

# Mega Regionals, EPAs, AGOA and Africa

Colloquium on the CFTA: Internal Challenges and External Threats

29 February - 1 March 2016

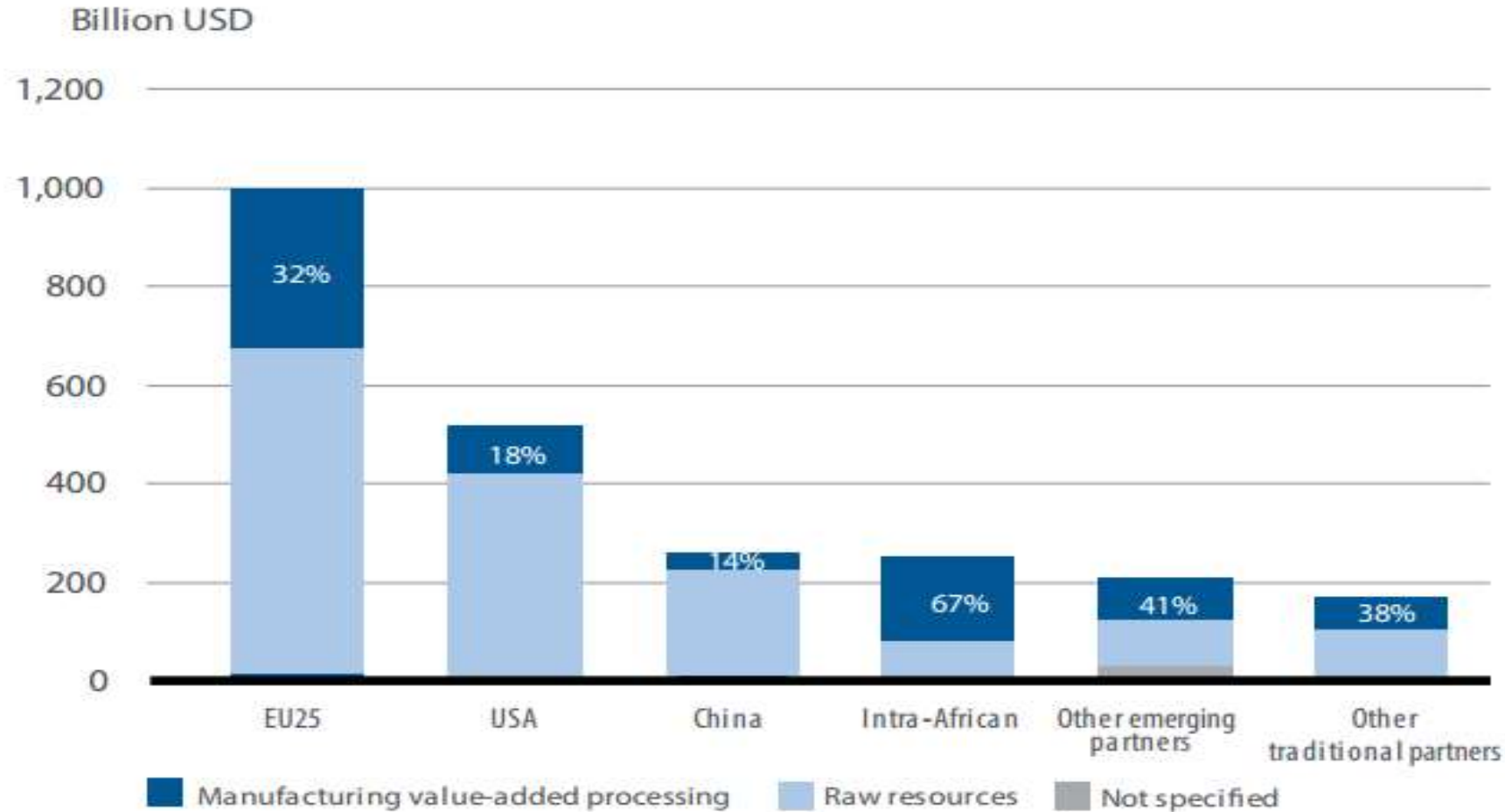
Accra, Ghana

# Africa's industrialization aspirations - the context

- ▶ Africa's growth experience **has not been shared**
  - ▶ Slow movement of social indications
  - ▶ Lack of diversification of production and trade
  - ▶ Movement towards low-productivity activities
- ▶ In its interaction with the rest of the world, Africa has remained **marginal and focused on primary commodities**
- ▶ Africa's agenda is one of **structural transformation**

