



Economic Commission for Africa
Committee on Regional Cooperation and Integration
Tenth session
Addis Ababa, 1 and 2 November 2017

Item 5 of the provisional agenda*
General discussion on the theme of the tenth session,
“Implementation of the continental free trade area
and shared gains”

International trade and intra-African trade

I. Introduction

1. Africa’s trade performance has remained disappointing, driven by exogenous factors, including decreasing commodity prices. It has been particularly affected by the end of the commodity boom and the fall in oil prices since 2014.

2. The present report outlines developments in international and intra-African trade since 2015. First, it provides an overview of African trade, focusing on recent performances in the trade in goods and in services. Second, it highlights some of the most prominent changes that occurred with regard to international trade relations affecting Africa, with a specific focus on the most recent developments relating to the economic partnership agreements and the Brexit issue, some prospective views on the African Growth and Opportunity Act and beyond, and the negotiations under the umbrella of the World Trade Organization. Third, it provides discussion on the ongoing Continental Free Trade Area (CFTA) negotiations and its expected impact on both intra-African trade and Africa’s trade with the rest of the world. Lastly, the report concludes with policy recommendations.

II. Africa’s trade trends

3. Africa’s trade balance deteriorated during the past five years, from a surplus of \$24 billion in 2012 to a deficit of \$154.9 billion in 2016. This reflects Africa’s limited competitiveness, its lack of diversification and its challenges in adapting to the fast-changing international trade and economic environment.¹

4. Exports of African goods decreased from \$640 billion in 2012 to \$346 billion in 2016. It is to be noted that, although global merchandise exports have contracted since 2014, African exports have been more severely affected, compared with other regions of the world. Exports declined by 29.6 per cent and 11.5 per cent in 2015 and 2016, respectively, compared with 10.9 per cent and 3.7 per cent in the Americas, 12.0 per cent and 4.5 per cent in Asia and 14.0 and 1.3 per cent in Europe. Africa’s share in global exports continued to drop, from 3.5 per cent in 2012 to 2.9 per cent in 2014 and only 2.2 per cent in 2016 (see figure I). This slowdown has been driven in large part by the commodity price downturn, especially for oil products, on which Africa

*E/ECA/CRCI/10/1

¹ Economic Commission for Africa, *Economic Report on Africa 2018* (forthcoming).

still depends heavily. In terms of imports, a decrease was also recorded, from \$642.2 billion in 2014 to \$500.8 billion in 2016, largely affecting manufactured imports. Exports have, however, contracted significantly more than imports, which has contributed to a widening trade deficit.

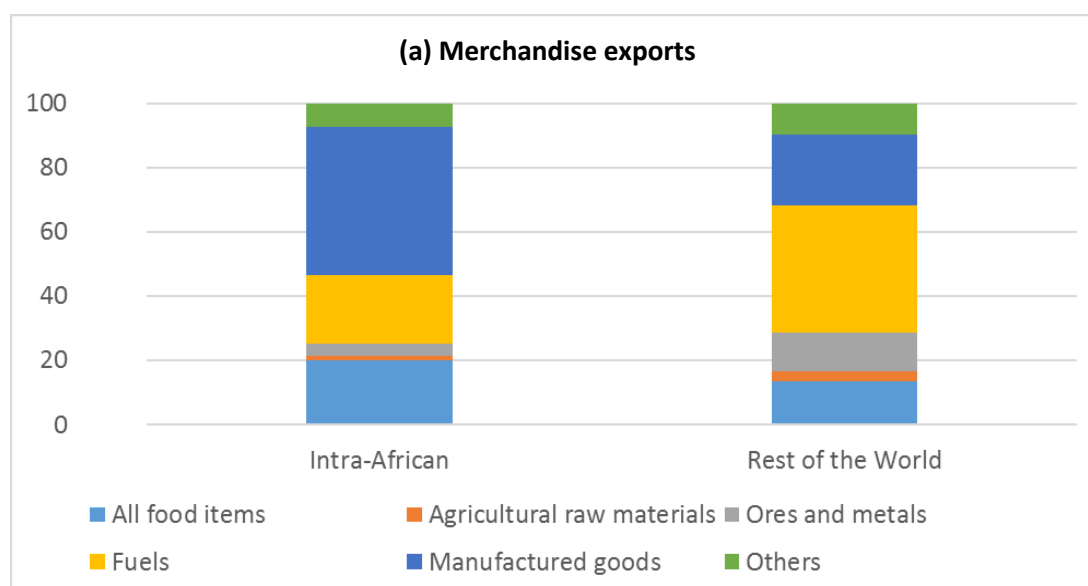
Figure I
Africa's merchandise trade (Billions of United States dollars)

