



## TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

Geneva, 6 – 8 October 2015

### **TRADE AND TRADE POLICY, GLOBAL VALUE CHAINS AND REGIONAL INTEGRATION IN AFRICAN COUNTRIES**

Session-2

**Mr. Charles ADJASI**  
University of Stellenbosch  
Business School

# TRADE AND TRADE POLICY, GLOBAL VALUE CHAINS AND REGIONAL INTEGRATION IN AFRICAN COUNTRIES

UNCTAD

TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

6–8 OCTOBER 2015

*ROOM XXIV, PALAIS DES NATIONS, GENEVA*

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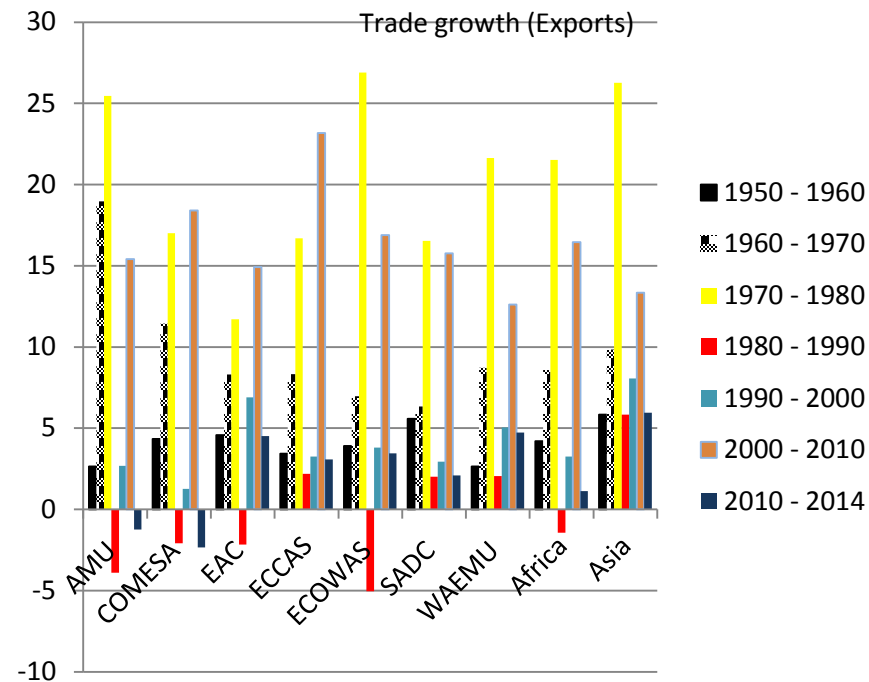
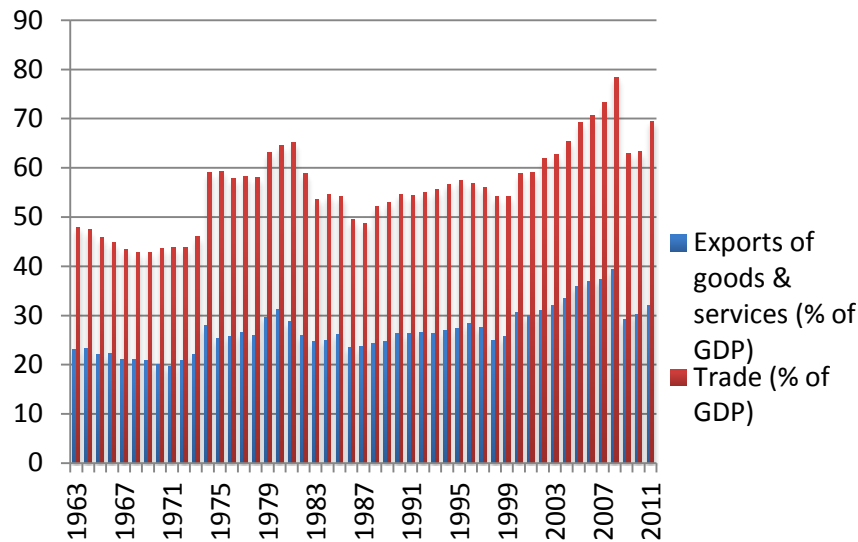
# Plan

- Trends in Trade and Performance of the Economy
- Intra Regional Trade and Cross Border Trade
- Challenges of Trade
- Focus of Trade Policy for Africa
- Cases of traditional and emerging regional trade in Africa

# Africa's Trade

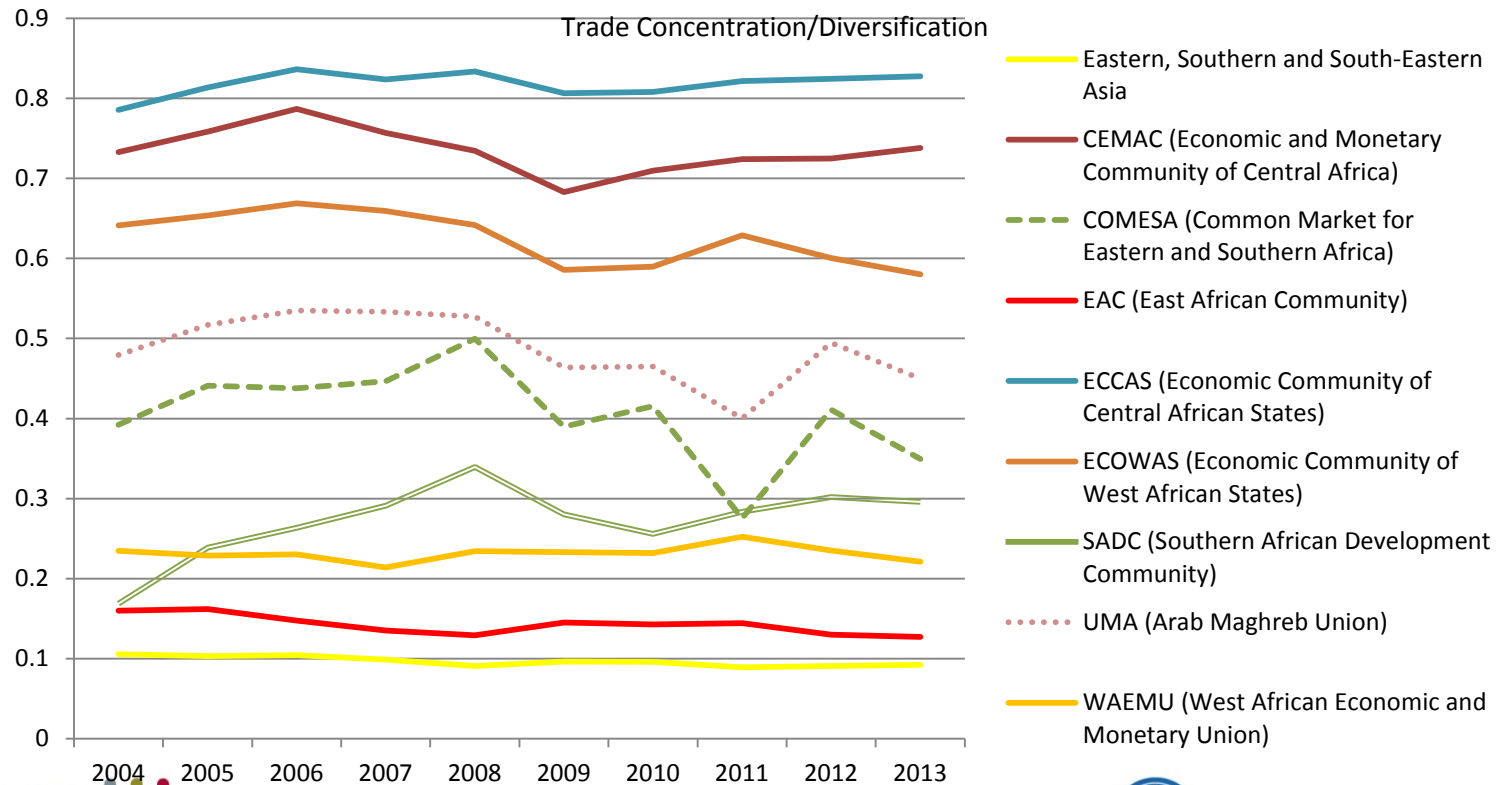
- Africa has seen a rise in trade (albeit its marginal contribution in world trade)
- Growth in trade dipped in the 80-90s and since picked up
- Largely uniform trend amongst RECs

Africa Trade Performance (1963-2011)



# Trade Diversification

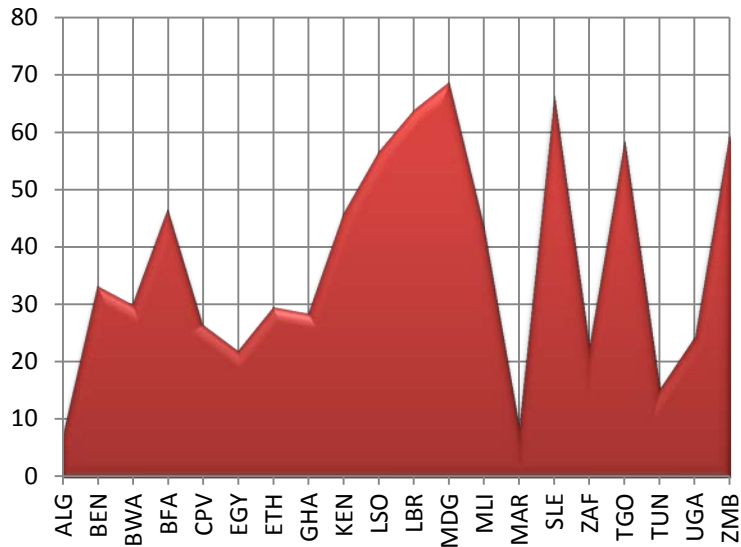
- Exports in Africa are still concentrated, although trends are changing
- In terms of regional trends EAC more diversified, Least diversified is ECCAS region



