



## Brussels Policy Briefing n. 47

### Regional Trade in Africa: Drivers, Trends and Opportunities

Organised by CTA, IFPRI, ACP Secretariat, European Commission (DG DEVCO) and Concord

3<sup>rd</sup> February 2017, 09h00 to 13h00,  
ACP Secretariat, Avenue Georges Henri 451, 1200 Brussels  
<http://brusselsbriefings.net>

#### 1. Background

Trade and regional integration have dominated the political agenda in recent years, with scores of countries pursuing trade agreements under various configurations. There is a renewed focus on the role of the private sector, and on reducing and eliminating trade barriers in order to boost economic growth by encouraging more trade and investment. The nexus between trade, integration and development is recognised to hold immense potential for sustainable growth and poverty reduction, and provides opportunities for enhancing the welfare of producers and consumers, provided that governments are able to develop and enforce policies to this effect. Under the framework of the 2030 Agenda for Sustainable Development, the role of trade in achieving the Sustainable Development Goals is recognised in a number of areas. Target 2.b of SDG2 calls for the correction and prevention of trade restrictions and distortions in world agricultural markets, whereas targets 17.10 to 17.12 of SDG 17 also highlights the importance of trade, particularly for the least developed countries.

In order to maximise the benefits of regional integration and look for new opportunities for competitiveness, policymakers, the private sector and development partners need access to accurate and comprehensive data on intra and inter-regional trade in Africa with respect to agricultural goods. It is in this context that CTA and the International Food Policy Research Institute (IFPRI) are launching the “**African Agricultural Trade Status Report**”, which examines the current status, trends and outlook in African trade performance, making an important contribution towards data and analysis of developments both at regional and at continental levels. The Report, which is released in conjunction with the Briefing, builds on the work by the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) of CAADP and the African Growth and Development Policy Modeling Consortium (AGRODEP) trade and also reflects the CTA’s commitment to advancing knowledge and sharing of best practices relating to agricultural trade.

#### 2. Regional trade in Africa: an agenda for greater integration

Realising the potential of regional trade and integration in Africa has never been more pressing than it is today. Many countries across the continent have been heavily affected by a slack in demand and reduction in export revenues as a result of challenges faced at the global level due to the financial crisis of 2009, and the Eurozone crisis which had a particularly strong effect on African countries that count the European Union as their biggest trading partner (Traore and Sakyi, IFPRI Report). Further instability to the global economy is also foreseen due political developments such the UK’s anticipated departure from the EU (BREXIT), against which it is necessary for Sub-Saharan Africa to develop resilience (Sabwa, IFPRI report).

At a local level, there is an urgent need to create jobs and diversify economic activity in Sub-Saharan Africa. It is projected that the continent’s youth population will double to over 830 million by 2050, and according to the African Development Bank, “10 to 12 million youth enter the workforce each year, only 3.1 million jobs are created, leaving vast numbers of youth unemployed.”<sup>1</sup> This youthful demographic profile could be a significant asset for Africa if countries can successfully enable greater youth participation in agriculture,

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<sup>1</sup> African Development Bank 2016  
[http://www.afdb.org/fileadmin/uploads/afdb/Images/high\\_5s/Job\\_youth\\_Africa\\_Job\\_youth\\_Africa.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Images/high_5s/Job_youth_Africa_Job_youth_Africa.pdf)

as youth are able to generate new skills, technologies, entrepreneurship, and ultimately, also act as consumers (Sabwa, IFPRI report). Present and historical reliance on a narrow range of economic activities, concentrated in oil, gas, minerals, and primary agriculture, means that African countries have not been able to develop a comparative advantage vis-à-vis their exports which could spur competition, promote value addition, generate greater regional trade linkages and also increase revenues through the production and trade in higher value added goods (Badiane, Odjo and Collins, IFPRI report).

