



United Nations
Economic Commission for Africa



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

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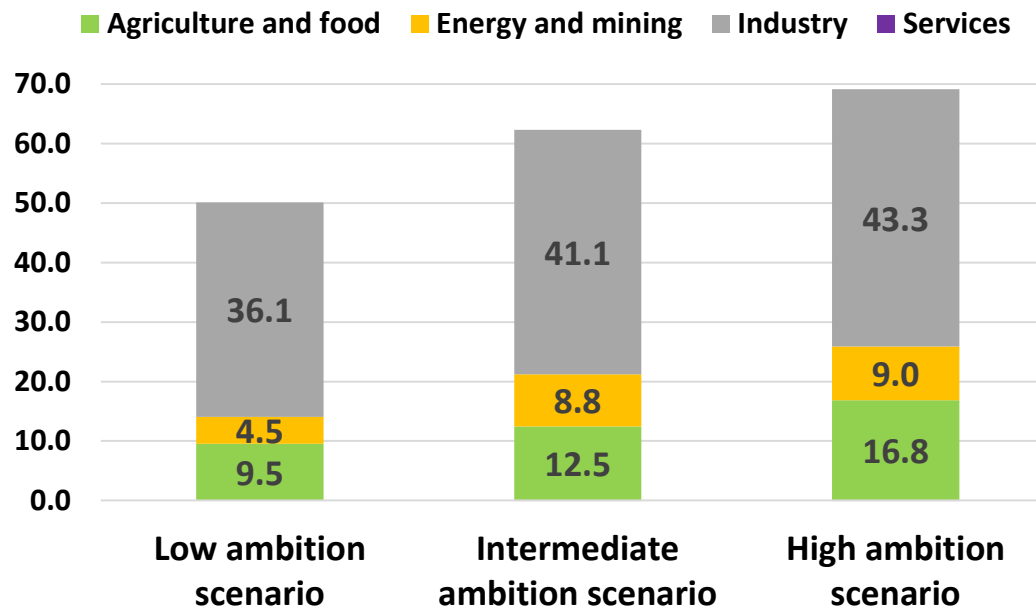
AfCFTA: Expected impacts – GDP & Exports

- 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)



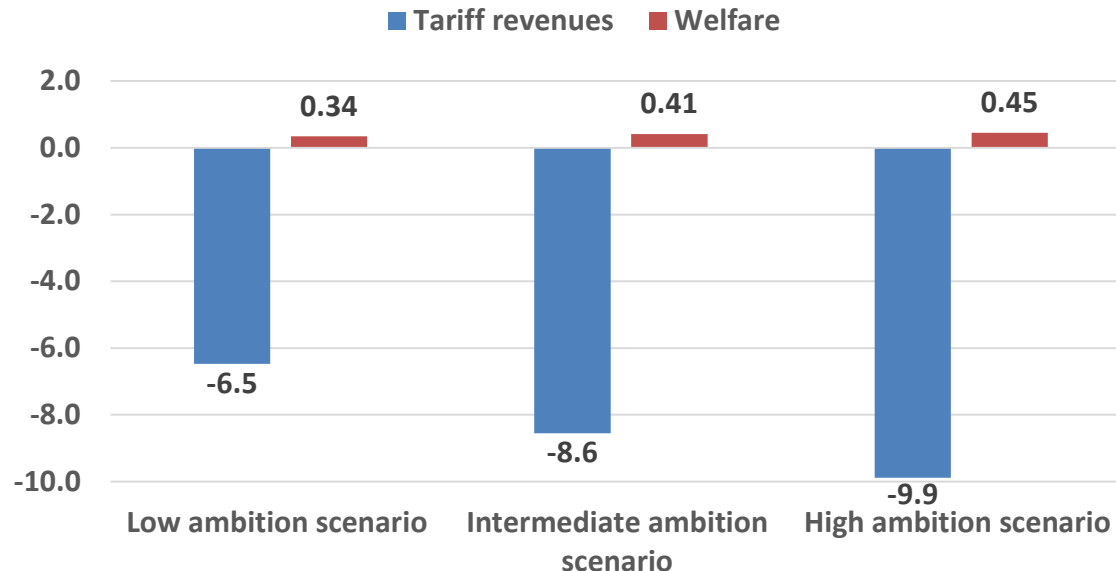
Source: ECA based on MIRAGE CGE model

- 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.

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 – %



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!

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Ideas
to
Action