

Strengthening Intra African Trade for Sustainable Development

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Strengthening Intra African Trade for Sustainable Development

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Abstract

Trade plays a vital role in shaping economic and social performance and prospects of countries around the world, especially those of developing countries. It is also a vital tool in the realization of Sustainable Development. The United Nation's 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goal. This paper critically discusses the role of Intra African trade in the Sustainable Development agenda. It defines Intra African Trade and examines progress made towards strengthening it. The paper further explores the challenges facing Intra African trade. It also suggests reforms towards strengthening Intra African trade for Sustainable Development.

1.0 Introduction

Trade has been defined as an exchange, voluntary in nature between two parties in requirement of each other's resources being goods and services¹. Trade is considered as one of the driving forces of economic development for all countries, usually aimed at development and the eradication of poverty². Trade plays a vital role in shaping economic and social performance and prospects of countries around the world, especially those of developing countries³. It has been pointed out that no country has grown without

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¹ The Economic Times., 'What is Trade.' Available at <https://economictimes.indiatimes.com/definition/trade> (Accessed on 13/12/2023)

² Muigua. K., 'Balancing Trade, Environment and Development for Sustainability.' Available at <https://kmco.co.ke/wp-content/uploads/2018/08/Balancing-Trade-Environment-and-Development-for-Sustainability-Kariuki-Muigua-August-2018.pdf> (Accessed on 13/12/2023)

³ United Nations Conference on Trade and Development., 'Trade and Development Index.' Available at https://unctad.org/system/files/official-document/ditctab20051ch1_en.pdf (Accessed on 13/12/2023)

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trade⁴. According to the World Trade Organization (WTO), international trade accounts for over 50 per cent of low-income countries' Gross Domestic Product (GDP) and is an important source of income for both the private and public sectors in developing countries⁵.

Trade is a vital tool in the realization of Sustainable Development. The United Nation's 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals (SDGs)⁶. SDG 17 seeks to strengthen the means of implementation of the 2030 Agenda and revitalize the global partnership for Sustainable Development and identifies trade as a key measure towards achieving this aim⁷. It seeks to enhance the role of trade in Sustainable Development by achieving several targets including promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda; significantly increasing the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports; and realizing timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access⁸.

It has been posited that equitable international trade can enable countries to realize the SDGs by achieving food security, generating decent employment opportunities for the

⁴ Ibid

⁵ World Trade Organization., 'The WTO's Contribution to Achieving the SDGs.' Available at https://www.wto.org/english/thewto_e/coher_e/sdgs_e/wtoachsdgs_e.htm (Accessed on 13/12/2023)

⁶ United Nations General Assembly., 'Transforming Our World: the 2030 Agenda for Sustainable Development.' 21 October 2015, A/RES/70/1., Available at <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf> (Accessed on 13/12/2023)

⁷ Ibid, SDG 17

⁸ Ibid

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poor, promoting technology transfer, ensuring national economic security and supporting infrastructure development, not only for moving goods to and from ports, but also for basic services such as health, education, water, sanitation and energy⁹. As such, it is suggested that equitable trade may be more effectively harnessed in delivering sustainable development when integrated into the SDG framework as an SDG enabler, where it would serve as a promoter for potential goals such as poverty eradication, job creation, universal healthcare and education, and a healthy environment¹⁰. According to the United Nations Conference on Trade and Development (UNCTAD), international trade, supported by strong international cooperation, embodied in the multilateral trading system, can be a powerful force for creating jobs (SDG 8; Decent Work and Economic Growth); fostering efficient use of resources, stimulating entrepreneurship and ultimately lifting people out of poverty (SDG 1; No Poverty)¹¹. This results in industrialization and development, helping to achieve SDG 9 (Industry, Innovation and Infrastructure)¹². Further, WTO rules try to reduce the impact of existing inequalities through the principle of Special and Differential Treatment for Developing Countries, which helps in attaining SDG 10 (Reduced Inequalities within and among nations)¹³. UNCTAD further opines that trade plays a critical role in addressing hunger, food security, nutrition and sustainable agriculture (SDG 2; Zero Hunger), contributing to healthy lives and wellbeing (SDG 3; Good Health and Well-Being), among others¹⁴. In addition, WTO posits that trade enhances a country's income-generating capacity, an

