

Regional Trade Agreements in Africa and Opportunities



Since the early 1990s, many countries in Africa have made significant progress in opening up their economic to external competition through trade and exchange rate liberalization, often in the context of IMF and World Bank support programmes. At the same time, with the creation or expansion of a number of regional trading arrangement in other parts of the world, several Africa nation have also worked toward regional, resulting in the establishment or renewal of such trading arrangement in Africa too.

The continent is now home to some 30 regional trade agreements (RTAs) or trade blocs, many of which are part of deeper regional integration schemes. While some RTAs have been revived, some other have been broadened and deepened.

The major trading agreements in Africa include:

- Common Market for Eastern and Southern Africa (COMESA) Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Arab Republic of Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Tanzania, Zambia & Zimbabwe;
- Southern Africa Development Community (SADC)- Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia & Zimbabwe;
- South Africa Customs Union (SACU)- Botswana, Lesotho,

Namibia, South Africa & Swaziland; West Africa Economic and Monetary Union (UEMOA)-Benin,

- Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal & Togo;

- Economic Community of west Africa States (ECOWAS)- Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone & Togo;

- Central Africa Customs and Economic Union (UDEAC)- Cameroon, the Central Africa Republic, Chad, the Republic of Congo, Equatorial Guinea & Gabon;

- Economic Community of Central Africa States (ECCAS)- Angola, Burundi, Cameroon, the Central Africa Republic, Democratic Republic of Congo, the Republic of Congo, Equatorial Guinea, Gabon, Rwanda and Sao Tome & Principe;

- East Africa Community (EAC)- Kenya, Tanzania and Uganda; Cross Border Initiative Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia & Zimbabwe;

- Economic and Monetary Community of Central Africa (CEMAC)- Cameroon, the Central Africa Republic, Chad, the Republic of Congo, Equatorial Guinea, Gabon, and Sao Tome & Principe;

- Economic Community of the Countries of the Great Lakes

(CEPGL)-Burundi, the Democratic Republic of Congo & Rwanda;

- Indian Ocean Commission Comoros, Madagascar, Mauritius, Reunion & Seychelles;

- Mano River Union (MRU) - Guinea, Liberia & Sierra Leone.

These trading arrangements are envisaged to foster trade and investment relation amongst member countries by removal of tariffs and other impediments to intra-regional trade flows.

In some cases, the arrangement also aims at fostering common economic and monetary union amongst member states, as also a common currency. The success of these arrangements in fostering intra-regional trade has been diverse, with SADC, ECOWAS, COMESA, Cross Border Initiative and UEMOA being the more successful ones.

As can be seen from Table 2, SADC, ECOWAS, COMESA, Cross Border Initiative and UEMOA have been the most successful in terms of enhancing trade within the member countries. In the case of SADC, intra-bloc export have risen from US\$617 million in 1980 to as high as US\$6.3 billion in 2005, accounting for 7.7% of the total blocs exports. In the case of ECOWAS, intra-exports have risen from US\$692 million in 1980 to US\$5.7 billion in 2005, accounting for 9.5% of the bloc's total exports in 2005. COMESA's intra-bloc export have also risen from US\$646 million in 1980 to as high as US\$3.3 billion in 2005, accounting for

Make Africa your Customer

| A. Merchandise Exports with Blocs (US\$ mn) | | | | | | | | |
|---|------|-------|-------|-------|-------|-------|-------|-------|
| | 1980 | 1990 | 1995 | 2000 | 2002 | 2003 | 2004 | 2005 |
| CEMAC | 75 | 139 | 120 | 102 | 123 | 159 | 176 | 201 |
| CEPGL | 2 | 7 | 8 | 10 | 13 | 15 | 19 | 22 |
| COMESA | 646 | 1,026 | 1,471 | 1,695 | 1,913 | 2,638 | 2,849 | 3,330 |
| Cross Border Initiative | 447 | 613 | 1,002 | 1,059 | 1,008 | 1,443 | 1,705 | 1,913 |
| ECCAS | 89 | 163 | 163 | 196 | 194 | 235 | 238 | 272 |
| ECOWAS | 692 | 1,557 | 1,936 | 2,835 | 3,229 | 3,073 | 4,499 | 5,673 |
| Indian Ocean Commission | 39 | 73 | 127 | 107 | 107 | 179 | 155 | 159 |
| MRU | 7 | 0 | 1 | 5 | 5 | 6 | 6 | 6 |
| SADC | 617 | 1,630 | 3,373 | 4,453 | 4,027 | 5,159 | 6,384 | 6,384 |
| UDEAC | 75 | 139 | 120 | 101 | 120 | 157 | 174 | 198 |
| UEMOA | 460 | 621 | 560 | 741 | 857 | 1,043 | 1,233 | 1,390 |

