28th Annual Research Workshop

"Pursuit for Sustained Growth and Trade Expansion"

29TH-30TH October 2024 EAC Headquarters - Arusha, Tanzania

Norway

Embassy of Sweden
Dar es Salaam

The Workshop's Concept Note

Contents

Part I: The Nexus of Productive Capacities, Trade Expansion and Value Chain Integration

Sub Saharan Africa (SSA)'s recorded cross-border trade has grown relatively modestly in recent decades, with limited growth in merchandise trade and an unchanged share of services trade in GDP. The continent's exports to the rest of the world are dominated by commodities, while trade within the region is more diversified and includes a larger share of processed goods. These trade patterns are consistent with the continent's limited integration in global value chains (GVCs), reflecting:

- its fragmented trade policy landscape marked by multiple regional economic communities
- a challenging trade environment with gaps in structural factors such as transport networks, customs and border processes, and
- limited access to finance.

At the same time, there appears to be significant informal cross-border trade although it is hard to measure. These patterns, including the more diversified nature of intra-African trade, reflect the potential for significant gains for African trade from building regional value chains, unifying the trade policy landscape, and strengthening the trade environment within and across the continent.

1. Sub Saharan Africa's Growth and Trade Perspectives

1.1 Sub Saharan Africa's GDP Growth Dashboard

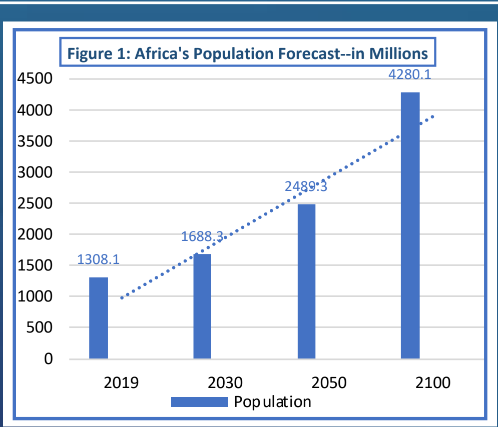
As per Tables 1 and 2 below, Africa is growing, but not fast enough. In order for more than 400 million Africans to rise out of poverty, continued economic growth across Africa's 54 nations will have to increase at an average of 7% annually or more. *One of the strong engines for growth is trade.*

Table 1: SUB-SAHARAN REAL GDP GROWTH DASHBOARD

	2011–2019	2020 COVID-19	2021-2023	2024-25 Projections
1. Sub-Saharan Africa	3.8	-1.6	4.0	3.9
Median	4.4	-1.2	4.3	4.5
Excluding Nigeria and South Africa	5.0	-0.1	4.9	5.1
2.Resource-intensive countries	3.1	-2.5	3.3	3.1
Oil-exporting countries	2.7	-2.3	2.9	3.2
Excluding Nigeria	2.1	-3.6	2.1	3.2
Other resource-intensive countries	3.4	-2.7	3.7	3.1
Excluding South Africa	5.6	0.4	4.9	4.8
3.Non-resource-intensive countries	5.9	0.8	6.0	5.9
4. Middle-income countries	3.1	-2.9	3.5	3.3
5. Low-income countries	6.0	1.8	5.4	5.6
6. Countries in fragile situations	4.0	-0.2	4.1	4.2
Source: Computed from IMF SSA Regional Economic Outlook, April 2024				

Table 2: Real GDP—World Summary Dashboard				
	2011–2019	2020 COVID-19	2021-2023	2024-25 Projections
1. World	3.4	-2.7	4.4	3.2
2.Advanced	2.0	-2.2	3.4	2.3
USA	2.3	-1.5	2.5	3.3
Euro Area	1.7	-6.1	3.2	2.2
Japan	0.6	-4.1	1.8	1.0
Other AEs	2.4	-4.0	3.7	1.9
3. Emerging Markets	4.6	-1.8	5.1	4.2
Regionals				
Emerging and Dev. Asia	6.6	-0.5	5.9	5.1
E. Mkts and Dev. Europe	3.1	-1.6	4.0	3.0
LA & the Caribbean	1.0	-7.0	4.8	2.3
ME & C. Asia	3.1	-2.4	3.9	3.5
SSA	3.8	-1.6	4.0	3.9
Source: Computed from IMF SSA Regional Economic Outlook, April 2024				

Leveraging Opportunities from Africa's Population Growth and Global Technological Progress, and as per Figure 1, Africa's population is expected to grow rapidly in the coming decades, reflecting declining mortality and still elevated fertility.



In the process, the continent's working-age population (ages 15–64) is projected to rise from about 800 million in 2022 to more than 1.5 billion by 2050 (and peak only later this century) while the median dependency ratio (the number of the young and the elderly relative to the size of the working-age population) is expected to decline from 0.77 currently to 0.60 by 2050 (UN 2022).

This demographic shift presents both an opportunity and a challenge.

A large and growing labour force creates opportunities for more rapid growth, complemented by a falling dependency ratio that creates room for more domestic savings. Taking advantage of these population dynamics requires generation of a larger number of jobs over the next several decades.

Global technological progress, including digitalization, also brings opportunities for Africa. The adoption of new technologies would enable gains in productivity and competitiveness, strengthening the continent's growth potential (IMF 2018). Further, digitalization (a key element of technological progress in recent years) can promote growth of trade in services by making some previously non-tradeable services tradable.

This includes in particular business services such as accounting, advertising, and IT services (Baldwin 2022). Digitalization also creates opportunities for greater trade in goods through e-commerce and improvements in the trade environment.

UNCTAD's estimates suggest that the only way to reduce poverty in the LDCs is through the development of the productive capacities of the LDCs and the concomitant expansion of productive employment opportunities within them (UNCTAD 2020). In that regard, increased agricultural productivity, accelerated industrialization and building up of international competitiveness in tradable sectors should all constitute basic objectives which must be pursued in a step-by-step way focusing on the real economy targets—revolving around the following six pillars:

The Six Pillars:	• Setting clear and realistic goals and targets; • Lifting core binding constraints to the development of productive capacities; • Addressing issues of policy incoherence; • Harnessing gender potential for productive transformation; • Developing, promoting and diversifying exports; • Making regionalism work for productive transformation

1.2 Sub Saharan Africa's Trade Expansion Dashboard

When it comes to trade, Africa is the least integrated region in the world. Trade interacts in a complex but in complementary ways with other national policies requiring coherence and coordinated approaches. Mainstreaming trade and trade policies into national and regional development strategies requires the systematic cultivation of mutually reinforcing policies cutting across government departments, agencies and countries, as well as the private sector and the donor community to create synergies in support of sustainable development goals (SGDs). The effective intent of mainstreaming trade and trade policies require

- a good government coordination, and
- effective participation of the private sector and civil society

Different ministries and agencies have different tasks regarding the elaboration of effective policies to increase the competitiveness of SSA economies and their effective integration into the global economy.