⁹ Galmés, G.V., 'Trade as an enabler of sustainable development and poverty eradication,' in United Nations, *The Road from Rio+20: Towards Sustainable Development Goals*, Issue 4, September 2014, p. 10. UNCTAD/DITC/TED/2014/1 Available at http://unctad.org/en/PublicationsLibrary/ditcted2014d1_en.pdf (Accessed on 13/12/2023)

¹⁰ Ibid

¹¹ United Nations Conference on Trade and Development., 'Better Trade for Sustainable Development: The Role of Voluntary Sustainability Standards.' Available at https://unctad.org/system/files/official-document/ditctab2021d2_en.pdf (Accessed on 13/12/2023)

¹² Ibid

¹³ Ibid

¹⁴ Ibid

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essential prerequisite for achieving Sustainable Development¹⁵. Trade is therefore key in realizing the Sustainable Development agenda.

The paper critically discusses the role of Intra African trade in the Sustainable Development agenda. It defines Intra African Trade and examines progress made towards strengthening it. The paper further explores the challenges facing Intra African trade. It also suggests reforms towards strengthening Intra African trade for Sustainable Development.

2.0 Intra African Trade and the Sustainable Development Agenda: Progress and Challenges

Intra African trade refers to all those transactions that take place between and among African States, their institutions and individuals within totality of the African region¹⁶. Intra African trade is therefore trade between and among African countries¹⁷. It has been argued that Intra African trade holds immense potential for building sustainable economic development and regional integration in Africa¹⁸. Further, it has been pointed out that Intra-African trade presents opportunities for sustained growth and development in Africa¹⁹. It has the potential to reduce vulnerability to global shocks, contribute to economic diversification in Africa, enhance export competitiveness and create employment opportunities²⁰.

¹⁵ World Trade Organization., 'The WTO's Contribution to Achieving the SDGs.'

¹⁶ United Nations Economic Commission for Africa., 'Intra-African Trade: A Pillar of Development.' Available at <https://repository.uneca.org/handle/10855/6028> (Accessed on 14/12/2023)

¹⁷ African Development Bank Group., 'Intra-African Trade is Key to Sustainable Development - African Economic Outlook.' Available at <https://www.afdb.org/fr/news-and-events/intra-african-trade-is-key-to-sustainable-development-african-economic-outlook-17022> (Accessed on 14/12/2023)

¹⁸ Ibid

¹⁹ United Nations Conference on Trade and Development., 'Intra-African Trade: Unlocking Private Sector Dynamism.' Available at https://unctad.org/system/files/official-document/tdb60d4_en.pdf (Accessed on 14/12/2023)

²⁰ Ibid

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According to the African Union, Intra African trade creates linkages that are essential to the African integration agenda²¹. The African Union further posits that trade incentivises and spurs infrastructure development and attracts Foreign Direct Investment which is key to accelerating economic growth on the continent²². It has further been asserted that Intra-regional and intra-African trade with fast-growing economies, together with geographically diversified trade links, can strengthen the capacity of African countries to absorb global output shocks²³. For example the benefits of intra-African trade within the East African Community (EAC) suggests that deeper intra-regional, and in particular intra-industry, trade ties have contributed to the EAC's resilience to external output shocks²⁴. In addition, besides helping shield countries from external shocks, intra-regional and intra-African trade also supports economic diversification and participation in regional value chains²⁵.

According to the *African Economic Outlook*²⁶, boosting regional trade would enhance Africa's resilience to spillovers from global economic slowdown and reduce persistent trade deficits²⁷. The Report highlights opportunities for intra-African trade and asserts that a combined population of 1.4 billion, equivalent to 16.7 percent of the world population and GDP of about \$3 trillion, could underpin a competitive continental market to expand intra-African trade to cushion economies from multiple shocks²⁸. Africa

²¹ African Union., 'Expanding Opportunities for Intra African Trade.' Available at https://au.int/sites/default/files/newsevents/workingdocuments/31884-wd-aep_brochure_theme_2_trade.pdf (Accessed on 14/12/2023)

²² Ibid

²³ Brixiova. Z., Meng. Q., & Ncube. M., 'Can Intra-Regional Trade Act as a Global Shock Absorber in Africa?' Available at <https://docs.iza.org/dp9205.pdf> (Accessed on 14/12/2023)

²⁴ Ibid

²⁵ Ibid

²⁶ African Economic Outlook 2023., 'Mobilizing Private Sector Financing for Climate and Green Growth in Africa.' Available at https://www.afdb.org/sites/default/files/documents/publications/afdb23-01_aeo_main_english_0602.pdf (Accessed on 14/12/2023)

²⁷ Ibid

²⁸ Ibid

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therefore has a big domestic market that possesses significant opportunities for intra-Africa trade²⁹.

