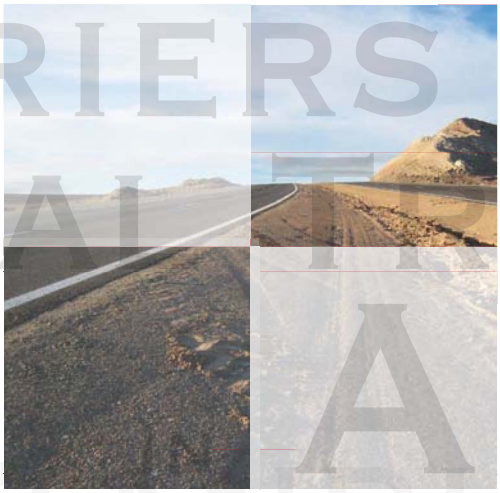
Understanding the Barriers To Regional Trade Integration In Africa

Kennedy K.Mbekeani



AFRICAN DEVELOPMENT BANK GROUP

NEPAD, Regional Integration & Trade Department

Understanding the Barriers to Regional Trade Integration in Africa

Background paper prepared by staff of the African Development Bank in collaboration with World Bank and WTO staff for the 2011 G20 Summit in France. The paper has benefitted from the outcome of the experts preparatory meeting to identify 'obstacles and barriers to regional trade integration in Africa' which was held in Lusaka, Zambia on 9 May 2011.

Kennedy K. Mbekeani

About Us

NEPAD, Regional Integration and Trade Department (ONRI) was established in March 2006 to enable the African Development Bank to play a focused and leading role in supporting the implementation of NEPAD and promoting Africa's regional integration and trade. By supporting and advancing the soft and hard aspects of regional economic and financial integration, trade, investment and regional infrastructures, ONRI contributes to promoting competitiveness, economic growth and poverty reduction in Africa.

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FOREWORD

International trade has long been recognized as Africa's answer to overcome the disadvantages of the continent's relatively small economies, the fluctuating and mostly negative trends in international terms of trade, and the legacy of colonial¬ism as well as policy shortcomings, which have prevented the continent from assuming a global market share befitting its significant market size and natural resource endowments. However, Africa today faces a number of barriers to international trade, intra-regional and extra-regional. The trade barriers, reflected in the cost, time and risks of international trade, impact negatively on the region's competitiveness and constrain the full achievement of the continent's economic development.

The search for ways to overcome the trade obstacles has engaged African governments and their development partners for years. Over the past few years, this search has emerged as a key African agenda in the context of implementation of the New Partnership for Africa's Development (NEPAD), the World Trade Organization's Aid-for-trade and domestic economic reforms. It has also been a focus of a number of international fora. This paper has been prepared in this perspective and served as a background document for the 2011 G20 Summit held in France to discuss, among other issues, economic development challenges.

The paper provides a strategy or framework for the way forward. The proposals stand on the findings of the review of the state of intra-regional trade in Africa as well as a stylized presentation of the obstacles to increasing intra-regional trade, which describes both the hard and soft constraints. Most sig¬nificantly, however, it sets forth— with clarity— a blueprint for progress that reconfirms the need for a comprehensive effort combining domestic policy and regulatory reforms, investments into critical infrastructure, and measures to enhance regional market access. While African countries have great responsibility for ensuring progress, the recommendations are also very clear on the need for partnership among African countries and with G-20 partners.

The African Development Bank endorses the recommendations, which were favorably considered by the G-20 meeting and suggested for consideration by African governments and their development partners. Happily, the outcomes of several fora in Africa confirm the realization of Africa itself to move in this direction and the commitment to do so is also evident in steps already being taken. However, a rapidly changing global economic environment demands that we move resolutely. And the needs and aspirations of our people compel us.
On its part, and as a major strategic partner and promoter and financier of Africa's development, the Bank Group will step up its support to the implementation of critical domestic and regional infrastructure and economic reforms that would move Africa towards achieving its vision of an integrated, competitive continent.

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A workshop involving the African Union Commission, the Economic Commission for Africa and key Regional Economic Communities was also organized to discuss an initial draft. The Bank appreciates this broad collaboration, which allowed the paper to benefit from various perspectives and to present a message reflecting current African views. There are many people to thank in such collaborative work. Special thanks are due to Mr. Kennedy Mbekeani, Regional Integration and Trade Division and Peter Fernandez Cardy, NEPAD, Regional Integration and Trade Department, who formed the core team. Thanks are also due to a number of capable and generous reviewers. In particular, the paper benefited from comments from Calvin Manduna, Cedric Achille Mbeng Mezui, and Michael Mah'moud (consultant) as well as editorial assistance from interns Aerina Kim and Nice Muhanzu.

Understanding the Barriers to Regional Trade Integration in Africa

KEY MESSAGES

• For Africa, the issue is not whether countries should pursue regional integration; there is a political consensus to do so. The challenge is to effectively implement agreed policies and create conditions that will result in deeper market and trade integration and identify ways to maximize the benefits of doing so and deliver concrete results to the people of Africa.

• In the last decade Africa's trade outperformed the global average. However, much of the growth has been driven by rising global demand for primary commodities and a rebound in prices from their lows in the early part of the decade. Intra-African trade performance has been lagging. It stands at only 11.7% of total trade, the lowest degree of market integration of any major region.

• Regional integration can help to achieve economies of scale and build the supply capacity and competitiveness of Africa through targeted regional infrastructure to fill vital missing links, inter-connect the continent and undertake reforms to facilitate cross-border trade, investments, financial flows and migration. Greater integration will have many benefits, including enhancing food security by facilitating greater intra-African trade in food products, and supporting the development of international production chains and greater value addition in Africa.

• Inadequate infrastructure connectivity (transport and communications infrastructure) and costly and unreliable power impose severe constraints on thousands of African enterprises. Compounding the challenges due to inadequate physical infrastructure, time delays and costs created by weaknesses in trade facilitation, nontariff barriers, restrictive rules of origin (for both intra-Africa trade and in major export markets in the rest of the world), and a poor regulatory environment further handicap private business and trade.

• Enhancing trade-related infrastructure is of vital importance. Improving the "software" of trade is equally urgent and important: better trade facilitation and logistics services performance; removing NTBs and putting in place effective transit regimes. Much of what is needed has already been agreed in the context of African regional trade agreements. The key need is to implement what has been agreed. This is an agenda that also requires resources, but first and foremost requires greater prioritization by – and engagement and political commitment of – senior policymakers, as well as strengthening of capacity at both the national and REC levels to make progress in removing regional barriers to trade and creating mechanisms to monitor implementation progress.

• Urgent practical interventions and measures are needed to overcome the obstacles and barriers to regional trade integration in Africa and facilitate the flow of goods and services. In addition to infrastructure, countries need to address non-tariff barriers and take actions to integrate services markets by implementing harmonized regulatory reforms. Some of the needed interventions will not require significant financial resources or investments; what is needed is political will and prioritization of implementation of the regional integration agenda. Others will require additional technical and financial support, and coordinated policy dialogue at the country level.

What African Governments Need to Do

• Harmonize and reform transport-related standards and policies affecting trade and, eliminate obstacles to the free movement of goods and services including service providers;

• Implement Regional Trade Agreements (RTAs) and simplify rules of origin;

• Political will have to be mobilized behind regional integration infrastructure by improving pace of preparation and implementation of regional infrastructure projects and implementing the sectoral reforms that need to accompany physical investments.

What the G-20 Countries Can/Should Do

• Non-Tariff Barriers: Assist countries improve and modernize customs and transit systems and procedures (including developing one stop border posts and improving trade facilitation at internal borders) and, develop storage facilities; Support for action-oriented "knowledge platforms" that bring together relevant stakeholders (private sector, government officials, REC secretariats, external experts including from emerging market economies) to identify key binding constraints to market and trade integration and define action agendas, and help monitor implementation would help move the regional integration agenda forward.

• **Regulatory Reform:** Support coordinated regulatory reforms and setting up of regional regulatory institutions as countries invest in regional infrastructure and liberalize trade in services; Support improvements to payments systems and currency convertibility within regions and across the continent; Assist countries to improve capacity of local enterprises to meet product quality requirements, improve their competitiveness and be part of regional and global supply chains.

• **Support to the RECs:** Support the acceleration of the rationalization of RECs and harmonizing their programs, including the process of negotiating and implementing the COMESA- EAC-SADC FTA; Support development of RECs capacity for policy formulation, management of policy debate and monitoring implementation of trade agreements; Support ongoing efforts to build capacity in countries and RECs to collect and disseminate information on non-tariff measures.

• **Capacity-building:** Additional resources are required to improve capacity of local enterprises to meet product quality requirements, improve their competitiveness and be part of regional and global supply chains.

• **Market Access:** An Africa-wide duty-free and quota free market access initiative by the G20 will encourage greater intra-industry trade within Africa and attract more foreign direct investment.

• **Trade Infrastructure:** Increasing financing for regional project preparation to develop bankable infrastructure projects for public and private financiers given the high costs of preparing regional projects; Support development of capacity at the regional level to coordinate preparation and implementation of regional projects; Broadening the mandate of the Infrastructure Consortium for Africa to include G20 countries; Endorsing and financing key regional infrastructure (hardware and software) coming out of the PIDA process.

The importance of regional integration as a means for supporting Africa's economic development has long been recognized by African leaders.

I. The State of Regional Trade Integration in Africa

The importance of regional integration as a means for supporting Africa's economic development has long been recognized by African leaders, who have consistently expressed their desire to deepen regional integration through the creation of a common market for goods and services. This section briefly reviews trends in Africa's global trade, as well as levels and composition of intra-African trade.