Table 3: AFRICA EXPORTS DESTINATION–TOTAL 2011 – 2023 ANNUAL % CHANGE (US$)			
	2011–2019	2020 COVID-19	2021-2023
1. World	0.71	-7.18	11.17
2. SSA	-2.04	-14.00	13.67
Eastern Africa	2.86	-2.70	13.00
EAC-8:			
Kenya	3.00	3.34	6.24
Tanzania	1.59	21.11	6.35
Uganda	6.72	16.42	18.02
Rwanda	14.28	13.45	21.36
Burundi	7.02	-9.94	8.76
DRC	14.27	6.34	9.43
S. Sudan	197.44	-51.45	2.20
Somalia	-1.05	-27.66	40.73
Middle Africa	-4.00	-23.47	16.32
S. Africa	-1.61	-7.54	11.21
W. Africa			
3. Developing Economies	-0.24	-5.57	12.29
Latin America & Caribbean	-0.39	-9.39	14.28
Asia & Oceania	1.82	-4.05	11.71
4. Developed Economies	0.37	-8.36	10.35
United States	1.41	-13.28	12.87
Europe	0.46	-7.13	10.16
Asia & Oceania	-2.15	-7.65	7.72
Source: UNCTAD Data Set—Empowering Development Through Data			

Table 4: AFRICA IMPORTS ORIGIN –TOTAL 2012 – 2023 ANNUAL % CHANGE (US$)			
	2011–2019	2020 COVID-19	2021-2023
1. World	0.84	-7.56	14.47
2. SSA	0.53	-17.93	14.21
Eastern Africa	2.36	-10.66	13.18
EAC-8:			
Kenya	2.78	-12.57	7.59
Tanzania	-1.28	-10.71	19.27
Uganda	4.61	7.20	14.06
Rwanda	3.64	-4.42	15.45
Burundi	3.17	2.48	9.00
DRC	13.18	6.34	9.43
S. Sudan (Es)	31.54	23.44	6.79
Somalia (Es)	-0.34	2.61	1.42

Middle Africa	-2.54	-23.11	20.57
S. Africa	-1.19	-21.57	15.65
W. Africa	1.84	-17.99	11.80
3. Developing Economies	1.65	-8.40	12.59
Latin America & Caribbean	1.41	-6.69	10.42
Asia & Oceania	-0.85	-9.17	10.56
4. Developed Economies	0.35	-7.01	10.75
United States	1.67	-6.25	10.30
Europe	0.26	-6.67	10.96
Asia & Oceania	-0.87	-9.17	10.56
Source: UNCTAD Data Set—Empowering Development Through Data			

As per tables 3 and 4 above, SSA's exports of goods have recently (2021-2023) picked up surpassing growth rates in both developing and developed economies. Similar trend is observed for the region's imports of goods. However, for the trade in services as per tables 5 and 6 below, SSA's performance is much lower that the rest of the other developing and developed regions, though on the exports side SSA performed exceptionally higher during the Covid-19 pandemic.

Trade linkages and the various regional economic cooperation frameworks and trade agreements can deliver competitiveness and benefits to the member states only if existing trade barriers are resolved comprehensively while at the same time, enhancing productive capacities of the respective productive sectors in Africa countries. Productivity, diversification, and export growth are closely correlated as the graphic below demonstrates.

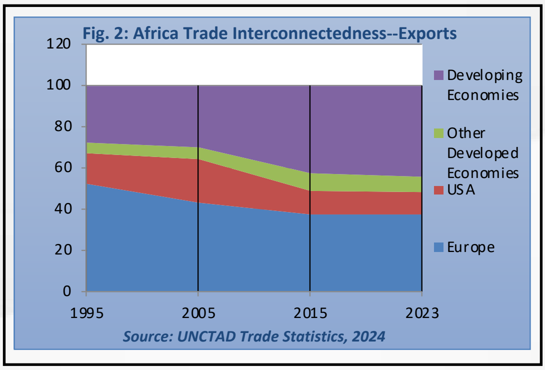
Trade linkages	• Evidence on trade indicates that relatively open economies are more productive; • In addition to gains through exploiting comparative advantages, participation in global markets enables knowledge diffusion and technology transfer; • Imports of sophisticated & advanced machinery can directly improve labour productivity at the firm, sector, and country level; • Exporting firms are often relatively productive, but evidence on the role of exports is complicated by self-selection: productive firms are more likely to be competitive and choose to export; • Some evidence from Kenya and Korea accounts for self-selection and finds that exporting does increase productivity.

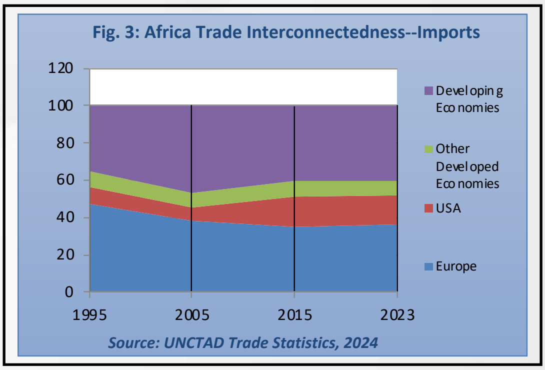
Table 5: AFRICA SERVICE EXPORTS –TOTAL 2012 – 2023 ANNUAL % CHANGE (US$)			
	2011–2019	2020 COVID-19	2021-2023
1. World	4.5	-17.2	14.7
2. SSA	3.9	33.9	16.6
Eastern Africa	5.9	-35.0	23.8
EAC-8:			
Kenya	4.4	-34.7	16.7
Tanzania	8.4	-49.0	42.3
Uganda	3.2	-44.1	22.4
Rwanda	9.8	-48.6	27.5
Burundi	0.3	8.1	10.9
DRC	-13.6	1.2	-23.0
S. Sudan	52.1	-2.5	81.6
Somalia	18.4	34.1	23.9
Middle Africa	0.3	-29.3	10.4
S. Africa	-0.8	-44.7	18.6
W. Africa	9.9	-24.7	7.9
3. Developing Economies	5.7	-24.2	20.0
Latin America & Caribbean	3.3	-36.2	24.6
Asia & Oceania	6.3	-22.0	19.4
4. Developed Economies	4.1	-14.3	12.7
United States	4.2	-18.5	12.3
Europe	5.7	-12.5	13.3
Asia & Oceania	4.3	-18.6	10.9
Source: UNCTAD Data Set—Empowering Development Through Data			

Table 6: AFRICA SERVICE IMPORTS –TOTAL 2012 – 2023 ANNUAL % CHANGE (US$)			
	2011–2019	2020 COVID-19	2021-2023
1. World	4.4	-17.7	13.6
2. SSA	1.8	-23.4	8.8
Eastern Africa	5.0	-11.2	10.1
EAC-8:			
Kenya	7.8	-13.7	12.3
Tanzania	-2.2	-26.2	21.5
Uganda	3.0	5.6	6.5
Rwanda	8.4	-49.7	22.7
Burundi	3.2	-5.6	18.4
DRC	0.4	19.1	29.1
S. Sudan (Es)	66.0	23.9	3.5
Somalia (Es)	7.1	27.8	0.7

Middle Africa	-7.1	-22.1	17.0
Southern Africa	-2.2	-27.3	17.8
Western Africa	8.3	-28.2	2.2
3. Developing Economies	4.7	-22.2	15.1
Latin America & Caribbean	1.1	-26.2	19.4
Asia & Oceania	5.6	-21.5	15.1
4. Developed Economies	4.3	-15.4	13.0
United States	3.3	-21.3	17.4
Europe	4.9	-13.6	12.5
Asia & Oceania	3.0	-18.7	10.8
Source: UNCTAD Data Set—Empowering Development Through Data			

The search for ways to facilitate sustained trade expansion and overcome trade obstacles has engaged SSA governments and their development partners for years. Political commitment will be required to translate these trade agendas into sound policy and regulatory reforms, and to implement them effectively to maximize the benefits for the people. Going forward, as these efforts demonstrate the huge gains available from regional cooperation, SSA countries would expect to see the pace of integration into the regional and global economies accelerate. Figures 2 and 3 shows the trend in Africa's interconnectedness with the rest of the world.





