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Regional integration as a driver of productive capacity-building and industrialization:

The role of regional value chains in boosting Ethiopia's productive and trade capacities

Stephen Karingi
Director

*Regional Integration & Trade Division (RITD)
UN Economic Commission for Africa (ECA)*



3 March 2022



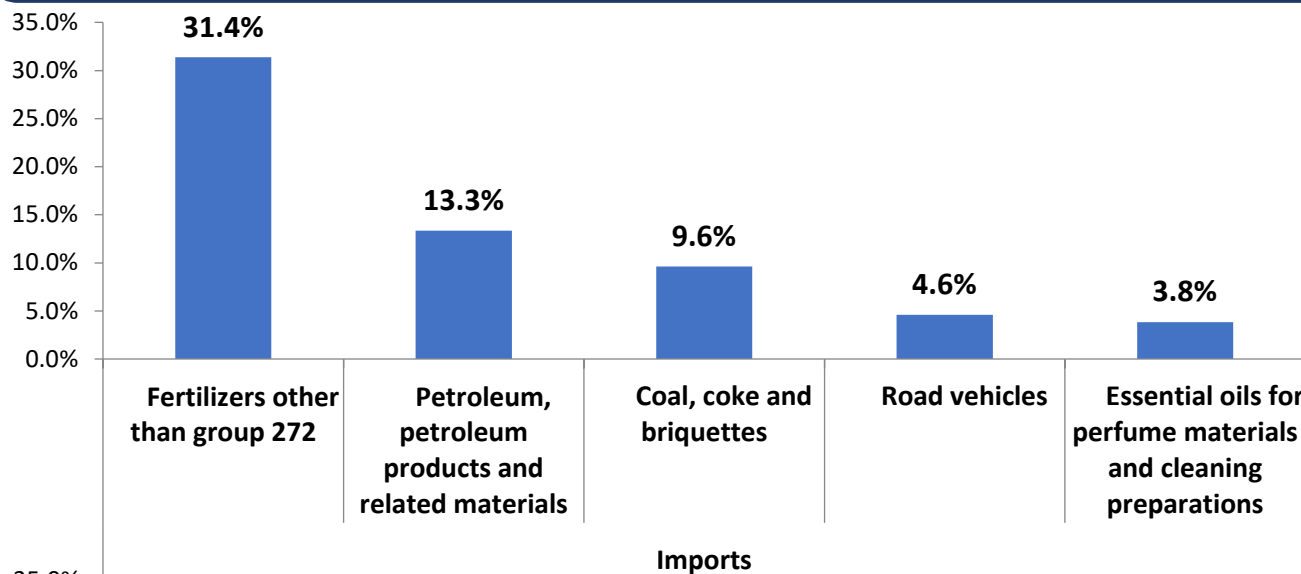
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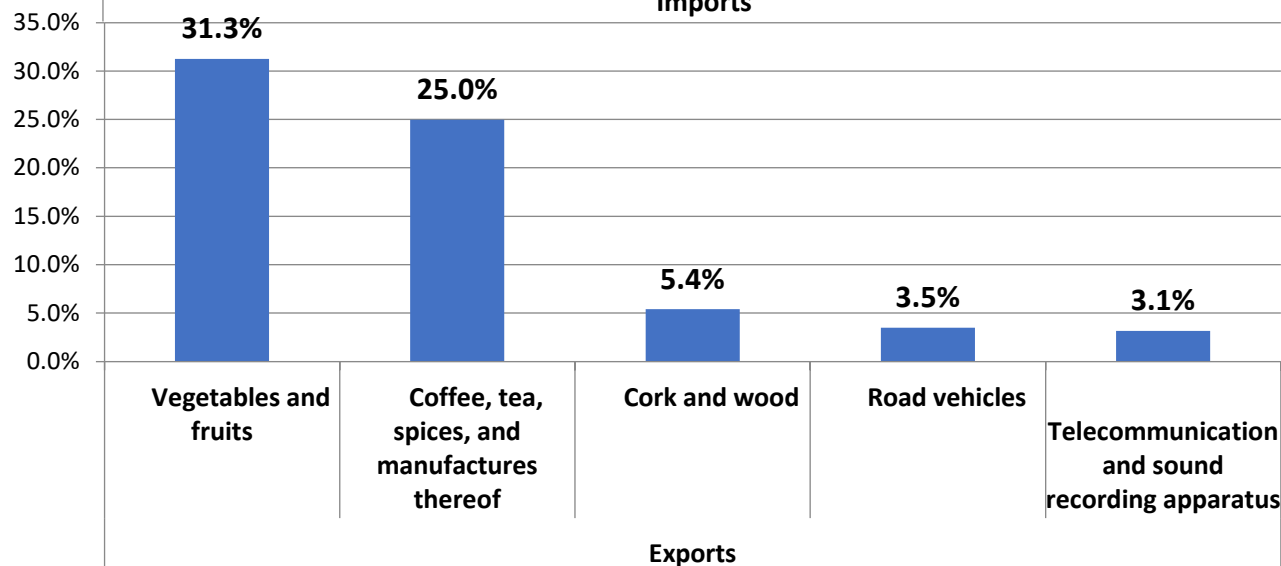
Ethiopia's Trade with Africa