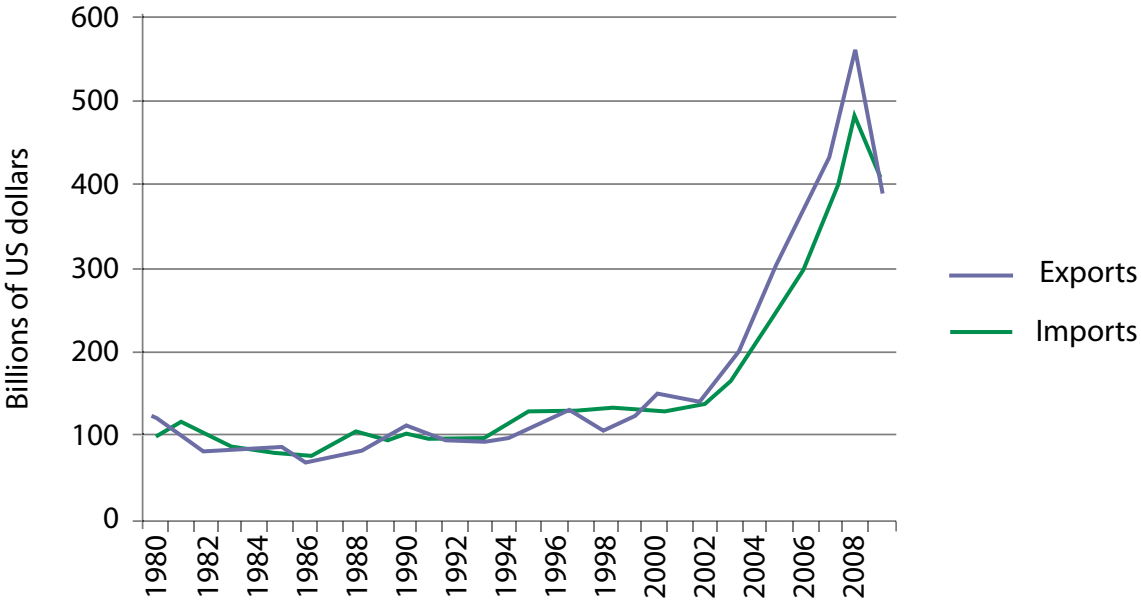
1. Levels of African Exports and Imports

In 2009, Africa's merchandise exports reached $390 billion while imports stood at $407 billion (see Annex Table 1). The leading traders included South Africa, Nigeria, Algeria, Egypt, Libya and Morocco. The previous year had seen both Africa›s exports and imports reach historic highs only to fall off by more than 20 per cent because of the global financial and economic crisis.

The last decade has seen Africa's trade outperform the global average – an outcome linked to the rebound in commodity markets from their lows in the early part of the decade. Between 2000 and 2009, the value of Africa's exports grew by an annual average of 11.3% compared to the world average of 7.6% while imports grew at 13.5% compared to the world average of 7.3%. Except for 2009, exports had exceeded imports throughout the last decade sometimes by a large margin.

The growth picture is less encouraging if one takes a longer perspective (see Figure 1). Between 1980 and 2009, the value of Africa's exports only grew at an annual average of 4.1% and imports grew at 5% while the global average was 6.5% for both world exports and imports. One consequence of this is that Africa's share of global merchandise exports fell from 6% in 1980 to 3.1% in 2009 while imports fell from 4.7% to 3.2% during the same period.

Figure 1: Africa's Total Merchandise Exports and Imports, 1980-2009

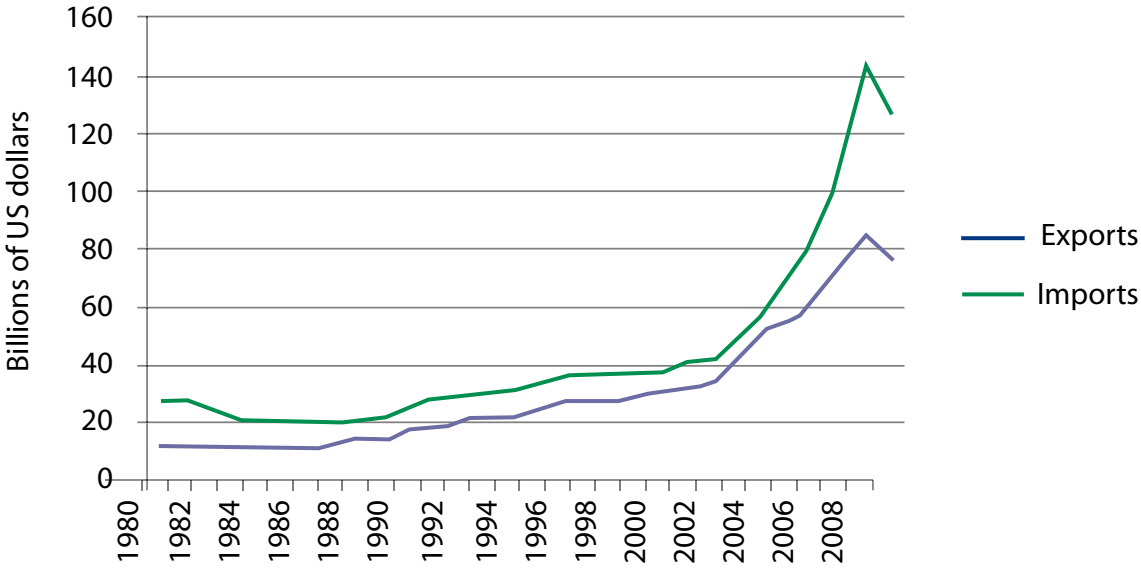


Source: WTO Secretariat.

Services Trade

Africa's exports of commercial services amounted to $77 billion in 2009 while imports reached $126billion (see Annex Table 2 for definition). The leading traders included Egypt, South Africa, Angola, Morocco and Nigeria. Because of the global financial and economic crisis, Africa's exports and imports of commercial services were some 9 to 11% lower than their levels in 2008 (see Figure 2). Like merchandise trade, Africa's services trade experienced strong growth in the last decade. Its exports and imports of commercial services grew faster (10.5% and 14.1%, respectively) than the world average of 9.6% for exports and 9.2% imports.

Figure 2: Africa's Total Commercial Services Exports and Imports (1980-2008)



Source: WTO Secretariat.

Once again, however, if one begins the analysis further in the past, Africa's commercial services trade has underperformed the global average. Between 1980 and 2009, its services exports grew at an annual rate of 6.5% while world services exports grew by 8%. Meanwhile, its services imports grew by 5.4% per annum while world services import growth was at 7.4%. The continent's share of commercial services exports fell from 3.3% in 1980 to 2.3% in 2009 while imports fell from 6.8% to 3.9% during the same period. Throughout this period, imports were higher than exports.

2. Levels of Intra-African Trade compared to other regions

Despite the long history of regional integration on the continent, the level of intra-African trade remains low in comparison with other regions (Table 1 below).

Using intra-regional trade share as a measure of regional integration, Europe had the highest degree of market integration followed by Asia and North America in 2009. Africa had the lowest degree of market integration among the 7 regions with only 11.7% of its trade destined within the continent. In effect, more than 88 per cent of the continent's exports still end up outside of Africa. Table 1 indicates though that there has been an increase in the share of intra-Africa trade over the last decade from 9.2% in 2000 to 11.7% in 2009.

Despite the long history of regional integration on the continent, the level of intra-African trade remains low in comparison with other regions.

Table 1: Intra-Regional Share of Merchandise Exports (2000/2009)		
Region	2000	2009
Africa	9,2%	11,7%
Asia	49,1%	51,6%
CIS	20,1%	19,2%
Europe	73,2%	72,2%
Middle East	8,7%	15,5%
North America	55,7%	48,0%
South and Central America	25,6%	26,1%

Source: WTO Secretariat.

Levels of Intra-REC trade

Regional trading arrangements are the main mechanisms for fostering Africa's integration and the fulfilment of the Abuja Treaty of creating an African Economic Community (AEC). They are seen as the foundations for deeper and sustainable integration in Africa. The analysis focuses on nine major arrangements: the Arab Maghreb Union (AMU), Communauté Economique des Etats de l'Afrique Centrale (CEEAC), Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of West African States (ECOWAS), Southern Africa Customs Union (SACU), Southern African Development Community (SADC) and the Union Economique et Monétaire Ouest-Africaine (UEMOA). Together these eight RECs cover themajority of the countries in the continent and cover all major sub-regions (Central Africa, East Africa, North Africa, West Africa, and Southern Africa).
Appendix 1 lists the member countries of the RECS.

Table 2 below shows the estimated value of intra-REC exports as well as the share of intra-REC trade in the year 2009. The RECs with the highest share of intra-REC trade were the EAC (23 per cent), UEMOA (14.5 per cent) and SADC (12.2 per cent). The RECS with the lowest share of intra-REC trade were CEEAC (0.3 per cent) and CEMAC (0.5 per cent). In absolute terms, trade among the SADC countries was the largest reaching $16 billion in 2009.