Faster integration requires strengthening trading capacity and competitiveness

The SSA countries' effective and greater integration into the global economy through enhanced competitiveness remains one of the key objectives. This should provide:

- greater impetus to collective efforts to sustain export expansion,
- effective penetration into the regional and global value chains (RVCs and GVCs respectively), and
- strategic participation into the regional and global supply chains (RSVs and GSVs respectively) based on its comparative advantages given by its accumulated natural wealth as highlighted in Table 7 below.

As much as trade encourages competitiveness, enhanced competitiveness can in turn expand the level of trade with the rest of the world quantitatively and by raising the standards of product quality, thus facilitating access to new and larger global markets.

Table 7: Mineral and hydrocarbon deposits (resource-intensive), Agro-land, forestry and sea resource base in the SSA States under Respective Regional Configurations

Region	Precious metals and gemstones	Metallic Minerals	Industrial Minerals	Hydro-carbons	Agriculture Farmland (x1000 hts)	Forestry (x1000 hectares)	Ocean (ECZ, in km²)
SADC	Diamonds, Gold Silver, PGMs, Platinum Group metals, semi- precious gemstones, coal, palladium, platinum	Uranium, nickel, chromium, bauxite, copper, lead, iron, zinc, cobalt, coltan, tungsten, niobium, titanium, iron, chromium, zinc, tin, manganese	Coal, soda ash, salt, Phosphate, granite, marble, gypsum, lignite, mica, peat, manganese, bituminous shale, limestone, asbestos, graphite, diatomite, cement, Sulphur	Oil, Gas	58,415	567,129	6,725,415
EAC	Gemstones, gold, diamonds, silver, PGMS	Lead, zircon, iron, titanium, tin, nickel, copper, cobalt, uranium	Phosphate, peat, soda ash, gypsum, mica, meerschaum, kaolin, marble, limestone	Oil, Gas	34,812	88,647	353,513
CEMAC	Gemstones, gold, diamonds, PGMs	Nickel, bauxite, iron, cobalt, uranium, , tin, copper, lead, zinc, magnesium	Lignite, marble, mica, manganese, graphite, lignite, quartz, phosphate, potash, uranium	Oil	15,837	146,489	556,506
COMESA	Gold, silver, platinum, gemstones, diamonds	Copper, lead, magnesium, iron, zinc, nickel, titanium, tin, columbite, chromite, uranium	Salt, basalt, gypsum, asbestos, potash, talc, basalt, kaolin, marble, quartz, diatomite, meerschaum, phosphate	Oil, Gas	59,035	187,194	1,116,105
WAEMU/ ECOWAS	Gold, silver, diamonds, palladium, gemstones	Iron, tin, chromium, titanium, lead, zinc, uranium, bauxite, nickel, cobalt, copper	Marble, limestone, granite, phosphate, manganese, gypsum, silica sand, phosphate, zircon, coal	Oil, gas	102,759	130,309	2,415,572

Note: PGMs—platinum group metal
Sources: -Minerals and Africa's Development; ECA/AU, November 2011; and Mineral Resource Based Growth Pole Industrialization—Coal, Oil and Gas; C.C. Callaghan; Regional Integration Research Network, TMSA; "USGS"-U.S. Geological Survey- Minerals Yearbook; "Wikipedia, Exclusive Economic Zones "Wikipedia.org".

For some SSA's resource-intensive economies like Tanzania, the extractive sector has gradually become the largest contributor to the respective country's merchandise exports. For Tanzania the extractive sector now contributes 54% of the country's merchandise exports, followed by agriculture (33 percent) and manufacturing (13 percent) (WBG 2023). Moreover, SSA's large reserves of critical minerals that are vital for global supply chains of high technology-intensive industries can turn SSA economies into key suppliers of parts and components in the automotive, electronics, renewable energy, and medical devices sectors. The contribution of global value chain through production of parts, will increases the share of developing countries world trade with less competition from developed world. For instance, Africa accounts for 48 percent of global cobalt reserves and 47.6 percent of global manganese reserves, which are critical metals required to produce batteries and electrical vehicles (UNCTAD/ALDC/AFRICA/2023).

In an increasingly globalized market, connecting to RVCs and GVCs on the one hand, and their respective supply chains on the other, is proving more and more critical to fully exploit learning by doing and economies of scale.

- This, in turn, is essential for SSA countries to stand a chance to compete globally, foster innovation, and penetrate new markets.
- These are of paramount importance to advance the transformative agenda SSA countries has embarked on.

To that end, SSA countries need to be more competitive in world markets. Additionally, they need to take up more proactive measures to facilitate the structural transformation of their economies towards higher-value activities in manufacturing and services with diversified products and markets. The experiences of the more successful diversifiers provide useful contrasts and "good practice" lessons for other developing countries in the SSA Group.

1.3 External Market Expansion and Underlying Trade Agreements

Tanzania and other countries in the region need to (a) optimize their access to leading world markets (such as the EU and the United States—the Global North) and increase utilization rates for preferential trade schemes; and (b) strategically diversify their market access towards the Global South.

1.3.1 Trade Expansion to and from the Global North

The EU + UK Target Markets

Parallel to regional integration, African countries concluded and/or are negotiating trade agreements with EU countries: the Economic Partnership Agreements (EPA) with the European Union, Africa-Europe Partnership, and the multilateral trade negotiations under the WTO. The EU grants ***Everything-But-Arms*** (EBA status) scheme to countries listed as a Least Developed Countries (LDC) by the United Nations Committee for Development Policy.

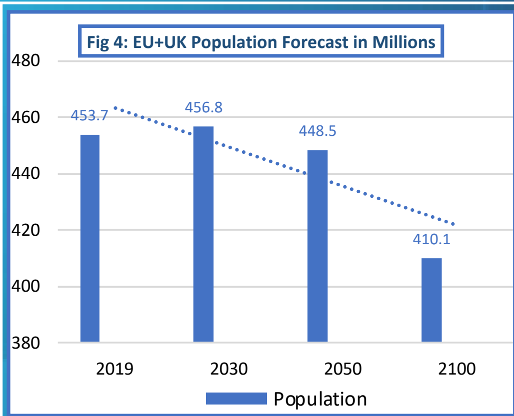


Fig 4: EU+UK Population Forecast in Millions

Source: UN World Population Prospects 2019

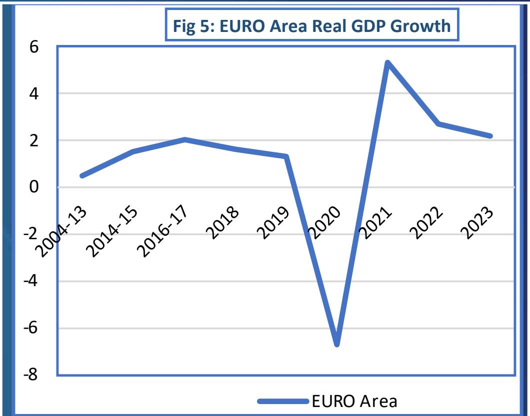


Fig 5: EURO Area Real GDP Growth

Source:IMF World Economic Outlook, April 2022

Under the Market Access Regulation (MAR) component of the Generalised Scheme of Preferences (GSP) duty-free and quota-free access is provided to beneficiaries to access the EU market for products originating in the African, Caribbean and Pacific countries which:

- do not benefit from the EU's Everything-But-Arms (EBA) scheme; and
- have concluded, but not yet ratified—in this case a Regional EPA—an EPA with the EU.