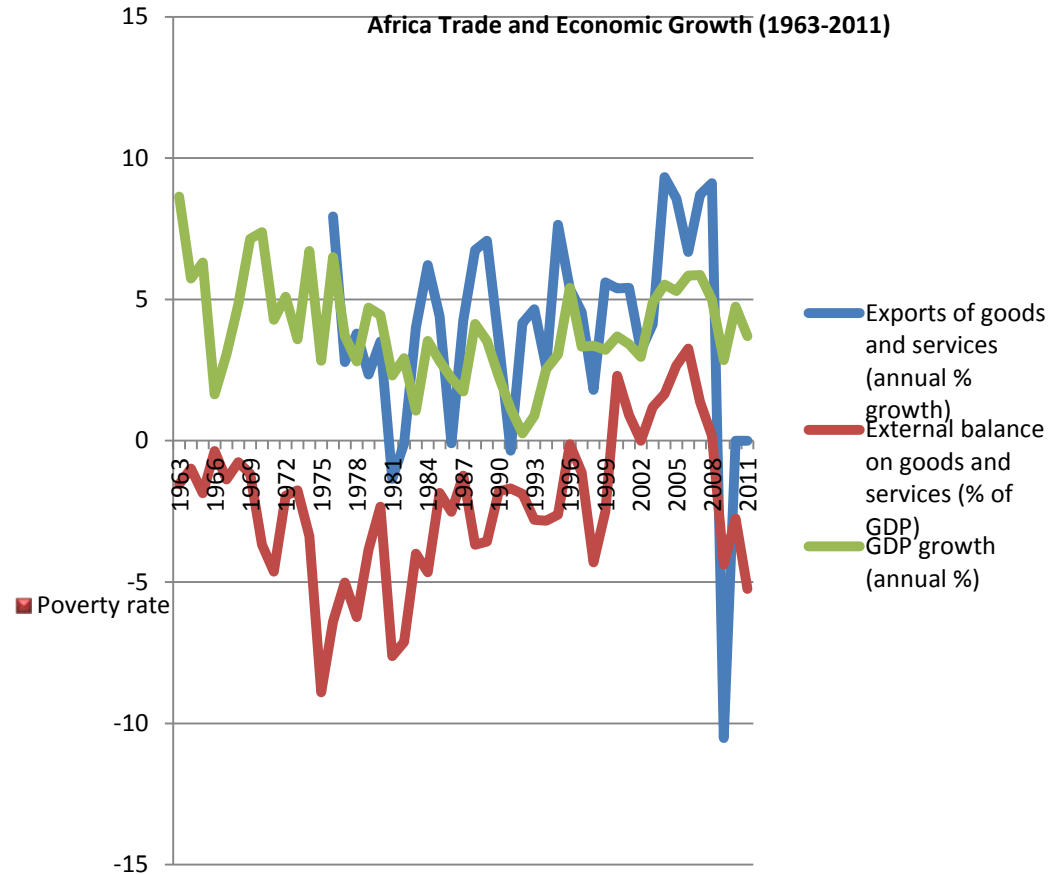
# Economic Performance

Poverty rates have reduced but are still very high in most countries

Poverty rate-most recent at National Poverty Lines



- Although export growth has been good and economic growth has picked up since the 90s but there are still strains on current accounts

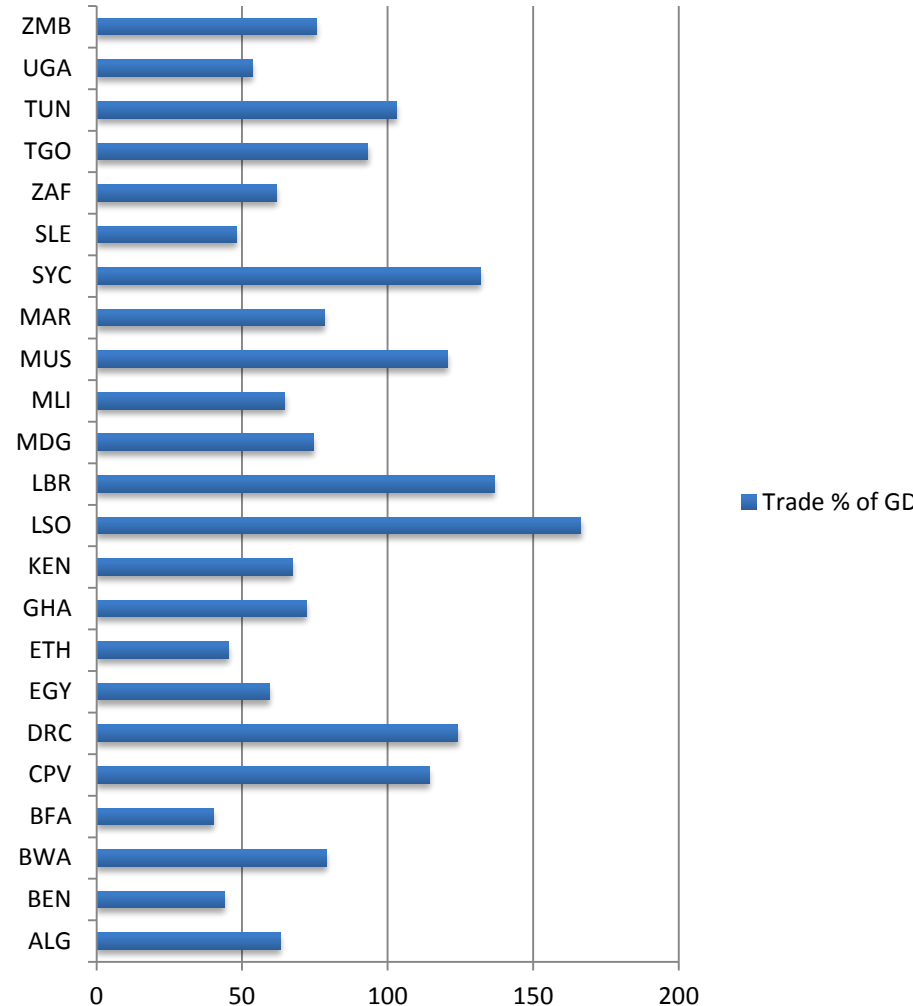
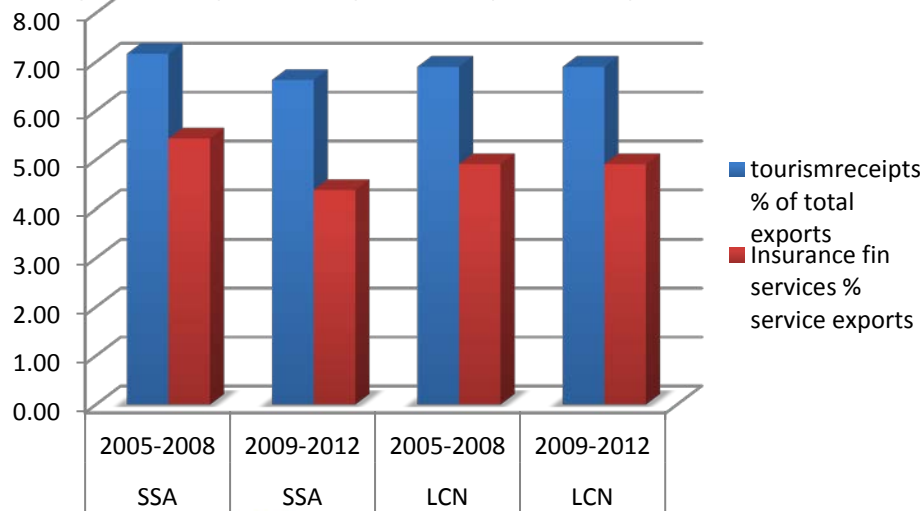
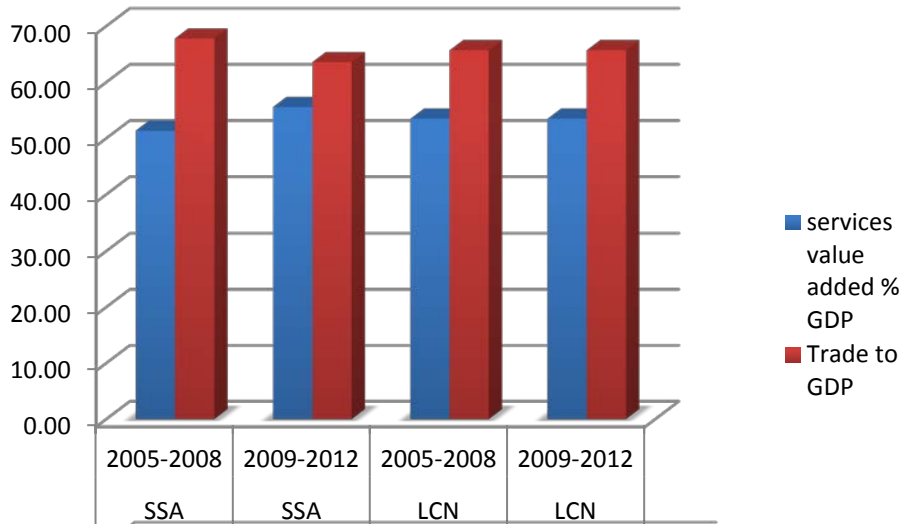




