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Page: 199

In recent years, there has been a shift in Africa's preferred trading destinations, with the continent moving away from trading with developed regions and towards trading with emerging nations. However, when it comes to inter-regional trade, Africa has yet to reach its full potential.

Inter-regional trade in Africa is well below where it could be. According to research by the Brookings Institution, intra-African exports in 2016 comprised 18% of total exports, compared to 59% for intra-Asian exports and 69% for intra-European exports. The figures are similar for imports.

Brookings' Foresight Africa 2018 report considers the change in Africa's trading partners over the last decade, finding that sub-Saharan African trade has slowly trended towards emerging economies and away from developed countries. Since 2006, the region's exports to the US and the EU have declined by 66% and 5% respectively, while exports to India, Indonesia and Russia more than doubled, as did imports from these three countries and Turkey.

'Africa lags [behind] the rest of the globe in terms of inter-regional trade and by a substantial margin,' says Sugan Palanee, Africa markets leader at EY. However, he adds, there are examples that point to pockets of excellence. 'The East Africa community comes to mind, where regional integration has already meant a free trade agreement implemented and, as a result, this has stimulated movement of goods between neighbouring countries,' he says.

'The Southern African Customs Union also provides evidence of the benefits of free trade agreements, as there are stronger trade ties between its member countries, and West Africa [ECOWAS] has a free trade agreement between its Member States, as well as other economic integration initiatives.'

Martyn Davies, MD of emerging markets and Africa at Deloitte, says that not enough intra-African trade is taking place. 'The only region that trades less within its own territory is the Middle East,' he says. This is not a policy issue – it is a products issue, he maintains.

'For instance, Angola will not export oil to Nigeria, as they have their own. When you have a non-diversified economy, all you can trade is resources. In large parts of Africa, private sectors are weak and lack "depth", resulting in very shallow value chains, thus constraining trade. Without value chains with linking supply chains, cross-border trade is very much constrained.'

By the end of July 2018, 49 of Africa's 55 countries had signed the African Continental Free Trade Area (AfCFTA) agreement, the largest free trade agreement since the establishment of the World Trade Organisation. The objectives of the AfCFTA include the creation of a single market for goods, services and movement of people to deepen the economic integration of the African continent.

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The AfCFTA has the potential to increase the amount of intra-Africa trade that takes place and will, if effectively implemented, drive down the cost of trading goods and services within Africa. While many believe the AfCFTA could catapult Africa towards the much-desired high levels of inter-regional trade, others are more cautious.

Davies says that, while he certainly supports the idea of trade liberalisation, Africa needs to have a sense of realism when looking at this. 'I'm very positive about regional trade arrangements, for example, what is currently happening in East Africa. But on a pan-African level, I think we are getting ahead of ourselves. We should take a bite-sized-chunks approach, rather than try to eat the whole elephant at once.'

He believes it's too ambitious because Africa's existing infrastructure cannot support the enormity of what the AfCFTA means, which will create plentiful challenges.

'Significant investment needs to go into customs systems and border posts, not to mention hard infrastructure like roads and rail. I don't think that's going to happen any time soon,' says Davies. 'Also, poor infrastructure in Africa is very inflationary. Africa has a lot of dysfunctional or non-existent border posts, delays at border crossings, inefficient ports, few rail lines and limited to no capacity. I don't think the AfCFTA will work at a continental level, but I am pro liberalised trade at a sub-regional level.'

According to Palanee: 'The argument has long been made that Africa could and should be benefiting from