Lastly, food security in Sub-Sahara Africa can only be achieved through enhanced regional trade and integration. Badiane and Odjo (IFPRI, 2016) argue that the “increase in intra-African and intra-regional trade, and the rising role of continental and regional markets as major destinations of agricultural exports by African countries suggest that cross-border trade flows will exert greater influence on the level and stability of domestic food supplies”. Climate change and other environmental factors leading to food shortages have made it more critical than ever to enhance resilience in agri-food systems. In Eastern and Southern Africa, the year 2016 saw the effects of the El Niño weather phenomenon having drastic consequences for agriculture and food security, leading to a regional maize production shortfall of 9.3 million tonnes in Southern Africa and a drought in Ethiopia that led to food shortages. It is therefore critical to promote regional trade in order to achieve food security, particularly in the face of food price volatility and climate change (Sabwa, IFPRI report).

a. Regional economic communities – policy engagement and political will

At the political level, governments and institutions in Africa have demonstrated their will to enable the process and develop measures to increase regional trade and integration, within the respective regions and also at the continental level. In June 2015 the Tripartite Free Trade Agreement (TFTA) was launched by the member states of the regional blocks representing Eastern and Southern Africa, namely the East Africa Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), which are also the three largest regional economic communities (RECs) on the continent. The TFTA is the largest free trade zone in Africa: it covers 48% of the countries, 58% of continental output, 57% of its population, and 25% of intra-regional trade (African Economic Outlook 2016). An even more ambitious regional trade and integration project was initiated on the same month at the 25th Summit of the African Union, with the launch of negotiations for the Continental Free Trade Area (CFTA) which would conclude in 2017, with the objective that from this date there will be a single market of more than 1 billion people (with an estimated 2 billion or more by 2050), boasting a gross domestic product of more than USD 3 trillion. It would cover all eight RECs currently recognised by the African Union.<sup>2</sup>

A defining feature of this regional trade and integration agenda is the weight that has been given to agriculture as a critical sector for enabling greater inter and intraregional trade within the continent, and specifically for its potential to deliver the greatest economic welfare for rural communities (where over 60% of Africans still live)<sup>3</sup> and in reducing poverty levels. This is in line with the current recognition of agriculture as a focal sector among many African countries, including some of the continent’s biggest economies, as well as regional and international institutions which have also identified agriculture as a priority sector.<sup>4</sup> The African leaders agreed to triple intra-African trade in agricultural commodities and services by 2025 as part of the Malabo Declaration adopted at the 23rd Summit of the African Union held in Malabo, Equatorial Guinea in June 2014.

b. Regional trade figures and trends

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<sup>2</sup> CEN–SAD (Community of Sahel–Saharan States), 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), IGAD (Intergovernmental Authority on Development), SADC (Southern African Development Community) and UMA (Arab Maghreb Union)

<sup>3</sup> Brookings Institute (2016) “Foresight Africa: Top priorities for the continent in 2016” [https://www.brookings.edu/wp-content/uploads/2016/01/foresightafrica2016\\_ch6-3.pdf](https://www.brookings.edu/wp-content/uploads/2016/01/foresightafrica2016_ch6-3.pdf)

<sup>4</sup> African Development Bank 2016 [http://www.afdb.org/fileadmin/uploads/afdb/Images/high\\_5s/Job\\_youth\\_Africa\\_Job\\_youth\\_Africa.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Images/high_5s/Job_youth_Africa_Job_youth_Africa.pdf)

Scaling up intra-regional trade in Africa, which represents trade by countries *within* a region, is not simply a matter of future ambitions and goals for the horizon – there is already a steady growth in trade between African regions taking place, though it does remain low compared to other parts of the world. On the one hand, this growth mirrors the increased demand from emerging economies, whereas that of traditional partners has either levelled off or declined. However, it is also an indication of lowering costs of doing intraregional trade, for example in terms of connectivity – both physical and digital, and the development of more regional value chains.

