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The Trend in Regional Unification in Africa

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On October 10th the Economic Partnership Agreement (EPA) between the South Africa Development Community (SADC) and the EU became effective[1]. This agreement, after ten years of negotiation, is the first agreement that became effective between an African regional community and the EU, it will abolish or reduce customs duties and from now on will be able to build a stable trade relationship with the EU.

The country of South Africa, which makes up of 70% of the trade between SADC and the EU, enacted the Trade, Development and Cooperation Agreement (TDCA) between the two in 2000, and already custom duties of many products are partially or fully exempted. In that sense, for South Africa, the signing of an economic cooperation between South African countries and the EU does not have much meaning. But this time South Africa dissolved the TDCA and unified the agreement to the EPA with the EU. This shows that they take serious consideration the unification of the trade system amongst the South African nations as the same as cooperation with the EU.

In the past years the trade amount between the Africa and the EU, transited between 45 to 55% of the total trade amount of Africa but after 2000 largely dropped and became 31% in 2015. On the other hand, with the increase of Chinese investments into Africa, after 2000, trade amount with China, which was transiting around 1 to 2% of the total amount before, increased largely and reach 16% in 2015. Also, in regards to trade within the African region it is increasing as well, before it was around 5% of the total amount but has increased to 14%. From now on, although gradual, it is expected the trade with China and within the African region will increase (See Chart 1).

In Africa, in the East, West and South African areas regional communities are being set up aiming for the realization of free movement of products and people. Also, within the three regional communities[2] of Africa there was a movement that was aiming for, promotion of

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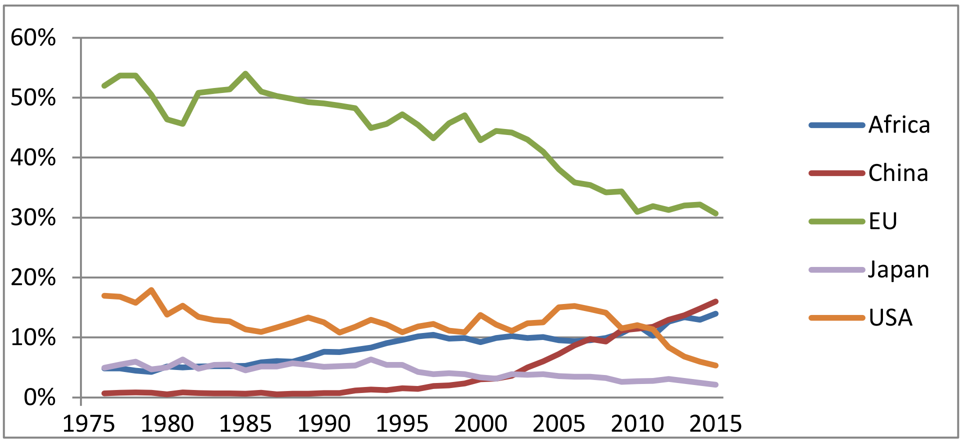
[1] Of the 15 member countries of SADC, 7 countries; South Africa, Swaziland, Botswana, Lesotho, Namibia, Mozambique and Angola were in the EPA negotiating group. Mozambique was under ratification process domestically and Angola had not yet signed the agreement, they did not participate but probably will in the future. The other member countries of SADC are in EPA negotiation with the EU through other regional communities.

[2] An agreement signed between the East African Community (EAC), Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA).

transportation and trade, establishments of special free trade zones and infrastructure development, thus leading to the signing of the Tripartite Free Trade Area agreement on June 2015. A regional market made up of 26 countries from Cairo to Cape Town was built, with a population of 625 million, total GDP of the member countries being over 1 trillion dollars, it is a regional community larger than the EU and NAFTA. From now ratification procedures of each country would be needed and it will be quite some time before the agreement becomes effective but it will be an agreement that is going to contribute largely towards the activation of trade within the African region and the promotion of trade with countries outside Africa.

BREXIT showed a lot to the world the difficulties in the maintaining of a regional community. But for Africa, which is in its development stage, the activation of trade within the region, attracting of investments from developed and newly industrialized countries and being able to have fair trading, is necessary in the realization of a regional community. It is anticipated that the movement of regional communities in Africa would be the key in Africa's economic growth.

Chart 1 Africa trade shares by destination



(Source) IMF