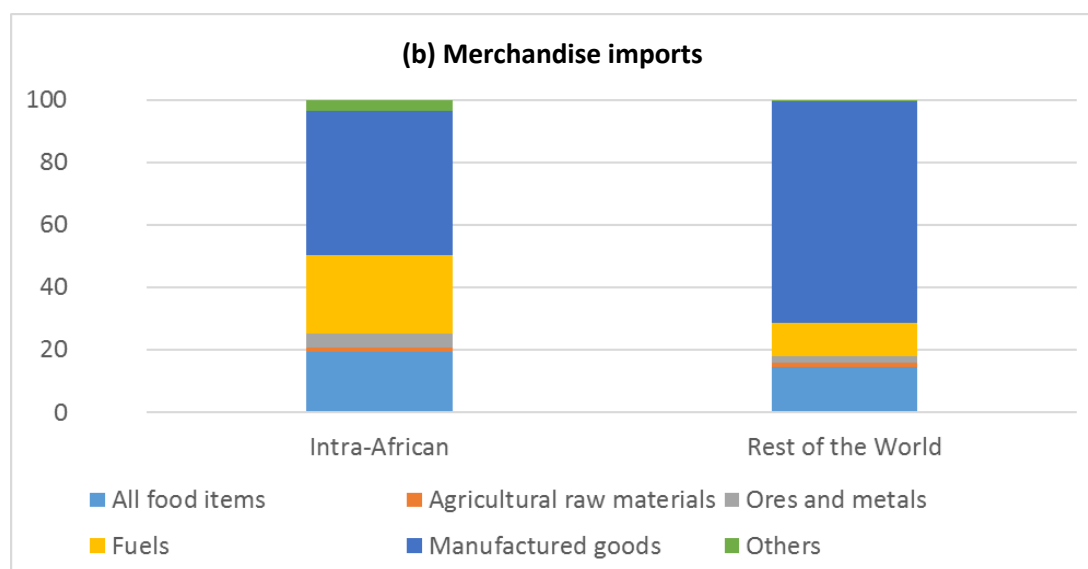


Source: Economic Commission for Africa, *Economic Report on Africa 2018* (forthcoming).

5. Primary commodities and raw materials, notably fuels, ores and metals and agricultural raw materials, still represent the largest share of Africa's exported products. Fuels alone accounted for 36.2 per cent of the value of Africa's exports in 2016. The share of exported manufacturing products was relatively steady, representing 24.3 per cent in 1996 and 26.7 per cent in 2016. Nevertheless, it is to be noted that exports to other African markets are more diversified than exports to the rest of the world, with a higher degree of manufacturing, thus offering significant prospects for industrial upgrading. In 2016, manufactured goods accounted for 46.3 per cent of intra-African exports, compared with only 22.3 per cent of Africa's exports outside the continent. The compared structures of intra-African exports and imports, on the one hand, and African trade with the rest of the world, on the other, is shown in figure II.

Figure II
Africa's merchandise exports and imports, 2016 (Per cent)

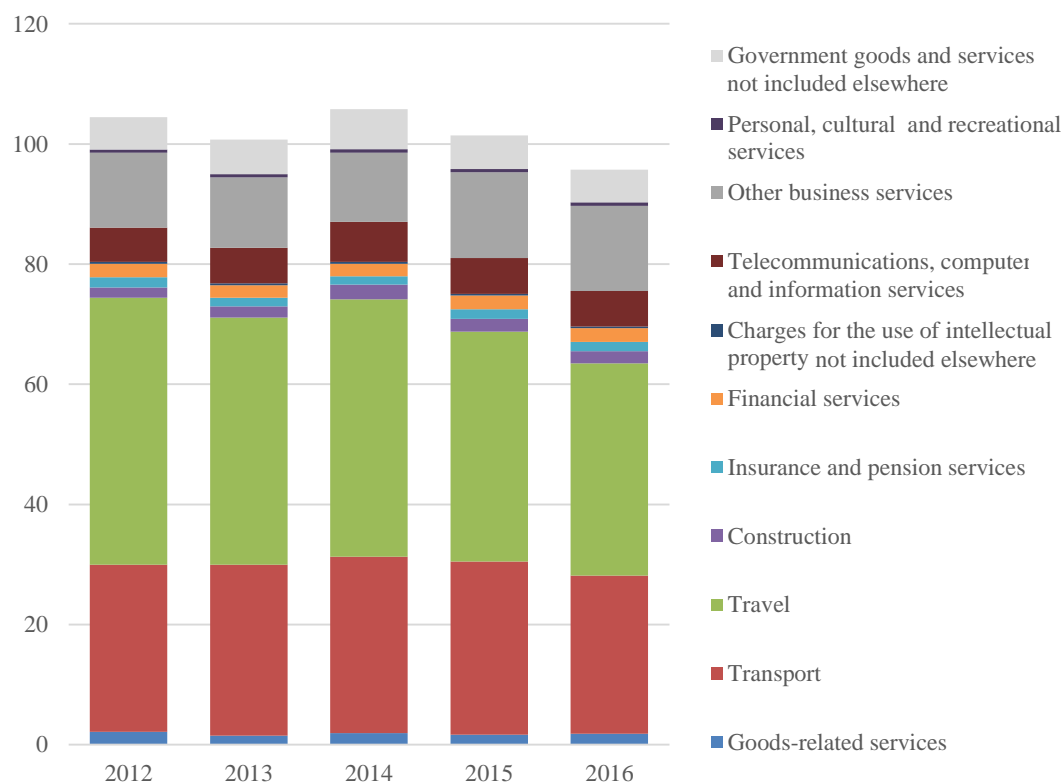




Source: Economic Commission for Africa, *Economic Report on Africa 2018* (forthcoming).