There has been progress towards strengthening intra-African trade. The African Union *Action Plan for Boosting Intra-African Trade*³⁰ aims at deepening Africa's market integration and significantly increasing the volume of trade that African countries undertake among themselves. It identifies the key obstacles to the growth of intra-African trade and outlines the programme of activities required to address each of the constraints³¹. The Action Plan identifies priority measures towards strengthening Intra-African trade including the adoption and implementation of coherent and efficient trade policies at the national, regional and continental levels; removal of trade facilitation constraints; enhancement of productive capacity in Africa; trade-related infrastructure development; unlocking trade finance; fostering access to trade information in Africa; and harmonisation of labour, business and investment laws³². Implementing the targets of the Action Plan is necessary in strengthening intra-African trade.

In addition, the *Agreement Establishing the African Continental Free Trade Area*³³, establishes the African Continental Free Trade Area (AfCFTA) whose objectives include to create a single market for goods, services, facilitated by movement of persons in order to deepen the economic integration of the African continent and in accordance with the Pan African Vision of "An integrated, prosperous and peaceful Africa" enshrined in Agenda 2063; to create a liberalised market for goods and services through successive rounds of negotiations; to contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and

²⁹ Ibid

³⁰ Africa Union., 'Action Plan for Boosting Intra-African Trade.' Available at https://au.int/web/sites/default/files/newsevents/pressreleases/26498-pr-action_plan_for_boosting_intra-african_trade_f-english.pdf (Accessed on 14/12/2023)

³¹ Ibid

³² Ibid

³³ African Union., 'Agreement Establishing the African Continental Free Trade Area.' Available at https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf (Accessed on 14/12/2023)

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Regional Economic Communities; to enhance the competitiveness of the economies of State Parties within the continent and the global market; to promote industrial development through diversification and regional value chain development, agricultural development and food security; and to resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes³⁴.

The Agreement establishing the AfCFTA requires African countries to undertake certain actions towards strengthening intra-African trade which include progressively eliminating tariffs and non-tariff barriers to trade in goods; progressively liberalizing trade in services; cooperating on investment, intellectual property rights and competition policy; cooperating on all trade-related areas; cooperating on customs matters and the implementation of trade facilitation measures; establishing a mechanism for the settlement of disputes concerning their rights and obligation; and establishing and maintaining an institutional framework for the implementation and administration of the AfCFTA³⁵. It covers trade in goods, trade in services, investment, intellectual property rights and competition policy³⁶.

The Agreement also contains a *Protocol on Trade in Goods*³⁷ which aims to create a liberalised market for trade in goods in accordance with Article 3 of the Agreement. The Protocol seeks to boost Intra-African trade through progressive elimination of tariffs; progressive elimination of non-tariff barriers; enhanced efficiency of customs procedures, trade facilitation and transit; enhanced cooperation in the areas of technical barriers to trade and sanitary and phytosanitary measures; development and promotion of regional and continental value chains; and enhanced socio-economic development, diversification and industrialisation across Africa³⁸.

³⁴ Ibid, Article 3

³⁵ Ibid, Article 4

³⁶ Ibid, Article 6

³⁷ Ibid, Protocol on Trade in Goods

³⁸ Ibid, Article 2

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It also contains a *Protocol on Trade in Services*³⁹ which seeks to support the objectives of the AfCFTA, as set out in Article 3 of the Agreement particularly to create a single liberalised market for trade in service through measures such as enhancing competitiveness of services through: economies of scale, reduced business costs, enhanced continental market access, and an improved allocation of resources including the development of trade-related infrastructure; promoting sustainable development in accordance with the Sustainable Development Goals (SDGs); fostering domestic and foreign investment; accelerating efforts on industrial development to promote the development of regional value chains; progressively liberalizing trade in services across the African continent on the basis of equity, balance and mutual benefit, by eliminating barriers to trade in services; and promoting research and technological advancement in the field of services to accelerate economic and social development in Africa⁴⁰.