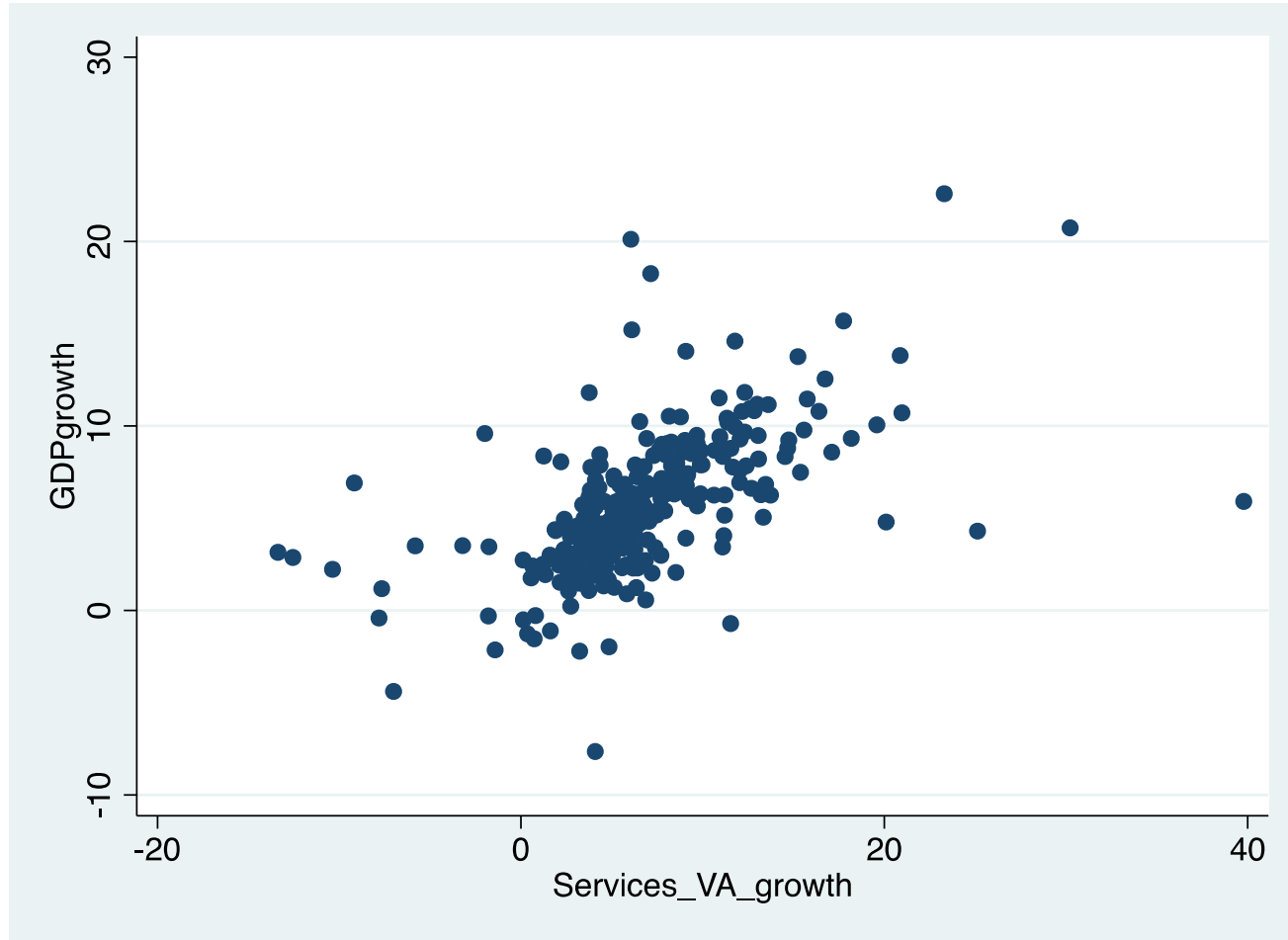
# Trade Performance

- The Services Story-Value addition in services sector

Trade % of GDP (average 2006-2011)



# The Services-Growth nexus





# Trade Policy

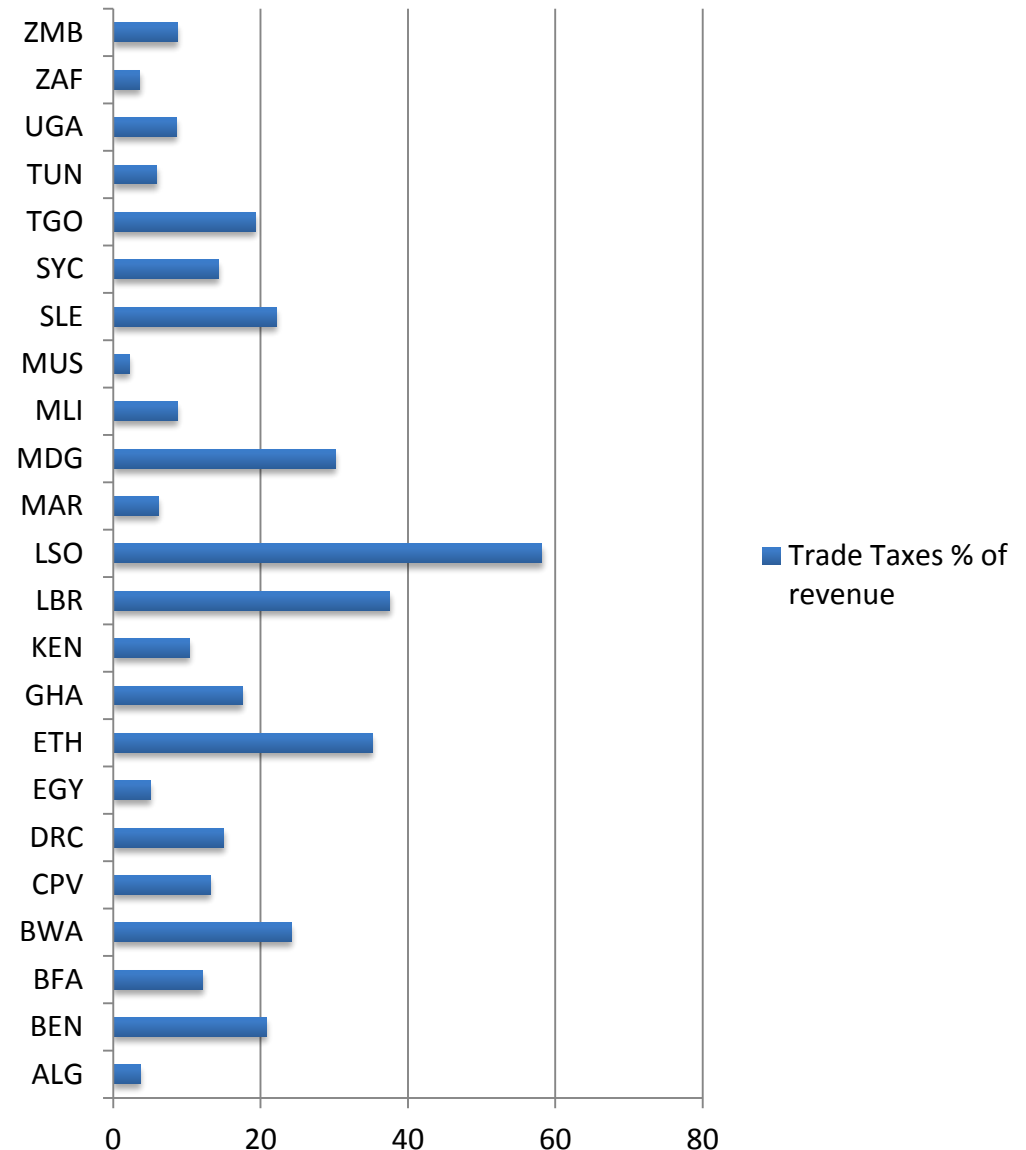
- Has largely been based on the following:
  - Eliminating/reducing procedural barriers to free trade e.g., import licenses, export taxes, tariff and NTBs
  - Avoiding import bans
  - Creating SEZs (EPZs)
  - Promoting intra-region trade via REC, CET (REC)

## Trade tax and fiscal space

A major challenge that remains is that of high trade taxes-tariff revenue is still a core component of government revenue

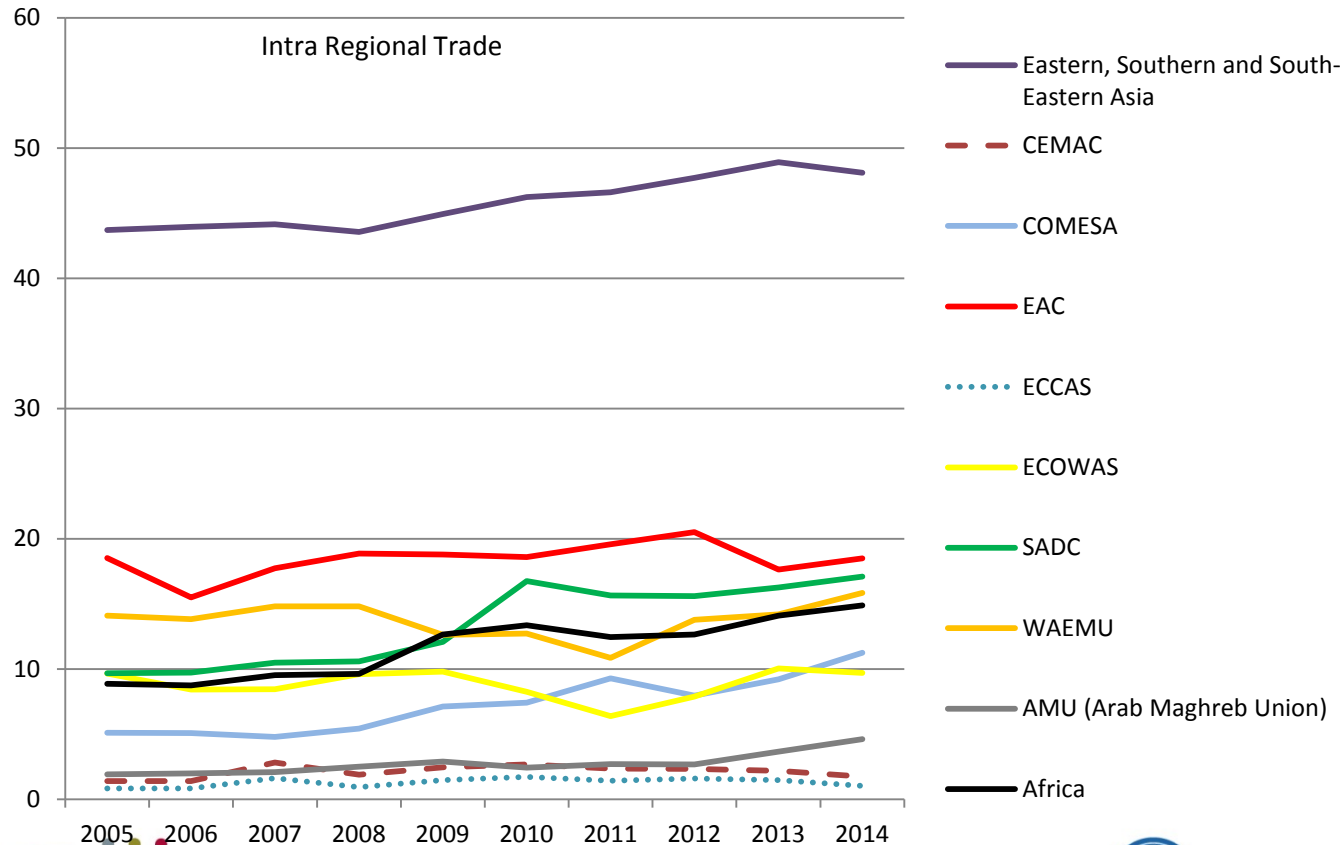
| Country | Export taxes % of tax revenue |
|---------|-------------------------------|
| ALG     | 0.03                          |
| BEN     | 0.14                          |
| BWA     | 0.01                          |
| DRC     | 1.32                          |
| EGY     | 0.22                          |
| ETH     | 7.22                          |
| GHA     | 1.53                          |
| LSO     | 1.17                          |
| LBR     | 0.76                          |
| MAR     | 0.76                          |
| ZAF     | 0.01                          |
| TGO     | 0.47                          |
| TUN     | 0.16                          |
| UGA     | 0.08                          |