6. With regard to the trends observed for the trade in goods, Africa's exports of services similarly fell, from \$105.8 billion in 2014 to \$95.7 billion in 2016. Those services exports are dominated by travel, transport and other business services, which accounted for 36.9 per cent, 27.5 per cent and 14.8 per cent, respectively, of Africa's total services exports in 2016. Figure III illustrates the composition of Africa's services exports during the period 2012-2016.

Figure III
Africa's services exports by sector (Billions of United States dollars)



Source: Economic Commission for Africa, *Economic Report on Africa 2018* (forthcoming).

III. International trade trends and challenges

A. Economic partnership agreements and Brexit

7. The European Union continues to be a major trade partner of African countries. Given that economic partnership agreements have been a structuring pillar of the trade and economic framework under the Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, the reciprocal nature of the agreements has led to a new situation characterized by: (a) the end of the special treatment that was historically granted to African countries by the European Union under the Convention between the European Economic Community and the African, Caribbean and Pacific States and the Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community; and (b) the rationalization of the European Union trade policy towards African countries through either a common regime (i.e., most favoured nation) or unilateral preferences based on level of development (i.e., general scheme of preferences or free trade agreements).

8. After more than a decade of negotiations, focus is being placed on the implementation of the economic partnership agreements. In this regard, one of the difficulties that arises from the implementation of the agreements is the risk to the integrity of regional integration initiatives, such as distortion of the common external tariffs. To this extent, it is worth noting that, since the ninth meeting of the Committee on Regional Cooperation and Integration, held in December 2015, three agreements have entered into effect, including two for stand-alone non-least developed countries that are members of a customs union.²

9. The 2015 *Economic Report on Africa* had already included concrete policy options to address the possible trade-related setbacks that the implementation of economic partnership agreements could create. In addition, a textual comparative analysis of all such African agreements³ and the Caribbean Forum of African, Caribbean and Pacific States agreement has been undertaken. The policy recommendations that emerge from the key findings of the work tend to show that challenges may arise from the agreement's implementation at the stage when African countries decide to harmonize their trade policies with the rest of the world. Moreover, various provisions in the agreements may have asymmetrical effects on the ability to benefit from value chains opportunities.⁴

10. Within the European Union, the United Kingdom of Great Britain and Northern Ireland is one of the major destinations for Africa's exports. The decision of the country to withdraw from the European Union has therefore significantly changed the perceived benefits of the economic partnership agreements for some African countries. In this context, strategic consideration is needed on the agreements. In parallel, close attention is to be given to the negotiation process that is ongoing between the United Kingdom and the European Union. There is a need to ensure quick reactions to developments in Europe to guide the negotiators in the United Kingdom, the European Union and Africa to find a non-disruptive solution for African countries in the trade relationship with the country going forward. Maintaining market access continuity and avoiding uncertainty is crucial in the short run, while, in the longer run,

² The interim Eastern and Southern Africa economic partnership agreement came into effect in 2012 and the interim Central African agreement in 2014. Since the ninth meeting of the Committee on Regional Cooperation and Integration, the Southern African Development Community agreement, the Côte d'Ivoire stepping stone agreement and the Ghana stepping stone agreement both took effect in 2016.

³ At the date of the study, it was assumed that the West African economic partnership agreement would, once signed and ratified, apply to the entire region. The stepping stone agreements implemented by Ghana and Côte d'Ivoire therefore do not fall under the scope of this paper.

⁴ Economic Commission for Africa, *Comparison of the Provisions of the Economic Partnership Agreements* (forthcoming).

African countries should seek to improve on the existing arrangements, including with improvements in the area of non-tariff barriers. Work is ongoing by the Economic Commission for Africa (ECA), in partnership with the Overseas Development Institute, to explore and propose mutually beneficial policy options.

B. African Growth Opportunity Act

11. Taking stock of the most recent developments in the Africa-European Union trade relationship, the United States of America appears to be keen to transform its current unilateral preferential scheme-based trading relationship with Africa into a free trade agreement-based one. Indeed, the conclusions contained in the 2016 United States Trade Representative report on the African Growth and Opportunity Act indicates that the post-Act trading framework will need to take into consideration the readiness of African economies and the various levels of development, for “countries that are more developed, more seasoned in international trade and trade negotiations, or simply more ambitious and willing to take on a deeper set of mutual commitments, the United States could pursue the kind of high-standard agreement” in view of avoiding “a ‘lowest common denominator’ approach”.⁵ In view of these possible changes, it is important that Africa adopt a concerted position on the post-Act relationship with the United States.

