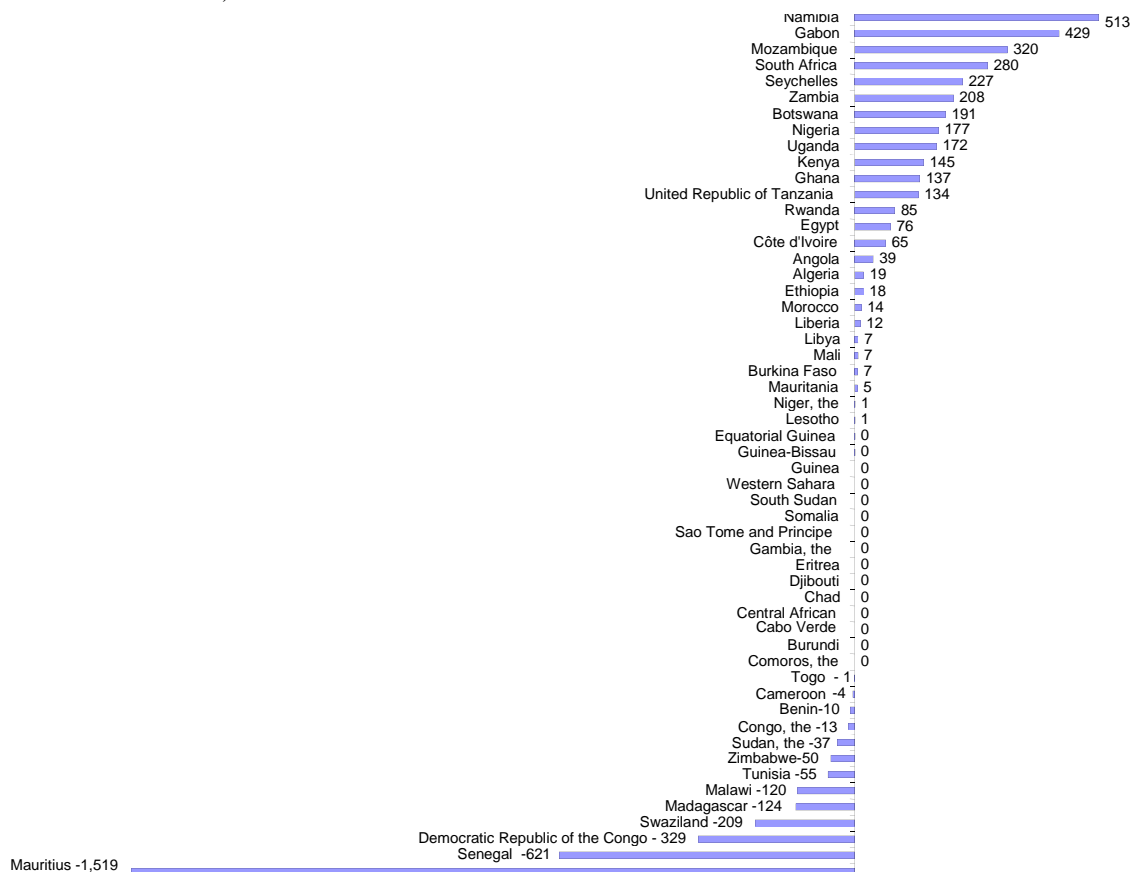
² In order to calculate the tariffs, the team used weighting according to bilateral imports, aggregated up from tariff lines at the Harmonized System 6 level. Where data for some member States of particular regional economic communities were missing, the average applied intraregional economic community tariffs for that regional economic community were calculated as the mean average across the member States for which data was available.

23. In terms of intra-African direct investment, data in this area appears to be limited. However, based on data gathered to date (from the International Monetary Fund Coordinated Direct Investment Survey database, 2015), figure 7 shows African countries' outward net direct investment in the rest of Africa in 2013.