According to the African Economic Outlook 2016, intra-regional trade accounted for 10% of Africa's total trade in 2000, growing to 16% in 2014, although there are significant variations in intra-regional trade from region to region, with the value of such trade being highest in SADC (Southern African Development Community) and in ECOWAS (the Economic Community for West African States), and lowest among the countries in CEMAC (Economic and Monetary Community of Central Africa) and ECCAS (Economic Community of Central African States). By comparison, intra-regional trade as a share of total trade in Asia stood at 61%, in Europe at 69% and in the Americas at 56% in 2014.

In terms of agricultural trade, it should be noted that “intra-African markets accounted only for an average 34% of the total agricultural exports from African countries between 2007 and 2011” (Badiane et al. 2014). The authors' estimates show that for agriculture “SADC had the highest share of intra-regional trade (42%), and ECOWAS the lowest (6 %). COMESA's share of intra-regional trade was 20 %.” Nevertheless, SADC countries still account for far less than half of regional value in agricultural trade.

This incremental growth in African intra-regional trade and integration does not maximise the potential gains that regional trade and integration present, and at most only captures low-hanging fruit. Significant bottlenecks and barriers to trade and integration between the regions still have to be addressed, particularly in relation to the agricultural sector, where the majority of Africa's poorest citizens are active in, and which is the biggest employment sector in the continent. Three specific issues have been suggested as being the most critical for policymakers to address: first, the massive differences within and between Africa's regions in terms of levels of integration, inter and intra-regional trade; second, the lack of economic diversification; and lastly, poor or limited infrastructure across the continent ([African Economic Outlook 2016](#)). The approach taken under the TFTA is one of scaling up the advances which the respective RECs have already made, by harmonising the regional trade agreements, facilitating the flow of goods along transport corridors, developing better cross border infrastructure and allowing free movement of business people.

### **3. Agricultural Trade in Africa: challenges, opportunities and the role of PPPs**

#### **a. Challenges in agricultural trade and development**

Africa remains a net importer of food, and since 1980 its food imports have consistently grown faster than exports, peaking at a record high of around 50 billion USD in 2008.<sup>5</sup> According to the African Development Bank, the continent spends up to 35 billion USD annually on imported food, a figure which if the current trend continues, could see the food import bill in Africa rise to 110 billion USD by 2025.<sup>6</sup> This rise in food imports has been driven by a number of factors, including the continent's booming population, which has doubled in the last 30 years, and increasing demand for food particularly from growing urban areas, whose patterns of consumption tend to favour processed and imported goods. Lastly, Africa's agricultural productivity has failed to keep pace with these trends and has remained uncompetitive compared to imported agricultural products. Poor productivity is reflected in the low use of inputs (fertilisers, pesticides, water/irrigation, hybrid and pest-resistant seeds etc.) and other technologies in most of agricultural production across Africa. In many cases small scale family farmers, who make up the lion's share of the continent's agricultural producers, rely almost entirely on physical labour to achieve productivity.

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<sup>5</sup> FAO Regional Conference for Africa “Trends and issues in food and agriculture for national and regional action in the context of the SDGs” 29<sup>th</sup> Session, March 2016 ARC/16/3 (Abidjan, Côte d'Ivoire, 4-8 April 2016)

<sup>6</sup> [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Keynote\\_Speech\\_delivered\\_by\\_Dr.\\_Akinwumi\\_A.\\_Adesina\\_President\\_of\\_the\\_African\\_Development\\_Bank\\_Group\\_at\\_the\\_Africa\\_Green\\_Revolution\\_Forum\\_Nairobi\\_8\\_September\\_2016.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Keynote_Speech_delivered_by_Dr._Akinwumi_A._Adesina_President_of_the_African_Development_Bank_Group_at_the_Africa_Green_Revolution_Forum_Nairobi_8_September_2016.pdf)

As a result of these factors, Africa's agricultural exports and trade competitiveness has failed to grow significantly, and the share of agricultural exports by Africa in global agricultural trade has remained below 5% over the past 15 years (Traore and Sakyi, IFPRI Report). Notably, many countries' exports continue centre around on cash crops or primary products such as cocoa, citrus, coffee and cotton, which are can experience significant annual price fluctuations. This makes African countries particularly vulnerable to supply shocks and food price volatility, which has a negative impact on food security and nutrition, and on sustainable economic growth (Traore and Sakyi; Badiane and Odjo, IFPRI Report).