| B. Merchandise Exports within Blocs (% of total bloc exports) | | | | | | | | |
|---|------|------|------|------|------|------|------|------|
| | 1980 | 1990 | 1995 | 2000 | 2002 | 2003 | 2004 | 2005 |
| CEMAC | 1.6 | 2.3 | 2.1 | 1 | 1.4 | 1.4 | 1.3 | 0.9 |
| CEPGL | 0.1 | 0.5 | 0.5 | 0.8 | 0.8 | 1.1 | 1.2 | 1.3 |
| COMESA | 6.4 | 7.1 | 8.2 | 6.3 | 6.7 | 8.0 | 6.8 | 5.9 |
| Cross Border Initiative | 8.8 | 10.3 | 11.9 | 10.5 | 10.0 | 12.4 | 13.8 | 14.0 |
| ECCAS | 1.4 | 1.4 | 1.5 | 1.1 | 1.1 | 1.1 | 0.9 | 0.6 |
| ECOWAS | 10.1 | 7.9 | 9 | 7.9 | 10.9 | 8.4 | 9.4 | 9.5 |
| Indian Ocean Commission | 3.9 | 4.1 | 6 | 4.4 | 4.4 | 6.0 | 4.3 | 4.6 |
| MRU | 0.8 | 0 | 0.1 | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 |
| SADC | 2 | 4.8 | 8.7 | 12 | 8.8 | 9.4 | 9.5 | 7.7 |
| UDEAC | 1.6 | 2.3 | 2.1 | 1 | 1.4 | 1.4 | 1.2 | 0.9 |
| UEMOA | 9.6 | 13 | 10.3 | 13.1 | 12.2 | 13 | 12.9 | 13.4 |

5.9% of the bloc's total exports. In the case of cross Border Initiative, intra-regional exports have increased almost three-fold from US\$447 million in 1980 to more than US\$1.9 billion in 2005, accounting for 14% of the bloc's total exports during the same year. In UEMOA, intra-bloc exports rose from US\$460 million in 1980 to US\$1.4 billion in 2005, accounting for 13.4% of the bloc's total exports.

Trading Select Blocs in Africa

Strategy to enhance exports to Africa in term of identifying target trade blocs in region would entail selecting COMESA, ECOWAS, SADC, Cross Border Initiative and UEMOA on the basis of their success in promoting trade among the member countries. At the same time, these blocs represent countries eastern, southern, and central as also western Africa. Within each targeted trade blocs, the strategy should entail identification of select member countries based on their trade complementarities with India as also the potential for setting up joint venture/WOS, which would then be a basis for accessing the markets of other member countries. Such a strategy would entail a detailed analysis of the current trade relation among the member countries, the rules of origin criteria as also the existing trade regulation within each member country.

TRENDS IN INDO-AFRICAN TRADE RELATIONS

The synergy that exists between India Africa can be gauged from the recent trends in Indo-African trade relation wherein bilateral trade has risen to US\$25.0 billion in 2006-07 from US\$967 million in 1990-91 due to the rise in both exports to and imports from Africa countries(Table3).

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---------------|---------|---------|---------|----------|----------|
| Export | 3,137.9 | 3,861.7 | 5,578.4 | 7,013.6 | 10,255.7 |
| Imports | 3,444.4 | 3,202.1 | 4,006.4 | 4,878.8 | 14,722.8 |
| Total Trade | 6,582.3 | 7,063.8 | 9,584.8 | 11,892.4 | 24,978.5 |
| Trade Balance | 306.4 | 659.6 | 1,572.0 | 2,134.7 | -4,467.1 |

Source: Directorate General of Commercial Intelligence & Statistics (DGCIS) ministry of Commerce and industry (MOCI).
*-imports for 2006-07 include oil imports

Indian's exports to Africa reached US\$10.3 billion in 2006-07 from a relatively low figure of US\$394 million in 1990-91. As a result, the share of Africa in India's total exports has risen from a marginal 2.2% in 1990-91 to a healthy 8.2% in 2006-07. Concomitant rise in imports from Africa during the comparable period attest to increased two-way trade relation wherein India's imports from Africa during the comparable period attest to increased two-way trade relations where India's imports from Africa rose from US\$573 million in 1990-91 to US\$14.7 billion in 2006-07, with the resultant 7.7% share in India's total imports, up from 2.4% share in 1990-91.

Bilateral Trade During 2006-07

During the year 2006-07, India's Exports to Africa registered a sharp rise of 46.2% to reach US\$10.3 billion, from US\$7.0 billion during the previous year. India's imports from Africa also recovered in 2006-07 to reach US\$14.7 billion from US\$4.9 billion the previous year. Consequently, due to large imports from the region, India experienced a trade deficit of US\$4.5 billion with Africa in 2006-07 as against a trade surplus of US\$2.1 billion in 2005-06.