Under the MAR, countries benefit from	• duty-free and quota-free access to the EU market for products originating from eligible ACP countries; • the MAR only covers goods not services.

The economic and development cooperation under the EU-EAC EPA shall aim at:

- Enhancing the competitiveness of the Partner States' economies;
- Building up supply capacity and enabling the smooth implementation of the EPA;
- Transforming the structure of the Partner States' economies by establishing a strong, competitive and diversified economic base through enhancing production, distribution, transport, marketing;
- Developing trade capacity as well as capacity to attract investment;
- Strengthening trade, investment policies and regulations;
- Deepening regional integration.

Areas of Cooperation under the EU EPA:

Agriculture and Livestock Prlvate Sector Development

Fisheries Water and environment

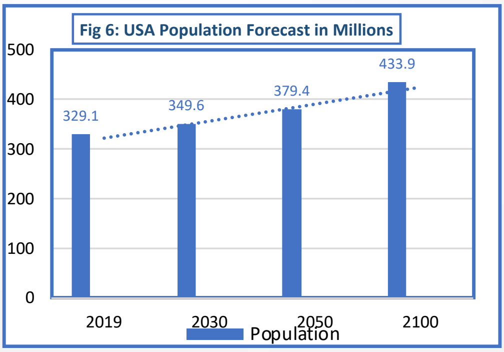
Market Access Issues--SPS, TBT, Customs and Trade Facilitation in Partner States

EPA Adjustment Measures Mobilisation of Resources

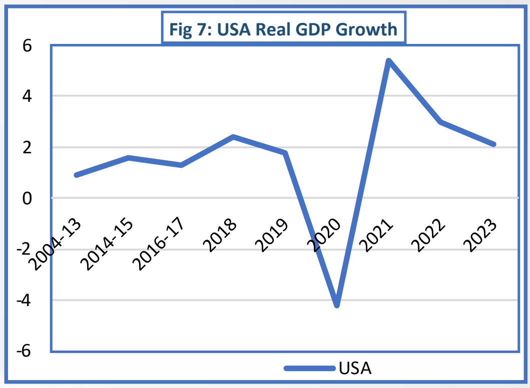
It is envisaged that the structured elimination of tariffs on imports originating from the EU will bear some welfare effects with respect to the postulated increase in consumers' surplus due to the reduced import product prices and welfare gains due to trade creation.

The USA Target Market

Selected Sub-Saharan African Countries have for the past two decades benefited from the preferential access to the USA market under the African Growth and Opportunity Act (AGOA). Enacted in May 2000, the AGOA is the cornerstone of U.S. economic engagement with the countries of sub-Saharan Africa. The agreement provides duty-free access to the U.S. market for eligible Sub Sahara African nations. The US market represents a large market from its growing population and relatively large GDP and high per capita income. Figures 6 and 7 shows the trends the US population and GDP growth. In June 2015, the U.S government authorised AGOA for an additional 10 years.



Source: UN World Population Prospects 2019



IMF World Economic Outlook, April 2022

AGOA has succeeded in helping eligible nations grow, diversify their exports to the United States, and create employment and inclusive economic growth. Under AGOA, eligible countries can export products, including value-added manufactured items such as textiles, to the United States duty-free. More specifically, it adds about 1,800 eligible product lines to the US Generalized System of Preferences, which already grants duty-free access for nearly 4,600 export products from developing countries to the USA.

Additionally, through the **Prosper Africa** initiative as summarized in figure 8, the U.S. Government offers direct support and tools for African businesses seeking to enter or expand into U.S. markets. The U.S. Government offers direct support to businesses in Africa, including:

- Matchmaking with potential partners,
- Help meeting international quality standards and certification requirements,
- Grants and financial assistance,
- Technical assistance (e.g. for business development, training on export requirements).

Fig 8: Prosper Africa -- A US Government Trade and Investment Initiative

Source: Prosper Africa--A US Government Trade and Investment Initiative, 2022.

1.3.2 Trade Expansion to and from the Global South

The Asian Target Market

During post-2004 period Africa has also developed a number of ground-breaking partnerships with the Emerging and Developing Asia that includes China, India and the ASEAN 5 (Indonesia, Malaysia, Philippines, Thailand and Vietnam). During the same period, existing cooperation between Africa and its traditional Asian partners was re-defined, invigorated and strengthened. These include the China-Africa Forum, the TICAD process led by Japan, Africa-India Partnership Forum.

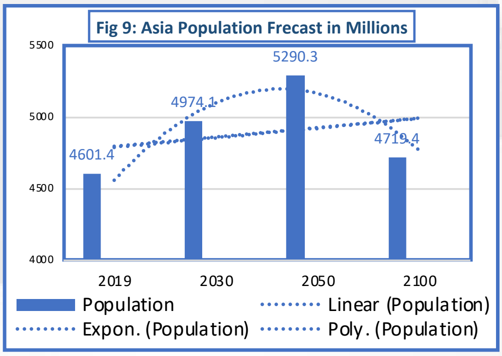


Fig 9: Asia Population Frecast in Millions

Source: UN World Population Prospects 2019

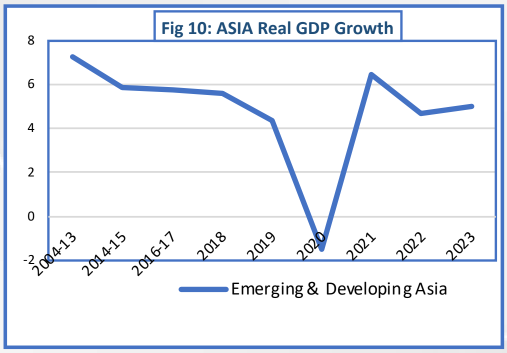


Fig 10: ASIA Real GDP Growth

IMF World Economic Outlook, April 2022

The share of Sub-Saharan African countries in Asian trade has increased rapidly, and for some African countries their key trading partners are increasingly becoming China, India, and Indonesia (although the traditional export destinations still account for a significant share). Furthermore, the growing middle class and increasing demand from East Asia (accompanied by rising relative wages there), along with the shifting structure of global value chains (GVCs,) may offer new economic opportunities for Africa. Tanzania and Ethiopia have been diversifying into light manufacturing GVCs. In addition to China, India has emerged as a leading trading partner of many African nations including Tanzania. The Asian population will continue to grow until it climaxes in 2050, and its real GDP growth has remained above 4% per annum except during the period of covid-19 pandemic, and will continue its upward growth, as shown in figures 9 and 10 respectively.

