



United Nations  
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## Synergies in trade negotiations at the multilateral and regional level

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# Objectives of the AfCFTA vs. WTO

- The World Trade Organization's (WTO) has a goal of liberalizing multilateral trade
- The main objective of the AfCFTA are to create a single continental market– with free movement of business people and investments

# Cost of WTO accession Vs. AfCFTA or other RTA negotiations.

- The WTO accession process is complex and time consuming compared to the AfCFTA or other REC negotiations.
- The WTO accession process under Article XII of the Marrakesh Agreement remains relatively vague.
- The increase in membership rules has caused the accession process to evolve into a time-consuming and complex negotiation.

# Cost of WTO accession Vs. AfCFTA or other RTA negotiations.....

- WTO applicants are required to adopt two types of accession measures:
- WTO-plus obligations: These are commitments in a variety of areas not contemplated under the Multilateral Agreements.
- WTO-minus obligations: These are commitments contemplated under the Agreements, but are more stringent in nature.

# Cost of WTO accession Vs. AfCFTA or other RTA negotiations.....

- The challenge for African member countries is that they have limited resources and limited analytical capacities required for complex accession negotiations.
- For example in Eastern Africa the GTAP CGE data base used for trade analysis covers only 6 out of the 14 countries.
- We don't have sufficient data on services trade.

# Benefits of the WTO VS AfCFTA(RTAs)

- What is the impact of these agreements on structural transformation in Africa?
- The benefits of the WTO have been mixed, with positive benefits for overall trade however the benefits are skewed away from the African Industrial sector ( which is critical for structural transformation).
- The benefits of African regional trade agreements and the AfCFTA are generally positive and skewed towards the industrial sector

# Benefits of the WTO VS AfCFTA(RTAs).....

- To highlight these differences, I analysed the impact of African regional trade agreements (RTAs) and the WTO on manufactured exports in Africa.
- I used the structural gravity model for the period 1990-2015 and manufacturing exports from 48 African countries to rest of the world

# Effects of Regional Trade Agreements Vs WTO on African Manufacturing using a gravity model

	(1)	(2)
	OLS	PPML
log Distance	-1.672**	-1.174**
Common border	1.691**	0.697**
Common language	0.870**	0.441**
Common Colony	1.429**	1.432**
RTA	0.933**	1.147**
WTO	0.366*	0.634
Number of Obs	59618	62760
R-squared	0.628	0.824



# Effects of Regional Trade Agreements Vs WTO on African Manufacturing using a gravity model.....

- The results of the OLS model show that the African RTAs(EAC, COMESA, ECOWAS, SADC) increased manufacturing exports by 154% while the WTO increased manufacturing exports by 45%
- The results of the PPML (controls for bias) show that the African RTAs increased manufacturing exports by 215% while the WTO had no effect on manufacturing exports in Africa.
- Likewise the results of the AFCFTA analysis using CGE model and PE models show that the manufacturing sector will be a key beneficiary

## Key take away

- The WTO and AfCFTA are Complimentary
- The WTO is critical because Africa mainly trades with countries outside of Africa
- The AfCFTA is critical for Industrialisation in Africa

# What are some synergies between t WTO and AfCFTA trade negotiations?

- The WTO has provided African countries with capacity building programs that have been important for AfCFTA negotiations.
- Implementation of the WTO trade facilitation agreement can help lower the costs of doing business in the AfCFTA
- Collaboration on data collection and analytical capabilities of member states