Ethiopia's Top 5 traded goods with Africa – As share of total Ethiopia's trade (average 2016-2020)



- Ethiopia imports fertilizer from Africa as inputs for the agricultural sector.
- Main sources of Ethiopian Imports from Africa are: Egypt (37,5%), South Africa (34%), Sudan (13,4%), Kenya (6,5%) and Nigeria (3,7%).



- Ethiopia's exports to Africa are dominated by: vegetable and fruits, closely followed by coffee, tea and spices.
- Main destinations of Ethiopian exports are : Sudan (68,5%), Djibouti (12,3%), Kenya (4,4%), Somalia (3,2%) and South Africa (1,6%).



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AfCFTA as a driver of productive capacity- building and industrialization of Ethiopia



AfCFTA: Focus on intra-African trade

AfCFTA to boost intra-African trade by around 40 percent, with substantial benefits to all main sectors

The AfCFTA is expected to have positive impact on Africa's global GDP, trade, output and welfare

Intra-African trade creation would also lead to an improvement in Africa's output

Percentage change in intra-African trade, by main sectors with AfCFTA implemented in 2045 as compared to baseline (i.e. without AfCFTA)

41.1%
Agrifood

39.2%
Services

39.0%
Industry

16.1%
Energy/Mining

At sub-sectoral level, the most notable increases in intra-African trade, with positive output variations are to be found in:

Cereals and crops, milk and dairy products, sugar, processed food



Tourism and transport



Wood and paper, chemicals, rubber, plastic and pharmaceutical products, vehicles and transport equipment, metals, other manufactured products



Refined oil



Expected benefits in refined oil need to be analyzed carefully, in light of environmental concerns associated with CO2 emissions from fossil fuels

Source: ECA (https://uneca.org/sites/default/files/keymessageanddocuments/en_afcfta-infographics-11.pdf)