12. In the light of several requests received for assistance to design African Growth and Opportunity Act national utilization strategies, ECA, together with the African Union Commission, has decided to organize a training workshop for Act beneficiary countries to help them to benefit from the programme during the remaining eight years before its expiry in 2025. The workshop will be aimed at proposing methods to design and implement an Act export strategy, based on tools developed by the Commission and ECA.⁶

C. World Trade Organization

1. Preparations for the eleventh Ministerial Conference

13. The negotiations of the Doha Development Round at WTO, have been deadlocked. This was captured for the first time in a ministerial declaration, namely, paragraph 30 of the Nairobi Ministerial Declaration.

14. Some of the key issues for developing countries received little attention at the ninth and tenth Ministerial Conferences. To guarantee that those issues will be addressed at the eleventh Ministerial Conference, to be held in Buenos Aires from 10 to 13 December 2017, work has been undertaken to ensure a common African position prior to the Conference. Key issues of specific interest to African countries are special and differential treatment, agriculture, e-commerce and domestic regulation. Nevertheless, it is anticipated that developed countries may try to develop discussions on the so-called “new” issues in Buenos Aires, including e-commerce, micro-, small and medium-sized enterprises and investment facilitation.

15. To support the preparations for the eleventh Ministerial Conference, ECA commissioned a series of background papers on key WTO issues from the South Centre. The key findings of this work were presented and discussed at the meeting of the African Union Ministers of Trade, held in Niamey in June 2016, and at a retreat of African ambassadors, held in Geneva, which was organized by the African Union office in Geneva.

⁵ See United States of America, Office of the United States Trade Representative, *Beyond AGOA: Looking to the Future of U.S.-Africa Trade and Investment* (Washington, D.C., 2016).

⁶ See African Union Commission and Economic Commission for Africa, *Guidelines on Developing a National AGOA Strategy* (Addis Ababa, 2012), and *Monitoring and Evaluation Framework for the AGOA* (Addis Ababa, 2012).

16. A key recommendation of this work is that it is in the interest of the African countries to insist on sticking to the existing mandates. This is related primarily to the fact that new issues on e-commerce, micro-, small and medium-sized enterprises and various proposals on domestic regulation risk decreasing policy space for African countries and exacerbating existing inequalities.

17. Process-related shortcomings faced during the tenth Ministerial Conference should be avoided in Buenos Aires, given that the current processes significantly disadvantage African countries. The Conference should be carried out according to the agreed schedule. The last-minute extension of one day of the tenth Conference resulted in the exclusion of some delegations from the discussions on the final text. There is a need to introduce more transparent negotiations/discussions, which also include the developing country coalitions. Meaningful outcomes on the Doha Development Round are a priority for African countries. If this cannot be achieved, it would be preferable to decide in advance that the eleventh Conference should be for stocktaking.

2. Implementation of the Agreement on Trade Facilitation

18. The WTO Agreement on Trade Facilitation entered into force on 22 February 2017. As at 18 August 2017, 22 African countries had ratified it. The Agreement and the related technical assistance is an opportunity to enhance the implementation of trade facilitation measures on the continent. From this standpoint, African countries are encouraged to seize the opportunities arising from the Agreement.

19. In line with the special provisions to help developing and least-developed countries to implement the Agreement on Trade Facilitation, nine African countries have also made notifications under categories B and C. In the 2017 monitoring and evaluation exercise of the Aid for Trade initiative for Africa by the Organization for Economic Cooperation and Development and WTO, 90 per cent of the participating African countries indicated their intention to use the flexibilities offered under the Agreement. Countries highlighted border agency cooperation, the publication and availability of information and the release and clearance of goods as some of their priority areas for technical assistance.

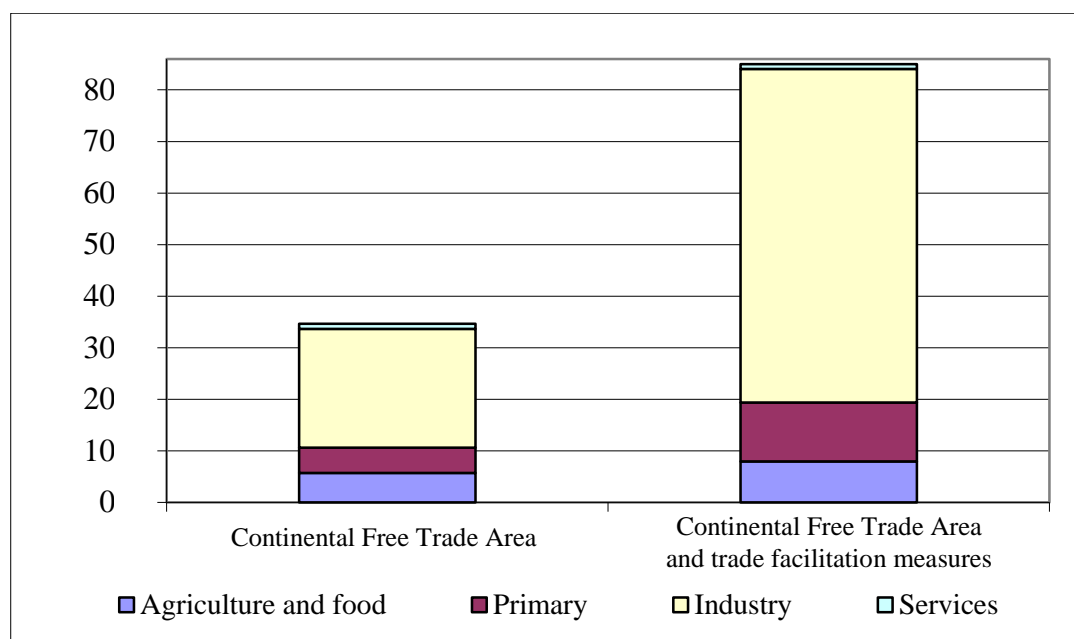
20. ECA economic modelling estimates that the removal of intra-African tariffs will increase the share of intra-African trade by 52.3 per cent by 2022. Nevertheless, if complemented by progress in reducing costs to trade across borders, these gains are roughly doubled.⁷ Trade facilitation therefore has a key role to play in ensuring that the objectives of the CFTA are met (see figure IV). ECA has been conducting, on behalf of the Africa region, the second global survey on trade facilitation and paperless trade implementation. The preliminary results indicate that trade facilitation implementation remains varied on the continent and throughout various measures. Some of the most common measures implemented include post-clearance audit, the use of electronic submissions for import, export and transit supporting documents and the separation of release from the final payment of customs and other charges. Good implementation rates are also observed with regard to the establishment of national trade facilitation committees and stakeholder consultation mechanisms. Challenges remain in the area of paperless trade, in line with global trends.