The BRICS Target Market

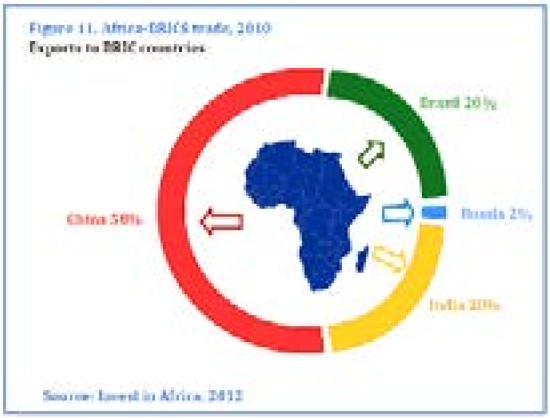
Brazil, Russia, India, China and South Africa (BRICS plus the latest new partners) play a growing role in the world economy. This entity is deepening its engagement with African countries and has gained great success in their development in recent years. BRICS' attention to Africa is determined by the important role of African resource potential and also by the continent's growing influence in contemporary international relations.

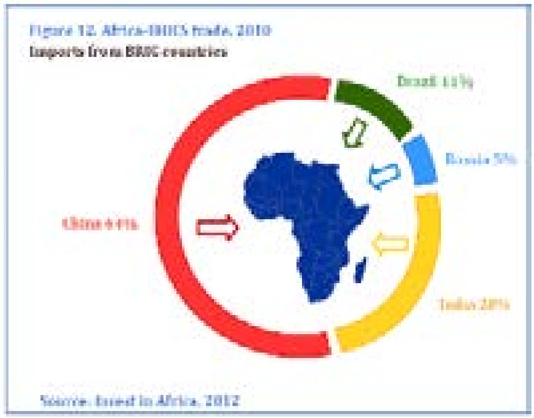
During post-2004 period existing cooperation between Africa and its traditional Asian partners were re-defined, invigorated and strengthened. These include the China-Africa Forum, the TICAD process led by Japan, and Africa-India Partnership Forum.

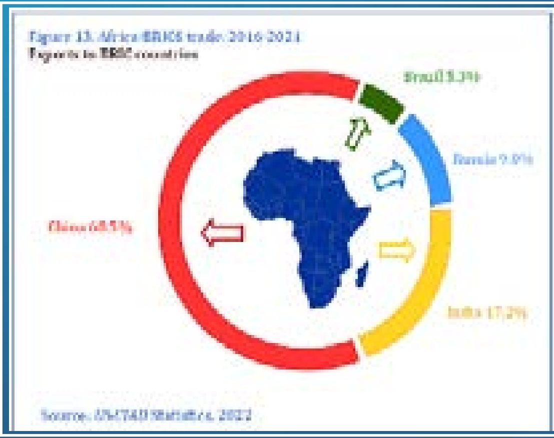
BRICS countries are now the largest trading partners of Africa (China has overtaken the US as Africa's first trade partner).

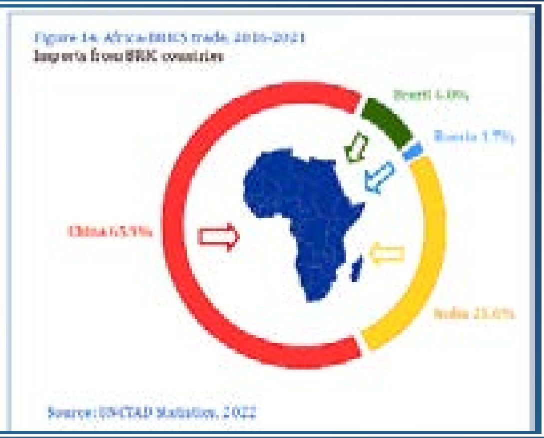
- Africa's trade with BRICS is growing faster than its trade with the traditional partners; and
- Africa has become the main destination for BRICS' development aid.

BRICS countries widely use 'soft power', developing cultural, scientific and humanitarian ties with Africa and take an active part in African conflicts resolution. Although there is a competition between BRICS' member countries in Africa, all of them contribute considerably to the African economics and the respective trade performance as per Figures 11, 12, 13 and 14 below.



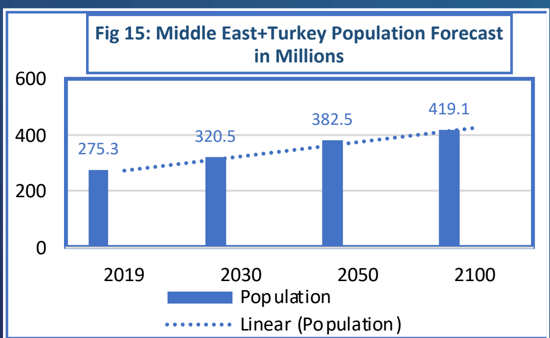




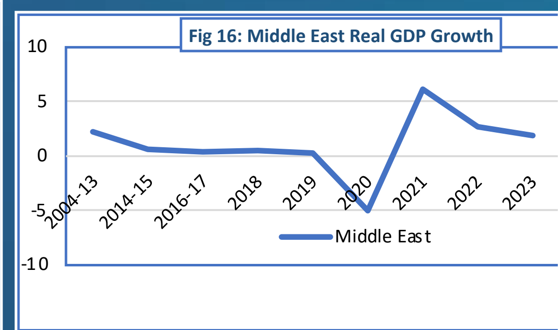


The Middle East + Turkey Target Markets

Formal relations between Africa and the Arab world were launched in March 1977 with the Cairo Summit in Egypt. Since then, trade relations have continued to grow overtime, although the share of exports relative to the traditional export destinations, Asia and BRICs is low.



Source: UN World Population Prospects 2019

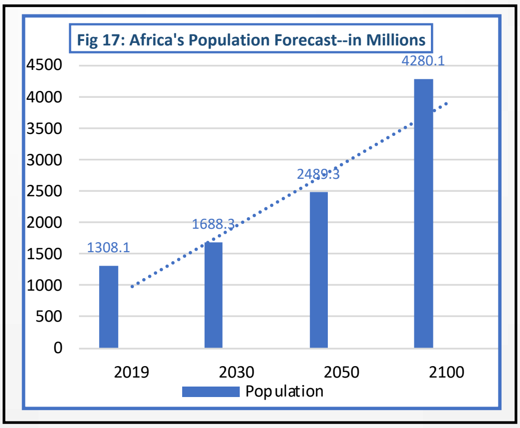


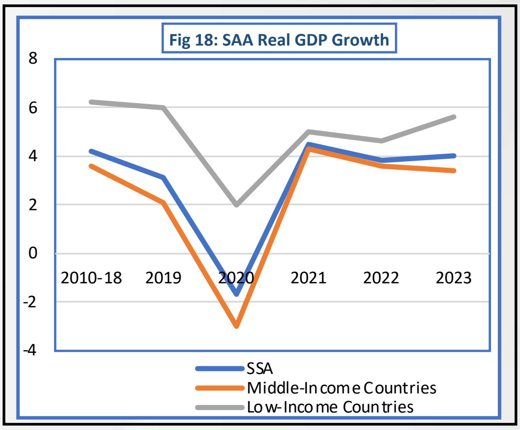
IMF World Economic Outlook, April 2022

The Summit establishing the Africa-Turkey Partnership was held in Istanbul, Turkey, from 18-20 April 2008. The Summit adopted the Framework for Cooperation, which spelt out the areas of cooperation between the two parties. An Implementation Plan 2010-2014 was jointly developed that considered, among others, the strong bilateral relations between many African countries and Turkey.

