



# FROM REGIONAL ECONOMIC COMMUNITIES TO A CONTINENTAL FREE TRADE AREA: Strategic tools to assist negotiators and agricultural policy design in Africa



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## Acronyms

AU	Africa Union
AEC	African Economic Community
AIDA	Action Plan for Accelerated Industrial Development of Africa
ASEAN	Association of Southeast Asian Nations
BIAT	Action Plan on Boost Intra-Africa Trade Strategy
CEN-SAD	Community of Sahel-Saharan States
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
FOB	Free On Board
FTA	Free Trade Area
GDP	Gross Domestic Product
HS	Harmonized System
ICGLR	International Conference on the Great Lakes Region
IGAD	Intergovernmental Authority on Development
IOC	Intergovernmental Oceanographic Commission
kg	kilograms
MIP	Minimum Integration Programme
MRU	Mano River Union
NEPAD	New Partnership for Africa's Development
PIDA	Programme of Infrastructure Development in Africa
REC	Regional Economic Community
R&D	Research & Development
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
UMA	Arab Maghreb Union
UN	United Nations
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization

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## EXECUTIVE SUMMARY

The establishment of the Continental Free Trade Area (CFTA) is gaining speed, with the African Union (AU) aiming to get the CFTA agreement in place by 2018. If fully implemented, the CFTA could increase intra-African trade significantly and promote structural transformation by providing a lever to industrial development in African economies.

In this context, this report seeks to enhance knowledge among policymakers, experts and private sector stakeholders on essential policies and measures for establishing the CFTA and boost regional supply chains in not only agricultural commodities but also processed food products. This has been done through network analysis, which allows visualizing which country has competitive advantage over others in each trade agreement or regional context, as well as highlight overlapping regional agreements and identify trade hubs within Africa. The report then carries out a specific analysis of agricultural products identified in the Abuja declaration and in other literature sources as being of interest.

The ultimate purpose of this work is to inform African policy-makers with strategic tools to assist trade negotiations and agricultural policy design. Its focus is on the eight Regional Economic Communities that exist in Africa, as they do not only constitute key building blocks for economic integration, but are also important actors working in collaboration with the AU in ensuring peace and stability in their regions.

Around 80 per cent of all intra-African trade flows through Regional Economic Communities (RECs) and 20 per cent flows outside trade agreements. Based on trade volumes, five countries play central roles in mobilizing the intra-African trade – Algeria, Côte d'Ivoire, Egypt, Nigeria, and South Africa – being responsible for 67 per cent of all intra-African traded volumes in 2015. However, the network analysis indicated that four countries in Africa represent central players in trade networks in the continent, namely South Africa, Côte d'Ivoire, Kenya and Morocco. As a result, these countries benefit from more diversified trade flows and higher proportion of intermediate and value-added products than their neighbors. As a result, their experience could serve as pathways to development outcomes due to their pivotal role on connecting trade channels among SADC, CEN-SAD, COMESA, EAC, IGAD, UMA and ECOWAS. Among them, South Africa is a central player on establishing the CFTA because the country is not only responsible for the largest traded volumes in Africa (i.e. about 45 per cent of all intra-Africa exports) but also is a major commercial hub. South Africa has direct trade with 96 per cent of the intra-African network (53 countries out of 54 AU's member states).

Many producers based in African countries fall short to compete in domestic and regional markets due to many challenges such as the lack of infrastructure and supporting processes that leads to high unit cost (e.g. fresh poultry produce in Mozambique versus frozen poultry from Brazil). In addition, there is substantial and thriving informal trade in the region, which means that intra-African trade is in fact likely to be significantly higher than official statistics suggest, having direct implications for fiscal revenue of governments in the region.

The Declaration of the Abuja Food Security Summit named a number of strategic agricultural products for Africa (e.g. rice, maize, legumes, cotton, palm oil, beef, dairy products, poultry, and fisheries), which were analyzed in this study. Adding to those, this report also identified seven additional promising agricultural commodity chains based on economic, social, environmental and regional integration criterion (e.g. avocados, cashew nuts, floriculture, onions and shallots, pineapples, potato, and tea). A priority assessment indicated that those products carry large development potential in regional value chains in Africa. Among them, tea and potato present the highest potential for local development and

the knowledge about their regional supply chains can guide decision-making on establishing a CFTA.

Despite farming being the primary source of food and income in the region and providing up to 60 per cent of all jobs on the continent, the share of agricultural commodities in intra-regional trade is less 30 per cent. Meeting the standards required for integrating into global value chains will be a gradual process. In the interim, gains can be made from integration of regional value chains. Since agriculture accounts for 25 per cent of African GDP, developing regional value chains for strategic agricultural commodities is essential to CFTA's success, as they can help exploit economies of scale, lower production and marketing costs. Better agriculture directly correlates to improved livelihoods, given the sectors importance as a job-creator in Africa.

To maximize the opportunities offered by RECs in agriculture, it is necessary to deal with the overlapping memberships that hinder harmonization and standardization, as well as the enforcement of rules of origin. Looking exclusively at the strategic commodities 32 per cent of all traded volumes flow through channels in which trade partners present two or three overlapping memberships. Unless a good dispute settlement mechanism exists, some disputes can threaten the continued operation of RECs and hinder the CFTA's success.

The establishment of the CFTA will require all African countries to further develop their internal capacity to refine their regional trade policies and ensure that they are able to benefit from these various trade opportunities. To do this, they will need to strengthen their internal negotiations with key stakeholders to ensure that national policies and trade negotiation strategies reflect their interests. This will require regional trade policies that are inclusive, gender sensitive and well-articulated by their national trade negotiators. In this context, strategic tools (e.g. network analysis and value chain assessment) can assist these trade negotiations and be used to benchmark integration process of RECs into CFTA.

Organic tea production in the United Republic of Tanzania.



Photo credit © Christof Krackhardt

Tubers displayed at the East African Organic Policy Forum in Arusha, 2017



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