# EU and USA remain the main markets

*Manufacturing intensity of Africa's exports by destination, 2005-2010*



# Intra-African trade presents an opportunity

- ▶ Intra-African trade more diversified but still under-utilized - 16% of total trade in goods
- ▶ **Trade in intermediate goods** the most dynamic component of intra-African trade
  - ▶ More prominent in intra-African trade - pointing to possibilities in regional value chains
  - ▶ Lower barriers to entry - successful for ASEAN
  - ▶ Still, only 12% of intermediate imports of Africa come from the region
- ▶ **Good momentum** for enhancing intra-African trade
  - ▶ TFTA signed: 638m people, total GDP of \$1.2tr
  - ▶ CFTA negotiations to be concluded in 2017

# What are the mega-regionals?

- ▶ Megaregional trade agreements (MRTAs) - Definition:
  - ▶ Profound integration partnerships between countries (often from different regions) which together make up a major share of the world population and/or GDP
- ▶ RTAs have generally resulted in **greater level of market access within each regional grouping**
  - ▶ But, protection between regional blocks remain significant
  - ▶ RTAs have often become increasingly complex (not just between neighbour countries, overlapping memberships, etc.)
- ▶ Therefore, the emergence of mega-regional trade agreements (MRTAs) could:
  - ▶ Break the trends in multiplication of RTAs
  - ▶ **Possibly bring more clarity** in trading relations across the world

# Mega-regionals - current status (1)

## 1) Trans-Atlantic Trade and Investment Partnership (TTIP):

- Between the European Union and the United States
- Nearly 1/3 of world trade in goods, 45% of world GDP
- Negotiations officially launched in June 2013. 12 rounds held (as of Feb 2016)
- To be concluded in 2016

## 2) Trans-Pacific Partnership (TPP):

- 12 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, US and Vietnam)
- 40% of global trade, 40% of world GDP
- Over 20 rounds of negotiations held since March 2010
- Signed Feb 2016

# Mega-regionals - current status (2)

- 3) **Regional Comprehensive Economic Partnership (RCEP):**
  - 10 members of the Association of Southeast Asian Nations (ASEAN) plus 6 other major Asian economies (Australia, China, India, Japan, New Zealand and South Korea)
  - Over 45% of world population, nearly 1/3 of world GDP
  - 11 rounds of negotiation to date and since November 2011
  - To be concluded in 2016