## Trade Taxes % of revenue



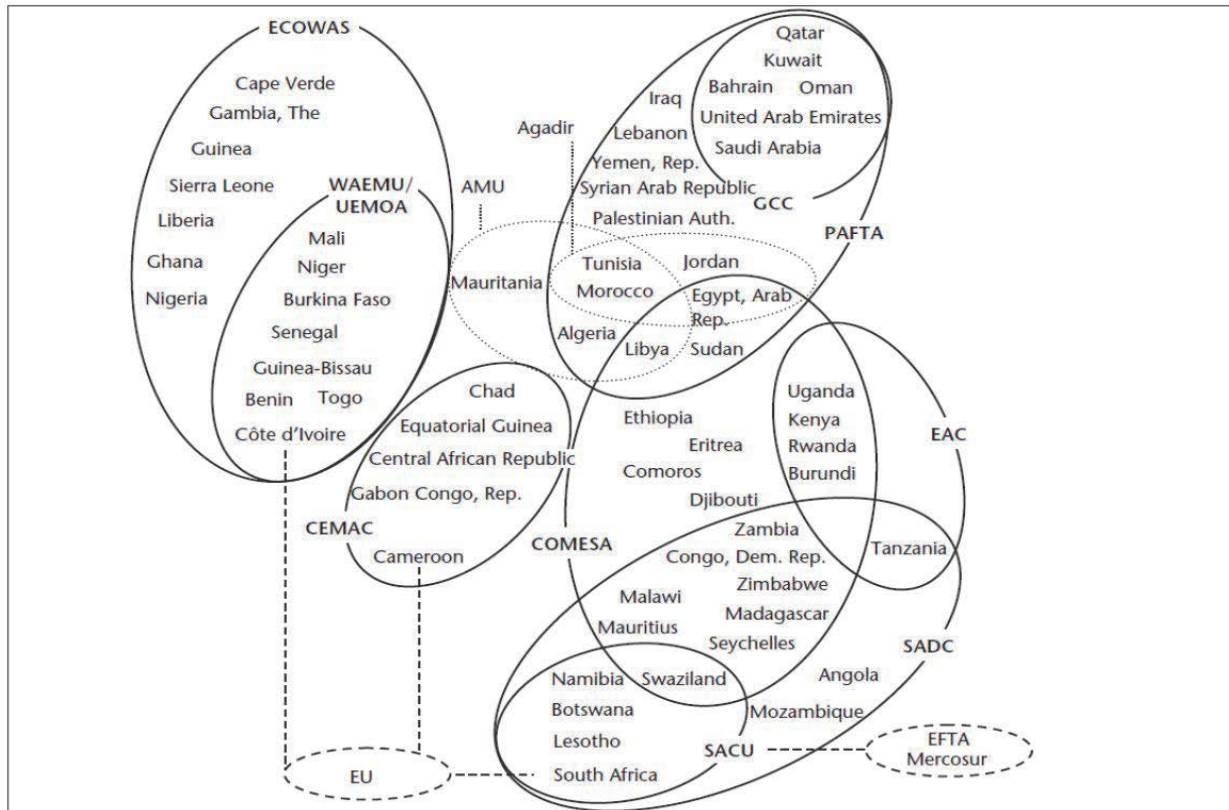
# Intra Regional Trade

- Intra regional trade is growing but lags behind that of East and South Asia
- Led mostly by EAC & SADC
- Upward trend since late 2000s



# Intra Regional Trade

- However-Complexity (spaghetti bowl problem) and associated trading costs (uncoordinated policies, regulations etc)



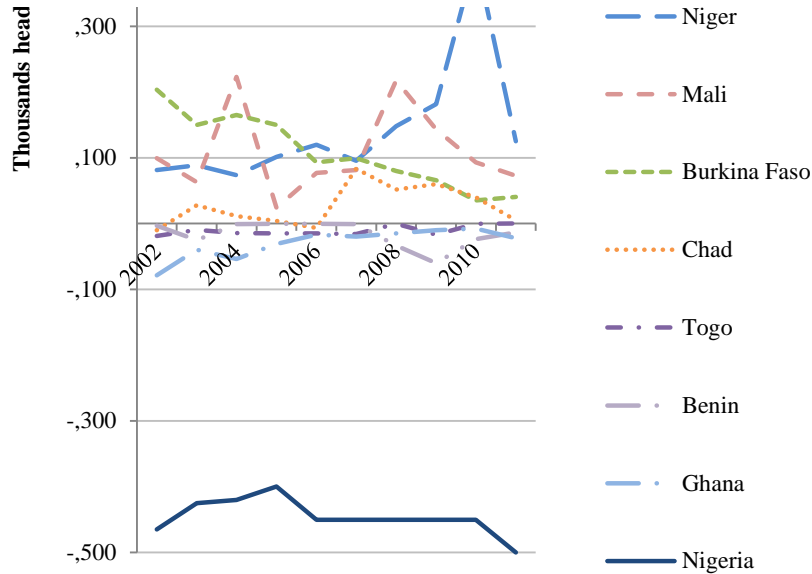
Source: Acharya et al. (2011)

- Recent developments-Tripartite Free Trade Area agreement COMESA, EAC and SADC, will help reduce this complexity and TC
- Prospects for CFTA

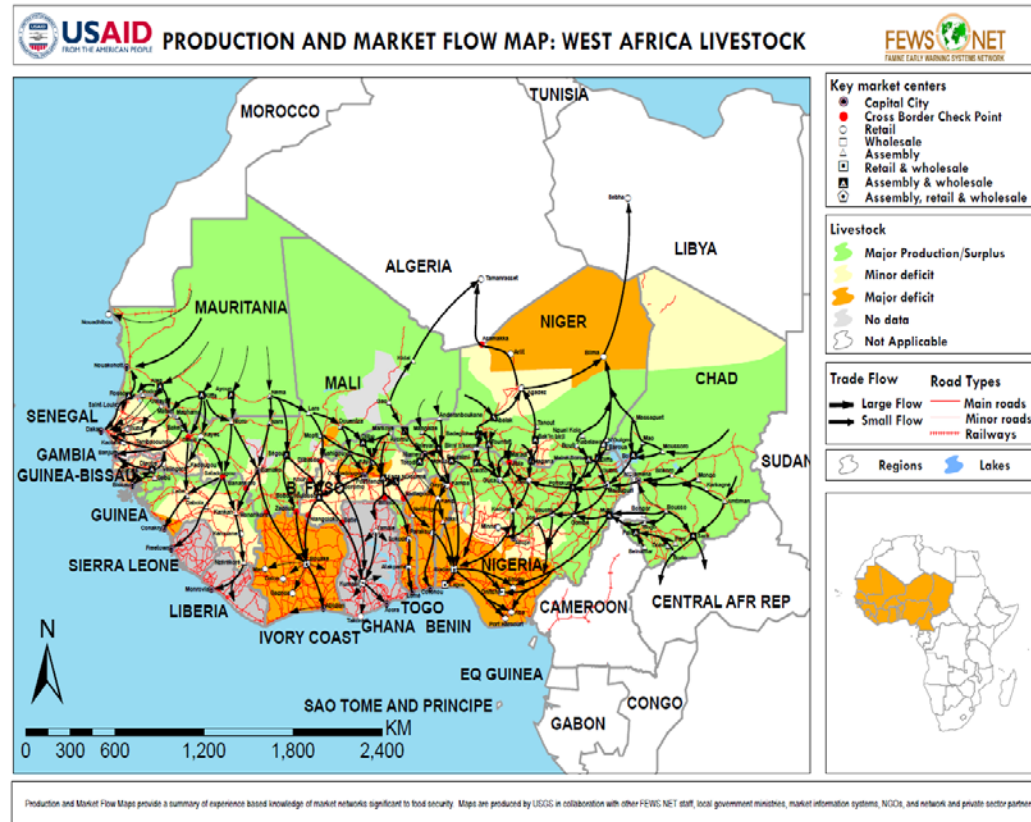
# Informal Cross Border Trade

- ICBT in Africa-43% of GDP, almost equivalent to the formal trade sector (Lesser & Moisé-Leeman, 2009).
- ICBT in Africa is very profitable. Uganda's ICBT to its five neighbouring countries an estimated US\$231.7 million, (around 86% of official export flows to these countries (Omiti, 2009; Lesser & Moisé-Leeman (2009).
- ICBT a long standing traditional historical local and social economy trade W/A trade in livestock