The African Target Market

One of Africa's most promising prospects stems from the new African Continental Free Trade Area (AfCFTA), a potential market of 1.3 billion people in 2019, with projected growth to almost double by 2050 (see figure 17), with a combined GDP of almost $2½ trillion. Ensuring the success of this trade-integration framework would not only reduce Africa's vulnerability to global disruptions but will boost regional competition, attract foreign investment, and promote food security. Its growth trajectory shows some positive growth, despite the period of stagnation observed between 2019 and 2020 (see figure 18)—the period of Covid-19 pandemic.





Source: UN World Population Prospects 2019

IMF Regional Economic Outlook for SSA, April 2022

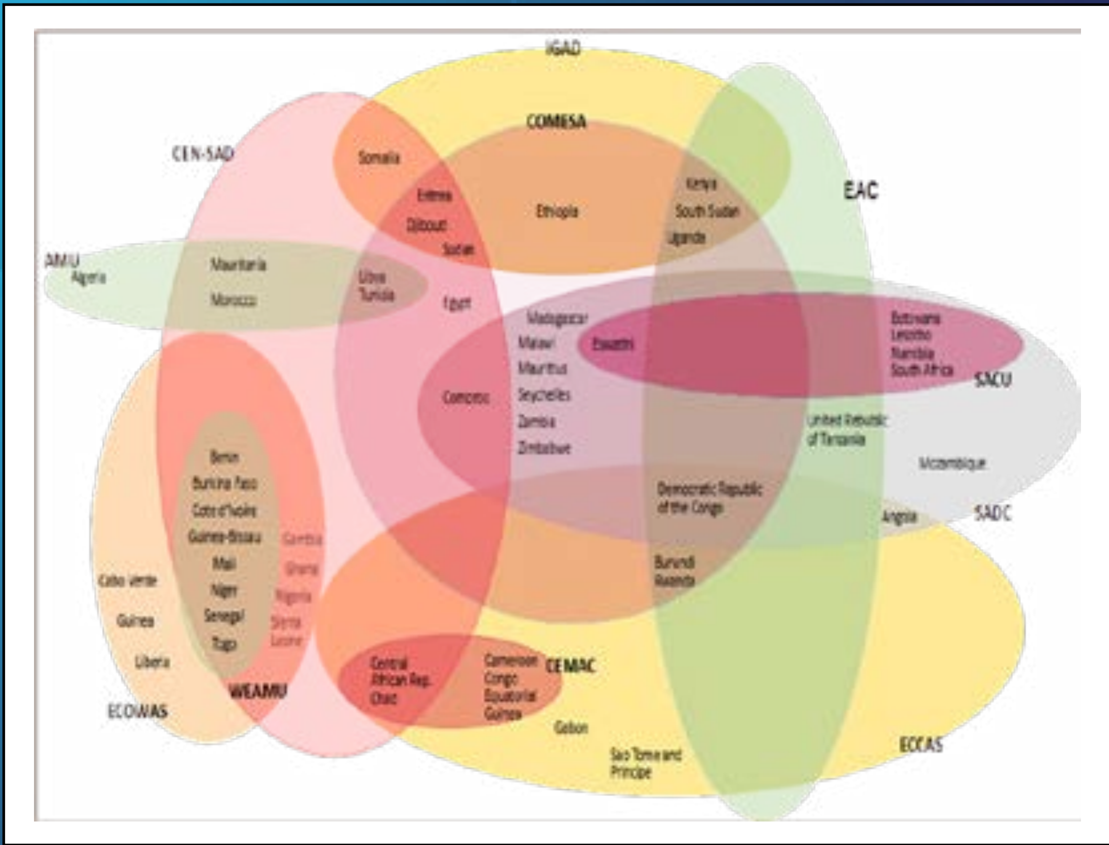
To that end, Africa has put into operation the largest FTA in the world, in terms of membership, and it is expected to change the trade and investment framework of countries in the region going forward. The AfCFTA will:

The AfCFTA will:	• Help boost **intraregional trade**; • Strengthen the **complementarities of production and exportse;** • Create **employment**, and • **Limit the impact of commodity price volatility** on the participants.

The AfCFTA is a **flagship project of the African Union (AU).** The AfCFTA is a **member-driven Free Trade Area** (FTA), not a Customs Union. However, the AfCFTA legal instruments also cover trade in services in selected priority areas. There will be other Protocols on matters such as competition, investment, intellectual property rights, digital trade and on women and the youth. They are still to be concluded. Additional Protocols "deemed necessary" within the scope of the Agreement, can be added. And it is important to note that the Regional Economic Communities (RECs) will continue to function. The many **REC FTAs are the building blocks of the AfCFTA** as per Figure 19 below. They have their own legal instruments, institutions, and dispute settlement mechanisms.

AfCFTA commits countries to:	• Remove tariffs on 90 percent of goods; • Progressively liberalize trade in services, and • Address a host of other non-tariff barriers, like long delays at national borders which hamper trade between African countries.

Figure 19: The Expansive Scope of the African Regional and Sub-regional Economic Communities



Source: UNCTAD

Abbreviations: AMU—Arab Maghreb Union; CEN-SAD—Community of Sub-Saharan States; CEMA—Economic and Monetary Community of Central Africa; COMESA—Common Market for Eastern and Southern Africa; EAC—East African Community; ECCAS—Economic Community of Central African States; ECOWAS—Economic Community of West African States; IGAD—Intergovernmental Authority on Development; SACU—Southern African Customs Union; SADC—Southern African Development Community; WAEMU—West African Economic and Monetary Union.

Eventually, free movement of people and a single African air transport market could grow within the newly created free trade area.

AfCFTA will:	• Contribute to establishing regional value chains in Africa, enabling investment and job creation. • The practical implementation of the AfCFTA has the potential to foster industrialisation, job creation, and investment, thus enhancing the competitiveness of Africa in the medium to long term.

Such liberalization is expected to provide strong impetus for intra-African trade. Recent modelling from the UN Economic Commission for Africa (ECA) projects the value of intra-African trade to be **between 15% and 25% higher in 2040, compared to without AfCFTA**. The analysis also shows that the **least developed countries** are expected to experience the largest growth in intra-African trade of industrial products—up to 35% higher in 2040 compared to just 19% for developing African.

In agriculture, intra-African agricultural trade is particularly underexploited owing to high import tariffs, other non-tariff barriers (such as health and safety standards), low productivity, and a lack of rural connectivity.

ECA's modelling projects intra-African trade in agricultural products will be between 20% and 30% higher in 2040 with the AfCFTA in place, **with particular gains in sugar, vegetables, fruit, nuts, beverages, and dairy products.**

AfCFTA would provide ac cess to markets at the regionanl & international levels, which would:	• Generate state revenue; • Increase farmer income; and • Expand both farmer and country capacity to invest in modernizing the sector through processing and mechanization; • Ratifying AfCFTA would shore up Africa's food security, and contribute to overall economic growth through the agricultural sector.