Major Trading Partners

South Africa remained the leading destination for India's exports during 2006-07, accounting for 22% of total export to Africa. Other major export destinations include Kenya (12.8% of total exports to Africa), Nigeria (8.8%), Mauritius (7.2%), Ghana (4.5%), Sudan (3.9%), Algeria (3.3%), Djibouti (3.0%) and Tanzania (2.9%). The trends in India's exports to various markets in Africa show in Table 4.

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Table 4: India's Major Export Destinations in Africa (US\$ mn)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---------------|----------------|----------------|----------------|----------------|-----------------|
| Africa | 3,137.9 | 3,861.7 | 5,578.4 | 7,013.6 | 10,255.7 |
| South Africa | 484.9 | 539.7 | 983.6 | 1,526.7 | 2,244.7 |
| Kenya | 204.0 | 229.6 | 426.5 | 576.5 | 1,313.8 |
| Nigeria | 450.0 | 565.9 | 644.4 | 873.9 | 901.1 |
| Egypt | 298.8 | 367.7 | 444.6 | 672.3 | 758.3 |
| Mauritius | 164.7 | 203.2 | 258.1 | 199.4 | 735.9 |
| Ghana | 105.9 | 182.8 | 183.0 | 200.8 | 460.4 |
| Sudan | 105.4 | 107.5 | 317.3 | 294.6 | 402.8 |
| Algeria | 66.9 | 122.2 | 231.1 | 271.4 | 333.6 |
| Djibouti | 37.5 | 73.7 | 128.6 | 230.3 | 307.4 |
| Tanzania | 115.7 | 175.9 | 173.8 | 243.4 | 288.4 |
| Angola | 37.4 | 70.6 | 72.9 | 151.6 | 200.3 |
| Mozambique | 46.8 | 69.2 | 81.3 | 127.5 | 190.9 |
| Morocco | 127.4 | 87.8 | 112.4 | 127.5 | 164.1 |
| Senegal | 51.5 | 26.8 | 69.2 | 93.5 | 152.1 |
| Benin | 64.5 | 52.7 | 47.1 | 96.6 | 151.4 |
| Cote d'Ivoire | 49.0 | 98.2 | 101.0 | 106.1 | 141.5 |
| Congo, D.R. | 53.5 | 61.3 | 93.2 | 111.6 | 134.6 |
| Togo | 71.8 | 47.0 | 263.3 | 91.1 | 121.8 |
| Ethiopia | 62.1 | 80.5 | 55.5 | 74.7 | 114.5 |
| Tunisia | 59.1 | 68.2 | 74.4 | 82.6 | 109.1 |

Source: DGCIS, MOCI

As regards India's imports from Africa, Nigeria dominated with a significant share of 47.6% of India's total import from Africa during 2006-07. South Africa is the Second largest import source with a share of 16.7%, followed by Egypt (11.8%), Algeria (5.1) and Morocco (3.3%) during 2006-07 (Table5)

Table 5: India's Major Import Sources from Africa (US\$ mn)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07* |
|---------------|----------------|----------------|----------------|----------------|-----------------|
| Africa | 3,444.4 | 3,202.1 | 4,006.4 | 4,878.8 | 14,722.8 |
| Nigeria | 78.3 | 75.7 | 48.4 | 72.5 | 7,022.2 |
| South Africa | 2,097.6 | 1,900.5 | 2,196.8 | 2,471.4 | 2,464.9 |
| Egypt | 227.0 | 98.3 | 152.6 | 220.4 | 1,741.3 |
| Algeria | 1.1 | 4.5 | 6.3 | 14.7 | 749.8 |
| Morocco | 200.1 | 255.8 | 362.0 | 456.3 | 491.0 |
| Guinea | 14.9 | 4.3 | 27.6 | 22.3 | 342.1 |
| Angola | 7.2 | - | 0.9 | 3.3 | 245.4 |
| Cote d'Ivoire | 86.2 | 99.8 | 160.0 | 193.9 | 180.6 |
| Tunisia | 93.7 | 64.8 | 94.9 | 101.1 | 144.1 |
| Libya | 3.0 | 10.4 | 13.6 | 11.9 | 134.8 |
| Gabon | 21.1 | 22.5 | 42.8 | 42.1 | 115.3 |
| Ghana | 18.7 | 33.0 | 51.3 | 78.9 | 101.2 |
| Tanzania | 91.3 | 109.4 | 131.6 | 119.7 | 98.0 |
| Sudan | 24.5 | 31.2 | 22.9 | 32.6 | 89.1 |
| Zambia | 14.4 | 18.6 | 23.0 | 40.6 | 86.2 |
| Benin | 38.3 | 53.2 | 79.8 | 77.5 | 80.6 |
| Togo | 12.9 | 20.7 | 46.0 | 79.2 | 76.0 |
| Senegal | 172.8 | 145.1 | 181.1 | 292.5 | 72.7 |
| Swaziland | 0.5 | 1.7 | 3.1 | 23.6 | 61.3 |
| Congo, D.R. | 3.3 | 5.3 | 22.0 | 43.9 | 59.7 |

