

United Nations Economic Commission for Africa (ECA)
Report on the Use of the Global Trade Analysis Project (GTAP) Tools
For the period 2014-2015

Prepared for the GTAP Advisory Board Meeting
To be held on 15-16 June, 2015
Melbourne, Australia

The United Nations Economic Commission for Africa (ECA) is a major think tank in the African continent. The production of pertinent and high quality research in a timely manner is therefore a key priority for the organization. To that end, resources and tools available from the Global Trade Analysis Project (GTAP) are most useful; in particular, these allow ECA to undertake empirical analyses which help formulating policy recommendations for African member States and Regional Economic Communities (RECs), thereby facilitating decision making across the continent.

Through its African Center for Statistics (ACS) and five sub-regional offices, working in close collaboration with national statistic offices, ECA also plays an active role towards improving data reliability and availability for African economies. Hence, ECA is committed to working closely with the GTAP network to make sure that better data for the 54 African countries can be widely available for policy analysis.

For the period 2014-2015, ECA -through its African Trade Policy Centre (ATPC)- has been using the GTAP database intensively to conduct trade policy analysis. The main focus of ATPC modeling work for this year was placed on the expected implications of major trade agreements for Africa's regional integration agenda; with the negotiations on the African Continental Free Trade Area (CFTA) to be launched in June 2015. Additionally, ECA has contributed to promote research from young Africans, sponsoring selected participants to the last Annual Conference on Global Economic Analysis which was held for only the second time within the African continent. Furthermore, ATPC is engaged in capacity building activities to strengthen the understanding and capacities of analysts from African member States and RECs to undertake trade policy analysis. ECA also works on enhancing modeling capacities of its own staff members by regularly sending some of them to the Annual GTAP Courses, as it will be the case again this years.

Brief overview of ECA's key activities/outputs using GTAP resources/network

ECA's organized sessions at the 17th Annual Conference on Global Economic Analysis, Dakar, Senegal, 18-20 June 2014

For the second time, the Annual Conference on Global Economic Analysis was held in Africa. ECA was one of the sponsors of the Conference, organizing two sessions on: 1) Boosting Intra-African Trade; 2) Land, Food Security and International Trade. In each of the two sessions, 4 papers were presented. These papers were pre-selected among nearly 50 papers received following a call for papers launched by ECA to African scholars, researchers and policy makers at the end of 2013. All the eight papers were then selected by the Conference Review Committee for presentation. ECA in its efforts to promote research and support scholars and researchers throughout the African continent sponsored the eight participants having their papers accepted for ECA's organized sessions.

The economic partnership agreements and Africa's integration and transformation agenda: the cases of West Africa and Eastern and Southern Africa regions

Although significant progress has been made recently by African countries towards signing the Economic Partnership Agreements (EPAs) with the European Union (EU) following twelve years of intense negotiations, EPAs has traditionally raised numerous concerns. Notably, shifting from unilateral trade preferences to a WTO-compatible reciprocal –albeit asymmetric–agreement such as the EPAs generates some uncertainty as far as Africa's regional integration and development prospects are concerned. These questions are all the more relevant at the current juncture, characterized by the growing momentum towards the establishment of the Continental Free Trade Area (CFTA) by the indicative date of 2017. In this context, and following requests from ECOWAS and COMESA regional economic communities, ECA undertook a study that sheds new lights on these issues, focusing on the cases of West African and Eastern and Southern Africa (ESA) regions. Simulation results show that if benefits are to be expected for both Africa and the EU –following the signing of EPAs– these will essentially be concentrated in non-LDC countries, and only in a handful of non-industrial sectors, as far as Africa is concerned. Moreover, EPAs may be detrimental to intra-African trade, on top of reducing tariff revenues for African governments as any other trade liberalization reform. Nevertheless, if African countries sequence the establishment of a CFTA before full implementation of the EPAs, this would not only preserve gains from EPAs but also reverse some of its potentially adverse effects. Indeed, intra-African trade would then be strongly stimulated, especially in industrial products, thereby offering positive perspectives for Africa's structural transformation. The reduction of costs to trade across borders would enhance further the benefits of both the CFTA and the EPAs reforms. Therefore, Africa should seize the opportunity offered by the transitional period under EPAs to effectively deepen its regional integration process.