Seizing these opportunities will require investment in physical and human capital, a robust macroeconomic and business environment conducive to private sector-led growth, and a modernized social safety net that supports the most vulnerable during the transition to a higher growth trajectory.

2 Sub Saharan Africa's Effective Participation in Regional and Global Value and Supply Chains

2.1 Impacts on Integration into Regional and Global Value Chains

An important aspect of Africa's trade integration relates to the integration into global value chains (GVCs), which have driven trade and growth in other regions. In GVCs, different stages of the production process are spread across several countries, each providing some of the steps in the value-added chain needed to produce a good. The beneficial impacts of integration into GVCs result in part from their ability to raise participating countries' manufacturing productivity by allowing firms to specialize, source cheaper inputs, and benefit from knowledge transfers. It may also allow poor countries to overcome demand-side constraints on the development of industrial processes with strongly increasing returns to scale. In this way, it may facilitate countries' efforts to transition to more sophisticated manufacturing.

While the reverse is also true—countries with higher productivity, lower costs, and better skills are in general better placed to enter GVCs—the key question is what AfCFTA implementation and supporting reforms can do to contribute to the emergence of stronger intra-African value chains and help African countries enhance their integration into value chains with countries outside the continent, including "moving up the value chain."

Empirical analysis finds that both country characteristics and trade agreements are important determinants of countries' integration into GVCs. To shed light on the contribution of three broad factors to the intensity of GVC linkages—country characteristics, trade agreements, and geography—an analysis was conducted using data for 186 countries.

To shed light on the contribution of three broad factors to the intensity of GVC linkages—country characteristics, trade agreements, and geography—an analysis was conducted using data for 186 countries.

- Geography and country factors were found to play a major role in explaining differences in GVC integration.
- Nevertheless, trade agreements can have a sizeable impact on countries' propensity to forge value chain links as well.
- By lowering tariffs and other policy barriers to trade, the average trade agreement is found to be associated with a 39 percent increase in both backward and forward linkages between participating countries.
- The results also suggest that deep trade agreements (such as the EU, North American Free Trade Agreement [NAFTA], and ASEAN) have been more successful in stimulating GVC integration among their members than more shallow agreements.

Most of the African countries are confronted with the daunting task of developing productive capacities and transforming the structure of their economies in the face of rapid population growth and a rapidly changing global economic environment. They also encounter constraints on the use of trade policy instruments to foster industrialization, trade expansion and other national development goals (UNCTAD, 2022).

- Long-term productivity growth will be driven by innovation, investment in physical capital, and enhanced human capital.
- Cross-border technology transfer, and expertise in producing complex and sophisticated exports have increased in importance, and these are essential for promoting regional supply chains and integration in global supply chains.
- A comprehensive approach will be needed to promote a growth-friendly macroeconomic and institutional environment that will promote such transfers and supply chain linkages (WBG).

Pursuit for regional production of processed and semi-processed goods has much room to grow with greater opportunities for enhanced participation in regional and global value chains and trade expansion. Regional value chains can complement the countries' integration into global value chains and facilitate productive transformation. Regional value chains such as agri-food can help accelerate industrialisation and create jobs. The ability to upgrade depends on various factors specific to each value chain, such as its governance structures and its embeddedness in the local economy.

Fostering regional production does enhance diversification and upgrading. Increasing regional production can also create more productive jobs. Jobs in agri-food downstream segments such as processing, marketing, transport and retail generate up to eight times more output per worker than jobs in farming. Rising domestic markets, fuelled by demographic growth, urbanisation and a new class of workers and consumers, offer new opportunities in many sectors, including the food, pharmaceutical and digital economy sectors.

Currently, SSA countries largely participate in global value chains by exporting raw natural resources and agricultural commodities for further processing and production by other countries.

- Strengthening regional production for local markets can improve backward participation in value chains and create productive jobs.
- Domestic processing at regional level to serve local demand can help producers specialise in downstream segments, such as food processing, marketing, transport and retail, by exploiting their proximity to final consumers.

Further, regional markets are more conducive to the development and discovery of new productive capabilities. The physical, cultural and institutional proximity and access to existing networks of contact reduce the costs for firms to experiment in regional and continental markets. The new capabilities that firms acquire from serving regional markets help them to grow and better survive when they expand to more demanding markets such as those in high-income countries.

Policy support is necessary for firms to increase their competitiveness, create links with local economies and overcome barriers to investment. Most firms lack the productivity, skills and organisational capabilities required for competitive exports. The few firms actively engaged in regional and global value chains are often older and larger establishments, with little connection to the local economy. In addition, attracting investments in strategic value chains and retaining them requires strong formal institutions (e.g. political stability, macroeconomic stability, property rights and intellectual property rights) and accommodative informal institutions (e.g. business networks, partnerships and trusts).

2.2 Impacts on Integration into Regional and Global Supply Chains

Africa, which boasts an abundant supply of raw materials with utility in the energy, automotive and electronics sectors, could provide an opportunity for the diversification and resilience of global supply chains by offering a new regional market for businesses and industries in their quest to further expand their supply chain relationships. Figure 20 below provides a definition of supply chain diversification and what it entails for African countries.

The unequal terms of mining contracts and exploration licences is another constraint to developing beneficial supply chains, and this has led many Governments in Africa to review their mining laws and regulations to harness business opportunities for domestic enterprises and better reap the benefits of capital-intensive large-scale mining for inclusive and sustained development in their countries. To date, 17 African countries have local content regulations in place, namely Angola, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, the Democratic Republic of the Congo, Ghana, Guinea, Mali, Mozambique, Namibia, the Niger, Sierra Leone, South Africa, the United Republic of Tanzania, Zambia and Zimbabwe

Thus, supply chain diversification entails two principal factors, that is,

- diversification of the direct supplier base and
- diversification of the customer base.

Figure 20: Africa's Global Supply Chain Diversification

As multinational companies seek to extend their supply chains into diverse regions, African countries could become potential sources of high-technology mineral resources along shorter and simpler supply chains, with the added effect of contributing to the stable development of emerging industries on the continent. More equal investor–State agreements, or host government agreements, especially for the critical minerals and metals that are used in high-technology products and supply chains, will be necessary to develop domestic industries successfully and improve the capability of local firms to design, procure or manufacture necessary parts and components in high-technology-intensive supply chains.

Figure 20: Africa's Global Supply Chain Diversification

Many African countries, however, face several constraints that have limited their productive capacities, effectively limiting the development of successful supply chains within the region and insertion in the global supply chains. Thus, efforts to address supply chain constraints and raising productive capacities in the key productive sectors remains critical to the success of African transformation agenda and effective integration into the global economy, thereby increasing African's shares of the benefits of international trade.

2.3 Strategies for enhancing effective and sustainable value and supply chain participationhains

Nonetheless, for SSA economies to benefit from supply chain diversification, it is important to manage existing supply chain vulnerabilities effectively. For instance, it would be urgent to implement policies to:

- mitigate poor infrastructure (transport, warehouse and other facilities),
- informality,
- weak institutions and regulations,
- fragmented markets,
- limited sources of capital,
- low levels of technology, and
- political risks.