Accordingly, regional markets, enhanced inter- and intra-regional trade and greater integration between African countries are needed in order for the continent to develop greater resilience to shocks and fluctuations in international markets. It is also critical to the transformation of agriculture in the continent as regional value chains can deliver economies of scale for producers and manufacturers, and in turn, promote greater investment into the sector, as well as higher levels of productivity and competitiveness against imported food products. Comparing global levels of intraregional agricultural trade as a share of total trade in agricultural products provides a telling indication of the relationship between the level of regional integration, and intra-relational trade. Among European countries, the levels of intraregional agricultural trade as a share of total agricultural trade stood at 75%, in Asia it was 63% and in American countries at 40%. In Africa, between 2000 to 2013, this figure fluctuated between 13% to 20%, significantly lower than that of other, more integrated regions (Goundan and Fall, IFPRI Report). The authors put this down to a number of factors, such as weak productive capacity, lack of trade related infrastructure and services, limited role of private sector in regional integration initiatives, low diversification of traded products, the small size of consumer markets and the quality of institutions, among others.

#### b. Trends and opportunities for agricultural trade in Africa

Despite these hurdles, research by Goundan and Fall (IFPRI Report) also demonstrates that the value of intra-African agricultural trade has in fact grown significantly, from 2.2 billion USD in 1998 to 12.8 billion USD in 2013, representing an overall annual growth of 12% during this period. In terms of volume, this annual average growth is higher, standing at 15.84%. There is a significant variation from region to region in terms of intra-regional agricultural trade during the same period (1998 to 2013). ECCAS showed the highest levels of growth in intra-regional agricultural trade, of 17%, or an increase from 14 million USD to 147 million USD. Intra-regional agricultural trade in SADC only grew by 10% during this period, from 871 million USD to 3.82 billion USD, representing the lowest growth levels throughout all the regions. In ECOWAS intra-regional agricultural trade rose by 12% from 494 million USD to 2.84 billion USD, and COMESA saw a notable increase of 14% during this period, with its intra-regional trade rising from 379 million USD to 2.87 billion USD. In terms of the composition of intra-African trade, the authors compare the periods 1998-2006 (before the global economic crisis) then 2007-2013 (post crisis) to find that vegetables and wheat flour were among the top ten most traded products the post-crisis period compared to the pre-crisis period, and fisher products actually became the most traded product between African countries post-crisis.

#### c. Linking infrastructure development and regional trade

Africa has made progress in expanding and improving the quality of its road networks in recent years, although this is not generally acknowledged due, partly, to the paucity of data. Africa's landlocked countries appear to have both a lower road density and to be progressing more slowly than their coastal peers. Their road density grew by 47 % between 2000 and 2015 compared with 51% for the continent as a whole. This still represents a significant improvement in landlocked countries, which face special challenges related to their isolation and lack of access to the sea. Africa's road density increased by 11.3 % between 2000 and 2006 and by 35.6 % between 2006 and 2015. Southern Africa also has the highest road density, followed by West Africa, East Africa, North Africa and Central Africa.