Net trade of live cattle in West Africa

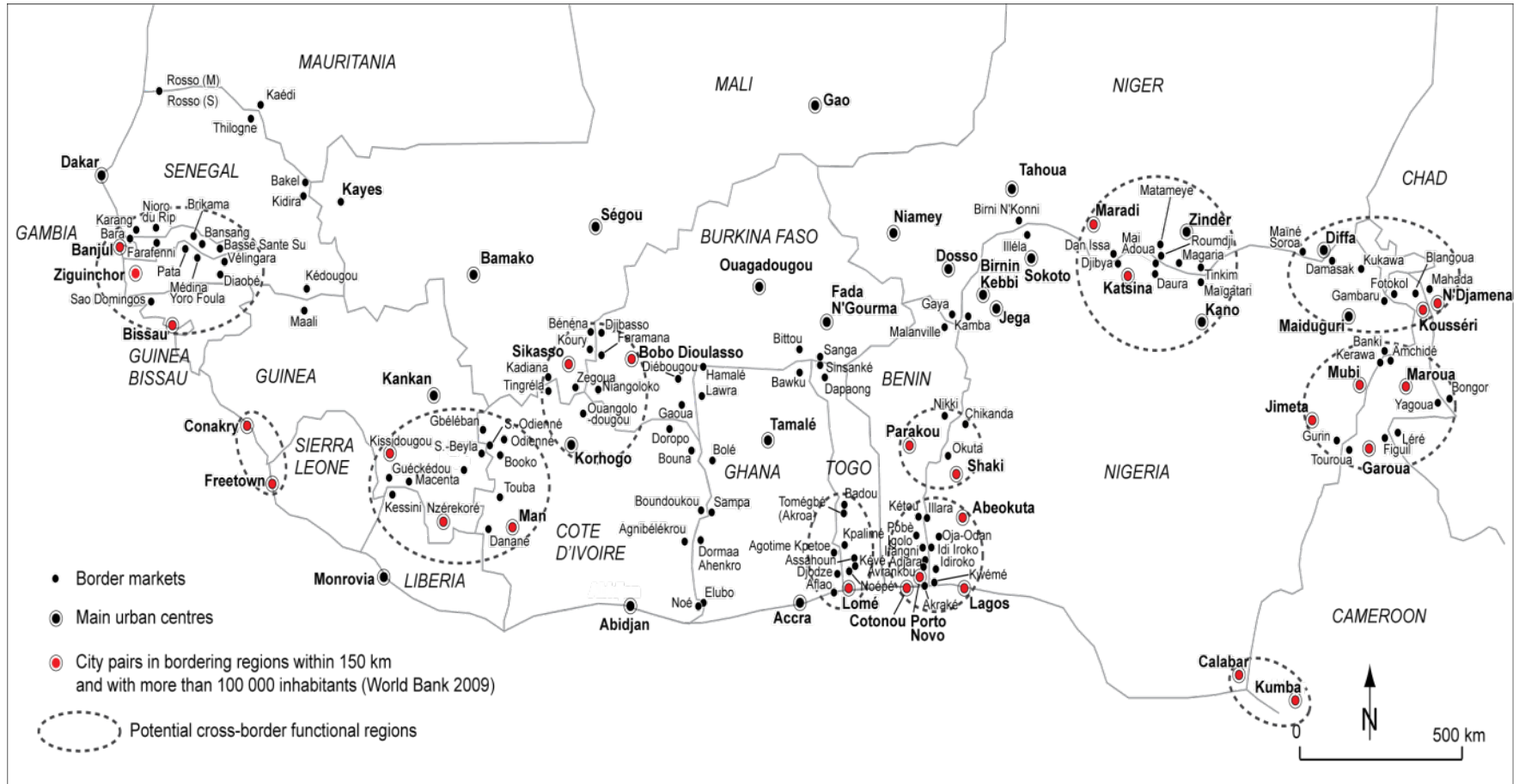


Source: FAOStat



# ICBT

- Major CBT towns in West Africa (NB there are minor ones as well)



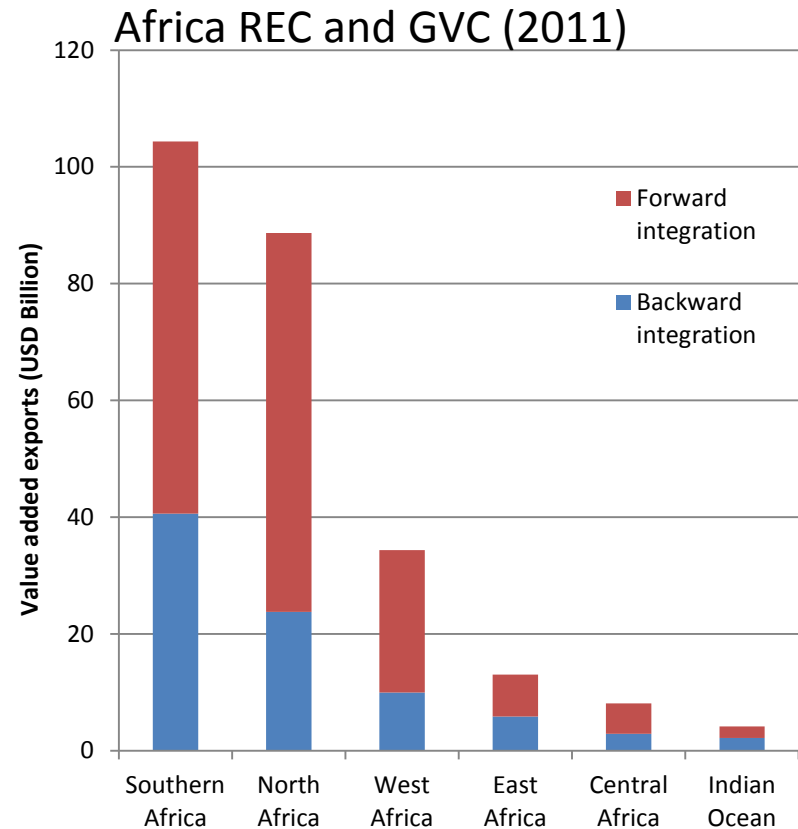
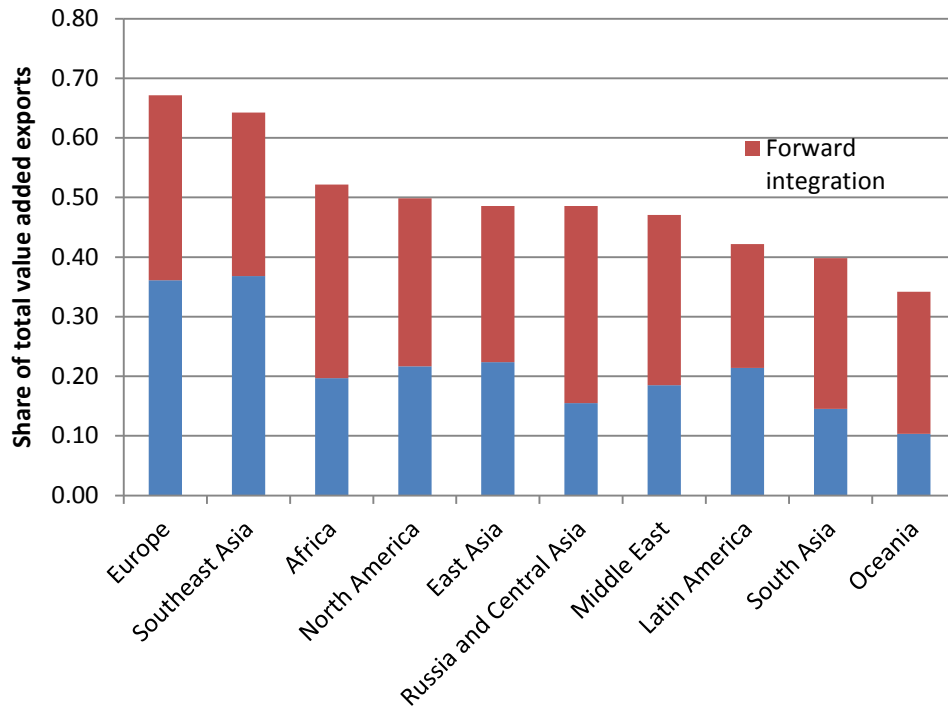
Cartography: © Olivier Walther, CEPS/INSTEAD Luxembourg, 2011 with Jean-Louis Sanka and Moustapha Koné. CROSSTRADe "Informal Trade and Cross-Border Integration in West Africa" project, funded by the National Research Fund of Luxembourg. Sources: Igué 1989, 1993, 199, 2010 (West Africa and Central Africa), Chafin 2001, McKim 1972 (Bawku, Sinsanké, Bittou), Bennafla 2002 (Central Africa), Igué and N'Bessa 1980, Boluvi 2004, Walther 2007, 2008, 2009, 2010, 2011, 2012 (Dendi), Fadahunsi and Rosa 2002 (Igolo), Grégoire and Labazée 1993, Grégoire 1986, 1991, 2003, Abdoul, Dahou and Trémolières 2004, 2007, Nicolas 1986 (Maradi), Abdoul, Dahou, Dahou, Gueye and Hazard 2007, Sanka 2010, Lambert and Egg 1994 (Senegambia), Labazée 1993, Dahou, Dahou, Gueye and Trémolières 2007, OECD 2009, Warms 1994, World Bank 2009 (Kéné Dougou), Harre 1993 (Kabadougou). Note: Only twin markets distant of over 25 km and with a population of over 10,000 inhabitants in 2010 are represented.

