Evolution of the international trading system and its trends from the perspective of Africa

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What are the key developments in Africa’s trade?

TRENDS IN AFRICA’S TRADE AND THE CFTA
The biggest story in Africa’s trade has been the growth of the emerging market economies (EMEs) (especially China)

Destination of Africa’s Exports

Source of Africa’s Imports
But most of this growth has been in extractive exports... in contrast, *intra-African* exports are mostly non-extractive.

**Africa’s extractive exports to**

*EMEs*  

**Africa’s extractive exports to**

*Africa*
Moreover, intra-African exports have contributed most to the growth in Africa’s *value-added and industrialized* exports.

<table>
<thead>
<tr>
<th>Export category</th>
<th>EMEs</th>
<th>Intra-Africa</th>
<th>Developed markets</th>
<th>Other developing markets</th>
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</thead>
<tbody>
<tr>
<td><strong>Food and beverages</strong></td>
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<tr>
<td>Primary</td>
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<td>Processed</td>
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<td><strong>Industrial supplies</strong></td>
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<tr>
<td>Primary</td>
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<td><strong>Transport equipment</strong></td>
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<td><strong>Consumer goods</strong></td>
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This underpins the rationale for the Continental Free Trade Area (CFTA)

- Importance of intra-African trade in contributing to Africa’s industrialization underpins logic behind the CFTA: Over long-run helps contribute to economic restructuring towards more productive industrialized export sectors
- Mevel & Karingi (2013) estimate 52.3% boost to intra-African trade and Africa’s industrial exports to enjoy highest gains
- Important to complement with policies beyond tariff reduction: NTBs, investments in productive capacities, trade facilitation, trade information, trade finance, etc
- CFTA Update: negotiations progressing fast - goods (90% level of ambition) and services modalities agreed, substantive text being refined, good level of political commitment across Africa
What are the key developments in Africa’s external trading arrangements?

AFRICA’S EXTERNAL TRADING ARRANGEMENTS
AGOA Renewal and Beyond 2025

• Valuable for Africa’s textile and auto exports to US

• Beyond AGOA 2025, US will likely pursue FTAs with individual ‘can do’ African countries

• Risk to the African integration agenda as could pick apart regional groupings (See US in Latin America). Priority for African trade is an arrangement that contributes to its regional agenda.

Brexit and the EPAs

• UK is an important market for some African countries, and for certain products: accounts for 67% of Africa’s exports of beef to EU, 31% of tea and spices, 31% wine, 22% fruit, 10% sugar and 10% banana

• Brexit means the EU has slightly less weight to push the EPAs (Tanzania withdrawal from EAC-EPA cites Brexit)

• Priorities are: smooth continued access to UK market throughout Brexit, opportunities for improving some aspects of trade with UK
WTO Ministerial Conference, Dec

• Precautionary approach to big push for e-commerce rules
• E-commerce increasingly important, but implications in Africa need to be better evaluated before rushing into binding rules that will affect trade for decades
• Distraction from DDA topics that can most benefit Africa: Agriculture subsidies, cotton, IUU Fishing, S&D Treatment

Mega-Regional Trade Agreements

• TPP, TTIP, RCEP etc
• Risks of preference erosion and that rules are developed and multilateralized in fora in which Africa does not have a voice
• Withdrawal of USA from TPP reduces some concerns (eg preference erosion w.r.t. highly competitive East Asian textile manufacturers)
THANK YOU!