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Towards a Continental Integration agenda

A computer simulation analysis

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E Book on tralac website

the Model

- Version 9 pre-release GTAP model and new World Bank supporting data. **Look at 2025**
- **Objectives**
  - Analysis of Continental FTA (CFTA)
  - look at tariff elimination and NTBs
  - Introduce ‘costs in transit’ concept
  - Look at partial FTA (EU approach)

The chapters are

1: The model and background

2: **Africa-wide, all intra-Africa tariffs zero**

3: **Africa-wide, a 50% reduction in NTMs**

4: **Africa-wide, tariffs to zero & 50% in NTMs**

5: **'Willing' countries only, tariff elimination**

6: NTBs between these 'willing' countries only

7: 'Willing', tariffs zero & 50% in NTMs combined

8: **Reducing the costs in transit for African goods by 20% above international best practice**.

2: **Africa-wide, all intra-Africa tariffs zero**

- generally, not always, welfare-enhancing
- South Africa biggest gainer - $5.7 billion
- Over a billion each - Kenya, Nigeria, the Angola/ DRC, Senegal and our 'rest of Africa'
- Zimbabwe big loser ($1.5 bill) –tariff revenue
- Outside Africa loss (except Russia), globally plus
- Trade generally increases
- Tariff revenue – SACU up, Zim & many other down
- Angola/DRC changes – BUT??

Conclusions

- **Overall, the CFTA is good for Africa**
- But, as always, there will be some losers
- Can trace bilateral and own liberalisation gains – Kenya for example, and then can trace further into Kenyan sugar
- Also loses – Zimbabwe an ‘own goal’ - more imports, loses tariff revenue and no capacity to gain from better access into markets

Africa-wide, a 50% reduction in NTMs

- World Bank data on (1) **trade facilitation (transit costs)**; (2) **non-tariff barriers**; and (3) the costs of barriers on services trade
- Enables an individual analysis (blanket in past)
- Some large differences – Ethiopia very low, many high
- Agriculture generally higher

Results for NTB reductions

- South Africa's gains only 47% of tariff elimination (NTB levels are low and especially for agriculture)
- Conversely, Tanzania 271% of tariff (NTBs high).
- Kenya & Angola/DRC gains around $2 billion each.
- **Several gain more from NTB reduction than tariff**
- Zimbabwe turned a major loss tariff into gains
- **Overall, significant policy implication - NTBs are a bigger problem in Africa than tariffs!**

4: **Africa-wide, tariffs to zero & 50% in NTMs**

- Add the combined welfare gains from 2 and 3 close to the aggregate here **(& for AFRICA)**
- Conversely, when we compare Chapter 2 and 3 separately -wide variation in ratios
- There therefore seems to be some internal compensatory mechanism in operation
- Many gains are from unilateral liberalisation
- For others examples where gains are concentrated in one or two specific countries.
- Conversely, many have limited bilateral linkages.
- Our 'rest of Africa' hides important individual country information as this is aggregation makes big gains.

5: ‘Willing’ countries only, tariff elimination

- **A ‘bust’**
- SACU, EAC, Malawi, Zambia & Egypt in TFTA, Nigeria & Ghana in West Africa, and Morocco & Tunisia in North Africa
- They represent 64.7% of African GDP.
- Second best approach only
- **Different country aggregation may produce a better result though**

NTB matters

- **NTB reductions in these countries only makes little sense, as you cannot rely on an FTA for much gain from NTB reductions**

8: **Costs in transit for Africa**

- Trade facilitation addresses costs such as delays at border crossings, roadblocks for trucks, and the necessity to pay bribes
- Big emphasis on this now
- World Bank database of per day ad valorem costs to use in GTAP, along with the number of days involved.
- **We use Singapore as best-practice of four days for imports. Then assess a reduction of 20% in the days over and above this benchmark for imports only to avoid possible double counting.**

Africa measures badly

- South Africa has a total of 18 days; 4 involve customs & related, 11 in terminal, and 3 inland transportation.
- Lot of variation - Nigeria needs 12 days in customs, while the landlocked Malawi, Zambia and Zimbabwe need 13 or 14 days in customs. Some bright spots - Mauritius, Egypt and Morocco close to international best practice.

Results

- (a) these **gains are substantial** - close to the combined gains of tariff elimination & 50 % NTB
- **(b) they mostly accrue to the liberaliser**
- (c) in only taking 20% of the costs of time over and above an international benchmark leaves room for improvement in most African countries
- And the gains in welfare are concentrated in Africa but global in nature

Future research

- **Add tariff elimination, NTB reductions and cost of doing business. Likely to be additive and significant**
- **Services barriers – also likely to be significant**
- **Cumulative results would be huge**
- **But many Asian countries have done just this!**

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