Figure 7

Intra-African outward direct investment 2013

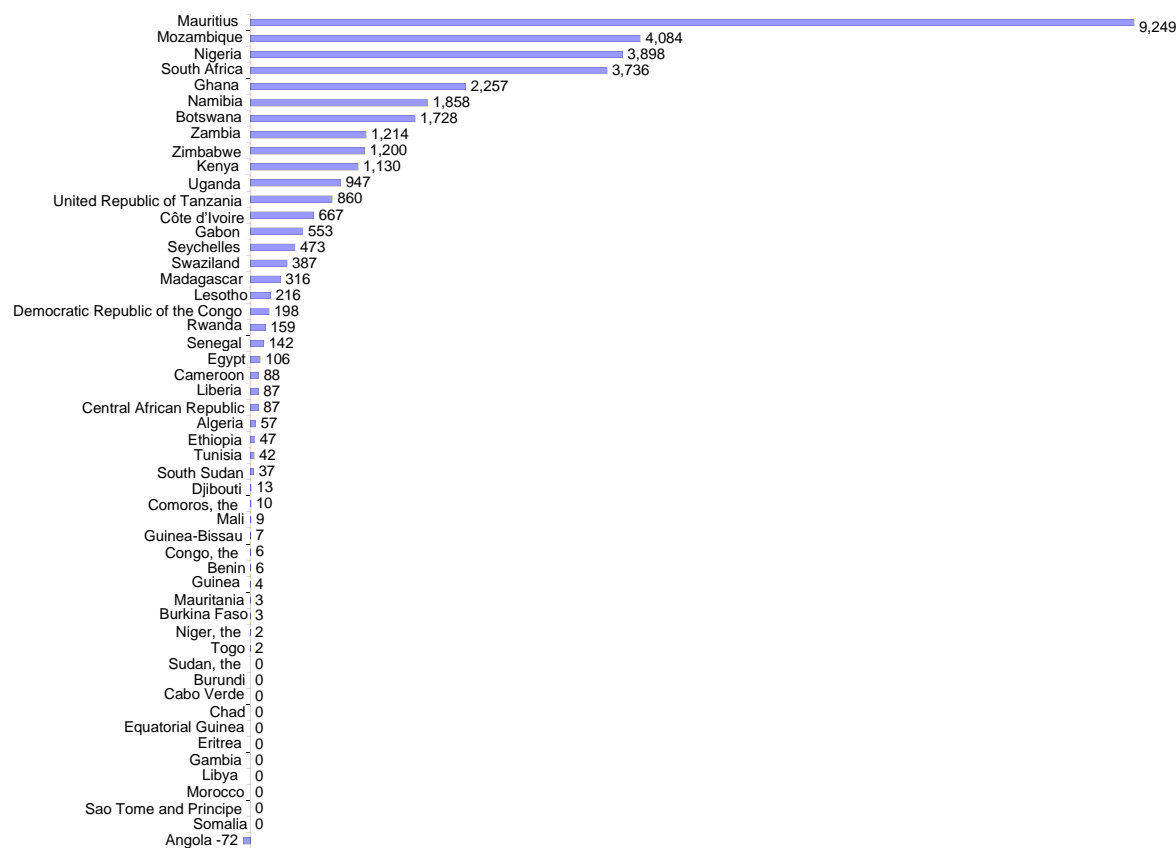
(Millions of United States dollars)



Source: Coordinated Direct Investment Survey database (International Monetary Fund, 2015). Available from <http://data.imf.org/CDIS>.

Figure 8
Intra-African inward direct investment 2013

(Millions of United States dollars)



Source: Coordinated Direct Investment Survey database (International Monetary Fund, 2015). Available from <http://data.imf.org/CDIS>.

C. Infrastructure

Transport

24. The quality of Africa's transport infrastructure remains at around 80 per cent of the global average, following the World Economic Forum's indicator on the quality of transport infrastructure. Since 2010–2014, the average score for African countries has grown by around 4 per cent. In the most recent data, the top-ranked African countries for transport infrastructure were South Africa (34 out of 144 countries rated), Namibia (35), Tunisia (40), the Gambia (55) and Egypt (56). Those were the only African countries ranked above the 60 percentile globally (World Economic Forum, 2014).

25. The following table shows selected transport facilitation measures and which regional economic communities have undertaken them.

Transport facilitation measures agreed at regional economic community level

<i>Issue for harmonization</i>	<i>COMESA, EAC and SADC</i>	<i>ECCAS</i>	<i>ECOWAS</i>
Axle load limits	Yes		Yes
Carrier licence			
Regional customs bond	Customs Bond Guarantee Scheme – harmonized among the three regional economic communities.		Customs Agreements on Inter-State Road Transit (TRIE Convention)

Source: Towards an assessment of the dividends and economic benefits of successfully implementing trade facilitation measures at the level of African regional economic communities (Valensisi, Lisinge and Karingi, paper presented at the Post-Bali Trade Facilitation Symposium for African Least Developed Countries, Mwanza, 14–16 May 2014).

Abbreviations: COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; SADC, Southern African Development Community; ECCAS, Economic Community of Central African States; ECOWAS, Economic Community of West African States.

Communications and energy

26. Africa's electricity infrastructure is making steady progress; production capacity per person increased at around 2.5 per cent per year between 2007 and 2011. International internet bandwidth per internet user grew at an average rate of 57 per cent annually between 1995 and 2013, having grown 39 per cent between 2012 and 2013. Kenya has the largest international internet bandwidth per internet user in Africa at around 50,000 bits per second. Based on available data, mobile phone operators in Sao Tome and Principe and Sierra Leone appear to have the lowest average cost of roaming than in other African countries (ECA staff calculations based on the International Telecommunications Union, 2014; United Nations Population Division, 2014).

D. Free movement of persons

27. In terms of free movement of persons, Rwanda is the only country on the continent for which all Africans can enter with a visa on arrival (or visa-free). According to the latest available data, only 24 countries have ratified all of the regional economic community-level protocols on free movement of persons of those regional economic communities of which they are members. This suggests that further progress in free movement of persons can be made through ratification of these kinds of regional economic community-level protocols.