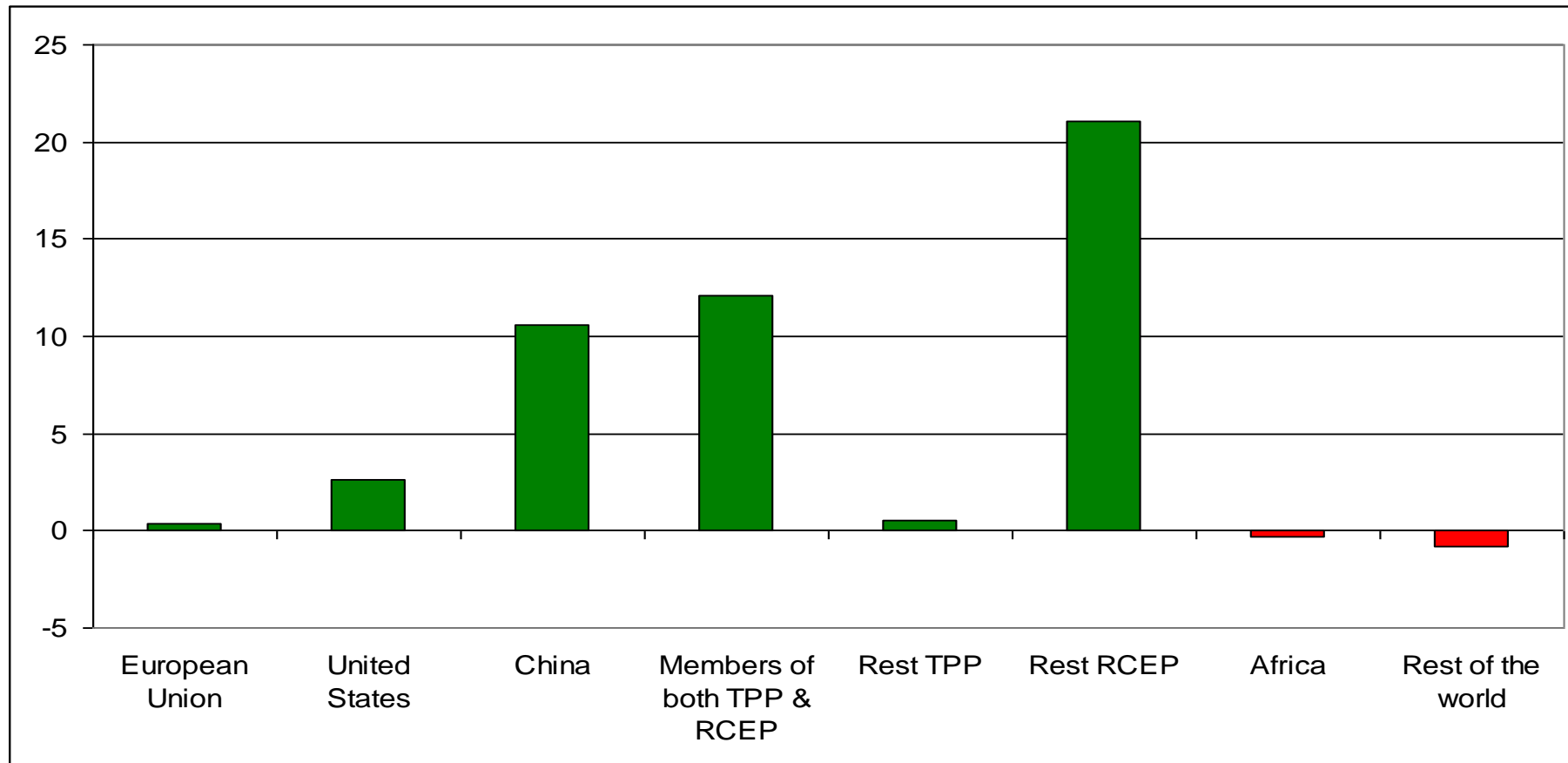
# What do MRTAs mean for Africa?

- ▶ MRTAs expected to bring **economic benefits to their members** (e.g. improved market access and competitiveness)
  - ▶ But **uncertain outcomes on third countries**: with possibly non-negligible consequences for African economies
- ▶ Ongoing empirical analysis from ECA (looking at removal of most tariff barriers on goods) confirms that:
  - ▶ MRTAs members would strongly expand their trade; total exports of MRTA members (i.e. TTIP, TPP and RCEP) would increase by \$1 trillion in 2020 with the reform
  - ▶ **Africa's exports would be reduced by \$2.7 billion** (following higher competition and erosion of preference on MRTA members' markets)
  - ▶ Industry particularly affected