The comparative advantage of SSA for integration into global supply chains could be analysed through factors inherent in the supply chain framework, including procurement; production and distribution; and consumer demand.

Procurement:	• As the global economy adapts to climate change, dynamic production processes will require alternative inputs, and low-carbon technologies are expected to flourish; • Consequently, there will be a **rise in the demand for specific metals with utility in the low-carbon transition and green mobility, for instance, aluminium, cobalt, copper, lithium and manganese;** • Given the abundance of these minerals, in particular key metals required for the low-carbon transition, SSA can reposition itself as a supplier of intermediate inputs for global supply chains.

In fact, as noted earlier in this booklet, **48.1 percent of global cobalt reserves and 47.6 percent of global manganese reserves are located in SSA.** Other metals and minerals that are important for the low-carbon transition are also **produced in SSA: chromium, lithium, natural graphite, nickel, niobium, rare earth metals, silver, tellurium and titanium.**

Production:	• **Capital** has been a key driver of output growth since 2003; • The **contribution of total factor productivity to output growth** during that time has been dismal, and in some cases has declined, signalling **a gap in productivity and use of technology;** • While labour is abundant, **SSA countries should implement policies that ensure increased skills and the ability to innovate and use technology in the production process, as well as in the overall supply chain system;** • Policies that encourage efficient allocation of factor inputs should be implemented.

Distribution:	• The best performing categories were timeliness, tracking and tracing, both an indication of increased investment in soft infrastructure, such as the Internet and mobile telephones; • While it is important to invest in ICT infrastructure, it is imperative that SSA countries maintain investments in hard infrastructure that reduce the cost of logistics in the supply chain; • Hard infrastructure, such as ports, roads and rail, have tended to lag behind--it is, therefore, advisable that SSA countries encourage investments in hard infrastructures; • To improve efficiency and capacity that would ensure that more value is gained by trading and participating in supply chains in SSA.

Part II: Objectives and Targeted Results of the 28th Annual Research Workshop

Sub Saharan Africa (SSA)'s recorded cross-border trade has grown relatively modestly in recent decades, with limited growth in merchandise trade and an unchanged share of services trade in GDP. The continent's exports to the rest of the world are dominated by commodities, while trade within the region is more diversified and includes a larger share of processed goods. These trade patterns are consistent with the continent's limited integration in global value chains (GVCs), reflecting:

3 Objectives and Targeted Results of the 28th ARW

The 28th Annual Research Workshop, under the theme **"Pursuit for Sustained Growth and Trade Expansion"**, will be the first such workshop organised by REPOA and its Partners in more than five years seeking to examine one of the foundational priorities of Tanzania's and partner countries' integration into the global economy through trade expansion and sustained competitiveness. It also offers a timely review of the implementation progress of the AfCFTA and the underlying regional trade and economic integration frameworks.

3.1 Objectives

The Overall Objective of the Workshop is:	• To provoke and promote policy dialogue and contextualized research on how to sustainably accelerate trade expansion and competitiveness of the Tanzania and other SSA economies and improve the respective outcomes in terms of inclusive, competitive and productivity-led economic growth. • To explore the effects of enhancing productive capacities & benefits of effective integration in regional and global value chains along with their respective supply chains.

The three-fold specific objectives include:

- A sharper look at the opportunities and challenges for sustainably accelerating trade expansion and competitiveness;
- Examining strategies for effective participation in the regional and global value chains and their respective supply chains, and options for strengthening strategic linkages to enhance tranformational competitiveness in the key trade sectors; and
- A sharper look at the challenges and opportunities for sustainably enhancing productive capacities in the key productive sectors as catalytic fundamentals for accelerating trade expansion and competitiveness.

3.2 Targeted Results

The need for sustained building of relevant skills and policy engagement across the public and private sectors underscores the importance of bringing together the relevant stakeholders from the 8 EAC Members States, the leadership of the RECs and the AfCFTA, and the development partners to talk, ask questions, and build an understanding of the various points of views addressed under the 28th Annual Research Workshop. That's why the October 2024 Annual Research Workshop on "Pursuit for Sustained Growth and Trade Expansion" at the EAC Headquarters in Arusha, Tanzania, couldn't have come at a better time. Hosted by the EALA and EAC Secretariat and organized by the REPOA in collaboration with the Tanzania Ministry Trade and Industry, and four partners—TradeMark Africa (TMA), Southern Agricultural Growth Corridor of Tanzania (SAGCOT), CRDB Bank Plc, and Tanzania Horticultural Association (TAHA)—the 28th ARW provides the best opportunity yet to bring together representatives from across the productivity and trade divide for SSA's future.

The targeted results are the following six-fold clusters:

- Building partnerships on productivity enhancement and sustainable growth;
- Building partnerships on sustainable trade expansion;
- Building partnership on financing sustainable growth and trade expansion;
- Identifying and sharing best practices on the above three result area;
- Reiterating the benefits of trade agreements and the underlying national policy frameworks for effective execution of those agreements; and
- Strengthening the research capacity of the key research institutions and the analytical capacities policy makers, private sector, financial institutions, CSOs and development partners in order to generate adequate knowledge to strengthen the listed partnerships.

3.3 Know the four Keynote Speakers

H.E. Veronica Nduva, EAC Secretary-General. Her Keynote Statement will focus on the EAC's trade integration into the global value and supply chains.

The Secretary-General is the principal executive and accounting officer of the Community, the head of the Secretariat and the Secretary of the Summit.
The EAC Secretariat is the executive Organ of the Community. As the guardian of the Treaty, it ensures that regulations and directives adopted by the Council are properly implemented.
Pillars of EAC Regional Integration include:

- Customs Union
- Common Market
- Monetary Union
- Political Federation

Trudi Hartzenberg is the Executive Director of tralac. Her Keynote Statement will focus on the African-wide integration into the global value and supply chains, also factoring in the continental integration opportunities of the AfCFTA

She has a special interest in trade-related capacity building. Her research areas include trade policy issues, regional integration, investment, industrial and competition policy.

The Trade Law Centre NPC (tralac) is an independent, capacity building think tank. Established in 2001, tralac is a non-profit organization, registered in South Africa. tralac builds trade-related capacity in Africa; assisting countries to improve trade governance and inclusive policy processes to ensure that trade contributes to sustainable development outcomes. It assists countries in the region to produce tradables competitively, enhance their trade performance and ensure trade contributes to development within a rules-based system of international trade governance.

Mr. Junior LODGE Assistant Secretary-General, Department of Sustainable Economic Transformation and Trade (SETT). His Keynote Statement will focus on the best trade partnership practice and lessons that SSA countries can benefit from the Caribbean and Pacific best cases.

Comprised of 79 Member States from Africa, the Caribbean and the Pacific, the Organisation of African, Caribbean and Pacific States (OACPS) strives to achieve the sustainable development of its Members and their progressive integration into the world economy.

The Department of Structural Economic Development and Trade (SETT) coordinates the Secretariat's activities in the areas of sustainable economic development, with a focus on trade and trade-related issues such as commodities and value chain development, customs cooperation, market access and WTO negotiations. It undertakes and ensures the follow-up of activities in the areas of investment promotion and private sector development.

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Notes

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