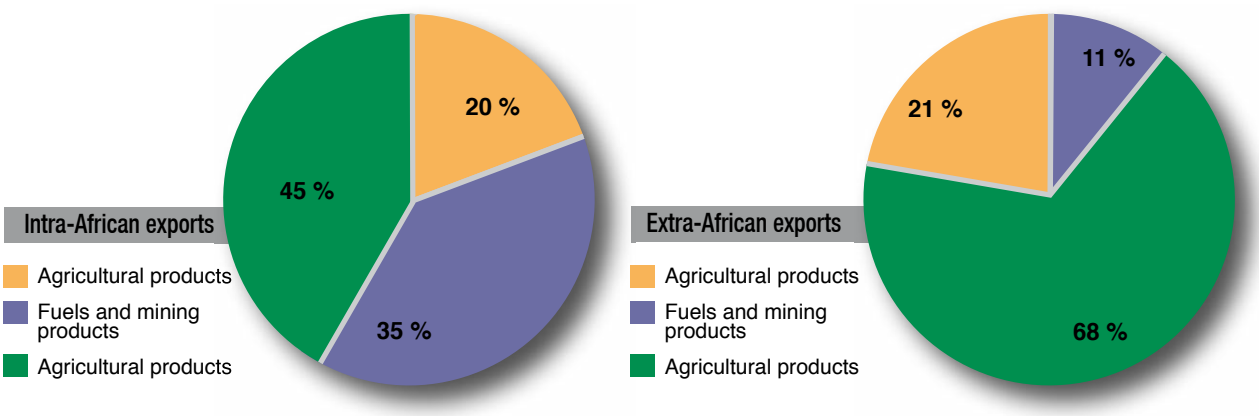
Table 2: Estimated Value of Intra-REC Trade, 2009 (Billions of dollars)		
REC	Value of exports	Share of Total Exports
AMU	3,9	4,6%
CEMAC	0,1	0,5%
COMESA	6,4	6,8%
EAC	2,4	23,0%
CEEAC	0,2	0,3%
ECOWAS	7,7	9,7%
SACU	2,9	4,2%
SADC	16,0	12,2%
UEMOA	2,7	14,5%

Source: WTO Secretariat and UN Comtrade.

Composition of Intra-African Trade

There is a clear difference between the basket of goods destined for Africa and that going to the world as a whole. In general, manufactures are more important in intra-African trade (Figure 3). About 45% of intra-African exports are manufactured goods while these goods make up only a fifth of Africa's exports to the world. More than two-thirds of Africa's exports to the world are fuels and mining products whereas these goods represent only about a third of intra-African exports. (See Annex1. Table 3 for a detailed breakdown)

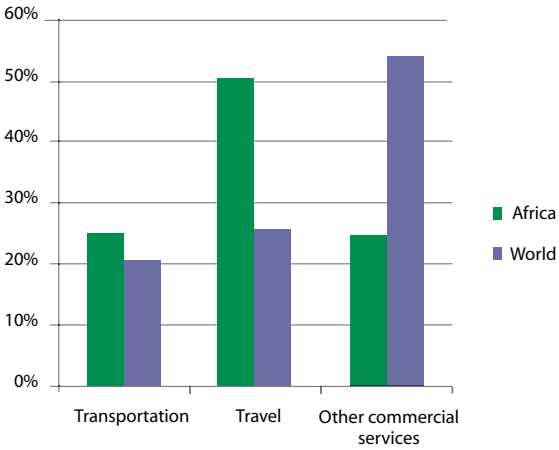
Figure 3: Composition of Intra and Extra-Africa Exports (2009)



Composition of Services Trade

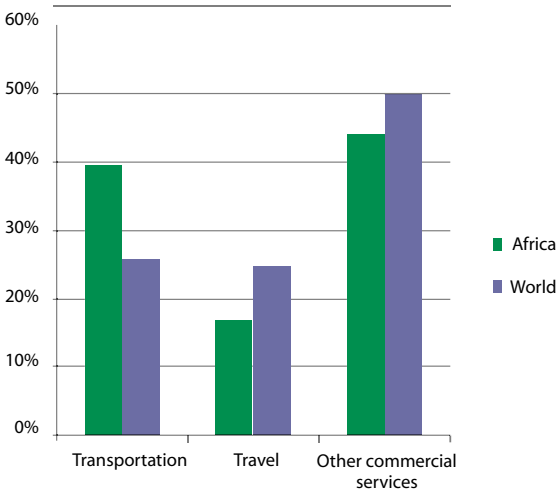
Travel makes up nearly half of Africa's services exports compared to a quarter for the world as a whole (Figure 4). The opposite pattern holds for other commercial services: it represents about a fourth of Africa's services exports but constitutes more than half of global commercial services exports. Sectoral differences relative to world averages are far less severe in the case of services imports (see Figure 5). One notable pattern that emerges from the data is that Africa imports more transportation services compared to the global average, a feature that might be particularly relevant in the context of the discussion on services-related barriers to African integration.

Figure 4: Services Exports (2009)



Source: WTO Secretariat.

Figure 5: Services Imports (2009)



Source: WTO Secretariat.

3. Dynamic African Exports

One way of identifying the most dynamic African export products is the average annual growth rate over the past decade as the criterion. However, one drawback to this measure is that the fastest growing products may also be those which started out not being widely traded (small initial trade values). So while the products have the fastest rates of growth, they may make only a modest contribution to the total amount of trade expansion. It may be helpful therefore to complement this information with the list of products whose trade grew the most in absolute terms during the past decade. We also distinguish between intra-African and extra-African exports and examine whether products which are dynamic in the former instance also are dynamic in the latter case.

Table 4(Annex1.) lists the ten fastest growing export products in intra-African and extra-African trade over the last decade. Note that there is no overlap in the list. This suggests that products that had been the most dynamic in intra-African trade have not proved as such when destined for markets outside the continent and vice versa. Processed or manufactured products appear on both lists which can provide encouragement to those concerned about African overdependence on natural resource exports. For instance, professional and scientific instruments, electrical machinery, and iron and steel are among the top ten fastest-growing items in intra-Africa trade. Plastics, non-ferrous metals and power-generating machinery figure prominently in extra-Africa exports.

Table 5(Annex1.) lists the top ten products which contributed the most, in absolute terms, to the expansion of Africa's intra-regional and extra-regional trade over the last decade. First note that none of the top ten fastest growing products identified in Table 4 are on the list confirming that trade in those products was modest in size. Second, there is considerable overlap in the two lists (intra-African and extra-African exports) shown in Table 5. Those products that made the largest contribution to the absolute expansion of intra-African trade also made the largest contribution to the expansion of extra-African trade. The list of common products includes petroleum, natural gas, vegetables and fruit, road vehicles and electrical machinery. Third, the expansion in extra-African trade has been more natural resource and agriculture driven than the expansion of intra-African trade. Natural resource and agricultural products contributed nearly 63% of the growth in extra-African trade over the past decade compared to their share of only 40% in intra-African trade.[5]

Natural resource and agricultural products contribute nearly 63% of the growth in extra-African trade over the past decade.

The contintent comprises mainly countries that have either smaller markets or low purchasing power.

II. Why Regional Trade Integration is Critical in Africa

Africa has unique geographical characteristics that make regional integration more urgent:

• **Many landlocked countries.** Fifteen African countries are landlocked. Nearly one-third of Africa's population lives in landlocked countries. For example, for Chad the distance between Ndjamena, the capital, and the nearest port, Douala, is about 1,700 kilometers. Alternative ports are even farther away: 1,900 km to Lagos, 2,000 km to Cotonou, 3,500 km to Port Sudan, and about 4,000 km to Mediterranean ports. In addition, Chad is a large and sparsely populated country, thus requiring relatively expensive internal logistics.

• **Many countries have low population densities.** Nineteen African countries have fewer than 5 million people. Some are island countries (Cape Verde, São Tomé and Príncipe, Equatorial Guinea, Comoros, Mauritius; Seychelles) and others are landlocked. Only one country (Nigeria) has population exceeding 100 million, followed by three countries with populations between 55 million and 70.7 million (Egypt, Ethiopia and Democratic Republic of Congo). Even for the four most populous countries, income levels are very low. As a result, the continent comprises mainly countries that have either small domestic markets or low purchasing power.

• **Rural communities are often disconnected.** Markets in these countries are made even smaller because the rural population is often isolated because of inadequate infrastructure and high transportation costs. Post-conflict economies have additional problems because distribution channels and markets have been disrupted and need to be re-established.

• **Remoteness from major markets.** Most African countries are very distant from Asia, Europe and North America and are also far from the major shipping routes. This is reflected in the cost of exporting or importing a container. According to the World Bank Trading Across Borders 2010 survey, on average it costs sub-Saharan Africa $1,961 to export a container compares to $890 in East Asia and $1,228 in Latin America and the Caribbean. The cost to import is even higher (see Table 4).

Limited regional integration has helped stifle Africa's opportunities to accelerate export-led growth. Regional integration policies can help to achieve economies of scale and build the supply capacity and competitiveness of Africa through targeted regional infrastructure to inter-connect the continent and reforms to facilitate cross-border trade, investments and financial flows and migration. The high cost of infrastructure services in Africa, among the highest in the world, comes from fragmentary national boundaries preventing achievement of scale economies. Appropriately conceived and accompanied by sound national policies, regional integration may well be the stepping-stone for Africa's meaningful integration in the global economy. Regional trade can serve as an effective platform for African SMEs as they learn to compete internationally. Greater integration will facilitate intra-African trade in food products across borders thereby reducing food insecurity. It will create potential for production chains and value addition and therefore product diversification.

Regional integration is particularly important for Africa's 15 land-locked countries as their economic potential is intrinsically linked to the conditions prevailing in neighboring countries. Most obviously, they are dependent on coastal neighbors for access to the sea. Similarly, landlocked countries cannot integrate in sub-regional markets unless their neighbors desire this and implement policies aimed toward this. These unreciprocated dependencies effectively confine the extent of national sovereignty of a landlocked, resource-scarce nation and highlight the importance of regional solutions.

Africa's infrastructure networks increasingly lag other developing countries, and are characterized by missing links.

III. Obstacles and Barriers to Regional Trade Integration

The key policy issue for regional trade integration in Africa is why positive trade outcomes have been so limited and what can be done to increase intra-Africa trade. Considerable potential for intra-regional trade remains unexploited due to infrastructure and policy induced barriers. Africa's infrastructure networks increasingly lag other developing countries, and are characterized by missing links. Compounding the challenges of weak physical infrastructure, time delays and hassles involved in trade facilitation services constrain further private business and trade. This section summarizes the most restrictive barriers to intra-regional trade in Africa.