AfCFTA: Focus on intra-African trade

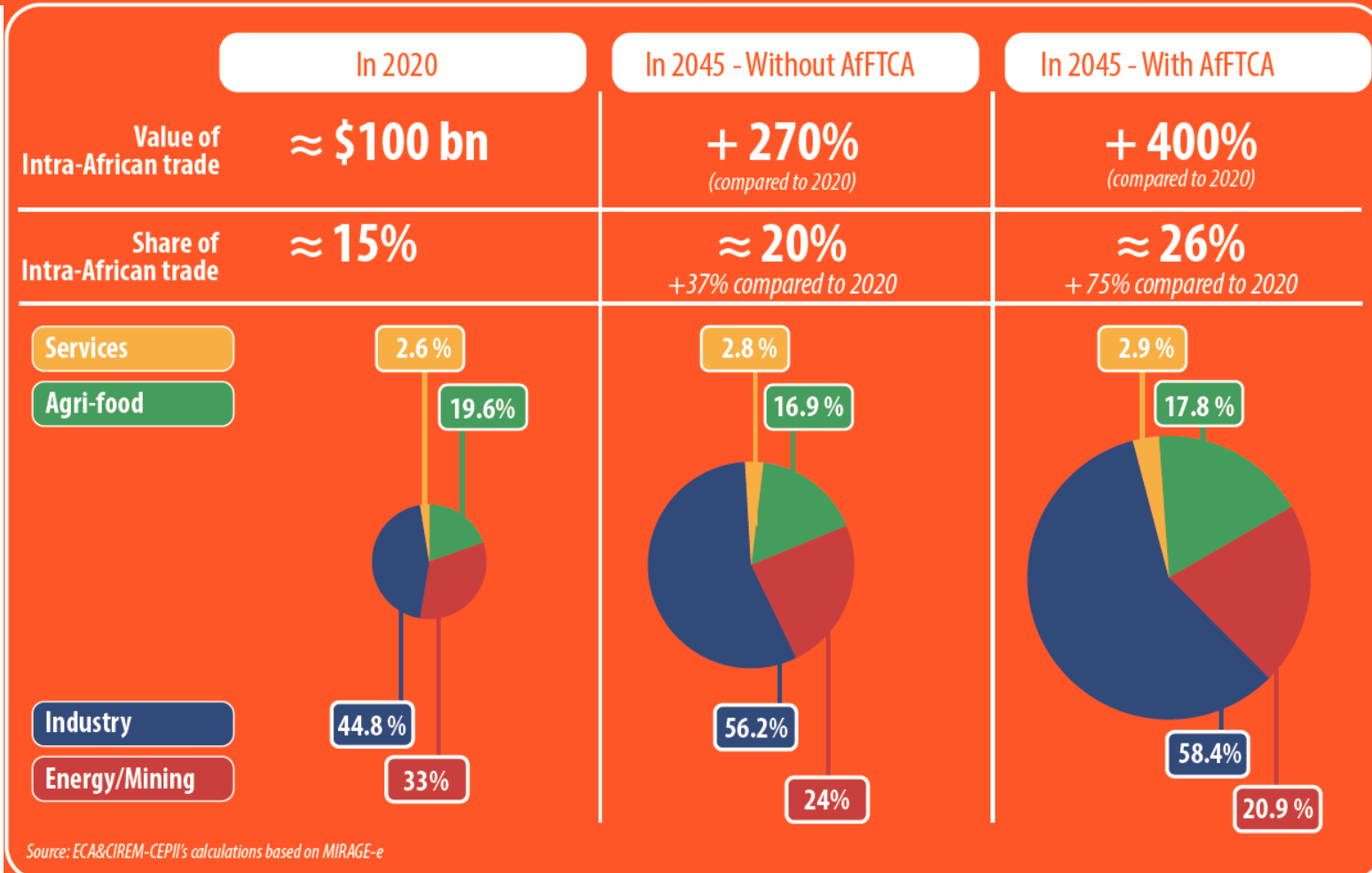
The AfCFTA provides an unprecedented opportunity for Africa's transformation, competitiveness and development.



The increases in relative terms for agrifood, industry and services will not lead to equal increases in absolute terms, because intra-African trade is currently dominated by industry.



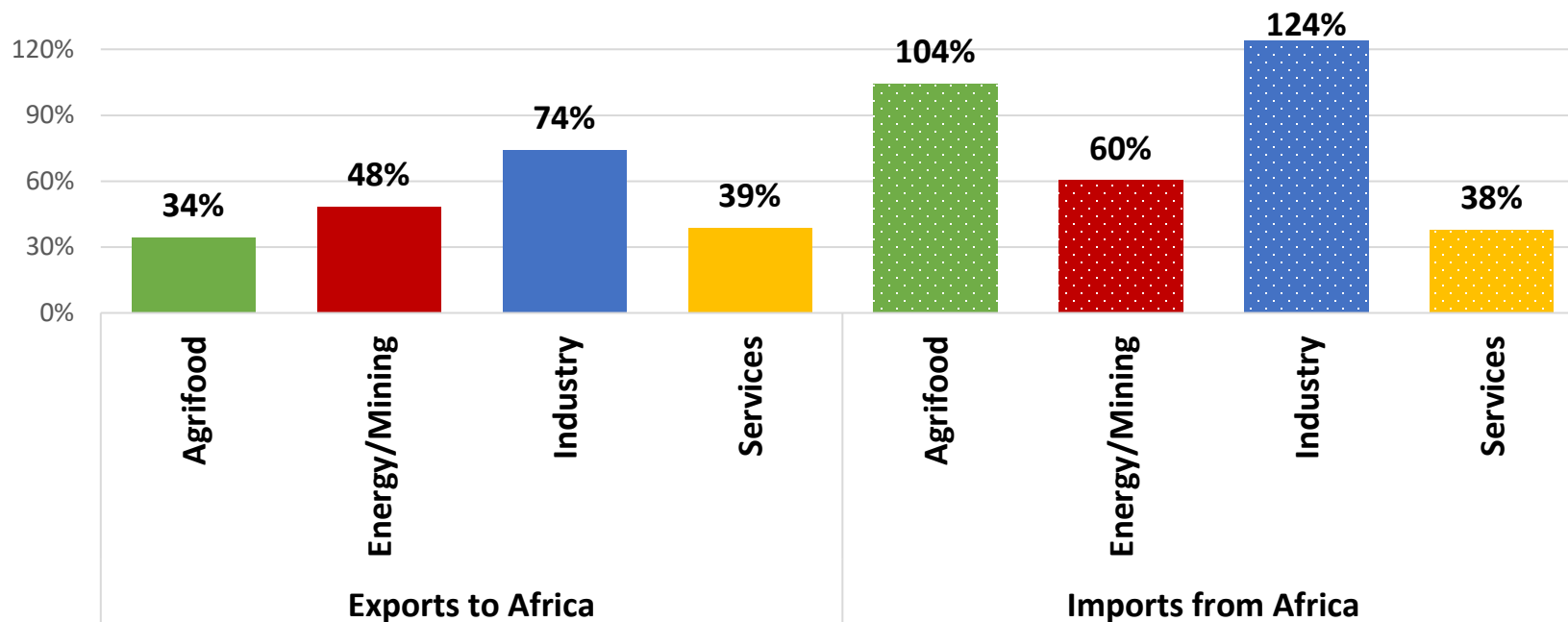
Effective implementation of the AfCFTA would therefore not only boost intra-African trade but also help Africa industrialize and diversify away from energy and mining.