21. In the implementation of the Agreement on Trade Facilitation and other trade facilitation initiatives, attention should be paid to ensuring that the measures support intra-African trade in particular. On the basis of the recent Aid for Trade monitoring and evaluation exercises, trade facilitation is a priority area of development cooperation for both African countries and their partners. Increasing the focus on cross-border Aid for Trade projects in the area could support efforts to enhance intra-African trade.

⁷ See Economic Commission for Africa, African Union and African Development Bank, *Assessing Regional Integration in Africa V: Towards African Continental Free Trade Area* (Addis Ababa, 2012), and Economic Commission for Africa, *Economic Report on Africa: Industrializing through Trade* (Addis Ababa, 2015).

Figure IV

Changes in intra-African trade, following the implementation of the Continental Free Trade Area alone and along with trade facilitation measures, by 2022 (Billions of United States dollars)



Source: Economic Commission for Africa, *Economic Report on Africa 2015: Industrialization through Trade*.

IV. Towards the Continental Free Trade Area

A. Regional trading blocs

22. Regional economic communities have played a significant role in the realization of the objectives of the Treaty Establishing the African Economic Community. Their role as building blocks of the African integration agenda has led to helping to achieve the objectives of the CFTA and the Action Plan for Boosting Intra-African Trade. On that basis, the third stage of the planned modalities to ultimately achieve an African Economic Community urged the regional economic communities to establish free trade areas and customs unions at the level of each community prior to, under the fourth stage, establishing a continent-wide customs union with a common external trade regime.

23. To date, of the eight African Union-recognized regional economic communities, two have achieved full-fledged customs union status (the Eastern African Community and the Economic Community of West African States) and two others have achieved free trade areas (the Common Market of Eastern and Southern Africa and the Southern African Development Community). The four other communities have not yet attained the third stage of the Treaty modalities.⁸ Given that uneven progress have been made to achieve the third modality of the Treaty, the CFTA negotiations have been perceived as the response to pursue the African integration agenda.

24. In addition, the COMESA-EAC-SADC Tripartite Free Trade Area has made remarkable progress towards the conclusion of its pending issues. Indeed, the tripartite

⁸ The Economic Community of Central African States took a decision at the ministerial to have its regional economic community free trade agreement operationalized no later than 31 December 2017.

Council of Ministers, held in Kampala in July 2017, adopted the outstanding annex on trade remedies and dispute settlement⁹ and endorsed the continuous work achieved on rules of origin. Although work remains outstanding to secure an implementable agreement, these substantial developments mark a milestone in the Tripartite Free Trade Area negotiation process. Another important event was held on the sidelines of this meeting, with the signature of the agreement by Madagascar and South Africa, thereby bringing to 20 the number of signatory countries.

B. Continental Free Trade Area negotiations: state of play

25. The inaugural meeting of the CFTA Negotiating Forum was held in February 2016.¹⁰ The meeting adopted the CFTA negotiation architecture and prepared the rules of procedure for the two other negotiating institutions, namely, the Senior Trade Official Committee and the Conference of African Ministers of Trade, which met for their inaugural meetings in May 2016.

26. Six meetings of Negotiating Forum have been organized since 2016. Notably, modalities for tariffs and services liberalization negotiations were adopted at the sixth Negotiating Forum, held in Niamey in June 2017. These modalities are to form the guiding disciplines governing the negotiations and serve as the backbone for final market access offers and the schedule of trade in services commitments.