1. Trade Infrastructure

In many parts of the world, improvements in transport and communications have facilitated globalization of production by reducing the cost of breaking up the production chain into components. This has allowed some developing countries to expand and diversify trade by playing a major role in production sharing. With increased competition in major markets forcing businesses to adapt to just-in-time production and management systems, flexibility, speed and reliability in delivery of goods have assumed significant importance. Yet, for many African countries, inadequate infrastructure and the lack of necessary institutional, legal and regulatory environments required for efficiency make it difficult to guarantee timely delivery of goods or ensure reliability or flexibility in the supply of goods.

Addressing the gaps in Africa's regional infrastructure links are of particular strategic importance for Intra African trade. These missing links shown in Annex 2 prevent Africa's transport, power, and ICT networks from functioning as an integrated whole. Until these gaps are closed, Africa will not attain its trade goals. For a longer term perspective and sustainability of current efforts, there is need for provision for assets preservation.

Planning for regional infrastructure development currently occurs within the framework of the AU/NEPAD Short Term Action Plan (STAP) and Africa Action Plan (AAP), alongside plans set forth by Regional Economic Communities (RECs) and specialized institutions, such as regional power pools. But, these plans have sometimes conflicted, or lacked ownership at local level, which has hindered implementation. The Programme for Infrastructure Development in Africa (PIDA), being prepared by the AfDB on behalf of the AU, is a continental initiative to build political consensus around a priority road map of regional integration projects in energy, transport, ICT and trans-boundary water resources. PIDA will establish, subsequent to robust analyses, a clear institutional and financing framework, along with an action plan for delivery of projects in the short, medium and long term (up to 2040). The PIDA programme and priority project list was endorsed by NEPAD Heads of State at the AU Summit in January 2012. In the absence of PIDA data at this time, an indication of regional infrastructure financing needs were derived in the World Bank's Africa Infrastructure Country Diagnostic (2009). These are summarized in Table 3 below.

Table 3: Missing Links for Continental Physical Integration

	Large hydropower (MW)	Power transmission (MW)	Road upgrades (kms)	Fiber optic links (kms)
Central	1,383	1,662	3,700	2,257
East	10,968	27,755	2,524	3,565
Southern	8,912	23,839	11,100	5,158
Western	3,758	11,250	5,804	1,905
Total	25,021	64,506	23,129	12,885

Source: Derived from Africa Infrastructure Country Diagnostic, 2009.

As ports are increasingly challenged by intensified traffic, greater ship size and the growth of trans-shipment traffic, port capacity may have to be expanded in the future.

Transport

Transportation is probably the most important infrastructure barrier to trade in most African countries. Transport costs are a key determinant of the competitiveness of firms on export markets. All forms of transportation – road, rail, sea, and air – are generally costly in Africa including feeder roads that will link farmers to markets.

High transport costs can isolate markets, reduce economies of scale, and directly raise import and export costs.

Low quality transport services reduce profit margins and competitiveness.

In the predominantly agricultural economies of sub-Saharan Africa where production is dominated by smallholder farmers, the degree of market development depends critically on the extent to which farm households are integrated into the national economy. Transport problems pose a serious constraint to commercialization of agriculture in many African countries, limiting the ability to diversify into new export activities, such as horticulture and floriculture.

Roads

The cost of moving goods along Africa's key trading corridors is exceptionally high, at $100-300 per tonne and the delays exceptionally long (up to 40 days in some cases). This is partly due to inadequate road infrastructure, with important sections of the regional network requiring upgrades of various kinds. But, softer regulatory and institutional issues are more significant.

Trucking cartels, particularly in West and Central Africa lead to high profit margins and poor service. Congestion at ports, delays at borders, and a range of formal and informal checkpoints greatly hinder the movement of freight and inflate transport costs. Market regulation is an important factor to improve the competitiveness of the trucking industry and drive down costs.

Ports

Africa has some 60 major ports with facilities ranging from conventional berths to container, oil and bulk cargo. Many of Africa's ports struggle to offer competitive services near to global best practice. Reasons for the inefficiency range from inadequate equipment to complex regulation. Most container terminals are nearing or have reached capacity limits and are under-equipped. African ports are facing increasing demands for a quick turnaround of vessels from customers with ever increasing sizes of ships. Improving turnaround time by increasing port performance is, however, no easy task, for the main bottleneck is in crane handling. Global best practice is in excess of 30tons/hr, while rates for eastern, southern and western Africa are 8-25tons/hr,10-25tons/hr and 7-15tons/hr respectively (AICD). Ports have not made any significant breakthroughs in container handling, even with the arrival of tandem lift and triple lift cranes.

The two main bottlenecks within ports are the loading and unloading of cargo and the customs administration—both need to be addressed simultaneously. Container traffic is also impeded by the lack of an integrated land distribution system, particularly for transit traffic. Many maritime ports struggle to offer competitive services and inland waterways are poorly integrated into transport networks.

As ports are increasingly challenged by intensified traffic, greater ship size and the growth of trans-shipment traffic, port capacity may have to be expanded in the future. Larger ships are more demanding in terms of port installations. The ship to shore gantry cranes need to be sufficiently large to reach all the containers and sufficiently fast in operation for an acceptable ship turnaround time. If the containerization rate grows substantially, capacity will become an increasingly serious challenge for most African ports.

Port charges add another dimension to the freight cost problem. Long delays and high port clearing charges affect both import and export containers in many African ports. AICD estimates that average dwell times for containers range from 4-8 days in southern Africa to 11-30 days in western Africa, compared to global best practice of less than seven days.

Many exporters in Africa report that unreliable power supply is one of the biggest problems affecting their operations.

Similarly truck processing times are high, 4-24 hours in eastern Africa and 6-24 hours in western Africa, compare to global best practice of one hour. Such delays raise inventory costs substantially. One extra day at a port costs more than US$35,000 to a shipping line for a 2,200 TEU vessel. The delays also lengthen turnaround times (the time from a buyer's order to delivery of the product), which can keep exporters from moving into higher-value market segments where shorter turnaround times are important.

Since ports are not self-contained entities but part of larger logistics systems, reforms need to go beyond improving the efficiency of ports alone and work toward integrating them more efficiently into the broader economy. The most important elements in this are guaranteeing well-functioning, multi-modal (road, rail, air) transport links to port and easing restrictions on commerce on the main trade corridors in its catchment area.

Railways

While many countries and regions rely on railways to move goods, the economic significance of Africa's railways has declined markedly in the last 30 years. Much of this decline is a result of liberalization and competition from road transport. Efforts to upgrade Africa's railways have been hampered by inadequate freight necessary to generate the volumes of traffic and in turn revenue to make them sustainable. There have been some exceptions, such as the Malawian government and the Brazilian mining company Vale signing a memorandum of understanding in April 2011 for the construction of a new railway across southern Malawi to help export minerals to the sea ports on the East coast of Africa. Yet, this success, highlights the challenges Africa faces as it shifts from exporting primary products to adding value before export.

Energy

Electricity supply is another serious infrastructure problem driving up production costs. Africa's power infrastructure delivers only a fraction of the service achieved elsewhere in the developing world. Many exporters in Africa report that unreliable power supply is one of the biggest problems affecting their operations. Frequent power outages stop production and drive up operating costs. Many exporters have to rely on generators to deal with the problem of outages at three to five times the cost of electricity from the grid. Dealing with high electricity costs and reliability of supply is thus a priority issue in most countries. Addressing the problem in most cases will require new investments.

According to the Africa Infrastructure Country Diagnostic (AICD) report (2009), 48 Sub-Saharan African countries (with 800 million people) generate roughly the same power as Spain (with 45 million). The AICD notes that more than 30 African countries experience power shortages and regular interruptions to service. The underlying causes include failure to bring on new capacity to keep pace with the demands of economic growth, droughts that reduced hydropower in East Africa, oil price hikes that made it difficult for many West African countries to afford diesel imports, and conflicts that destroyed power infrastructure in fragile states.

The AICD report concludes that to meet Africa's energy needs will require an additional 7,000 MW/year of new power generation capacity (about half through multi-purpose water storage schemes). Wider use of modern, sustainable and affordable energy services will benefit productivity indirectly as well by improving the efficiency of health and education services.

The regional dimensions of energy in Africa are particularly important offering potential to harness economies of scale through investment and power trade. AICD estimates that some 21 African countries are simply too small to generate power cost-effectively.

While Africa is well-endowed with cost-effective energy resources, these tend to be located far from major demand centres in countries too poor to raise the billions of dollars needed to develop them. AICD further estimates that

The uptake of information and communication technologies (ICTs) in Africa has been hampered by the absenceof appropriate regulatory frameworks and the inadequacy of infrastructure.

A sustain effort to develop Africa's untapped low carbon energy potential is required. An important prerequisite to unlock the finance and development potential is the need to establish the legal and regulatory frameworks necessary to support power trading, as well as developing effective regional regulatory bodies to enforce these frameworks.

ICT

The uptake of information and communication technologies (ICTs) in Africa has been hampered by the absence of appropriate regulatory frameworks and the inadequacy of infrastructure. One of the most pressing problems facing firms trying to break into export markets is cost and access to Internet, particularly broadband and satellite connections, which are required for high-speed data and optical transmissions. For example, AICD estimates a monthly basket of prepaid mobile telephone services costs $12 in Africa but only $2 in South Asia. Development of ICT services is also constrained by legal, regulatory, and institutional obstacles. State monopolies frequently tolerate only limited competition in telecommunication services. Internet providers are often subject to restrictions that limit the potential for web hosting services. The basic laws governing communications and broadcasting often limit service offerings, including content controls. Ministries of communications are often both the regulator and an operator. Africa has seen a rapid growth in regional submarine cables such as Seacom, Mainone and EASSy, which now almost encircle the entire continent and connect it to the world. The result of these investments has improved services and reduced costs to end users by up to a half. But, further investment in submarine cables is still required to meet the growing demand in Africa, as well as ensuring backbone access into landlocked countries and deeper broadband penetration. Ensuring open access to these cables is essential if the transformative benefits of these investments are to be realized.