It has been argued that the AfCFTA will be a game changer, creating the world's largest free trade area and a single market for goods and services worth \$3.4 trillion for more than 1.3 billion Africans⁴¹. The United Nations opines that AfCFTA is appropriately designed to deepen integration, foster trade and investment, enhance the mobility of capital and labour, support industrialization, and the development of a dynamic services sector⁴². It further asserts that AfCFTA provides Africa with a renewed opportunity to steer its economic relations away from a reliance on external donors, foreign creditors and excessive commodity dependence, ushering in a new economic era focused on self-reliant cooperation, deeper integration and higher levels of intra-African trade⁴³. The projected \$3 trillion borderless market established by the AfCFTA could be instrumental

³⁹ Ibid, Protocol on Trade in Services

⁴⁰ Ibid, Article 3

⁴¹ African Economic Outlook 2023., Op Cit

⁴² United Nations., 'Africa's Free Trade on Track, More Efforts Needed.' Available at

[https://www.un.org/africarenewal/magazine/january-2023/africa%E2%80%99s-free-trade-track-more-efforts-needed#:~:text=lies%20ahead%2C%20though.-,Presently%2C%20intra%20Africa%20trade%20stands%20low%20at%20just%2014.4%25%20of%20day\)%2C%20according%20to%20UNCTAD](https://www.un.org/africarenewal/magazine/january-2023/africa%E2%80%99s-free-trade-track-more-efforts-needed#:~:text=lies%20ahead%2C%20though.-,Presently%2C%20intra%20Africa%20trade%20stands%20low%20at%20just%2014.4%25%20of%20day)%2C%20according%20to%20UNCTAD) (Accessed on 14/12/2023)

⁴³ Ibid

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in reversing current trends in poverty, inequality and growth on the continent, and help place Africa on an inclusive and sustainable growth path towards Sustainable Development⁴⁴. The World Bank further argues that the AfCFTA presents a major opportunity for African countries to bring 30 million people out of extreme poverty and to raise the incomes of 68 million others who live on less than \$5.50 per day. It further points out that full implementation of AfCFTA would reshape markets and economies across the region and boost output in the services, manufacturing and natural resources sectors⁴⁵. The AfCFTA also has the potential to increase employment opportunities and incomes, helping to expand opportunities for all Africans⁴⁶. It is therefore vital for the African Union and all African countries to ensure that the AfCFTA is implemented in order to strengthen intra-African trade and unlock the immense opportunities presented by the AfCFTA.

In addition to the AfCFTA, Regional Economic Communities (RECs) regional inter-governmental organizations in Africa have played a pivotal role in strengthening intra-African trade. Africa boasts several RECs and inter-governmental organizations including the Arab Maghreb Union (UMA); the Common Market for Eastern and Southern Africa (COMESA); the Community of Sahel-Saharan States (CEN-SAD); the East African Community (EAC); the Economic Community of Central African States (ECCAS); the Economic Community of West African States (ECOWAS); the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC)⁴⁷. According to the African Union, the purpose of the

⁴⁴ Ibid

⁴⁵ The World Bank., 'The African Continental Free Trade Area.' Available at <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area> (Accessed on 14/12/2023)

⁴⁶ Ibid

⁴⁷ Africa Union., 'Regional Economic Communities.' Available at [https://au.int/en/recs#:~:text=The%20purpose%20of%20the%20RECs,the%20Abuja%20Treaty%20\(1991\).](https://au.int/en/recs#:~:text=The%20purpose%20of%20the%20RECs,the%20Abuja%20Treaty%20(1991).) (Accessed on 14/12/2023)

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RECs is to facilitate regional economic integration between members of the individual regions and the wider African continent⁴⁸.

RECs have played a major role in strengthening intra-African trade. For example, COMESA established a Free Trade Area in 2000, setting the stage for the reduction of tariffs amongst member states⁴⁹. As a result, intra COMESA trade has grown at an average of seven per cent with higher increases reflected between intra-Free Trade Area States⁵⁰. It has also been pointed out that SADC has made tremendous achievements in a number of areas of regional cooperation and integration notably, in the areas of governance, democracy, peace and security; infrastructure and services; trade, industry, finance and investment; food, agriculture and natural resources; and social and human development⁵¹. The EAC has also seen a growth of regional trade with EAC trade value being recorded at \$10.17 billion representing a 20% share of Intra-trade to global trade⁵². According to the EAC, imports of locally available goods into the region; such as meat, furniture and textiles, have been attracting a tariff of 35 percent a move which aims at promoting local production, value addition and industrialization⁵³.