Regional trade integration and trade facilitation as a pro-industrialization policy tool: the case of North African countries

The economic emergence of North African countries (NACs) requires the significant transformation of their economies and raises the question about the process guiding their structural change. Active policy reforms have proven to play an important role supporting that process. Trade policy can make significant contributions, particularly to increase processing to lead to higher value-added. Regional trade agreements may constitute a key instrument to raise the participation of NACs in global trade. The positive growth prospects of the African continent may convert the CFTA into a chief opportunity, ex-ante, for NACs to expand their manufactured exports based on the continent's rapid urbanization and demographic evolution. This assumption needs to be assessed to measure to what extent such trade reforms would play a pivotal role in the re-industrialization of NACs. Beside the CFTA, NACs are embarked in two other major regional integration processes. The Great Arab Free Trade Area (GAFTA) with the countries of the League of Arab States (LAS), and the Euro-Mediterranean Partnership (EUROMED) process with the European Union. A joint research paper by ATPC, ECA's Sub-Regional Office for North Africa and UNIDO examine the implication of these three trade agreements on North African economies trade and industrialization prospects. Findings indicate that free trade area (FTA) configuration will stimulate most, in relative terms, different main sectors or North African countries' exports. Whereas industrial products represent the largest shares of North Africa's export gains towards Africa (North Africa as well as the rest of Africa) thanks to the CFTA, mining and energy dominate North Africa's export gains towards the Rest of Arab League under GAFTA, and food dominates North Africa's exports to the EU with EUROMED in place. Consequently, the establishment of the CFTA, accompanied by trade facilitation measures, appears to be critical in providing support for the industrialization of North African economies. Indeed, if GAFTA and EUROMED were to be established without the CFTA in place, then the pro-industrialization effects would be much more marginal for North African economies. It should be highlighted that this paper has also been selected for presentation at the 18th Annual Conference on Global Economic Analysis that will take place in Melbourne, Australia, on 17-19 June 2015.

Emergence of mega-regional trade agreements and their implications for Africa's continental integration

At the request of Trade Ministers during the 9th Conference of African Union Ministers of Trade (CAMOT) held in Addis Ababa (Ethiopia) in early December 2014, ECA prepared a report on the "Emergence of mega-regional trade agreements and their implications for Africa's continental integration". Specifically, the report provides a quantitative assessment of the impact that the establishment of major mega-regional trade

agreements (MRTAs) currently under negotiations (namely the Trans-Atlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP)), would have on African economies. The CGE analysis shows that Africa would indeed suffer from reduced exports essentially due to preference erosion and greater competition faced on MRTA markets. Although the magnitude of the trade loss is not considerable, it should be highlighted that Africa's exports would in fact decrease in all main categories; with largest reduction found for industrial goods, thereby undermining Africa's industrialization. However, if Africa is able to deepen its continental integration by achieving its own MRTA –that is to say the CFTA– in parallel to the other MRTAs, then the outcomes for Africa would change drastically. In other words, the establishment of the CFTA is vital to offset the potential negative effects caused by the other MRTAs.

Capacity building on trade policy analysis

A joint ECA-COMESA-ACBF capacity building training on trade policy analysis with a focus on computable general equilibrium modeling will be organized in Nairobi, Kenya, from 13 to 17 July 2015. ECA through ATPC will provide a resource person to cover the entire training programme. At the request of the COMESA Secretariat, the training aims at improving the understanding of COMESA member states on the strengths and weaknesses of trade policy analysis tools as well as enhancing their capacity to engage in trade policy analysis.