# Mega-regionals - consequences for Africa (cont.)

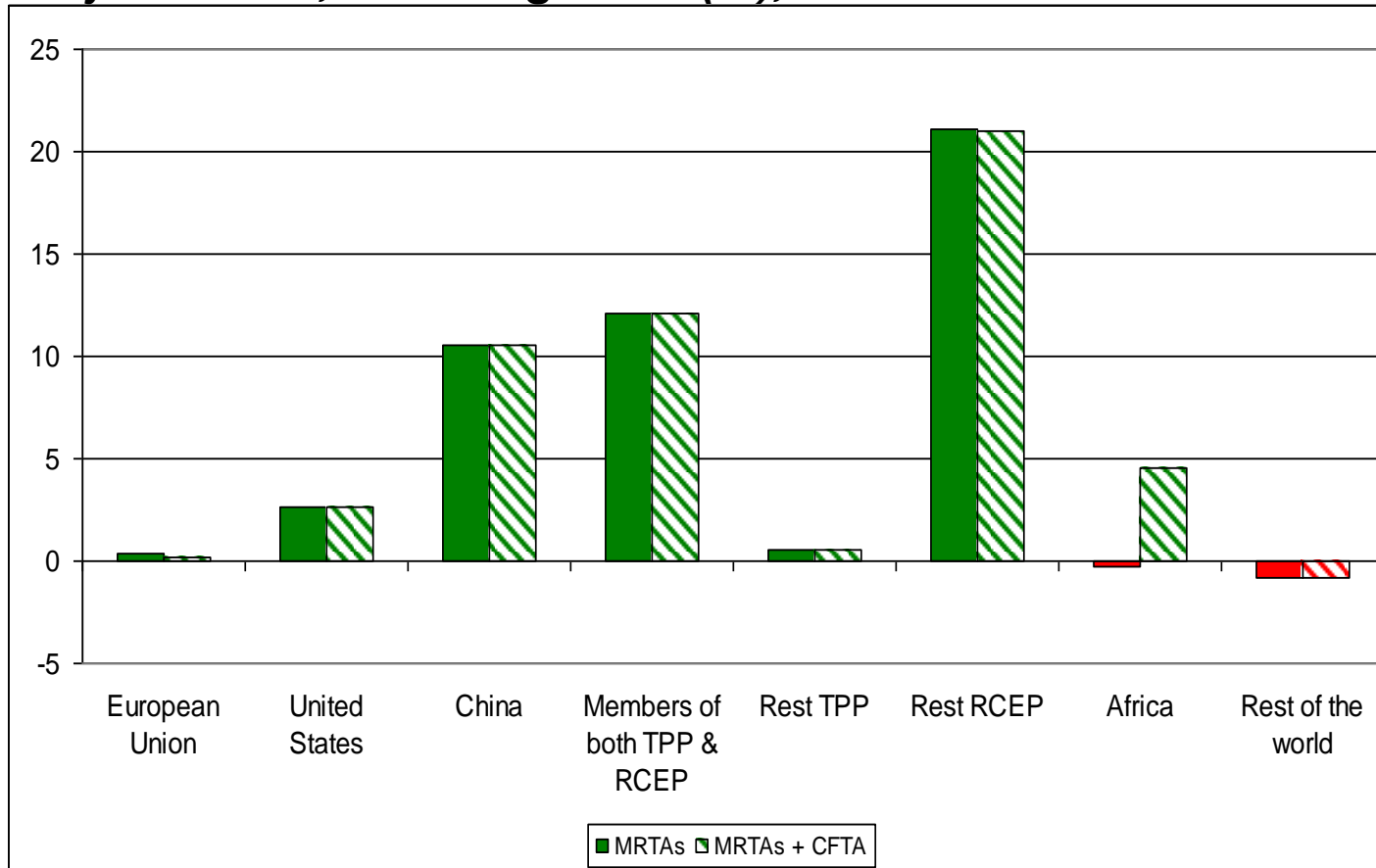
*Changes in exports by main region following implementation of major MRTAs (%), 2020*



Source: ECA (forthcoming)

# CFTA could alleviate losses from MRTAs

*Changes in exports by main region following implementation of major MRTAs, including CFTA (%), 2020*



➤ Africa's total exports would increase by USD 38.8 billion:

- + USD 55.1 billion for intra-African trade
- - USD 16.3 billion for Africa's exports to the rest of the world