27. A target of 90 per cent tariff liberalization was agreed to, with the remaining 10 per cent accounting for lists of sensitive products, to be determined on a bilateral basis and upon supplementary disciplines to be negotiated during the forthcoming meetings of the Negotiating Forum. In addition, the adopted modalities for trade in services liberalization also govern the scope, coverage and methods of negotiation for services liberalization negotiations, although priority service sectors are yet to be decided.

28. In parallel with the negotiation process, the African Union Summit has monitored progress of the process and taken decisions to assist in fast-tracking it. These decisions include the following:

- (a) At the twenty-seventh Ordinary Session of the Summit of the African Union, held in Kigali in July 2016, it was decided to establish a panel of eminent persons to champion the CFTA negotiations process. The panel is to be composed of five eminent persons, one from each of the five African regions. The panel's mandate is to fast-track the negotiation process through high-level political advocacy.¹¹ It is to be noted that the panel has not yet been set up owing to a lack of funds;
- (b) At the twenty-eighth Ordinary Session of the Summit, held in Addis Ababa in January 2017, the President of the Niger, Mahamadou Issoufou, was chosen to be champion of the CFTA negotiation process. The objective is to fast-track the negotiation process in view of completing it by the reaffirmed date of the end of 2017;¹²

⁹ See Tralac, "The Tripartite Free Trade Area: a breakthrough in July 2017 as South Africa signs the Tripartite Agreement", 10 July 2017. Available from www.tralac.org/news/article/11860-the-tripartite-free-trade-area-a-breakthrough-in-july-2017-as-south-africa-signs-the-tripartite-agreement.html.

¹⁰ The decision taken at the eighteenth African Union Summit to fast track the establishment of the CFTA endorsed recommendations made by the High-level African Trade Committee, which proposed that the CFTA establishment be conducted in two phases: a first one to cover the trade in goods and in services, followed by a second one on investment, intellectual property rights and competition policy.

¹¹ See Assembly of the African Union, Decision on the Continental Free Trade Area, Assembly /AU/Dec.608(XXVII).

¹² See Assembly of the African Union, Decision on the Continental Free Trade Area, Assembly /AU/Dec.623(XXVIII).

- (c) At the twenty-ninth Ordinary Session of the Summit, held in Addis Ababa in July 2017, the progress report of President Issoufou was adopted and the indicative date of conclusion of the CFTA by the end of 2017 was reconfirmed.¹³

29. Throughout this process, ECA has closely followed and supported the CFTA negotiations. Notably, it provided assistance to the African Union Commission in organizing four meetings of a drafting team, including experts from ECA, the Commission, the regional economic communities, the United Nations Conference on Trade and Development (UNCTAD), think tanks, academia and consultancy firms, which were tasked with developing a template CFTA legal text to possibly be used as an input into the negotiations to help to ensure concrete achievements by the 2017 deadline. The draft text has served as a basis for further reviews by the continental task force and was circulated for consideration to member States in January 2017.

30. ECA has also provided technical presentations to the Negotiating Forums and preparatory workshops on topics such as exclusion list provisions, nuisance tariffs and an analysis of proposed modalities options, and has participated in a supporting capacity in the technical working group and continental task force meetings.

31. At the third Conference of African Ministers of Trade, the African Union Commission, in collaboration with ECA and UNCTAD, were directed to undertake studies to determine the criteria for designating sensitive products and exclusions lists, the work on which is ongoing.

32. In addition, ECA has provided technical capacity-building assistance to member States and regional economic communities in the area of trade policy analysis and trade and gender, both aimed at reinforcing the capacities of stakeholders to better take advantage of the CFTA and its benefits.

C. Advocacy and policy orientation

33. In addition to the technical support provided to the African Union Commission and to regional economic communities and member States on a demand-driven basis, ECA has supported the negotiation process. Notably, in response to the delays in establishing the eminent persons' panel, ECA, in collaboration with the Commission, hired a short-term high-level adviser for the CFTA, the former African Union Trade and Industry Commissioner, Fatima Haram Acyl, from April to June 2017. She conducted an advocacy mission in selected countries ahead of the third Conference of African Ministers of Trade, held in June 2017. To this end, she visited Gabon, Ghana, Mauritius, the Niger, Nigeria and Senegal. The objective of the mission was to provide political support to the process, at the highest level, in order to achieve a meaningful outcome to the Conference.

34. ECA has also placed a lot of emphasis on the importance of delivering a meaningful, commercially valuable CFTA. To do so, many ECA events used the CFTA as a core theme, including the tenth session of the Committee on Regional Cooperation and Integration. In addition, numerous CFTA forums and dialogues were organized to raise awareness of and support the CFTA, including, among other things, the inaugural Africa Trade Week, jointly organized with the African Union Commission and held in Addis Ababa from 28 November to 2 December 2016. The event attracted more than 500 participants from Governments, the private sector, civil society and development partner organizations from throughout Africa and beyond.

¹³ See Assembly of the African Union, Decision on the Continental Free Trade Area, Assembly /AU/Dec.649(XXIX).