Infrastructure Project Preparation

To unlock available infrastructure finance, Africa needs to increase the number of bankable infrastructure projects on the market. Regional infrastructure projects promote regional integration and fuel regional trade and growth. But, such projects pose special challenges though, such as markedly higher transaction costs and complex risk factors for the private investors than single-country projects. There are a range of project preparation funds operating in Africa providing finance to early stage development of regional projects, such as the NEPAD Infrastructure Project Preparation Fund (IPPF). In order to increase the flow of bankable projects, these regional project preparation funds will need to be replenished so that they can deliver on their mandate. In addition, there is need to develop the institutional capacity to align participating countries with differing levels of interest and capacity to deliver.

2. Productive Capacity

Firms and farmers are unable to utilize market access opportunities in regional and international markets due to limit capacity to produce. Plants in many African countries operate with considerable excess capacity. Enterprise surveys typically find that firms operate at about 50 percent capacity on average. The reasons for low capacity utilization vary, but there are some common patterns – problems adjusting to policy changes, shortages of working capital, policy-imposed distortions, and delays in getting inputs because of poor trade-related infrastructure.

Another reason why firms have low productivity is inefficient technologies (production processes, management practices, organizational structures, machinery, seeds and agronomic practices, and so on). Agricultural technology in use is often poor because of insufficient research and because government extension services fail to disseminate available new technologies and complementary inputs widely. UNIDO 2009 Global CIP index ranks Sub-Saharan Africa last among the world's regions for manufacturing value added, with a per capita average of US$ 63 (US$ 29 if South Africa is excluded).

This is over 10 times lower than those of Latin America and Asia. The average manufacturing value added per capita in industrialized countries is US$ 4,771 while the global average is US$1,031. African trade needs to address issues of value addition and define areas of specialization to support improved production. Expansion of productive resources, acquisition of technological capabilities and creation of production linkages will allow African countries to produce an expanding array of goods and services and enable them to better exploit the FTA market access opportunities and ensure a beneficial integration into the regional economy on the basis of an internal momentum of growth development.

3. Non-Tariff Barriers, Rules of Origin and Regulatory Policies

Compounding the challenges due to weak physical infrastructure, a web of non-tariff barriers (time delays and hassles involved in trade facilitation services) further constrains private business and trade. Constraints include complex and lengthy procedures regulating private business activity; complex customs arrangements; restrictive rules of origin; and limited regional harmonization of policies, regulations, and procedures. Poor transit systems and numerous informal roadblocks along trade corridors create additional obstacles.

All these contribute to the cost of trading across borders in sub-Saharan Africa which is the highest of all regions according to the World Bank survey of procedural requirements for exporting and importing goods published in Doing Business. It is well known that there are large numbers of people informally crossing borders in Africa and this is one reason why the measured intra-regional trade values are so low and gives grounds for optimism about the potential for increased intra-regional trade in Africa. Most of these traders are very poor and improvements in the conditions they face would have substantial impacts on household welfare in border areas (especially in fragile states) and enhance their role in trade - this in itself demands the attention of policy makers and the G20. Key reasons for much of this informal trade are the poor physical conditions at the borders between Africa countries, the onerous border procedures and the harassment by poorly trained and motivated officials, as well as the traditional problems of lack of access to finance and to information.

Sub-Saharan Africa is at the bottom in all categories of World Bank's cross-border trade rankings (except in number of export and import documents, where it is second to bottom). For example, on average it takes sub-Saharan Africa over three times the number of days to export or to import goods it takes OECD countries (see Table 4 below). This could be due to complex and cumbersome procedural requirements for exporting and importing goods.
Competitiveness is further eroded by the region's unmatched container export/import costs.

Table 4: Cost of Trading Across Borders

	Documents to export (number)	Time to export (days)	Cost to export (US$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US$ per container)
OECD	4.4	10.9	1,058.70	4.9	11.4	1,106.30
East Asia & Pacific	6.4	22.7	889.8	6.9	24.1	934.7
Eastern Europe & Central Asia	6.4	26.7	1,651.70	7.6	28.1	1,845.40
Latin America & Caribbean	6.6	18	1,228.30	7.1	20.1	1,487.90
South Asia	8.5	32.3	1,511.60	9	32.5	1,744.50
Middle East & North Africa	6.4	20.4	1,048.90	7.5	24.2	1,229.30
Sub-Saharan Africa	7.7	32.3	1,961.50	8.7	38.2	2,491.80

Source: World Bank, Trading Across Borders 2010

According to Brenton (2011), NTBs reported by firms in East and Southern Africa affect one-fifth of regional trade. While he acknowledges that there has been progress in establishing reporting mechanisms, he notes that it is becoming increasingly apparent that they are not sufficient due to the lack of progress in removing the barriers. Gilson (2010) reported that in Southern Africa NTBs impacted $3.3 billion of regional trade in 2008.

Illegal roadblocks are a pervasive problem in Central and West Africa. Most controls are carried out by police and sometimes by specialized government services (veterinary and agriculture.). The checkpoints are many since they are located at the entrance and exit of towns as well as at the borders between administrative districts.

Stringent local content requirements reflected in rules of origin (ROO) and high compliance costs reduce the utilization of tariff preferences offered by African RTAs. For example, SADC's restrictive ROO on clothing and textile reduces the ability of countries to benefit from the agreements. Gilson (2010) reports that following the expiration of the special arrangement allowing Malawi, Mozambique, Tanzania and Zambia to export to the SACU Market under less stringent requirements at the beginning of 2010, clothing producers in those countries relocated to the SACU market to avoid the loss of preferences in supplying the South African market. This has had a negative impact on investment in the low income SADC countries. Gilson (2010) also reports that Shoprite spends US$5.8 million per year in dealing with administrative requirements for certificates of origin to secure US$13.6 million in duty savings under SADC while Woolworths does not use SADC preferences at all because the administrative cost of securing certificates of origin is not worth the hassle. Similarly, in West Africa the ECOWAS trade liberalization's stringent rules of origin and the associated registration requirements have resulted in few companies registering under the Scheme.

Administrative and regulatory failures create bottlenecks and prevent infrastructure assets from delivering the services that they are supposed to deliver. Regulatory harmonization needs to go hand in hand with physical integration. Unless regulatory frameworks and administrative procedures are harmonized to allow the free flow of services across national boundaries, physical integration of infrastructure networks will not be effective. In the absence of services liberalization, even successful negotiations to liberalize trade in goods in the RECs could still result in negative effective protection for goods. What use is opening up borders for trade in goods when goods cannot be transported from one country to another or traders are not able to efficiently communicate with each other to initiate transactions? For RTAs to have any meaning, it is important that services liberalization keep pace with trade liberalization.

Services liberalization, unlike goods, is not just a matter of liberalizing trade barriers, but also instituting an appropriate domestic regulatory framework. Hoekman (2002) has observed that services liberalization must be accompanied by effective regulation to ensure that market failures are addressed and that social objectives are met. The establishment of regulatory disciplines and institutions may involve substantial startup and running costs, as well as sophisticated skills.

4. Implementation of Regional Trade Agreements (RTAs) and Multiple (overlapping) Memberships in Regional Economic Communities (RECs)

Only a small fraction of the RECs have achieved their targets for trade among members and similarly few have undertaken concerted efforts toward common labor laws, free movement of labor, and rights of residence and establishment. Many are also lagging on almost all critical elements necessary for the success of the next phases of integration such as customs and monetary unions. For example, not all COMESA countries are party to the COMESA FTA while SADC has postponed the creation of the customs union. The process of harmonizing the UEMOA common external tariff (CET) and ECOWAS CET has been delayed even though recently there has been some progress. An agreement on product lines to be incorporated into the fifth band of the CET and an adoption of a road map for future actions towards the CET finalization is expected by end December 2011. Little progress has been achieved in Central Africa.

Infrastructure investments need to be complemented with trade facilitation measures for intra-regional trade to easily move across borders.

The overlapping memberships and responsibilities of the RECs constrain the effectiveness of Africa's own efforts to progress integration. The RECs' ability to play a lead-role in successful regional cooperation and integration are often limited by inadequate mandates, capabilities, insufficient and unpredictable funding and weak capacity. In many cases, member countries have expanded the mandate of the RECs without a commensurate increase in funding.
The African Union is championing reform efforts by leading political discussions to rationalize the number of regional bodies and their responsibilities. This effort is building political momentum. In East and Southern Africa, member states of the three RECs (COMESA, EAC and SADC) have agreed to launch negotiations to form a free trade area covering 26 countries.

5. External Market Access and Trade Policy
A final important factor affecting regional integration in Africa is the treatment of African exports in external markets. Differences in the market access treatment and associated rules of origin that apply in major export markets have implications for integration efforts among African countries. Least-developed countries (LDCs) benefit from the EU's Everything But Arms duty-free, quota free access initiative, whereas other African countries do not. The same is true for preferential trade programs that are applied by other countries. In many cases African LDCs and non-LDCs are members of a regional integration arrangement, so that such differences in market access treatment affect incentives for regional integration and may negatively affect investments by firms in regional supply chains, cross-border investment and outsourcing. Even if major trading nations offer duty-free access to their markets, differences in the rules of origin that are applied may have similar negative effects for individual African countries.

IV. Priority Areas for Intervention and Support

Urgent practical interventions and measures are needed to overcome the obstacles and barriers to regional trade integration in Africa and facilitate the flow of goods and services. In addition to infrastructure, countries need to address non-tariff barriers and take actions to integrate services markets by implementing regulatory reforms. Some of the needed interventions will not require significant financial resources or investments; what is needed is political will and prioritization of implementation of the regional integration agenda. Others will require additional technical and financial support.