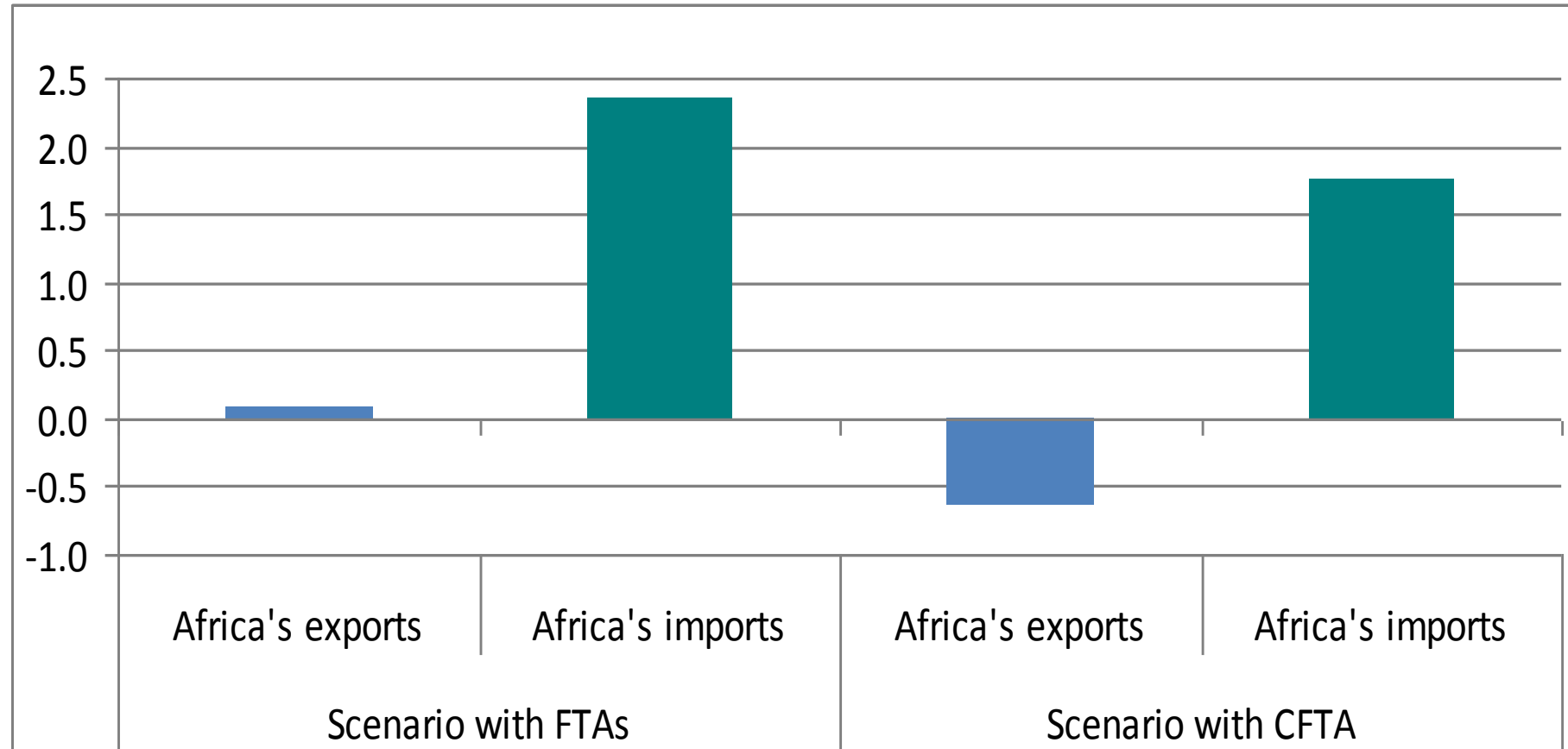
➤ More than 2/3 of expansion in intra-African trade would come from industrial products

# CFTA can support gains from EPAs

- ▶ ECA research (ECOWAS/ESA) suggests trade gains from EPAs will essentially be concentrated in non-LDCs and few agricultural sectors
- ▶ In addition to bringing little support to Africa's diversification and transformation efforts, EPAs will **reduce intra-African trade** (already relatively low)
- ▶ African countries would be far better off if they are able to **establish the CFTA prior to fully implementing EPA reforms**:
  - ▶ Trade gains for both ECOWAS/ESA and the EU from the EPAs would be largely preserved
  - ▶ Intra-African trade would expand considerably; especially if TF measures are adopted in parallel to the CFTA
  - ▶ Industry experiences largest share of the gain (i.e. 2/3 with CFTA and 3/4 with CFTA+TF)