Source: ECA&CIEM-CEPII's calculations based on MIRAGE-e

AfCFTA: Focus on Ethiopia's trade with Africa

Change in Ethiopia's trade with Africa, by main sectors, with AfCFTA as compared to baseline (i.e. without AfCFTA) – % – 2045



Source: ECA&CIREM-CEPII's calculations based on MIRAGE-e

- All sectors in Ethiopia will considerably benefit from the AfCFTA in terms of exports to/imports from the rest of Africa;
- As in the case of Africa, industry to benefit the most in relative terms;
- Enhanced diversification of Ethiopia's exports by destination following AfCFTA (today, mostly concentrated in Eastern and Southern Africa, Ethiopia's exports to Northern, Western and Central Africa will expand substantially).

AfCFTA: Focus on Ethiopia's trade with Africa

Goods sector

Sectors (outside services) displaying greatest potentials for expansion of Ethiopia's exports to and imports from Africa under the AfCFTA

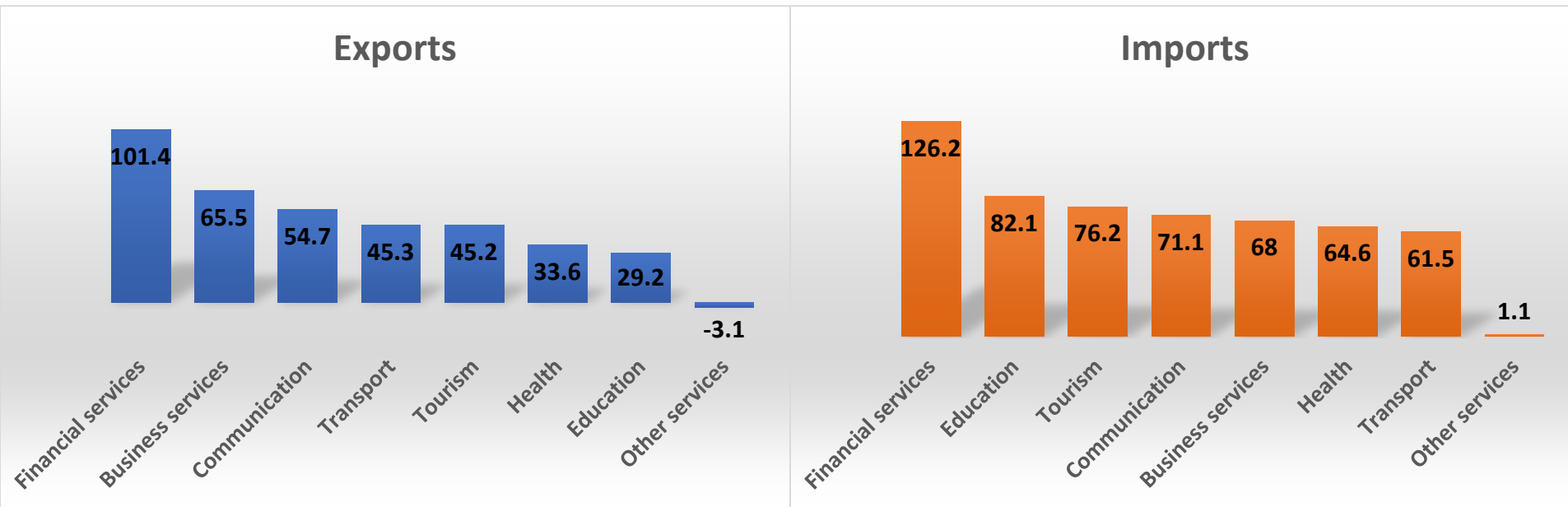
<u>Exports</u>	<u>Imports</u>
Livestock	Textile, wearing apparel and leather products
Vegetables, fruit, nuts	Vehicles and transport equipment
Fishing (e.g. tilapia, catfish, Nile perch)	Mining products
Cereals and crops	Metals
Wood and paper products, textiles and apparel and Metals	Other manufacturing products (including furniture, electronic, electrical and machinery equipment)
Textile, wearing apparel and leather products	
Metals	