It is therefore evident that there has been some progress towards strengthening intra-African trade. However, despite this progress, it has been pointed out that presently, intra-Africa trade stands low at just approximately 14.4% of total African exports⁵⁴.

⁴⁸ Ibid

⁴⁹ Common Market for Eastern and Southern Africa., Available at <https://www.comesa.int/our-success-stories/#:~:text=COMESA%20established%20a%20Free%20Trade,intra%2DFree%20Trade%20Area%20States.&text=By%202018%2C%2098%25%20of%20NTBs,since%202008%20had%20been%20resolved.> (Accessed on 14/12/2023)

⁵⁰ Ibid

⁵¹ South African Development Community., 'SADC Major Achievements and Challenges.' Available at https://www.sadc.int/sites/default/files/2021-12/Achievements_booklet.pdf (Accessed on 14/12/2023)

⁵² East African Community., 'Intra-EAC Trade Hits the US\$10 billion Mark as EAC Readies to Send out Verification Mission Team to Assess Somalia's Readiness to Join the Bloc.' Available at [https://www.eac.int/press-releases/2706-intra-eac-trade-hits-the-\\$10-billion-mark-as-eac-readies-to-send-out-verification-mission-team-to-assess-somalia-s-readiness-to-join-the-bloc](https://www.eac.int/press-releases/2706-intra-eac-trade-hits-the-$10-billion-mark-as-eac-readies-to-send-out-verification-mission-team-to-assess-somalia-s-readiness-to-join-the-bloc) (Accessed on 14/12/2023)

⁵³ Ibid

⁵⁴ United Nations., 'Africa's Free Trade on Track, More Efforts Needed.' Op Cit

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Reports further indicate that intra-continental trade constitutes less than 14% of Africa's total trade, in comparison to 66.9% in Europe, 63.8% in Asia & Oceania, and 44.4% in the Americas⁵⁵. It has been argued that the dependence on external markets leaves the continent highly exposed to crises and shocks in other parts of the world, as showcased by the impact of COVID-19 and the ongoing Russia-Ukraine war⁵⁶. In addition, it has been asserted that while there is huge potential to increase intra-Africa trade, the composition of Africa's world imports and exports does not match sufficiently to trigger a process of import substitution away from the rest of the world⁵⁷. Further, it has been asserted that efforts to promote regional integration have reduced tariff protections, but despite significant progress, intraregional traders still face high tariffs⁵⁸. It has further been argued that non-tariff measures are potentially more trade restrictive than tariffs therefore hindering the growth of intra-African trade⁵⁹. In addition, it has been contended that low performance in trade facilitation indicators is also hampering the development of trade and the economy in the region⁶⁰. For example, it has been pointed out that many African countries score low in e-commerce, linear shipping connectivity and doing business indicators⁶¹. This has been attributed to several causes including small, fractured and partly isolated markets in the Continent⁶². UNCTAD posits that many African countries resorted to development strategies after gaining independence that included the establishment of RECs⁶³. However, several RECs have overlapping memberships and

⁵⁵ Mo Ibrahim Foundation., 'African Continental Free Trade Area (AfCFTA): Intra- Continental Trade still the Lowest Globally.' Available at <https://mo.ibrahim.foundation/news/2023/african-continental-free-trade-area-afcfta-intra-continental-trade-still-lowest-globally> (Accessed on 14/12/2023)

⁵⁶ Ibid

⁵⁷ Njuki. J., 'Intra-Africa Trade: Status and Growth Prospects.' Available at https://agriculture.ec.europa.eu/system/files/2021-06/fourth-au-eu-conference-intra-africa-trade_en_0.pdf (Accessed on 14/12/2023)

⁵⁸ Ibid

⁵⁹ Ibid

⁶⁰ United Nations Conference on Trade and Development., 'Key Statistics and Trends in Regional Trade in Africa.' Available at <https://unctad.org/publication/key-statistics-and-trends-regional-trade-africa> (Accessed on 14/12/2023)

⁶¹ Ibid

⁶² Ibid

⁶³ Ibid

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seem to complicate instead of facilitating trade relationships among the African countries.⁶⁴

The African Union Action Plan for Boosting Intra-African Trade further notes that the growth of intra-African trade is constrained by a number of factors including differences in trade regimes; restrictive customs procedures, administrative and technical barriers; limitations of productive capacity; inadequacies of trade-related infrastructure, trade finance, and trade information; lack of factor market integration; and inadequate focus on internal market issues⁶⁵. It is important to address these challenges in order to strengthen intra-African trade.