Source: DGCIS, MOCI

*-imports for 2006-07 include oil imports

Major Traded Items

Exports : Since 2004-05, petroleum product have emerged as the largest items in India's export basket to Africa, with a share of 25.3% of India's total exports to Africa during 2006-07. Other important items of exports to Africa in 2006-07 included transport equipment (10.1%), machinery and instrument (8.2%) pharmaceuticals (7.5%), non-basmati rice (5.6%), manufactures of metals (5.3%), cotton-yarn fabrics & madeup (4.7%), and primary & semi-finished iron and steel (4.3%) (Table 6)

Table 6: India's Major Export Items to Africa (US\$ mn)

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--------------------------------------|---------|----------|---------|------------------|-----------------|
| All Commodities | 2,814.7 | 3,861.68 | 5,578.4 | 7,013.56 | 10,255.69 |
| Petroleum products | 74.31 | 239.14 | 697.12 | 1,077.66 | 2,593.37 |
| Transport equipment | 173.8 | 284.56 | 432.55 | 752.5 | 1,044.56 |
| Machinery & instrument | 249.12 | 341.01 | 489.57 | 659.78 | 840.73 |
| Pharmaceutical & fine Chemical | 310.74 | 398.84 | 483.82 | 675.4 | 778.21 |
| Non-basmati rice | 272.54 | 132.68 | 439.12 | 387.41 | 578.05 |
| Manufacture of metals | 173.98 | 275.04 | 535.53 | 490.43 | 544.44 |
| Cotton Yarn fabrics madeups etc. | 392.83 | 447.19 | 428.75 | 396.88 | 478.79 |
| Primary & semi-finished iron & steel | 109.09 | 199.19 | 264.75 | 356.11 282.68 | 448.52 33.77 |
| Plastic & linoleum product | 107.98 | 164.47 | 252.63 | | |
| Manmade yarn fabric madeups | 152.63 | 184.69 | 216.81 | 240.59 | 328.28 |
| Rubber manufacture products | 69.08 | 96.76 | 106.5 | 134.21 | 168.04 |
| Inorganic/organic/agro | 54.83 | 68.3 | 79.93 | 126.29 | 165.21 |
| Paper/wood products | 55.26 | 82.86 | 122.43 | 148.97 | 154.21 |
| Meat & preparations | 44.78 | 41.32 | 50.8 | 96.18 | 149.8 |

Source: DGCIS, MOCI

Imports

Table 7 shows the major items which India imports from the Africa countries. Petroleum crude accounted for a significant 67.6% of India's total imports from Africa during 2006-07. Other major Imports from Africa include gold (10.1%), inorganic chemicals (5.3%), metalliferous ores & metal scrap (3.8%) and cashew nuts (2.5%).

Table 7: India's Major Imports Items from Africa (US\$ mn)

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2006-07 |
|------------------------------------|-----------------|----------------|-----------------|-----------------|-----------------|
| All Commodities | 3,444.35 | 3,202.8 | 4,006.38 | 4,878.83 | 14,722.8 |
| Petroleum crude & product | - | - | - | - | 9,950.52 |
| Gold | 1,715.49 | 1,513.27 | 1,625.15 | 1,613.92 | 1,483.38 |
| Inorganic chemical | 510.69 | 557.33 | 709.51 | 947.19 | 779.75 |
| Metalliferous ores & metal & Scrap | 71.76 | 103.47 | 224.52 | 326.45 | 569.13 |
| Cashew nuts | 217.8 | 260.37 | 334.86 | 409.49 | 361.23 |
| Coal, coke & briquettes | 124.57 | 23.57 | 57.61 | 224.57 | 186.66 |
| Crude fertilizer | 58.47 | 30.48 | 120.73 | 149.2 | 181.23 |
| Wood & wood products | 88.45 | 110.58 | 157.83 | 187.88 | 172.25 |
| Non-ferrous metals | 26.24 | 45.42 | 50.29 | 104.8 | 153.82 |
| Iron & steel | 9.75 | 17.21 | 72.16 | 210.71 | 99.32 |
| Pearls & semi-precious stones | 42.02 | 38.58 | 46 | 54.31 | 73.61 |
| Fertilizer manufactured | 11.26 | 0.03 | 0.01 | 0.02 | 65.6 |
| Cotton raw | 125.94 | 154.26 | 131.85 | 78.96 | 63.44 |
| Non-electrical machinery | 15.54 | 30.63 | 32.88 | 37.33 | 55.14 |

Source: DGCIS, MOCI