# Africa's Trade in the Global Value Chain

(draws largely from AEO 2014)

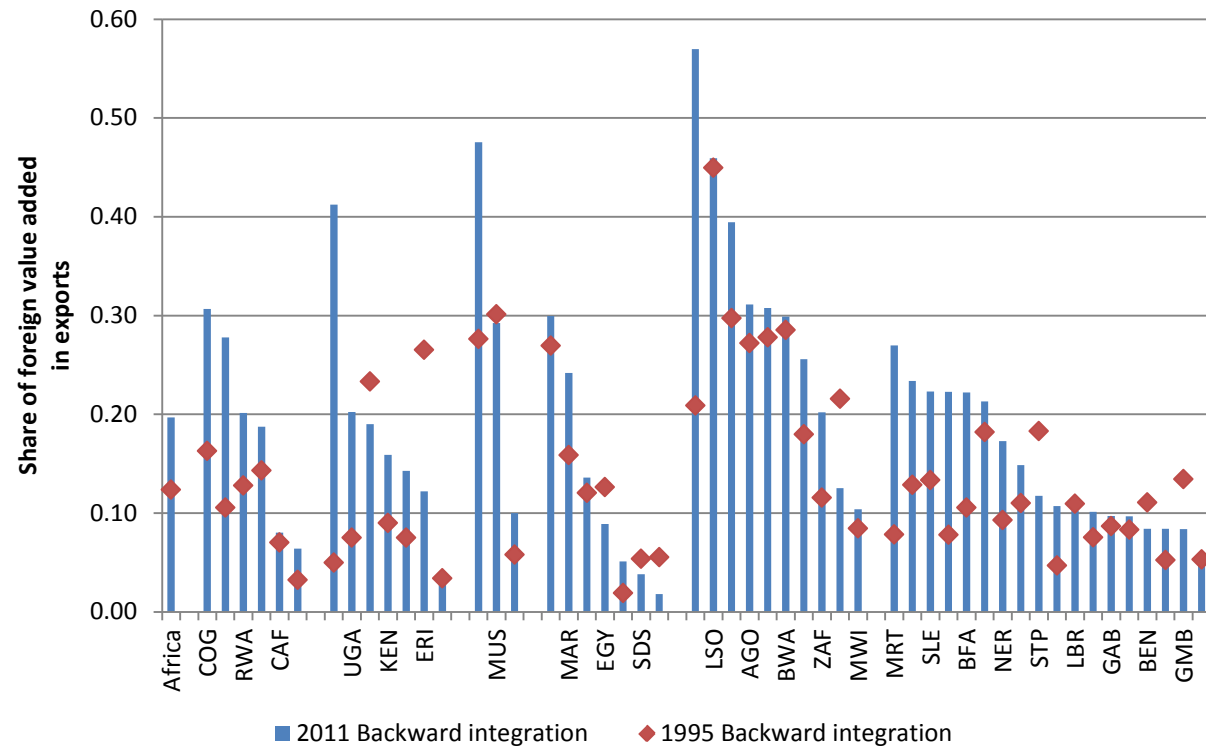
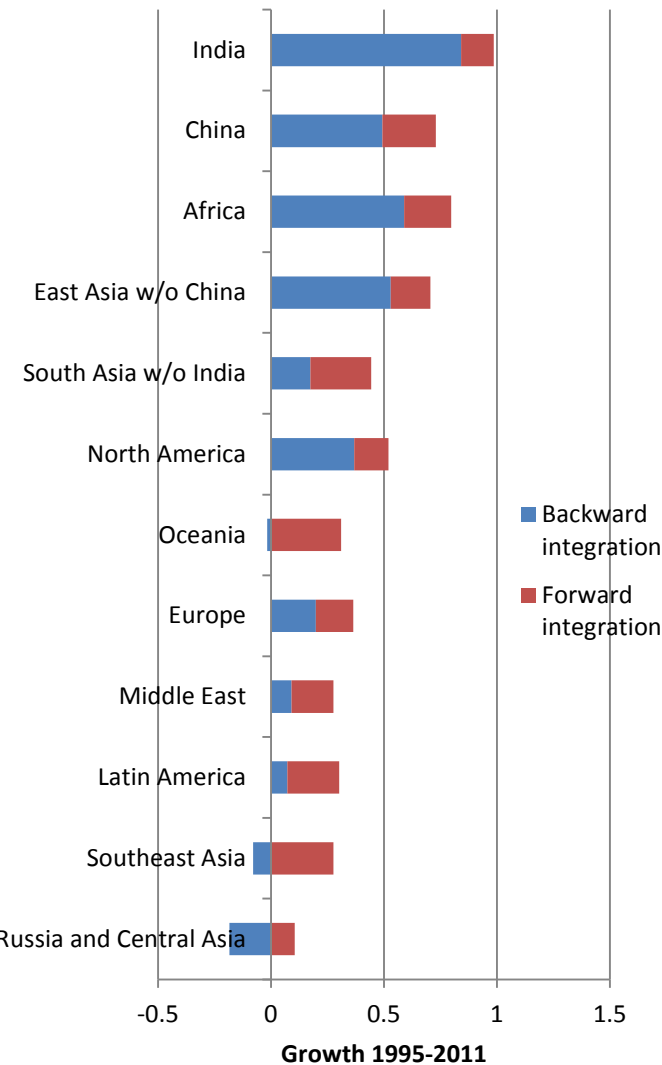
- Africa's integration into global value chains is comparable to other regions
- Southern & North Africa lead integration of African regions into global value chains

- Trends in GVC integration (2011)



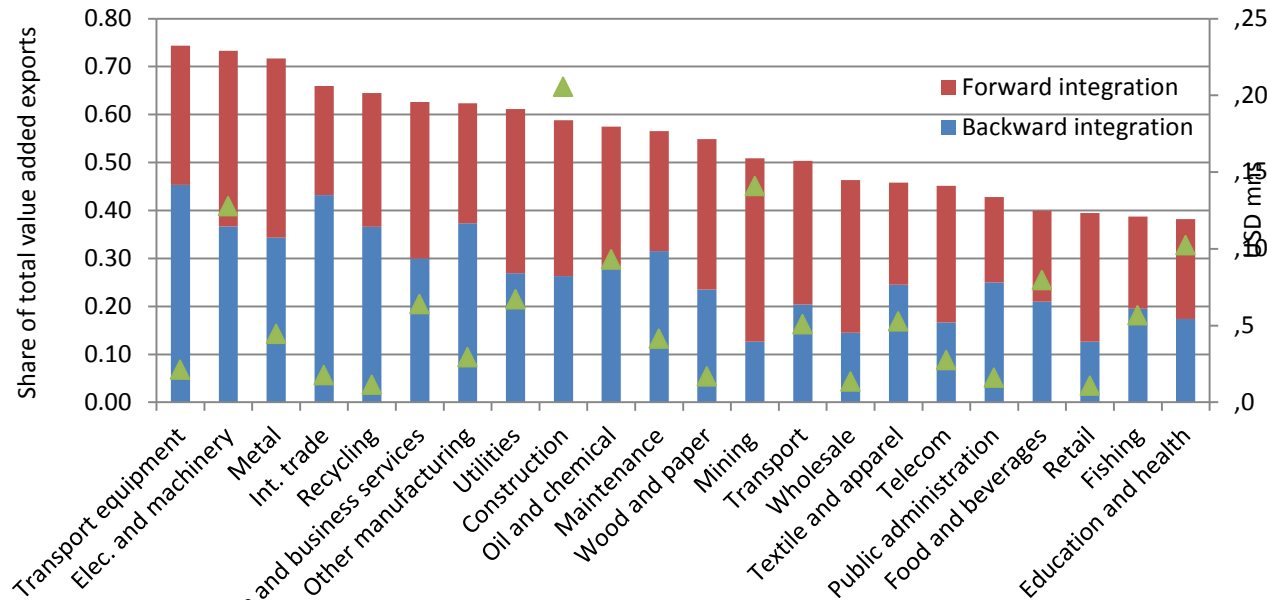


# Growth of global value chain integration, 1995-2011

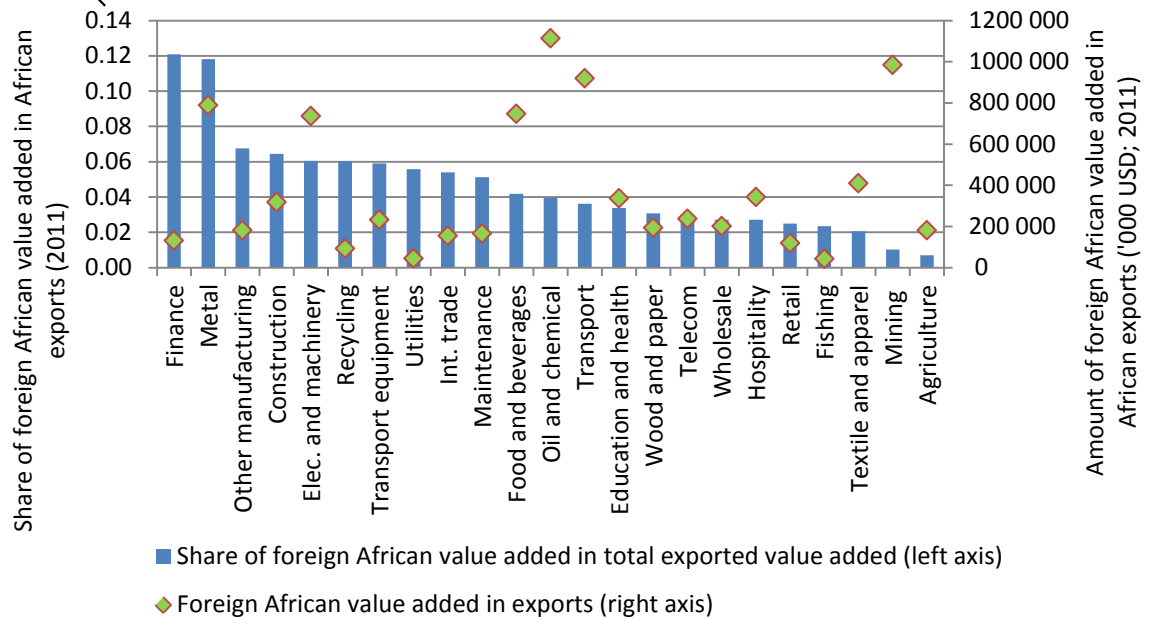


- Africa has increased its backward integration a sign of value addition to exports & deep integration into GVC
- Lesotho & Mauritius have led in this direction

# Regional value chain integration by sector, 2011



- Manufacturing (automotive) leads global and regional value chain
- Finance leads regional & GVC participation rates in services



# Some Challenges of Trade

## High Trade Transactions Costs

- Poor institutions and infrastructure
- Lack of policy convergence
- Road blocks, red tape and slow custom clearances
- *CEO of Massmart interview with Fin 24 in 2009 “[When] we supply goods into Lagos, it might take 12 weeks on the water, [but it can take] 14 weeks to clear”*
- Restrictive free movement. Africans need visas to get into at least two thirds of other African countries.