3.0 Way Forward

In order to strengthen intra-African trade, there is need to accelerate implementation of the AfCFTA and the Action Plan on Boosting Intra-African Trade. It has been argued that accelerating implementation of the AfCFTA presents an opportunity to create a borderless Africa a situation that will unlock trade and development in the continent⁶⁶. According to the African Union, the establishment of the AfCFTA and the implementation of the Action Plan on Boosting Intra-African Trade provide a comprehensive framework to pursue a developmental regionalism strategy⁶⁷. It is therefore imperative for all stakeholders to accelerate the implementation and advanced usage of the existing operational tools that facilitate the realization of commercially meaningful trading under the AfCFTA through the conclusion of the AfCFTA Phase One and two Protocols which provide a legal basis to advance the operationalization of the trading system under the agreement, development of the AfCFTA guided trade initiative, operationalization of the AfCFTA adjustment fund among other measures⁶⁸. The

⁶⁴ Ibid

⁶⁵ Africa Union., 'Action Plan for Boosting Intra-African Trade.' Op Cit

⁶⁶ African Economic Outlook 2023., Op Cit

⁶⁷ African Union., 'CFTA - Continental Free Trade Area.' Available at <https://au.int/en/ti/cfta/about> (Accessed on 15/12/2023)

⁶⁸ Africa Union., 'Theme of The Year 2023: "Acceleration Of AfCFTA Implementation' Available at <https://au.int/en/theme/2023/acceleration-of-afcfta-implementation> (Accessed on 15/12/2023)

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implementation of the AfCFTA and the Action Plan on Boosting Intra-African Trade will strengthen intra-African trade for Sustainable Development.

In addition, it is necessary to dismantle trade barriers including tariff and non-tariff barriers in Africa in order to strengthen intra-African trade⁶⁹. It has been observed that the growth of intra-African trade is hindered by non-tariff barriers including costly non-tariff measures, infrastructure gaps, and market information gaps⁷⁰. There are disproportionately high barriers to African goods travelling to other countries within the continent which take the form of physical barriers, tariffs, product regulations, quotas, among other restrictions⁷¹. There is need for sound policies to eliminate these barriers in order to foster greater integration of supply chains within Africa and allow goods to travel more freely⁷². It has rightly been asserted that cross-border trade in Africa can be promoted through appropriate trade policy towards the elimination of intra-regional trade and non-trade barriers⁷³.

Further, there is need to ease cross-border payments in order to boost intra-African trade⁷⁴. It has been argued that the expense and difficulty of making payments across borders is among the major reasons that trade among Africa's 55 countries amounts to only about 15 percent of their total imports and exports compared to an estimated 60 percent in Asia and 70 percent within the European Union⁷⁵. Further, it has been pointed out that since African countries' currencies mostly can't be directly exchanged in

⁶⁹ United Nations Conference on Trade and Development., 'Intra-African Trade: Unlocking Private Sector Dynamism.' Op Cit

⁷⁰ United Nations., 'Africa's Free Trade on Track, More Efforts Needed.' Op Cit

⁷¹ Global Development., 'Trade in Africa: Formal Barriers, Informal Networks, and Global Prospects.' Available at <https://globaldev.blog/trade-africa-formal-barriers-informal-networks-and-global-prospects/#:~:text=These%20can%20take%20the%20form,goods%20to%20travel%20more%20freely>. (Accessed on 15/12/2023)

⁷² Ibid

⁷³ Njinkeu. D., & Fosso. B., 'Intra-African Trade and Regional Integration.' Available at <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/09484259-EN-INTRA-AFRICAN-TRADE-AND-REGIONLA-INTEGRATION.PDF> (Accessed on 15/12/2023)

⁷⁴ Wellisz. C., 'Freeing Foreign Exchange in Africa.' Available at <https://www.imf.org/-/media/Files/Publications/Fandd/Article/2022/September/digital-journey-africa.ashx> (Accessed on 15/12/2023)