35. In addition to various ad hoc publications, the CFTA has been mainstreamed into a number of areas of the work of ECA, placing focus on the CFTA in several flagship publications, including the following:

- (a) The fifth report on assessing regional integration in Africa, which provides policy guidance and technical recommendations regarding the establishment of the CFTA;¹⁴
- (b) The sixth report on assessing regional integration in Africa, which is aimed at providing information on creating a conducive environment for harmonized trade policies, in particular with an insightful focus on the CFTA;¹⁵
- (c) The 2015 *Economic Report on Africa*, which includes an analysis of the linkage between industrialization and trade in Africa and which provides guidance on ensuring a pro-industrialization, coherent framework for the implementation of trade policies;¹⁶
- (d) The forthcoming eighth report on assessing regional integration in Africa, which uses a political economy lens to understand the steps necessary to implement the CFTA.

36. Special emphasis should be placed on the most recent edition of the report on assessing regional integration in Africa, which is intended to provide timely policy recommendations to CFTA negotiators and trade policymakers attempting to make the most of the CFTA opportunities. This includes recommendations on how to tackle key substantive components of the CFTA and its governance, phase 2 negotiating topics and the means through which this can be financed. It also considers the flanking policies necessary to ensure a “win-win” CFTA that can benefit countries of different economic configurations, in particular how to assist vulnerable groups within countries.

37. While economic modelling shows positive long-term and overall effects of increased and liberalized trade in Africa, it is also important to note that the gains will not be distributed equally. In recognition of this fact and to highlight the potential impact on vulnerable populations, ECA, in collaboration with the Friedrich-Ebert-Stiftung Geneva office and the Office of the United Nations High Commissioner for Human Rights, commissioned an ex ante human rights impact assessment of the CFTA. The recommendations contained in this work highlighted broad consultations, the improved collection of data to facilitate a disaggregated impact assessment and the introduction of flanking measures to support vulnerable groups, explicitly recognizing the challenges faced by women. The need for an estimation of revenue impacts and a paced, layered and targeted approach to liberalization, including appropriate adjustment mechanisms, was also noted in the report. An effective monitoring and evaluation framework for the CFTA should be introduced, incorporating distributional impacts.

D. Continental Free Trade Area and external trade

38. As mentioned earlier, although intended to support the development of the African, Caribbean and Pacific Group of States, the economic partnership agreements have encountered resistance in Africa because they would create serious imbalances

¹⁴ See Economic Commission for Africa, African Union and African Development Bank, *Assessing Regional Integration in Africa V: Towards African Continental Free Trade Area* (Addis Ababa, 2012).

¹⁵ See Economic Commission for Africa, African Union and African Development Bank, *Assessing Regional Integration in Africa VI: Harmonizing Policies to Transform the Trading Environment* (Addis Ababa, 2013).

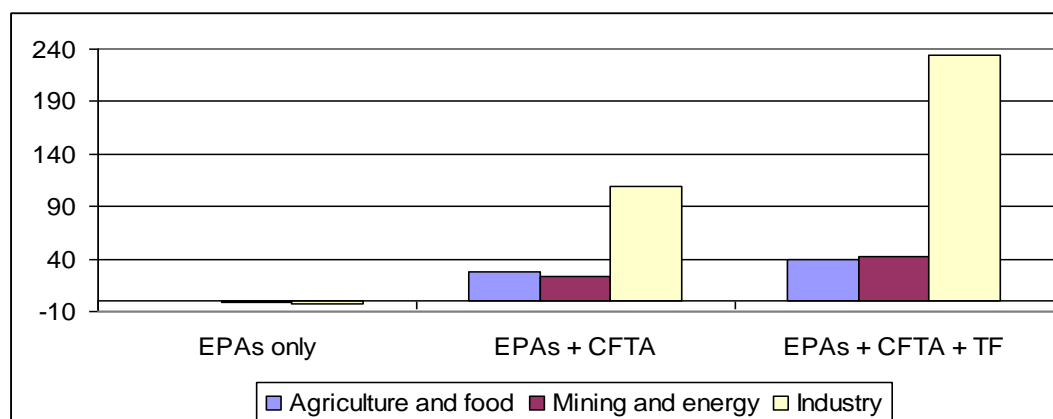
¹⁶ See Economic Commission for Africa, *Economic Report on Africa: Industrializing through Trade* (Addis Ababa, 2015).

through the opening of markets and the exposure of fledging industries to competition from European producers. Going forward, the work of ECA has shown that the CFTA and the agreements could increase African trade if implemented in a smart, coherent way. Should those trade liberalization reforms be implemented together with trade facilitation measures, the gains in intra-African trade could amount to up to \$40 billion in agricultural goods, more than \$40 billion in mining and energy and almost \$240 billion in industrial products (see figure V).¹⁴ In addition, recent research suggests that asymmetries existing between the various agreements could have adverse effects on intra-African trade. An effective use of the flexibilities in the implementation of the agreements may therefore be crucial to ensure that the agreements do not jeopardize Africa's industrialization and regional integration processes.