E. Productive integration (integration into regional value chains)

28. The index measures productive integration through, among other indicators, each country's intra-African trade in intermediate goods. This is because intermediate goods can have further value added to them in the importing country, which would imply that they are part of a regional value chain (assuming that they were indeed produced in the exporting country, rather than simply re-exported).

29. The greatest intra-African exporters of intermediate goods in terms of absolute value in 2013 were, in descending order, South Africa, Nigeria and Côte d'Ivoire. The countries that exported the most intermediate goods to the rest of Africa as a share of GDP in the same year were Swaziland, Côte d'Ivoire, Zambia, Namibia, the Niger, Zimbabwe and Togo. The countries that imported the most intermediate goods from the rest of Africa were Lesotho, Swaziland, Namibia, Botswana, Zimbabwe, Zambia and Côte d'Ivoire (UNCTADStat, 2014).

Next steps

30. The African Union Commission, the Economic Commission for Africa and the African Development Bank are continuing to work on gathering and analysing data for the index. In general, the three institutions have gathered all data that are available from publicly accessible international databases. These data covers 26 out of the 76 indicators in the index. In order to collect the remaining data, the three institutions will require the cooperation of member States and the regional economic communities.

31. In addition to presenting the data already collected to the eighth Joint Annual Meetings of the African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development, the three institutions will give an update on progress made to the African Union Assembly of Heads of State and Government in July 2015. The final report of the index will also be launched during the summer of 2015.

IV. Boosting Intra-African Trade –Continental Free Trade Area Initiative

32. The CFTA–BIAT³ initiative is in direct response to a directive from the Assembly of the African Union Declaration (Assembly/AU/Decl.1 (XVIII) that expressly requests the African Union Commission, the Economic Commission for Africa, the African Development Bank and other relevant agencies, to take

³ CFTA – BIAT, Continental Free Trade Area – Boosting Intra-African Trade.

appropriate measures including studies, technical support to the regional economic communities, and to raise awareness of the initiative among member States and partners, for the effective implementation of the CFTA–BIAT Road Map.

33. To drive the implementation process, the African Trade Policy Centre in collaboration with the African Union Commission and the United Nations Development Programme, will organize consultative meetings – the objective of which is to: raise awareness of CFTA and BIAT among the regional economic communities and selected member States; seek the buy in of all stakeholders on the agenda; and develop specific and implementable action plans for boosting intra-African trade at the national, regional, and continental levels.

34. Issues to be discussed in the consultative meetings include: the current state of trade liberalization in the regional economic communities and selected member countries; constraints to intraregional and interregional trade; panel discussions on priority sectors for the development of BIAT action plans; principles guiding the negotiations for CFTA; institutional arrangements for the negotiation of CFTA; technical issues on CFTA; and private sector views on CFTA and BIAT.

35. To date, SADC, COMESA, ECCAS, AMU, EAC, Gabon, Nigeria and the United Republic of Tanzania have all held CFTA–BIAT consultative meetings. Draft CFTA–BIAT action plans have been prepared for AMU, Nigeria and the United Republic of Tanzania. COMESA and SADC meeting outcomes have pointed to the need to finalize the tripartite negotiations, but both strongly support the CFTA–BIAT agenda. ECAAS, Gabon and Tunisia are in the process of developing their own BIAT action plans. The next phase of providing support for the preparation of BIAT action plans is set for ECOWAS, Morocco, Zambia and Zimbabwe.

36. The CFTA–BIAT action plans aim to serve as effective instruments that will leapfrog trade as potent instruments for attaining transformative economic growth and development, enhancing African market integration, and improving and increasing participation on the continent in global trade. The action plans are targeted at addressing the constraints that limit intraregional and interregional trade, and at harnessing the opportunities of the trade for accelerated and sustainable economic growth and development across the identified seven clusters of the BIAT Action Plan.

37. To recall, the process to establish CFTA takes place at a time when, according to the 1991 Abuja Treaty, each regional economic community is supposed to set up a free trade area and a customs union. The deadline for completion of this third stage of the linear integration is set at 2017. The eight regional economic communities, recognized by the African Union, have been designated as the building blocks of African continental economic integration – CFTA and the African Economic Community. To achieve CFTA by the indicative year of 2017, the Tripartite Free Trade Area and the other regional economic community free trade areas are expected to be concluded as soon as possible, if not already established. By the constitutive acts or agreements setting them up, all the regional economic communities are committed to the establishment of free trade areas among their member States, but progress towards regional market integration and the preparedness of the regional economic communities for CFTA varies.

38. Due to constitutive acts stated above, the regional economic communities and member States are also committed to the action to boost-intra Africa trade. BIAT is a long-term objective set before us by our Heads of States to increase trade among African member countries, boost incomes, add value to goods and enhance standards of living of African people. BIAT is also a means to cushion African economies from global and economics crises. Overall, there is strong support for the BIAT-CFTA agenda from the member States and the regional economic communities.

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