The corridor approach to regional transport development is well established in Africa. Multimodal options are increasing, exemplified by the Lamu Port–Southern Sudan–Ethiopia Transport Corridor Project (LAPSSET). Its construction was launched in March 2012 at the site of Lamu port in Kenya. The initiative—

Lamu Port; the Lamu Port–Southern Sudan–Ethiopia Transport Corridor Project railway; the Lamu Port–Southern Sudan–Ethiopia Transport Corridor Project highway; oil pipeline; oil refinery; resort cities; and Lamu Airport—has an estimated investment cost of 16.4 billion USD. The detailed engineering designs for three berths and associated infrastructure have been completed for Lamu port and funds are in hand to start construction. About 365 km of the Lamu Port–Southern Sudan–Ethiopia Transport Corridor Project road in Kenya and Ethiopia has been completed; work is ongoing on several other sections. (Sabwa, IFPRI report)

African countries are revamping their railway networks, including those with a regional dimension. For instance, construction is underway on the Djibouti–Ethiopia railway, while Kenya is making progress on the Mombasa–Nairobi railway, the first phase of a standard-gauge project that will connect Kenya, Uganda, Rwanda and South Sudan (Government of Kenya, 2015). Construction of the 609-km line began in 2013 and is expected to be completed in 2018. The West African Economic and Monetary Union is spearheading the construction of the Dakar–Bamako rail project, part of The Presidential Infrastructure Champion Initiative and is at the phase of preliminary studies.

One of the flagship projects of Agenda 2063 is to connect all African capitals and commercial centres through the Africa Integrated High Speed Train Network, incorporating existing networks. Many countries have national projects: for example, construction of the Abuja–Kaduna rail line in Nigeria started in 2011 and was completed in 2014, and in Ethiopia, a new railway line is being built between Awash and Woldia, and is expected to be completed in 2015.

Related to infrastructure is also the effect of non-tariff barriers (NTBs) which affect regional trade significantly. According to Sabwa (IFPRI report), estimates show that between 60% to 90% of trade costs relate to NTBs, which go simply beyond poor road or infrastructure quality or high tariffs. They relate to harmful practices such as “burdensome border administration, lack of inter-departmental coordination, poor cross-border cooperation and corruption”. Further barriers to intra-regional trade include soft barriers related to rules and procedures, such as lack of legal and regulatory harmonisation, duplication in procedures and rules, and poor or partial implementation or enforcement of regional trade agreements and other provisions.

Eliminating non-tariff barriers and creating a favourable policy environment which lead to lower costs for cross border trade can create incentives for greater intra-regional trade. Recent simulation results by Ousmane Badiane and Sunday Odjo show that intra-regional trade invariably increases by a considerable margin for cereals and roots and tubers (the main food crops) in response to changes in trading costs and yields<sup>7</sup>.

#### **4. Way forward: Accelerating Regional trade and Integration**

Given the amounts spent on imported food, the demographic changes taking place, not to mention the immense productive potential for agriculture in Africa, it is evident that there are both significant opportunities and a pressing need for greater intra-African and intra-regional agricultural trade. For the private sector including small scale producers it is particularly critical that regional trade initiatives are linked to the agenda for agricultural transformation that has been set by African countries and leaders.

This can only be achieved through greater institutional and business support to promote intra-African trade and dismantle bottlenecks, particularly relating to infrastructure and NTBs. A greater focus should be placed on creating an enabling environment that can empower both the public and private sectors to scale up and transform regional agricultural trade Africa, with a view to delivering food security, job creation, and sustainable growth. Subsequently, policies need to be developed and implemented domestically, regionally and with international partners, which, firstly, enhance agricultural productivity, focusing in particular on

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<sup>7</sup> *Regional Trade and Volatility in Staple Food Markets in Africa*. Ousmane Badiane and Sunday Odjo in *Analyzing Food Price Volatility and its Implications for Food Security and Policy*, edited by Matthias Kalkuhl, Joachim von Braun, and Maximo Torero. 2016.

value chain development; secondly, improve access to markets and work towards greater harmonisation in standards and procedures; and lastly, promote and support trade facilitation measures.

