3rd Regional Dialogue on WTO Accessions for Africa: 
*Deepening economic integration in Africa through WTO membership and AfCFTA implementation*

**Session 2: Assessing the economic impact of market opening**

**Empirical assessment of the impact of the AfCFTA**

Simon Mevel
African Trade Policy Centre
Economic Commission for Africa

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From ECA’s recent empirical assessment of AfCFTA modalities on trade in goods:

- **Africa’s GDP and exports would increase** (true for all countries):
  - But those global gains remain relatively modest *(owing to the fact that African countries today essentially trade with non-African partners; with AfCFTA, African countries to trade more between them and relatively less with the rest of the world).*

- **Benefits from AfCFTA very much centered on intra-African trade (IAT):**
  - Illustration on the next slide.
AfCFTA: Expected impacts – IAT

- Significant gains from IAT in all main sectors; with strong potential to promote industrialization:

Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place - 2040 - US$ bn (various scenarios)

- Largest % increases (i.e. over 25%) in intra-African exports (Africa total) for industrial sectors found in textile, wearing apparel, leather, wood and paper, vehicle and transport, electronic, as well as other manufacture.

Source: ECA based on MIRAGE CGE model
AfCFTA: Expected impacts – Tariff revenues & Welfare

- Despite the decrease in tariff revenues (ranging between -6.5% and -9.9% for Africa as a whole, depending on the ambition of the liberalization), the welfare of Africa would slightly increase
  - Largely thanks to the significant expansion in intra-African trade

Change in Africa’s tariff revenues and welfare, various scenarios (as compared to baseline) – in 2040 – %

- Low ambition scenario: -6.5
- Intermediate ambition scenario: -8.6
- High ambition scenario: -9.9

Source: ECA based on MIRAGE CGE model
AfCFTA: Expected impacts – Conclusion

- ECA’s assessment of AfCFTA modalities on goods is not meant to provide a comprehensive economic assessment of the AfCFTA reforms (as it does not consider liberalization of trade in services, removal of non-tariff barriers, etc.);

- Substantial additional gains expected beyond liberalization of trade in goods (e.g. trade facilitation could more than double trade gains from removal of tariffs under AfCFTA; see Mevel & Karingi, 2013);

- Still, AfCFTA has strong potential to promote Africa’s much needed industrialization (especially if intermediates are liberalized early in the process):
  - For gains to be maximized, exclusion lists should be kept to a minimum;
  - Smaller economies should certainly not fear the AfCFTA reforms (LDCs being those expected to get the largest increase in intra-African exports of industrial products).

- But expected benefits will only materialize if the AfCFTA reforms are effectively implemented:
  - Strong emphasis must be placed on education and skills development in Africa (to ensure that the adequate workforce is available, especially in industrial sectors);
  - Role of private sector to harness trade for Africa’s development must not be overlooked: it is the private sector that trades, innovates and generates most jobs.
Beyond AfCFTA

On 25 Sept. 2014, Roberto Azevedo (WTO-DG) stated that regional trade agreements “are important for the multilateral trading system by they cannot substitute it” as there are “global problems demanding global solutions”;

Surely, regional integration cannot be Africa’s sole trade strategy:

- Africa’s share in global trade is only about 3% today (which is almost the same as two decades ago);
- Although full of potential, continental market unlikely to provide trade opportunities that are ample enough to significantly increase Africa’s position in the world trade landscape;
- African economies needs to open up with other partners outside the continent.

However, the right sequencing of trade policy reforms matters substantially

- Africa’s top priority should be to establish the AfCFTA along with complementary reforms (e.g. trade facilitation measures);
- Then, Africa would be in better position to open up with outside partners to improve its position in the global and rapidly evolving trade landscape.
THANK YOU!

mevel@un.org
www.uneca.org/atpc
Twitter: @atpc2
Facebook: @africantradepolicycentre
Email: eca-atpc@un.org