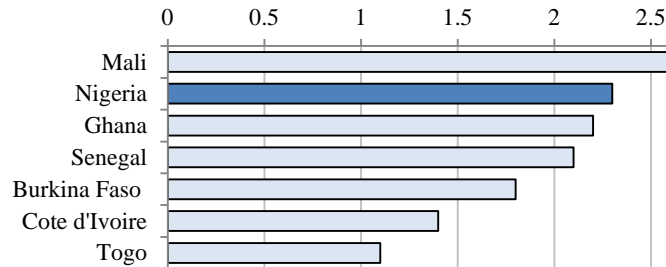
| (USD per 20MT truck of general merchandize)              |         |                  |
|--|---------|------------------|
| Transfer Cost Category                                   | Nigeria | Cameroon         |
| Unofficial customs payments at border                    | 450     | 644              |
| Other unofficial payments at border                      | 262     | 191              |
| Unofficial payments behind border                        | 461     | 2,738            |
| Current official customs payments at border              | -       | 1,478            |
| Payments if simplified customs procedures were applied   | -       | 2,745            |
| Potential charges if full tariff assessment were applied | -       | 75,800 - 113,700 |

| Country      | Time to cross the border (hours) | Time waited to pick up freight once inside the port (hours) |
|--------------|----------------------------------|---|
| Burkina Faso | 25.36                            | 23.38   |
| Ghana        | 30.33                            | 24.71   |
| Cameroon     | 26.55                            | 12.38   |
| Chad         | 11.65                            | 12.38   |
| Uganda       | 15.25                            | 11.75   |
| Kenya        | 8.18                             | 5.93  |
| Zambia       | 26.5                             | 16.55   |

Source: adapted from Teravaninthorn and Raballand (2009)

# Road blocks and trade transactions cost-e.g. from W/A

- Number of roadblocks per 100 km (2011)



Coste (2014)



Traffic congestion at the Malaba Border Post between Kenya and Uganda. © TradeMark East Africa - See more at: <http://www.tradeforum.org/article/Trade-facilitation-to-bring-billions-in-exports-to-East-Africa/#sthash.ns4bUurj.dpuf>

| Frequency of Road Controls and Costs Associated |               |                       |                              |               |
|---|---------------|-----------------------|------------------------------|---------------|
| Corridor  | Distance (km) | No. of Control Points | Average Cost per Truck (USD) | Size of Truck |
| Ekok - Mamfe - Bamenda                          | 250           | 12                    | 633                          | 20 MT         |
| Abonshie - Kombo - Bamenda                      | 220           | 11                    | 581                          | 20 MT         |
| Maga - Limani                                   | 150           | 13                    | 521                          | 40 MT         |
| Boukoula - Guider                               | 80            | 7                     | 290                          | 40 MT         |
| Demsa - Garoua                                  | 45            | 4                     | 676                          | 40 MT         |
| Onitsha - Mfum                                  | 320           | 25                    | 461                          | 20 MT         |

Source: World Bank 2013

# New Trade Policy for Africa?

- More emphasis on enhancing trade for sustainable development
  1. Local economics- social & traditional economy
  2. Formalize ICBT,
  3. Harmonize regulations border procedures and policies to strengthen REC & enhance intra-African trade
  4. Promote services sector
  5. FDI linked for linkages such as
    1. Infrastructure
    2. GVC
    3. Technology and learning by doing
    4. Employment and welfare development for local economy
- These will result in deep participation in GVC

# Cases of traditional local economy industries for trade

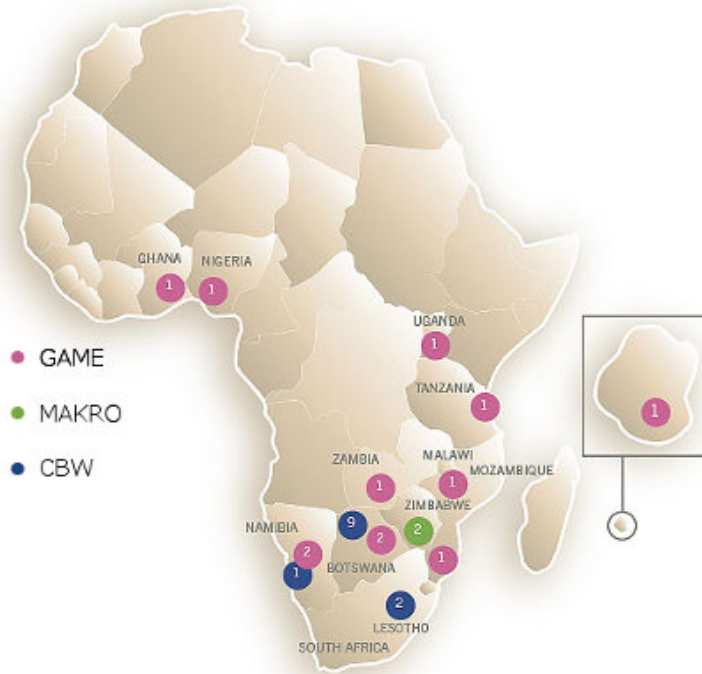
- W/A- leather and beef Mali/Niger; fabrication and automotive design Suame-Ghana
- S/A-traditional economy of wool and mohair manufacturing- (blankets and clothing), trout fish in Lesotho, automotive, citrus, grape and wine-SA
- E/A- textile industry-Ethiopia, logistics-Kenya
- N/A-automotive-Morocco (citrus, fruits, textiles-Zara)/Egypt

# Emerging Trade in services

- **Shoprite**

|                     | ----- number of stores ----- |            |            | Population ('000) | GDP per capita (nominal \$) | # of people per store ('000) | Per capita income relative to SA | SA-equivalent people per store ('000) |
|---------------------|------------------------------|------------|------------|-------------------|-----------------------------|------------------------------|----------------------------------|---------------------------------------|
|                     | Shoprite                     | Usave      | Total      |                   |                             |                              |                                  |                                       |
| Namibia             | 14                           | 17         | 31         | 2,100             | 5,828                       | 68                           | 0.72                             | 49                                    |
| Zambia              | 19                           | 1          | 20         | 13,585            | 1,413                       | 679                          | 0.18                             | 119                                   |
| Angola              | 5                            | 9          | 14         | 19,625            | 5,144                       | 1,402                        | 0.64                             | 894                                   |
| Swaziland           | 6                            | 3          | 9          | 1,176             | 3,358                       | 131                          | 0.42                             | 54                                    |
| Botswana            | 5                            | 3          | 8          | 1,853             | 9,480                       | 232                          | 1.18                             | 272                                   |
| Lesotho             | 4                            | 4          | 8          | 1,941             | 1,264                       | 243                          | 0.16                             | 38                                    |
| Mozambique          | 5                            | 3          | 8          | 22,017            | 1,085                       | 2,752                        | 0.13                             | 370                                   |
| Madagascar          | 7                            |            | 7          | 21,851            | 458                         | 3,122                        | 0.06                             | 177                                   |
| Malawi              | 2                            | 3          | 5          | 16,166            | 351                         | 3,233                        | 0.04                             | 141                                   |
| Nigeria             | 5                            |            | 5          | 160,342           | 1,490                       | 32,068                       | 0.18                             | 5,924                                 |
| Ghana               | 2                            | 1          | 3          | 24,304            | 1,688                       | 8,101                        | 0.21                             | 1,695                                 |
| Mauritius           | 3                            |            | 3          | 1,289             | 8,654                       | 430                          | 1.07                             | 461                                   |
| Tanzania            | 3                            |            | 3          | 42,176            | 553                         | 14,059                       | 0.07                             | 964                                   |
| Uganda              | 3                            |            | 3          | 35,201            | 477                         | 11,734                       | 0.06                             | 694                                   |
| DRC                 | 1                            |            | 1          | 71,713            | 216                         | 71,713                       | 0.03                             | 1,920                                 |
| Zimbabwe            | 1                            |            | 1          | 12,575            | 741                         | 12,575                       | 0.09                             | 1,155                                 |
| <b>Grand total</b>  | <b>85</b>                    | <b>44</b>  | <b>129</b> |                   |                             |                              |                                  |                                       |
| <b>South Africa</b> | <b>339</b>                   | <b>215</b> | <b>554</b> | <b>48,810</b>     | <b>8,066</b>                | <b>88</b>                    |                                  | <b>88</b>                             |