⁷⁵ Ibid

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international transactions, the dollar remains the most widely used currency in trade, even between African countries therefore exposing African countries to currency shocks among other challenges in the international currency market a situation that threatens trade in the Continent⁷⁶. Easing cross-border payments and embracing local currencies is therefore key in strengthening intra-African trade⁷⁷. The AfCFTA seeks to establish the Pan African Payment System (PAPSS), a centralised Financial Market Infrastructure enabling the efficient and secure flow of money across African borders⁷⁸. The system aims to link African central banks, commercial banks, and fintechs into a network that would enable quick and inexpensive transactions among any of the Continent's 42 currencies⁷⁹. It is therefore necessary to actualize the PAPSS in order to ease cross-border payments a move that will strengthen intra-African trade.

Another key measures towards strengthening intra-African trade involves embracing local content policies. Local content has been defined as a policy framework aimed at optimizing the economic value to be derived from the development of natural resources through domestic linkages while giving regard to the country's development goals, vision for a given sector, trade competitiveness and the financial viability of the natural resource being leveraged⁸⁰. The objective of a local content policy is to ensure that a high proportion of project inputs are sourced from the host country without compromising the economics of the project or sector being leveraged⁸¹. It has been argued that local content clauses in contracts assure that the exploitation of local natural resources has a

⁷⁶ World Economic Forum., 'Africa Embraces Local Currencies for Cross-Border Payments.' Available at <https://www.weforum.org/agenda/2023/12/africa-local-currencies-cross-border-payments/> (Accessed on 15/12/2023)

⁷⁷ Ibid

⁷⁸ Africa Union., 'Theme of The Year 2023: "Acceleration Of AfCFTA Implementation' Op Cit

⁷⁹ Ibid

⁸⁰ African Natural Resources Centre., 'An ANRC Step-by-Step Guide for Local Content Policy Formulation and Implementation.' Available at https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/anrc/ANRC_A_step-by-step_guide_for_local_content_policy_formulation_and_implementation.pdf (Accessed on 15/12/2023)

⁸¹ Ibid

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trickle-down effect on the local economy, through job-creation and training⁸². Furthermore, it has been pointed out that local content policies can accelerate the growth of African natural resources sectors including the oil and gas and renewable energy sectors a move which can strengthen intra-African trade in these sectors⁸³. African countries should therefore adopt the right local content policies in order to add value to their products and boost the competitiveness of Africa's commodity exports towards strengthening intra-African trade⁸⁴.

It is also important for African countries to curb illicit trade which is a major hindrance to intra-African trade and financial flows. According to the African Economic Outlook, Africa has lost more than \$1 trillion in illicit flows over the last 50 years, and it is likely that Africa will still lose about \$89 billion annually, if corrective action is not taken⁸⁵. It points out that illicit financial flows typically originate from corporate resource leakages, organized crimes, corruption, and bribery⁸⁶. Drivers of illicit financial flows in Africa include high tax rates on natural resources, low institutional capabilities, political instability, and poor regulatory quality⁸⁷. The African Development Bank further asserts that illicit trading in natural resources erodes the economic benefits accruing to the larger African society⁸⁸. It asserts that there is high incidence of illicit trade in Africa's natural resources including minerals, fisheries, forestry, oil, and wildlife resulting in economic loss and social challenges therefore threatening intra-African trade in these sectors⁸⁹. UNCTAD further opines that Africa is estimated to lose substantial resources through

⁸² Africa Oil Week., 'The Role of Local Content in Building Africa's Oil, Gas and Renewables Energy Mix.' Available at <https://africa-oilweek.com/Articles/the-role-of-local-content-in-building-africas> (Accessed on 15/12/2023)

⁸³ Ibid

⁸⁴ African Economic Outlook 2023., Op Cit

⁸⁵ Ibid

⁸⁶ Ibid

⁸⁷ Ibid

⁸⁸ African Development Bank., 'Illicit Trade in Natural Resources in Africa.' Available at https://www.afdb.org/fileadmin/uploads/afdb/Documents/Events/IFF/Documents_ILLI_CIT_TRADE_IN_NATURAL_RESOURCES.pdf (Accessed on 15/12/2023)

⁸⁹ Ibid

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illicit financial flows⁹⁰. It points out that these flows originate from several sources such as revenues from illegal activities, tax avoidance, abusive profit-shifting, trade mis-invoicing, corruption, and others⁹¹. It is important to combat illicit financial flows and illicit trade in Africa in order to strengthen economic development and accelerate intra-African trade.

