



A MACRO-LEVEL ANALYSIS OF THE AFCFTA FOR CENTRAL AFRICA

LINKING TRADE POLICY TO INDUSTRIALIZATION AND
DIVERSIFICATION PLANS

ABSTRACT

Established on 1 January 2021, the African Continental Free Trade Area (AfCFTA) is a key opportunity for Central African governments to build upon regional integration strategies, aligning their national trade strategies as well as industrial strategies, to enhance intra-regional trade as well as trade with continental partners. For an agreement as comprehensive as the AfCFTA, implementing evidence-based policies necessitate comprehensive analysis of plausible economic outcomes of policy strategies for the AfCFTA and in concordance with national industrialization strategies. In this paper, being the most comprehensive CGE analysis for Central Africa to-date, we model the impact of the AfCFTA on Cameroun, Tchad, the Congo, Gabon, and Rwanda, with consideration of three possible scenarios of structural change for the region.

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1. Introduction

Established on 1 January 2021, the African Continental Free Trade Area (AfCFTA) is a key opportunity for Central African governments to build upon regional integration strategies, aligning their national trade strategies as well as industrial strategies, to enhance intra-regional trade as well as trade with continental partners. Several Central African governments including Cameroon, Congo, the DRC, and Tchad have developed their national strategies and work is underway for other countries. Governments with established AfCFTA strategies are currently involved in the mise-en-oeuvre.

For an agreement as comprehensive as the AfCFTA, implementing evidence-based policies necessitate comprehensive analysis of plausible economic outcomes of policy strategies for the AfCFTA and in concordance with national industrialization strategies. To be able to model AfCFTA for the Central African region and obtain the detailed results including each country, it is therefore necessary to develop a model comprehensive of the economic structure of each Central African country as well as the economic links between countries (including international trade). The strong point of Computable General Equilibrium (CGE models) is that there is the supply side and the demand side, enabling analysis of the effects of new policies on trade but also on production. In addition, the GTAP model is well detailed, in a macroeconomic sense, with 65 sectors available for each of the 141 countries and regions currently in its database.

Several CGE studies have analyzed the AfCFTA, at the continental level, with certain reporting results for select members of Central Africa, from institutions including the European Commission (Simola et al., 2021), the World Bank (The World Bank, 2020), the IMF (Abrego et al. 2019), UNCTAD (Vanzetti et al., 2018; Saygili et al. 2018), and the ECA (Mével and Karingi, 2012). Ekobena et al. (2021) specifically analyze the effects of the AfCFTA on Central Africa, presenting macro-level findings at the country level for Cameroon, CAR, DRC, Gabon and Chad. The present paper builds from and expands upon these studies through its focus on Central African countries (members of the Economic Community of Central African States (ECCAS)) and importantly through linking trade policy to industrialization plans at the sectoral level.

2. Methods

For the African continent, data limitations have meant that several countries are aggregated into regional groupings. At present, of the members of ECCAS, only Cameroun and Rwanda are represented as individual countries in the GTAP Database version 10. Recent work by the UNECA African Trade Policy Center has collected data to expand the GTAP Database. Completed data collection includes data for Tchad, the Congo, and Gabon. Therefore, implementing this preliminary database, we perform a preliminary analysis focused on these five countries with available data, while awaiting data for the Central African Republic, Equatorial Guinea, Burundi, the DRC, Angola, and São Tomé and Príncipe.

Below, Table 1 shows the regions and countries in the model. As specified above, we define the five available countries of ECCAS, and we have an aggregate for the Rest of ECCAS. We have six other aggregates for other African regions, namely, Arab Maghreb Union (UMA), Union Économique et

Monétaire Ouest Africaine (UEMOA), Rest of Economic Community of West African States (ECOWAS), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Southern African Development Community (SADC). We also define the European Union (EU), Asia and Pacific, the Americas, and the Rest of the World.

Table 1. Regions and Countries defined in the Model

Region/Country
Cameroon
Tchad
Congo
Gabon
Rwanda
Rest of ECCAS
UMA
UEMOA
ECOWAS
COMESA
EAC
SADC
EU
Asia and Pacific
Americas
ROW

For the analysis, being the most comprehensive CGE analysis of Central Africa to-date, we implement the standard GTAP model (Corong et al. 2017) in order to use the preliminary database version. We implement an illustrative AfCFTA scenario through intracontinental tariff removal as well as implementing a reduction in non-tariff barriers (NTBs), though we consider NTBs to only be actionable at 50%.

We consider the implementation of the ZLECAf along possible pathways for structural change based on industrialization plans. In particular, we consider the following pathways of structural change:

- i. increasing industrialization (growth of manufacturing sectors)
- ii. increasing servicification (growth of services sectors)
- iii. increasing industrialization and servicification

Therefore in total, we consider 4 scenarios, including the basic AfCFTA scenario as aforementioned, and the AfCFTA scenario combined with each of the three pathways for structural change.

3. Results

- a. Macro-economic results
- b. Production results

c. Trade results

4. Discussion

5. Conclusion

6. References

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