Source: ECA&CIEM-CEPII's calculations based on MIRAGE-e

AfCFTA: Focus on Ethiopia's trade with Africa

Services sectors

Change in Ethiopia's services exports to and imports from Africa, with AfCFTA as compared to baseline (without AfCFTA) – % – 2045



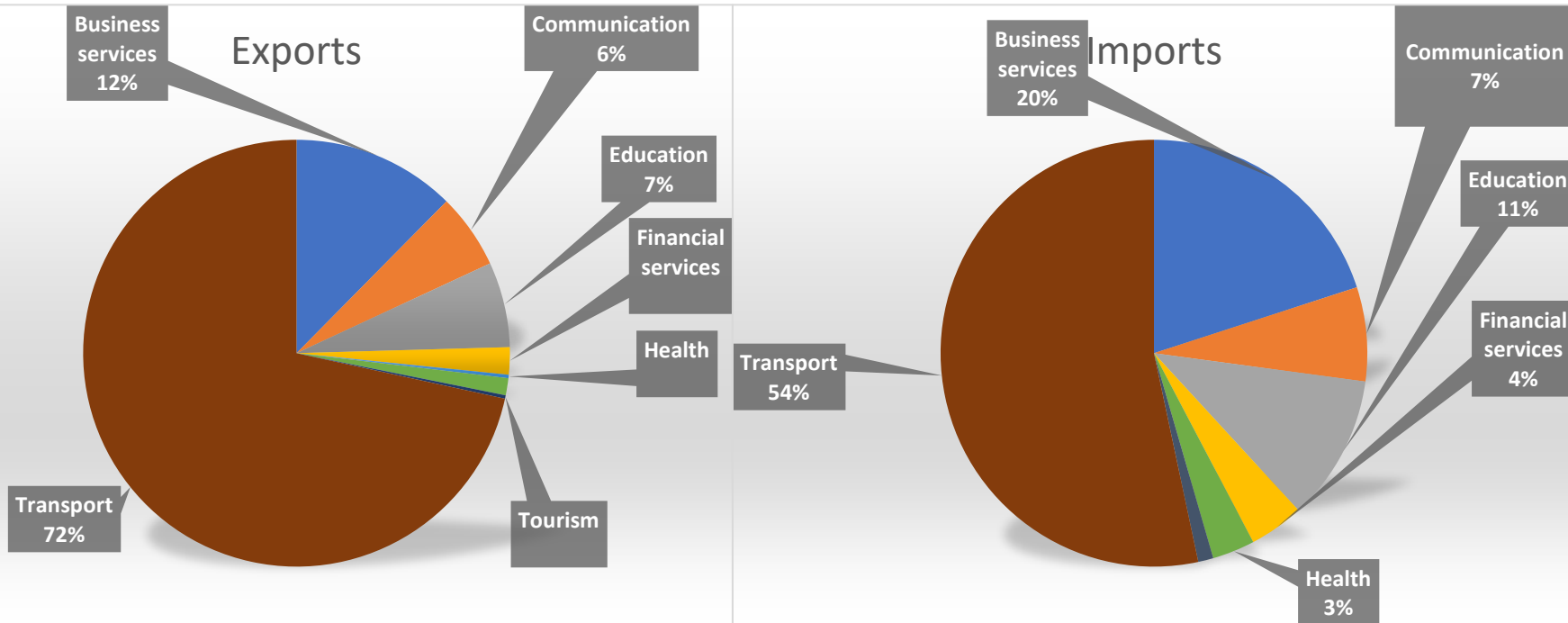
Source: ECA&CIEM-CEPII's calculations based on MIRAGE-e

- Findings indicate that AfCFTA would strengthen Ethiopia's trade but also production capacity in services;
- The Covid-19 pandemic has revealed the need for Africa to strengthen its own production and trade capacities in health and education;
- Digitalization (not considered in ECA's analysis) could facilitate the development of many services, especially in health and education, thereby amplifying anticipated gains.