- **Massmart**

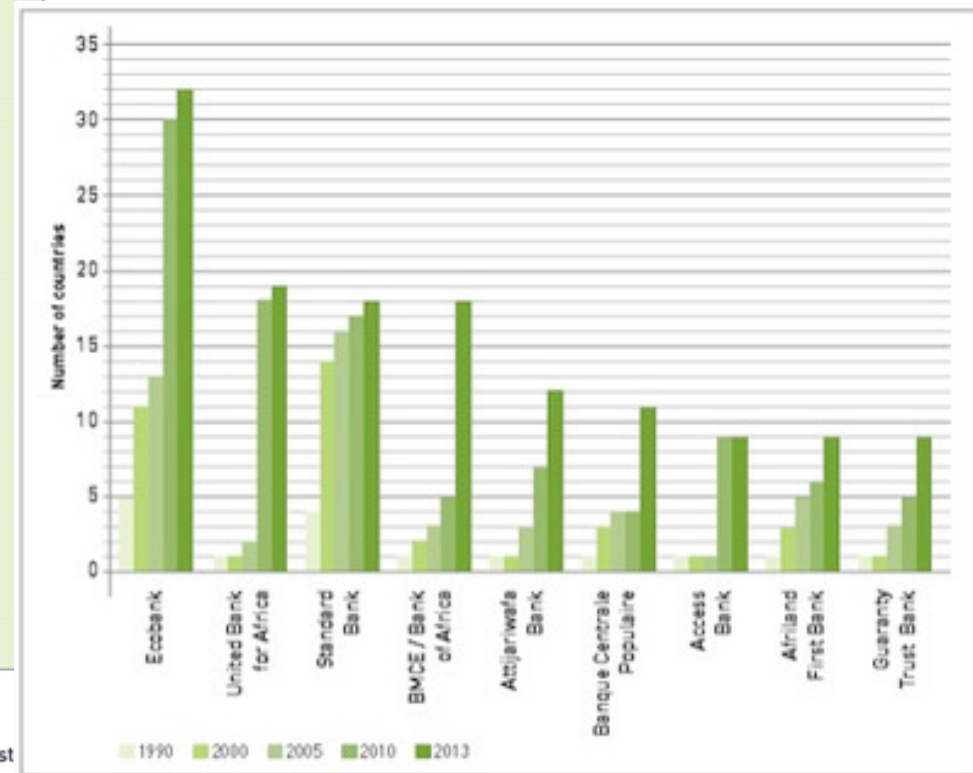
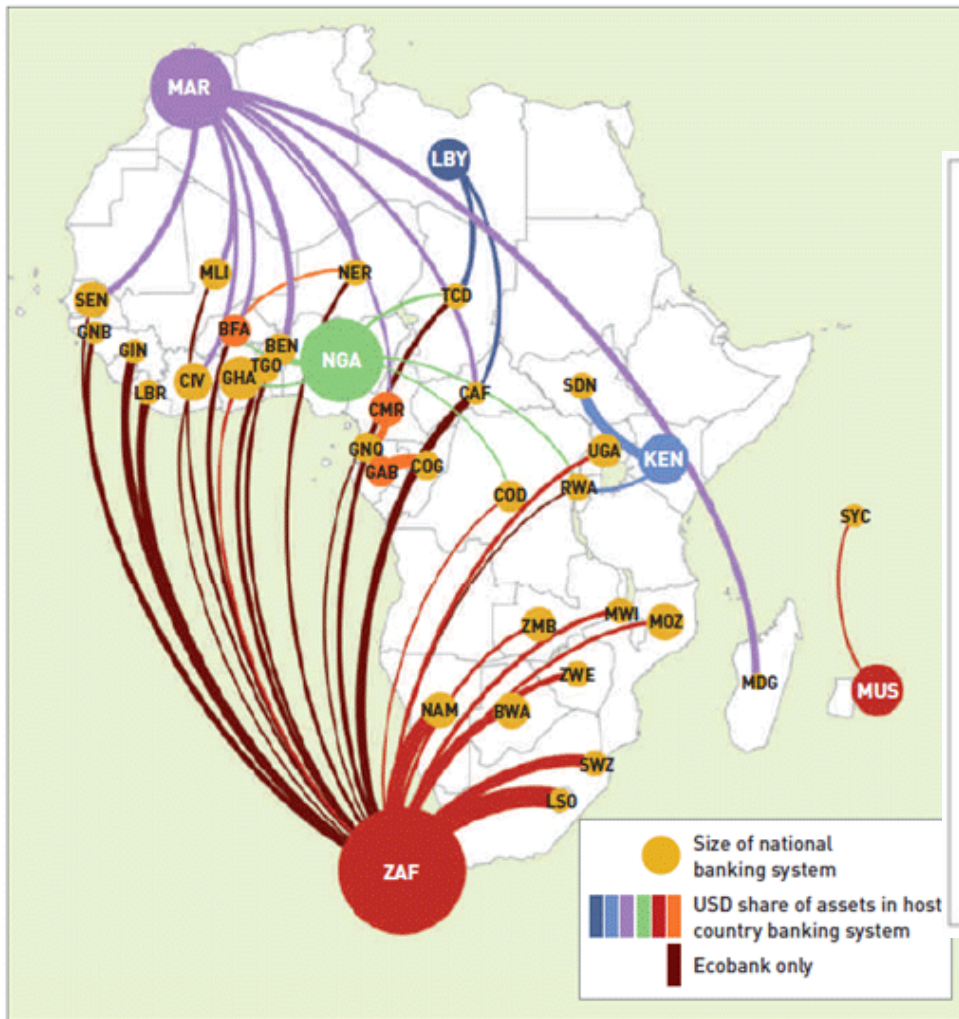


## SABMiller

sourcing agricultural input from smallholder farmers in order to include them in our supply chain. Success in Uganda, Tanzania and Zambia, now in Ghana, Nigeria etc



# Emerging Intra Regional Trade/FDI Trade in Services Pan African Banks



Sources: Central Bank websites, annual reports of banking groups, Claessens and van Horen (2014) Bank Ownership Database, World Bank/IMF country reports, GIZ (2012a, 2012b, 2012c, 2012d).

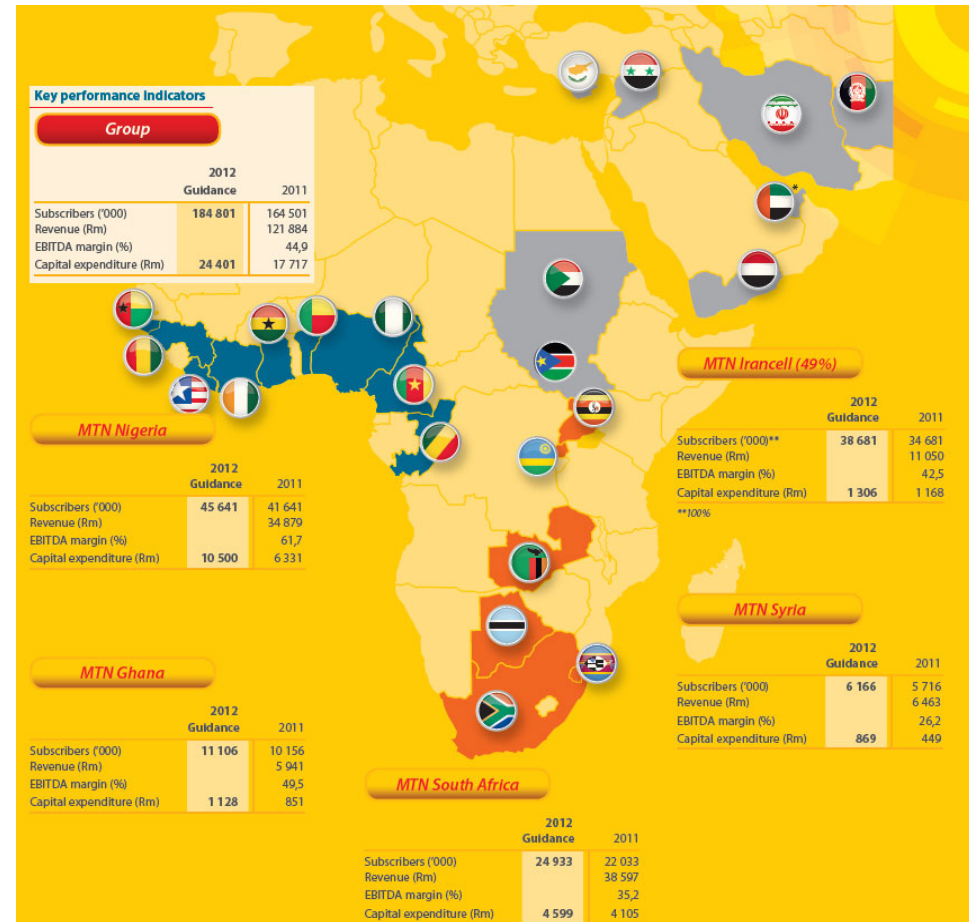
Notes: The graph only shows ownership linkages between countries if the share of assets held by home countries constitutes at least 10 percent of the host country's banking system. The size of the bubbles is in proportion to the absolute size of each country's banking sector. The reference year is 2011; where 2011 data was not available, figures from 2009-2012 were used instead.

# Emerging Trends

## DANGOTE Group

- Dangote Group:
  - Cement -
  - Sugar -
  - Salt -
  - Flour & Semolina
  - Pasta & Noodles
  - Tomato Paste
  - Vegetable Oil Refinery
  - Packaging Materials
  - Logistics
  - Real Estate
  - Food & Beverages
- Pan-Africa Operations in Cement
  - South Africa
  - Senegal
  - Zambia
  - Tanzania
  - Ethiopia
  - Republic of Congo
  - Gabon

## • MTN Group



# To Conclude

- Trade policy in Africa
  - Local trade & social economics
  - Natural partners
  - Harmonize policies and regulations to enhance Intra Regional Trade
  - Services sector
  - FDI related
- Thank you