## 5. Outcomes of the Meeting

- A **comprehensive overview of the latest figures and status of regional trade in Africa**, specifically in the agricultural sector
- An analytical discussion of the **key trends and developments driving regional integration** in Africa, from the regional institutions, as well as the private sector
- Consideration of the **role of partnerships, particularly PPPs**, and between the African regions and international bodies, to **address bottlenecks** and the major barriers to enhancing regional agricultural trade.
- Launch of the CTA/IFPRI **African Agricultural Trade Report**

## 6. Target group

Around 150 ACP-EU policy-makers, civil society groups, research networks, development practitioners, private sector representatives and international organisations based in Brussels.

## 7. Partners

A unique multi-stakeholder partnership comprising development partners, technical organisation (CTA), farmers and private sector organisations and agricultural research (IFPRI).

The International Food Policy Research Institute (IFPRI) provides research-based policy solutions to sustainably reduce poverty and end hunger and malnutrition in developing countries. Established in 1975, IFPRI currently has more than 600 employees working in over 50 countries. It is a research centre of the CGIAR Consortium, a worldwide partnership engaged in agricultural research for development.

## 8. Outputs

A short report and a Reader in printed and electronic format will be produced shortly after the meeting. Input and comments before, during and after the meetings will be included in the Briefings Website: <http://brusselsbriefings.net>.





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#### Programme

8h15-9h00 Registration  
 9h00-9h30 Introduction of the Briefing: *Isolina Boto, Manager, CTA Brussels Office*

**Introductory remarks:** *Viwanou Gnassounou, Assistant-Secretary-General, ACP Secretariat; Axel Pougin de la Maisonneuve, Deputy Head of Unit, Private Framework Development, Trade and Regional Integration, DG DEVCO, European Commission; Ousmane Badiane, Director for Africa, International Food Policy Research Institute (IFPRI); Michael Hailu, Director of CTA*

**Special address:** Future prospects for Africa in global trade  
*Dr. Mukhisa Kituyi, Secretary-General of UNCTAD*

#### **9h30-11h00 Panel 1: Overview of Africa regional trade**

This panel will provide an overview of the main trends in inter and intra-regional trade in Africa and the main drivers of success.

**Chair:** *H.E. Teshome Toga, Chair, ACP Committee of Ambassadors and Ambassador of Ethiopia (tbc)*

#### Panellists:

- Trends in African regional trade  
*Ousmane Badiane, Director for Africa, International Food Policy Research Institute (IFPRI)*
- Financing African agricultural transformation and agro-industry  
*Josephine Mwangi, Manager, Agriculture & Agro-Industry Dept, African Development Bank*
- New opportunities for regional trade within the EPAs implementation  
*Sandra Gallina, Director for Sustainable Development, DG Trade at the European Commission*
- Challenges and successes in implementing regional trade agreements  
*Dominique Njinkeu, Executive Director, African Trade and Sustainable Development (AFTSD)*

#### **11h00-11h15 Coffee Break**

#### **11h15-13h00 Panel 2: Implementing regional trade: successes and opportunities ahead**

This panel will look at specific examples of successes in the implementation of regional trade agreements and will bring various perspectives, including the private sector.

**Chair:** *H.E. Ms Novisi Aku Abaidoo, Ambassador of Ghana to the EU (tbc)*

#### Panellists:

- Growth opportunities for the private sector in East Africa as a result of regional integration  
*Annette Mutaawe, Deputy Chief Executive Officer, TradeMark East Africa*
- New opportunities in regional trade  
*Argent Chuula, CEO, Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA)*
- Successes and gains for farmers from increased regional trade  
*Philip Kiriro, President, Eastern Africa Farmers Federation (EAFF)*
- Promoting regional trade through PPPs and agribusiness development  
*Ishmael Sunga, CEO, Southern African Confederation of Agricultural Unions (SACAU)*
- Investment opportunities and PPPs  
*Nana Osei-Bonsu, CEO, the Private Enterprise Federation (PEF), Ghana*

#### **Concluding remarks**

13h00 Networking Lunch