39. The features of a new trade policy are emerging in the United Kingdom as Brexit-related information is revealed. The ongoing ECA work is based in particular on advocating the rolling over of existing preferences, with the eventual possibility of correcting the deficiencies therein, in order to not jeopardize the existing trade relations between the United Kingdom and Africa, which are heavily dependent on those preferences. Currently, however, there is no certainty about the possible rolling over of existing unilateral preferences for European Union general scheme of preference beneficiaries. The work on Brexit done by ECA and the Overseas Development Institute suggests that, if the United Kingdom opts to extend the benefits of existing preferential regimes under the European Union, there will be room to introduce improvements and make them more effective for African countries. This provides an opportunity to influence the definition of the United Kingdom's trade policy by proposing a preferential regime that will be of specific benefit to Africa.

Figure V

Projected change in intra-African trade following economic partnership agreements, compared with agreements and the CFTA and with agreements, the CFTA and trade facilitation reforms, in 2040 (Billions of United States dollars)



Source: Economic Commission for Africa, *Economic Report on Africa: Industrializing through Trade*.

40. ECA research, both on economic partnership agreements and on mega-regional trade agreements, namely, the Trans-Pacific Strategic Economic Partnership Agreement, the Transatlantic Trade and Investment Partnership and the Regional Comprehensive Economic Partnership, indicates that the CFTA is critical to mitigating the negative trade effects resulting from the coming into effect of those agreements. More specifically, the studies show that deepening African economic integration through the CFTA, prior to the full implementation of the agreements or of the mega-regional trade agreements, could offset the negative effects of those agreements on intra-African trade. It is to be noted, however, that the implication is the smart sequencing of African trade agreements by using the transition periods provided for under the agreements to fast-track the implementation of the CFTA.¹⁴

41. Recent empirical work done by ECA on Africa's engagement with emerging economies suggests that deepening integration between African countries and their partners in the South, once the CFTA has been implemented, offers bright perspectives to support Africa's diversification and structural transformation.

42. A joint paper of ECA and the Overseas Development Institute highlights that trade, including intra-African trade, and trade policy offer important and underutilized tools for African countries to achieve their industrialization objectives. In this light, high tariffs on capital goods, inputs and intermediate products discourage domestic production and should be revised. In addition, complementary policies to improve skills, infrastructure, trade facilitation and access to affordable credit can boost industrialization. These continental, regional and domestic policies should be aligned towards making industrialization a top priority.

V. Recommendations and way forward

43. The forthcoming focus for the European Union of its trade relationship with the African, Caribbean and Pacific Group of States will be on the implementation aspects of the economic partnership agreements. Therefore, regions that are implementing such an agreement should develop coherent, African integration-oriented strategies to ensure that the transitional period is used effectively to build productive capacities, in which producers in the European Union are expected to put pressure on domestic producers. This could be assisted by setting up an economic partnership agreement monitoring and evaluation framework at the continental level, including data gathering and analysis on the implementation of these agreements vis-à-vis regional free trade agreements and CFTA implementation, and providing analysis on the impact of the agreements. It is worth systematically extending the reflections on economic partnership agreements to the African pan-Euro-Mediterranean partnership countries to ensure inclusive pan-African integration outcomes.

44. Noting the possible shift in the coming years with regard to the nature of the trading arrangements between Africa and the United States, lessons should be learned from the experience of the economic partnership agreements. In addition, where potential exists, African countries should aim to seize existing opportunities and reinforce their positions with regard to the United States market by using the flexibilities under the current African Growth and Opportunity Act scheme. In this view, due preparation is needed. The planned workshop will offer an opportunity to share experience and best practices and showcase the existing guidelines for strategic policy formulation regarding the Act.

45. In the lead-up to the eleventh WTO Ministerial Conference, African countries should seek to develop common positions on the issues most likely to be discussed. In particular, reaching meaningful outcomes on the remaining Doha Development Round issues should be a priority. These outcomes should already have been achieved in Geneva before the Conference. If this cannot be done, then it would be preferable to decide in advance that the Conference will be a stocktaking one, rather than entering rushed negotiations during it.

46. Work is ongoing to assist the African Union Commission, regional economic communities and member States, in accordance with the decision of June 2017 of the Conference of African Ministers of Trade, to support the CFTA negotiation process in progressing smoothly. It is to be noted that the CFTA needs to provide for substantial liberalization to deliver its expected results. To this end, the agreed modalities of 90 per cent liberalization should not only take into account potential trade, but also actual trade in order to unleash the intra-African trade in cases in which its potentialities are the most promising.

47. Regional integration efforts should be supported through the various development cooperation frameworks, including Aid for Trade, an enhanced integrated framework and the Agreement on Trade Facilitation provisions for

technical assistance. Initiatives under these frameworks should be directed towards achieving the continent's structural transformation and poverty reduction objectives, in particular through enhancing intra-African trade. Among other things, the development of regional projects on infrastructure and the improvement in productive capacities to better exploit regional value chains are critical. Given that intra-African trade comprises a greater share of processed and industrial goods, Aid for Trade and other frameworks could support the diversification of Africa's exports away from a dependence on volatile commodities.