IV.1 What African Governments Need to Do

1. Trade Facilitation and Logistics: Infrastructure investments need to be complemented with trade facilitation measures for intra-regional trade to easily move across borders. Reducing bureaucratic requirements, streaming border management procedures and implementing trade facilitation measures will reduce border crossing times. Own reforms will be required to harmonize and reform transport-related standards and policies affecting trade and, eliminate obstacles to the free movement of goods and services including service providers.

2. Implementation of Regional Trade Agreements (RTAs) and Rationalization of Regional Economic Communities (RECs): Only a small fraction of the RECs have achieved their targets for trade among members. In addition, a plethora of RTAs, institutions and initiatives complicates progress and delivery of intra Africa trade. Own actions will be required to improve institutional governance arrangements, including streamlining the number of specialized institutions and publicizing trade agreements, protocols and decisions to non-state actors (such as civil society, private sector and labor organizations) so that the expected benefits can be realized and monitored.

3. Rules of Origin and Market Access: Existing rules of origin are too restrictive. Improving market access is critical to encourage greater intra-industry trade within Africa and attract more foreign direct investment. Own reforms are required to simplify rules of origin and mutually recognize and harmonize standards.

4. Regulatory and Services Sector Reform: Cooperation on regulatory reforms ('soft infrastructure') is important to facilitate greater cross-border trade and investment in services and integrate services markets regionally. For physical integration of infrastructure networks to be fully effective regulatory frameworks and administrative procedures should be harmonized to allow the free flow of services across national boundaries. Capable regional regulatory bodies should be established to enforce the rules and ensure that the benefits of these investments are realized at a reasonable cost.

5. Trade Infrastructure: Countries need to invest in priority regional infrastructure projects to fill missing links in the networks that will create stronger and better-connected networks, and help unlock economies of scale and sharpen competitiveness in Africa. Regional infrastructure will facilitate more intra-regional trade and exports from the continent, thus strongly supporting Africa's growth agenda. Regional infrastructure involves a high level of trust between countries because of the implied dependence on the neighbors. Political will have to be mobilized behind regional integration infrastructure by improving pace of preparation and implementation of regional infrastructure projects and implementing the sectoral reforms needed to accompany physical investments.

IV.2 What the G-20 Countries Can/Should Do

1. Trade Facilitation and Logistics: A number of the priorities identified above involve non-tariff policies and differences in regulatory requirements and measures that impede the movement of goods or services across borders. Additional external resources are required to assist countries improve and modernize customs and transit systems and procedures (including developing one stop border posts and improving trade facilitation at internal borders) and, to develop storage facilities.

2. Productive Capacity: Interventions are needed to ensure that firms and farmers are able to utilize market access opportunities in regional and international markets. African trade needs to address issues of value addition and define areas of specialization to support improved production. Ensuring that firms and farmers are able to utilize market access opportunities in regional and international markets is paramount. Additional resources are required to:

- Improve productive capacity (for example, value addition in agriculture and manufacturing; technology transfer, etc.);
- Improve capacity of local enterprises to meet product quality requirements, improve their competitiveness and be part of regional and global supply chains.

3. Regulatory Reform: External assistance is required to support coordinated regulatory reforms and setting up of regulatory institutions as countries liberalize trade in services; and to support improvements to payments systems and currency convertibility within regions and across the continent. Progress in moving forward on regional integration of markets could be facilitated through the establishment of consultative mechanisms to assess how policies impede trade and investment, identify and agree on what needs to be done, and support coordinated action by the relevant member states.

A concrete proposal along these lines has been developed in the area of trade facilitation by the multilateral development banks in a separate report for the G20.

More generally, dedicated support for action-oriented "knowledge platforms" that bring together relevant stakeholders (private sector, government officials, REC secretariats, external experts including from emerging market economies) to define action agendas and help monitor implementation would help move the regional integration agenda forward.

4. Implementation of Regional Trade Agreements (RTAs) and Rationalization of Regional Economic Communities (RECs): External assistance is needed to assist in building capacity to enable countries to implement and monitor trade agreements and to support the acceleration of the rationalization of RECs and harmonization of programs.
This should include supporting the process of negotiating and implementing the COMESA- EAC-SADC FTA and encourage other inter-REC FTAs based on this experience. It should also include supporting ongoing efforts to build capacity in countries and RECs to collect and disseminate NTM information.

5. Rules of Origin and Market Access: An Africa-wide duty-free and quota free market access initiative by the G20 would encourage greater intra-industry trade within Africa and attract more foreign direct investment.

6. Capacity-building: Interventions are needed to ensure that firms and farmers are able to utilize market access opportunities in regional and international markets. Exporters need to satisfy quality and safety standards, as well as rules of origin. Additional resources are required to improve capacity of local enterprises to meet product quality requirements, improve their competitiveness and be part of regional and global supply chains.

7. Trade Infrastructure: While a separate background paper for the G20 on infrastructure will deal with challenges of infrastructure (transport, energy and communications), it is important to emphasize that a greater focus is needed on:

- Increasing financing for regional project preparation to develop bankable infrastructure projects for public and private financiers given the high costs of preparing regional projects. Funds should be channeled to existing project preparation funds such as the NEPAD IPPF;
- Broadening the mandate of the Infrastructure Consortium for Africa to include G20 members;
- Endorsing the African led PIDA process and financing priority infrastructure projects – hardware and software – to help close Africa's regional infrastructure gap;
- Supporting capacity development at the regional level to coordinate preparation and implementation of regional projects.

Annex 1: Tables

Table 1: Africa›s Merchandise Exports and Imports by Country (2009, billions of dollars)					
Country	Exports	Imports	Country	Exports	Imports
Algeria	45,2	39,3	Liberia	0,2	0,6
Angola	40,8	22,7	Libyan Arab Jamahiriya	37,2	10,0
Benin	1,1	2,1	Madagascar	1,1	3,2
Botswana	3,5	4,7	Malawi	1,1	1,8
Burkina Faso	0,9	1,9	Mali	2,0	2,6
Burundi	0,1	0,4	Mauritania	1,4	1,4
Cameroon	3,4	4,3	Maurit us	1,9	3,7
Cape Verde	0,0	0,7	Morocco	14,1	32,9
Central African Republic	6,1	2,9	Mozambique	2,1	3,8
Chad	3,5	3,8	Namibia	3,3	5,0
Comoros	10,5	7,0	Niger	0,9	1,9
Congo	6,1	2,9	Nigeria	53,0	33,9
Congo, Dem.Rep.of	3,5	3,8	Rwanda	0,2	1,2
Côte D'ivoire	10,5	7,0	Sao Tome and Principe	0,0	0,1
Djibouti	0,1	0,5	Senegal	2,1	4,7
Egypt	23,1	44,9	Seychelles	0,4	0,8
Equatorial Guinea	9,1	5,2	Sierra_Leone	0,2	0,5
Eritrea	0,0	0,3	South Africa	61,7	73,2
Ethiopia	1,6	7,7	Sudan	7,8	9,7
Gabon	5,5	2,2	Swaziland	1,5	1,6
Gambia	0,0	0,3	Tanzania	2,9	6,4
Ghana	5,8	8,0	Togo	0,8	1,4
Guinea	1,0	1,1	Tunisia	14,4	19,1
Guinea-Bissau	0,1	0,2	Uganda	3,0	4,2
Kenya	4,5	10,2	Zambia	4,3	3,8
Lesotho	0,7	2,0	Zimbabwe	2,3	2,9
Africa	**389,6**	**406,6**			

Source: WTO Secretariat.

Table 2: Africa's Commercial Services Exports and Imports by Country (2009, billions of dollars)					
Country	Exports	Imports	Country	Exports	Imports
Algeria	2,8	11,2	Liberia	0,1	0,1
Angola	0,6	18,2	Libya	0,4	4,3
Benin	0,3	0,4	Madagascar	0,6	1,1
Botswana	0,8	1,0	Mali	0,4	0,9
Burkina Faso	0,1	0,5	Mauritania	0,2	0,6
Burundi	0,0	0,2	Maurit us	2,2	1,6
Cameroon	1,2	2,1	Morocco	11,9	5,3
Cape Verde	0,5	0,3	Mozambique	0,5	0,6
Central African Republic	0,0	0,2	Namibia	0,5	0,6
Chad	0,2	2,2	Niger	0,1	0,7
Comoros	0,1	0,1	Nigeria	1,8	16,1
Congo	0,4	3,4	Rwanda	0,2	0,5
Congo, Dem.Rep.of	0,4	1,7	Sao Tome and Principe	0,0	0,0
Côte D'ivoire	0,8	2,3	Senegal	1,1	1,2
Djibouti	0,1	0,1	Seychelles	0,4	0,3
Egypt	21,3	12,8	Sierra_Leone	0,1	0,1
Equatorial Guinea	0,0	2,0	South Africa	11,7	14,4
Ethiopia	1,7	2,2	Sudan	0,4	2,7
Gabon	0,2	1,3	Swaziland	0,2	0,5
Gambia	0,1	0,1	Tanzania	1,8	1,7
Ghana	1,7	2,2	Togo	0,2	0,3
Guinea	0,1	0,3	Tunisia	5,2	2,8
Guinea-Bissau	0,0	0,1	Uganda	0,9	1,4
Kenya	2,2	1,6	Zambia	0,2	0,7
Lesotho	0,1	0,1	**Africa**	**77,1**	**126,2**

Source: WTO Secretariat.