Finally, there is need to strengthen regional integration in order to boost intra-African trade. RECs in Africa including the COMESA, ECOWAS, SADC, and EAC have been vital in fostering economic integration, trade and development in Africa⁹². It has been pointed out that African countries will trade more with each other if they upgrade their productive capacities in dynamic sectors of the economy and support the development of regional enterprises and value chains⁹³. The AU Action Plan for Boosting Intra-African Trade urges African countries to create regional and continental value chains in order to increase local production and trade in goods produced in Africa⁹⁴. Regional economic integration in Africa is an important driver for building productive capacities and achieving structural transformation for sustained development⁹⁵. African countries have been urged to pursue stronger regional integration in order to reap the benefits of larger markets and take advantage of economies of scale; and to tackle regional and global challenges such as climate change, pandemics, and fragility⁹⁶. It is therefore necessary for African countries to enhance regional integration in order to strengthen intra-African trade.

⁹⁰ United Nations Conference on Trade and Development., 'Defining, Estimating and Disseminating statistics on Illicit Financial Flows in Africa.' Available at <https://unctad.org/project/defining-estimating-and-disseminating-statistics-illicit-financial-flows-africa> (Accessed on 15/12/2023)

⁹¹ Ibid

⁹² Africa Union., 'Regional Economic Communities.' Op Cit

⁹³ Africa Union., 'Action Plan for Boosting Intra-African Trade.' Op Cit

⁹⁴ Ibid

⁹⁵ The World Bank., 'Regional Integration Removes Barriers to Development in Africa.' Available at <https://www.worldbank.org/en/results/2023/12/08/regional-integration-removes-barriers-to-development-in-africa> (Accessed on 15/12/2023)

⁹⁶ Ibid

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Through the following among other measures, intra-African trade will be strengthened for Sustainable Development.

4.0 Conclusion

Trade is a vital tool in the realization of Sustainable Development. The United Nation's 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals (SDGs)⁹⁷. Trade can enable countries to realize the SDGs by achieving food security, generating decent employment opportunities for the poor, promoting technology transfer, ensuring national economic security and supporting infrastructure development, not only for moving goods to and from ports, but also for basic services such as health, education, water, sanitation and energy⁹⁸. Intra African trade has been advocated as a tool for building sustainable economic development and regional integration in Africa⁹⁹. There has been progress towards strengthening intra-African trade including the adoption of the AfCFTA¹⁰⁰. However, intra-African trade is still threatened by challenges including differences in trade regimes; restrictive customs procedures, administrative and technical barriers; limitations of productive capacity; inadequacies of trade-related infrastructure, trade finance, and trade information; lack of factor market integration; and inadequate focus on internal market issues.¹⁰¹ There is need to address these challenges in order to strengthen intra-African trade. This can be achieved through accelerating implementation of the AfCFTA and the Action Plan on Boosting Intra-African Trade; dismantling trade barriers including tariff and non-tariff barriers; easing cross-border payments in Africa; embracing local content

⁹⁷ United Nations General Assembly., 'Transforming Our World: the 2030 Agenda for Sustainable Development.' 21 October 2015, A/RES/70/1., Op Cit

⁹⁸ Galmés, G.V., 'Trade as an enabler of sustainable development and poverty eradication,' in United Nations, The Road from Rio+20: Towards Sustainable Development Goals, Issue 4, September 2014, p. 10. UNCTAD/DITC/TED/2014/1., Op Cit

⁹⁹ African Development Bank Group., 'Intra-African Trade is Key to Sustainable Development – African Economic Outlook.' Op Cit

¹⁰⁰ African Union., 'Agreement Establishing the African Continental Free Trade Area.' Op Cit

¹⁰¹ Africa Union., 'Action Plan for Boosting Intra-African Trade.' Op Cit

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policies; curbing illicit trade; and strengthening regional integration¹⁰². Strengthening intra-African trade for Sustainable Development is a noble continental agenda that can be realized.

¹⁰² Ibid; Africa Union., 'Theme of The Year 2023: "Acceleration Of AfCFTA Implementation' Op Cit; Njinkeu. D., & Fosso. B., 'Intra-African Trade and Regional Integration.'; and United Nations Conference on Trade and Development., 'Intra-African Trade: Unlocking Private Sector Dynamism.' Op Cit

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