# Future AGOA and CFTA? (1)

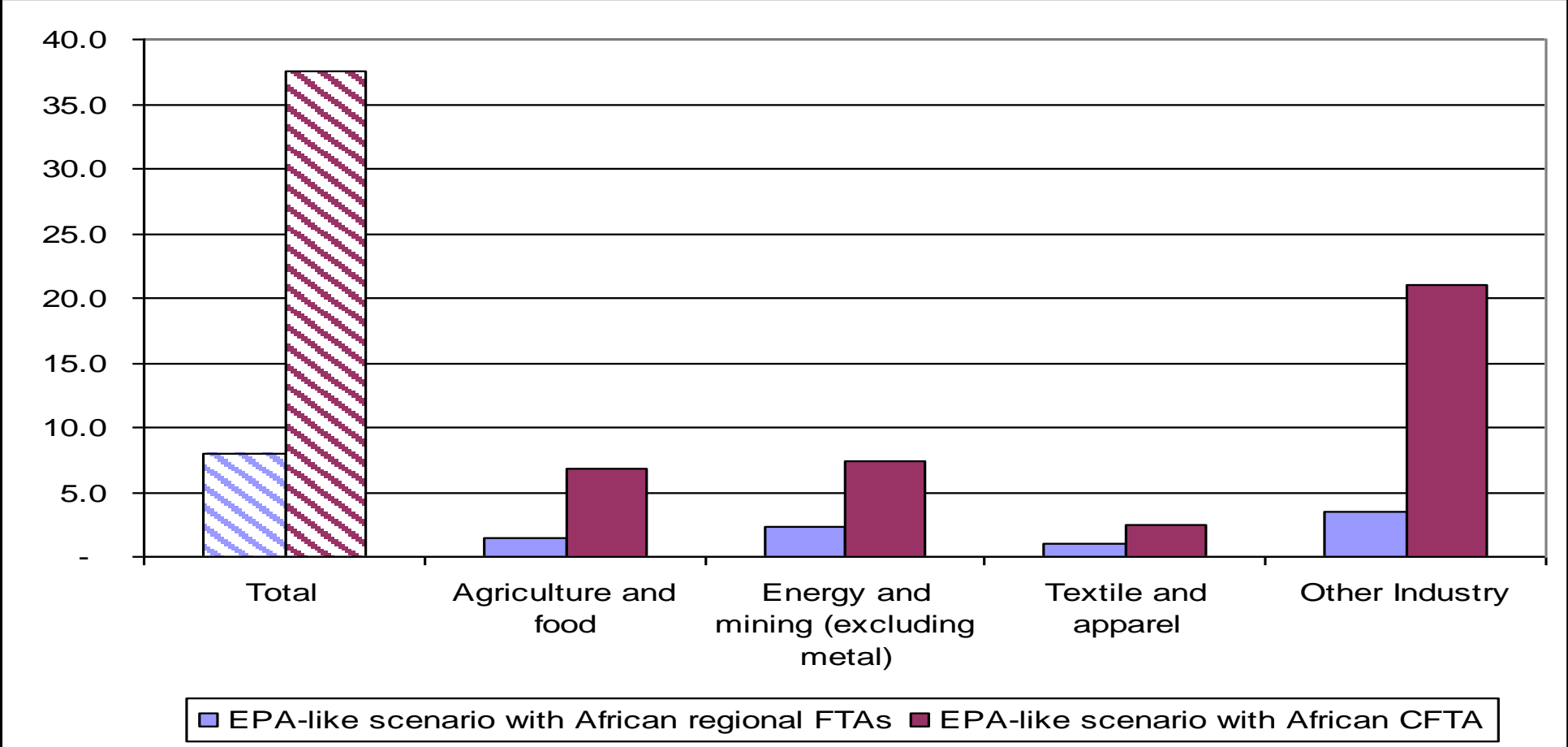
*Changes in Africa's exports/imports to/from the U.S., following EPA-like scenarios, compared to the baseline – 2025 – USD bn*



Source: ECA and Brookings (2014)

# Future AGOA and CFTA? (2)

*Change in African countries exports to African partners (i.e. intra-African trade) as compared to the baseline - 2025 - USD billion*



Source: ECA and Brookings (2014)

# Conclusions and Recommendations

- ▶ Developments emerging from MRTAs are **largely out of Africa's control**
- ▶ PTAs such as AGOA and EPAs are **beneficial, but not enough** for Africa's developmental needs
- ▶ CFTA can:
  - ▶ Increase intra-African trade
  - ▶ Compensate possible losses
  - ▶ Support diversification of trade
  - ▶ Contribute to rise of regional value chains
  - ▶ **Contribute to inclusive growth and creation of decent jobs**

# Thank you

The screenshot shows the UNECA website with the following elements:

- Header:** United Nations Economic Commission for Africa logo and name. Language options for English and Français. A search bar.
- Navigation:** A horizontal menu with links for About ECA, Our work, Subregional Offices, Capacity Development, Publications, Events, Media Centre, and contact us.
- HOME:** A section with a list of links: Home, About ATPC, Events, Publications, and Stories.
- African Trade Policy Centre:** A main section with the title "African Trade Policy Centre" and a sub-section "About ATPC". The text describes the center's establishment in June 2003 and its location in Addis Ababa. A "READ MORE" link is provided.
- Top Stories:** A carousel showing a featured story titled "Negotiators meet on trade, transformation and Africa's role in global markets" with a "PREVIOUS" and "NEXT" navigation bar.
- Stories on African Trade Policy Centre:** A list of recent news items, including "10 February 2016 The African Trade Policy Centre Launches Third Cycle with a Focused Resource Mobilization Strategy for 2016" and "29 January 2016 Experts to review draft free trade agreement".
- Publications on African Trade Policy Centre:** A row of five publication covers with titles: "Recommendations from the Multi-", "The Option of a Framework", "Building Trade Capacities for", "The African Growth and", and "Trade Facilitation from an African".

For more information: <http://www.uneca.org/atpc>