Table 3: Africa›s Exports by Product Group and by Destination (2009, billions of dollars)				
Product group	Intra-Africa		Extra-Africa	
	Value	Share	Value	Share
Food and live animals	5.1	12.9%	19.5	9.3%
Beverages and tobacco	1.0	2.6%	2.3	1.1%
Crude materials, inedible, except fuels	1.8	4.5%	16.5	7.8%
Mineral fuels, lubricants and related materials	13.2	33.4%	103.0	48.8%
Animal and vegetable oils, fats and waxes	0.5	1.2%	0.7	0.3%
Chemicals and related products, n.e.s.	3.6	9.1%	9.2	4.4%
Manufactured goods classified chiefly by material	6.3	16.0%	26.6	12.6%
Machinery and transport equipment	5.1	13.0%	15.6	7.4%
Miscellaneous manufactured articles	2.4	6.2%	12.3	5.8%
Commodities and transactions not classified elsewhere	0.4	1.1%	5.2	2.4%
All merchandise goods	39.6	100%	211.0	100%

Source: UN Comtrade.

Table 4: 10 Fastest Growing* African Exports, (2000-2009)			
Intra-Africa trade		Extra-Africa trade	
Product	Annual growth	Product	Annual growth
Animal or vegetable fasts and oils,processed; waxes of animal or vegetable origin	28,0%	Electric current	83,5%
Gas, natural and manufactured	24,0%	Dairy products and bird's eggs	43,1%
Metalliferous ores and metal scrap	20,0%	Animal oils and fats	28,4%
Professional, scientific and controlling instruments and apparatus, n.e.s.	19,5%	Plastics in primary forms	27,3%
Cruder rubber (including synthetic and reclaimed)	17,9%	Plastics in non-primary forms	21,4%
Electrical machinery, apparatus and appliances,n.e.s., and electrical parts ther of	17,6%	Miscellaneous edible products and preparations	20,7%
Iron and steel	17,3%	Non-ferrous metals	20,6%
Vegetables and fruit	17,3%	Feeding stuff for animals (not including unmmilled cereals	20,5%
Cereals and cereal preparations	17,1%	Power-generating machinery and equipement	19,3%
Manufactures of metals, n.e.s	16,5%	Crude animal and vegetable materials, n.e.s.	18,9%

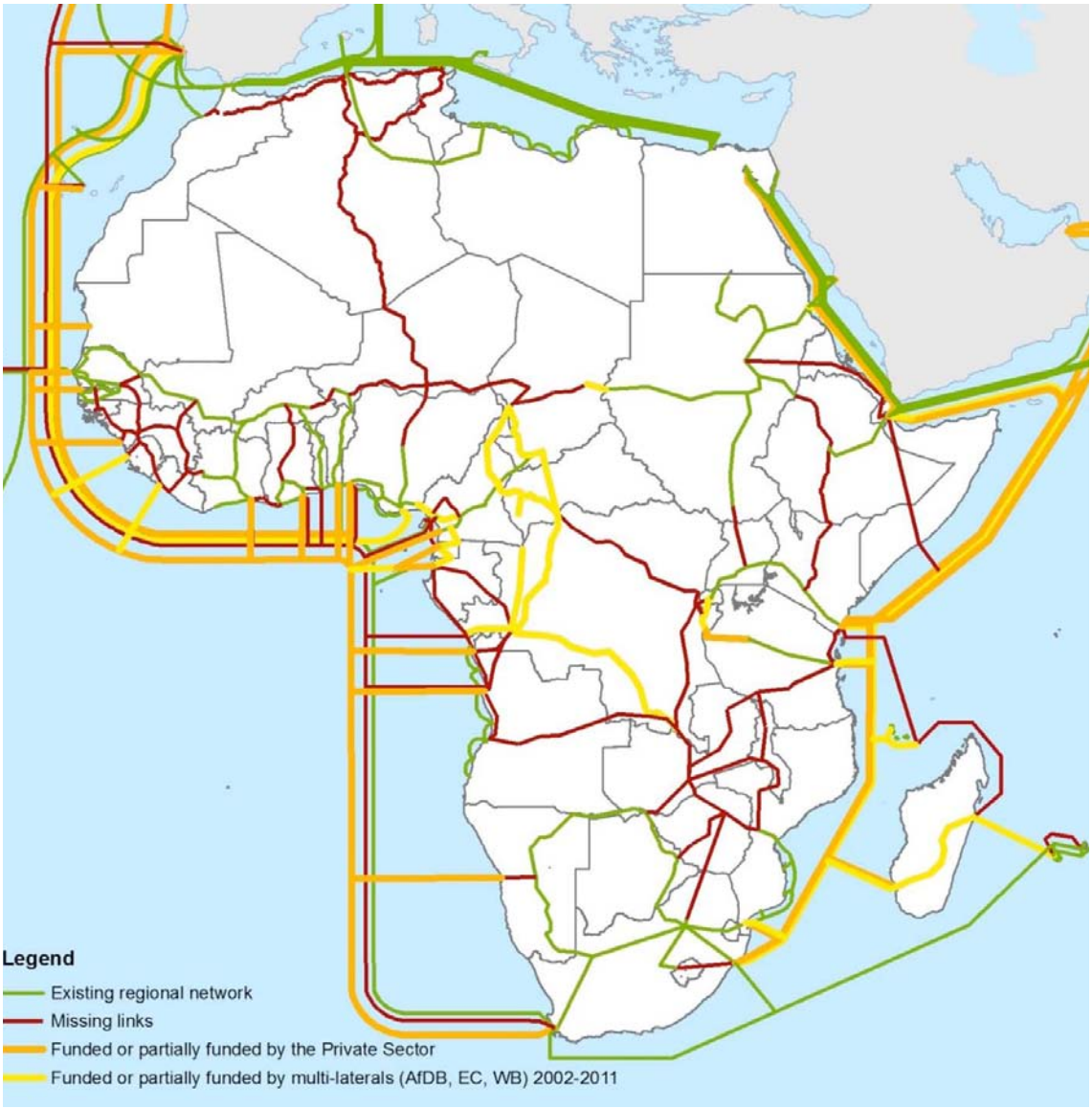
Source: UN Comtrade.

Table 5: 10 Products Contributing Most To African Trade Growth**, 2000-09			
Intra-Africa trade		Extra-Africa trade	
Product	Annual growth	Product	Annual growth
Petroleum, petroleum products and related materials	29,1%	Petroleum, petroleum products and related materials	30,4%
Gas, natural and manufactured	5,1%	Gas, natural and manufactured	12.5%
Road vehicles (including air-cushion vehicles)	4,4%	Non-ferrous metals	9,8%
Iron and steel	4,3%	Metalliferous ores and metal scrap	6,2%
Manufactures of metals, n.e.s.	4,1%	Coffee, tea, cocoa, spices, and manufactures there of	4,1%
Cereals and cereal preparations	3,4%	Vegetables and fruit	3,9%
Miscellaneous us manufactured articles, n.e.s.	3,1%	Electrical machinery, apparatus and applances, n.e.s., ans electrical parts there of	3,3%
Electrical machinery, apparatus and applances, n.e.s., ans electrical parts there of	3,0%	Road vehicles (including air -cushion vehicles)	3,0%
Non-metallic mineral manufactures, n.e.s.	2,9%	Coal, coke and briquettes	3,0%
Vegetables and fruit	2,5%	Gold, non-monetary (excluding gold ores and concentrates)	2,9%

Source: UN Comtrade.

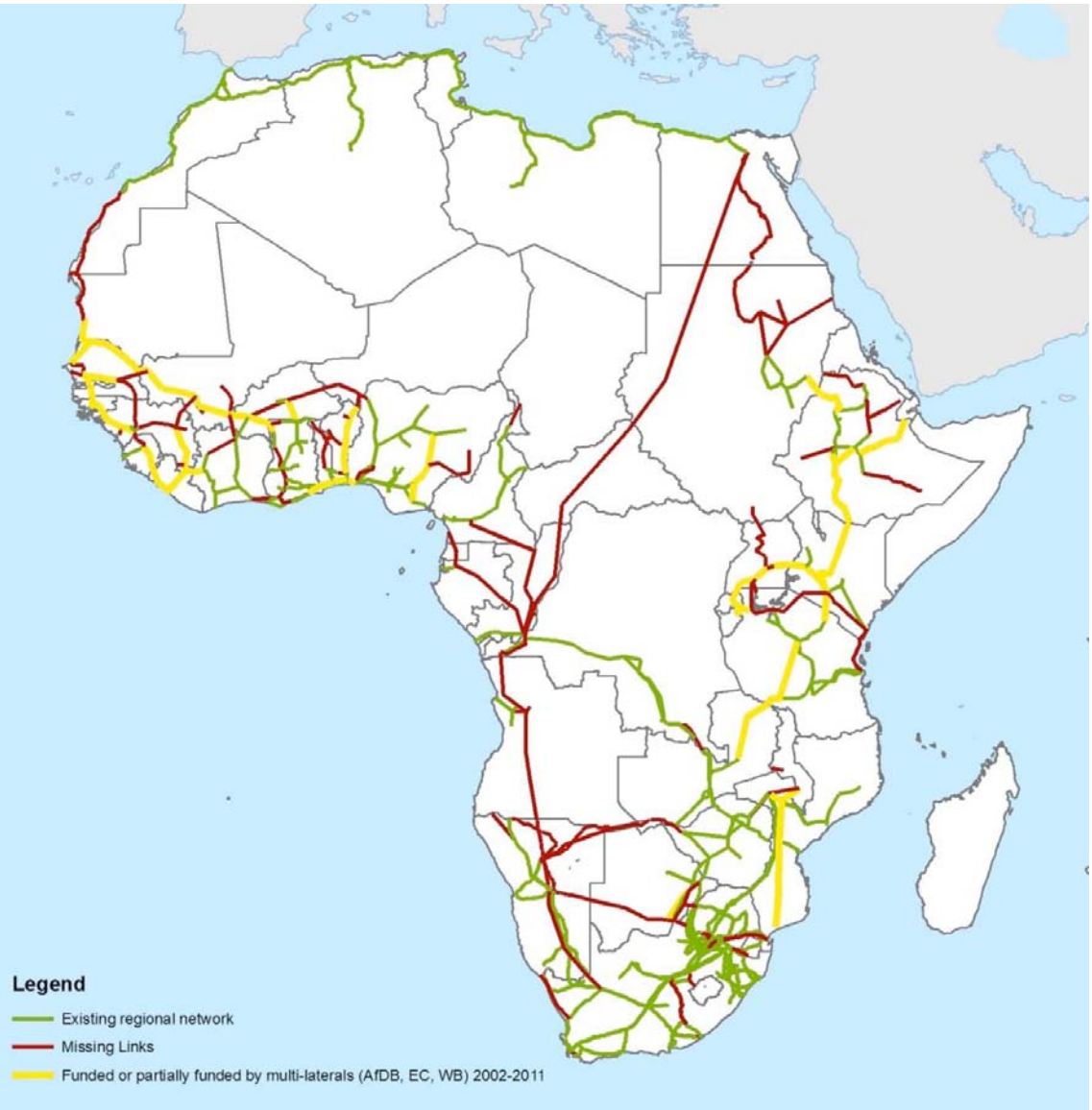
Annex 2: Regional Infrastructure Maps for Obstacles to African Trade

