



The AfCFTA

Intra-Africa trade

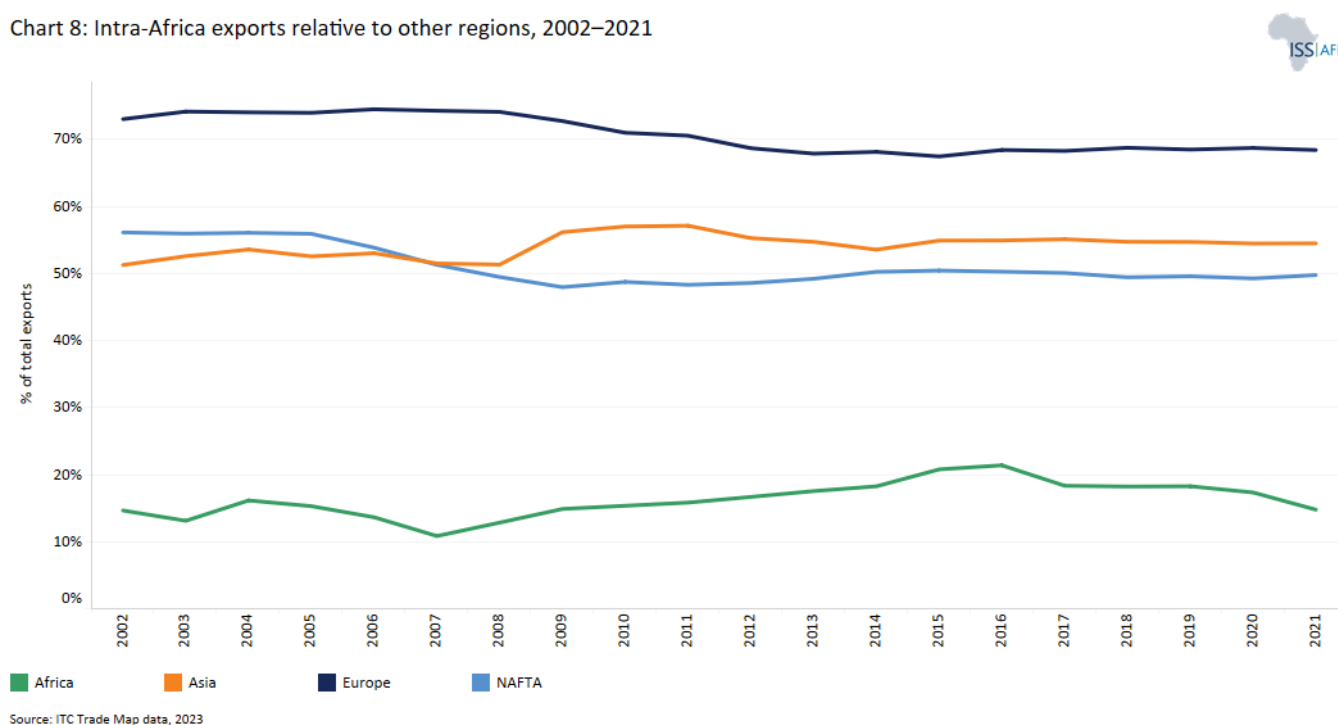
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Intra-Africa trade

Africa has, until recently, done little to increase its intra-continental trade (see Chart 8), and, as a result, has remained on the sidelines of GVCs, limited to upstream production mostly consisting of commodities. African countries need to increase trade with one another while steadily expanding their participation in RVCs and GVCs. In contrast to intra-continental trade in other world regions (68.4% in Europe, 54.5% in Asia and 49.8% in NAFTA), exports between African countries made up only 14.8% of the continent's total exports in 2021—a 3.5 percentage points reduction when compared to 2019. Much of the intra-continental trade has been driven by SADC and the EAC, which have the highest levels of intra-continental trade among regional groups.

Chart 8: Intra-Africa exports relative to other regions, 2002–2021



However, the share might be significantly larger in reality than shown in official trade data. Informal intra-Africa trade may meet or even exceed formal intra-Africa trade. For instance, in a study by the International Food Policy Research Institute (IFPRI) in 2018, informal trade at a single border crossing between Zambia and Malawi was estimated at US\$2.9 million per month, while formal trade at the same border crossing accounted for about US\$1.6 million per month. A survey on smuggling between Benin and its neighbouring countries concluded that there were five times more smuggled goods from Benin to Nigeria than officially recorded exports.[1] Similarly, a study by the African Resource Centre in 2010 estimated the value of informal exports from Uganda to its neighbouring countries to be about 83% larger than the official export data.[2] Thus, if formal and informal trade data were to be added together, the share of intra-Africa trade would double or even triple.

The main cause of informal intra-Africa trade is the cost associated with formal trade. Monetary costs of formal trade include high tariffs on imports and exports, accompanied by high processing and clearance fees. Time costs include long waiting periods and inadequate border infrastructure that cause long delays at formal crossings.

African governments may encourage movement from informal to formal intra-continental trade by implementing economic policies that decrease the cost of formal trade. For instance, with the implementation of the AfCFTA, African governments may adopt single documentation for cross-border trade transactions, simplify the clearance of goods from

customs, lower or remove trade-related fees/charges for trade procedures, eliminate custom brokers known for corruption, reinforce security at the borders, offer credit programmes for small traders and improve border infrastructure (i.e. storage and transportation infrastructure).

From 2000 to 2017, Africa's intra-continental exports were dominated by food and manufactured goods, which accounted for nearly 75% of total intra-continental trade. At the same time, oil, metals, minerals and other crude materials represented nearly 18% of total intra-continental exports.[3]

South Africa is the main intra-Africa exporter and importer, accounting for 37% of intra-Africa exports and 14% of intra-Africa imports in 2021. Other main intra-Africa exporters include Nigeria, Egypt, Zimbabwe, Morocco, Kenya, Tanzania and Zambia, accounting for 71% of intra-Africa exports. Africa's total exports of cereals, soap, milling products, explosives and photographic equipment are mostly intra-continental trade.[4]

Endnotes

1. A Bouet, K Pace and J Glauber, *Informal Cross-Border Trade in Africa: How Much? Why? And What Impact?*, IFPRI Discussion Paper 017832, December 2018
2. V Ogaló, *Informal cross-border trade in EAC: Implications for regional integration and development*, CUTS African Resource Centre, Research Paper, 2010
3. L Abrego et al, *The African Continental Free Trade Agreement: Welfare gains estimates from a general equilibrium model*, IMF, WP/19/124, 2019
4. tralac, *The African Continental Free Trade Area: A tralac guide*, 9th ed., October 2022

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