AfCFTA: Focus on Ethiopia's trade with Africa

Services sectors

Distribution of absolute gains from AfCFTA in Ethiopia's services exports to & imports from Africa – % – 2045



Source: ECA&CIEM-CEPII's calculations based on MIRAGE-e

- Over 70% of the gains from AfCFTA for Ethiopia's exports in services to Africa would go to transport alone;
- Currently 2nd most profitable state-owned corporation, Ethiopian Airlines and its supply chains are therefore expected to continue growing.



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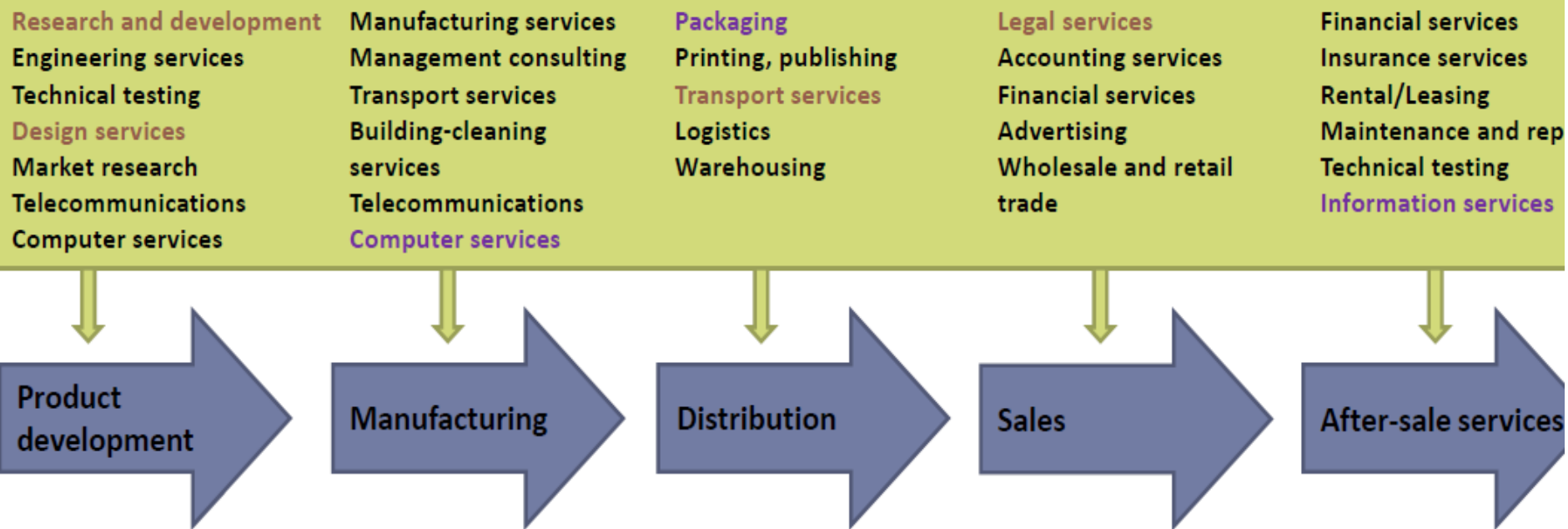
Services play an increasingly central role in the operation of RVCs/GVCs



Key role of services in operation of RVCs/GVCs

1. Services as inputs or enablers in manufacturing

- ▶ Services embodied in goods
 - ▶ Services used for goods production
- => "Servicification" of manufacturing



2. Services as inputs in fragmented services production

=> Services value chains or services networks



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Poverty and Inequality In Ethiopia



AfCFTA: Impact on poverty in Ethiopia

(preliminary results)

- The implementation of the AfCFTA would help reducing poverty in Ethiopia, although in relatively modest proportion.
- However, it is worth noting that among Ethiopian people to be lifted out of poverty:
 - More than 75% would be from rural areas;
 - Around 80% would be male;
 - More than 65% would be non-educated compared, while around 25% would have primary education level;
 - Over 70% would be farmers.



THANK YOU!

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Email: eca-atpc@un.org

Ideas
to
Action