Map 1: Status of Africa's Regional ICT Network

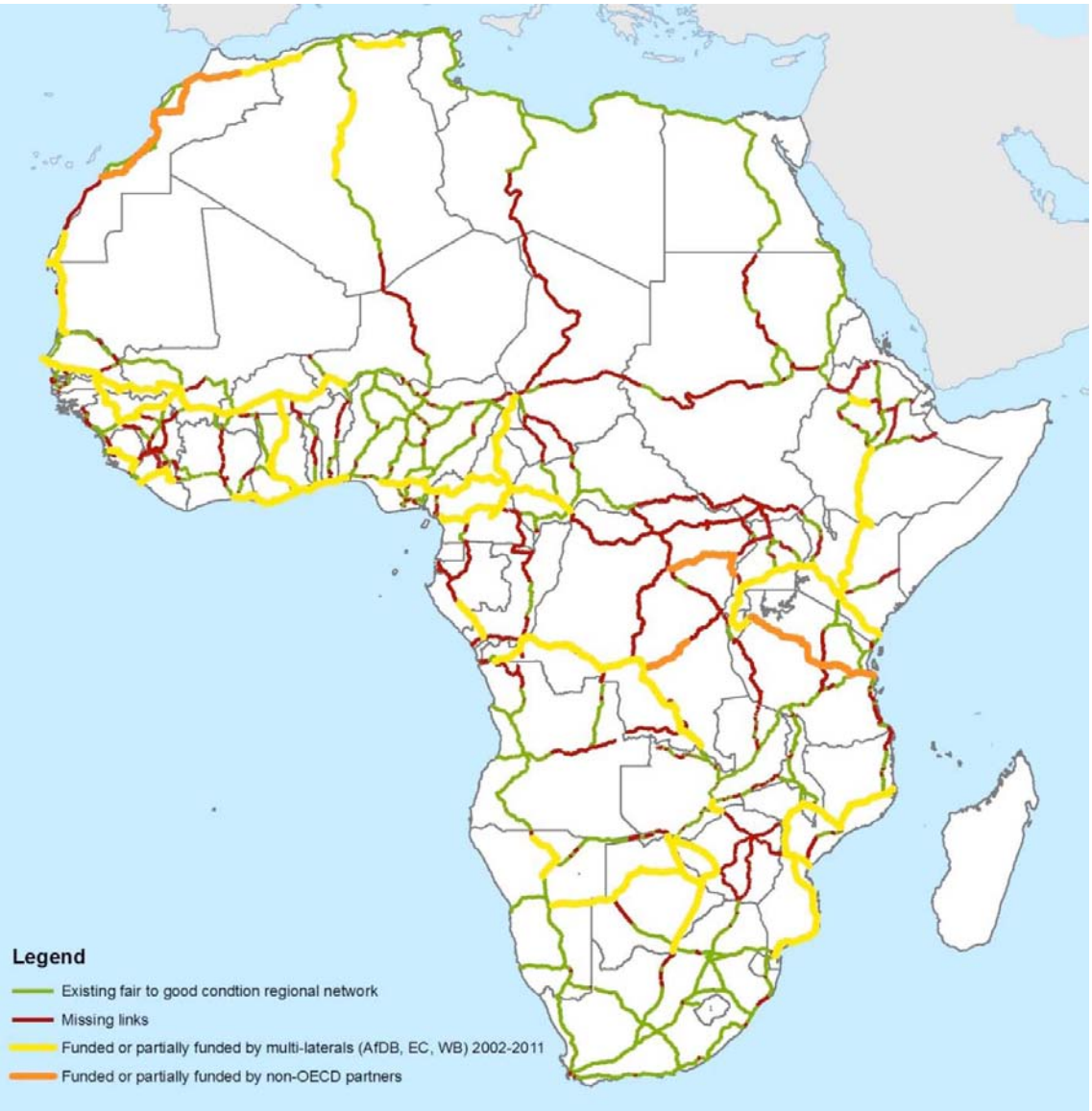


Source: Africa's Infrastructure: An Agenda for Transformative Action, World Bank, African Development Bank, African Union. Paper for UN MDG Summit, September 2010

Map 2: Status of Africa's Regional Power Network



Map 2: Status of Africa's Regional Power Network



Appendix 1: African Regional Economic Communities (RECs) and Member States

REC	Member States
Communauté Economique des Etats de l'Afrique Centrale (CEEAC)	Angola; Burundi; Cameroon; Central African Republic; Chad; Republic of Congo; Democratic Republic of Congo; Equatorial Guinea; Gabon; Sao Tome and Principe
Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)	Cameroon; Central African Republic; Chad; Republic of Congo; Equatorial Guinea; Gabon
Common Market for Eastern and Southern Africa (COMESA)	Burundi; Comoros; Democratic Republic Congo; Djibouti; Egypt; Eritrea; Ethiopia; Kenya; Libya; Madagascar; Malawi; Mauritius; Rwanda; Seychelles; Sudan; Swaziland; Uganda; Zambia; Zimbabwe
East African Community (EAC)	Burundi; Kenya; Rwanda; Tanzania; Uganda
Economic Community of West African States (ECOWAS)	Benin; Burkina Faso; Cape Verde; Côte d'Ivoire; Gambia; Ghana; Guinea; Guinea-Bissau; Liberia; Mali; Niger; Nigeria; Senegal; Sierra Leone; Togo
Southern African Development Community (SADC)	Angola; Botswana; Democratic Republic of Congo; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; Seychelles; South Africa; Swaziland; Tanzania; Zambia; Zimbabwe
L'Union du Maghreb arabe	Algeria, Libya, Mauritania, Morocco, Tunisia
Union Economique et Monétaire Ouest-Africaine (UEMOA)	Benin; Burkina Faso; Côte d'Ivoire; Mali; Niger; Guinea-Bissau; Senegal; TogO
Southern Africa Customs Union	Botswana; Lesotho; Namibia; South Africa; Swaziland

Appendix 2: Definition of Commercial Services

Commercial services are defined as being equal to services minus government services, not included elsewhere. Commercial services are further sub-divided into transportation services, travel, and other commercial services. Transportation services covers sea, air and other including land, internal waterway, space and pipeline transport services that are performed by residents of one economy for those of another, and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related support and auxiliary services.

Travel includes goods and services acquired by personal travellers, for health, education or other purposes, and by business travellers. Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by travellers. The most common goods and services covered are lodging, food and beverages, entertainment and transportation (within the economy visited), gifts and souvenirs.
Other commercial services comprise: (i) communications services, (ii) construction, (iii) insurance services, (iv) financial services, (v) computer and information services, (vi) royalties and licence fees, (vii) other business services and (viii) personal, cultural, and recreational services.

Endnotes

[1]The WTO trade database distinguishes seven major geographical regions: Asia, Africa, Commonwealth of Independent States (CIS), Europe, Middle East, North America and South and Central America.

[2]It is important to note that there are many gaps in the data and that it is only possible to provide estimates. The following method was employed to estimate intra-REC trade. For each African country, the value of total exports in 2009 from Annex Table 1 was taken. Using bilateral trade data from UN Comtrade, the share of each country's exports going to other African countries was derived. If a country did not report any data in 2009, the latest year for which data is available in UN Comtrade was used instead. These shares were then applied to the value of total exports in 2009 to determine how much trade occurred among members of the same REC.

[3] It is important to note that the extent of regional trade underestimates the amount of cross-border trade taking place at many borders between African countries.

[4] The classification is based on the WTO's services database, which only distinguishes three broad categories of commercial services: transportation, travel and other commercial services (see Appendix 2 for definition).

[5] Natural resource and agricultural products include petroleum, natural gas, ores, coffee, tea, vegetables and fruit, coke, coal, gold, and cereals and cereal preparations.

[6] For example, the concept of Trans-African Highways dates back to the early 1970s when the proposal to develop nine corridors to join all major economic centers on the continent was first considered. However, progress in reaching this goal has been slow.

[7] Africa's Infrastructure: An Agenda for Transformative Action, World Bank, African Development Bank, African Union, Paper for UN MDG Summit, September 2010.

[8] UNIDO's CIP index provides useful insights into industrial performance.

[9] Paul Brenton, Nora Dihel, Ian Gillson and Mombert Hoppe (2011), Regional trade agreements in sub-Saharan Africa: supporting export diversification, Africa Trade Policy Notes, Note #15. World Bank.

[10] Ian Gilson (2010), Deepening Regional Integration to Eliminate the Fragmented Goods Market in Southern Africa, Africa Trade Policy Notes, Note#9, World Bank.

[11] Bernard Hoekman (2002), Strengthening the Global Trade Architecture for Development, World Bank Policy Research Paper 2757.

[12] The exception is AGOA.

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