

8. SUMMARY AND CONCLUSIONS

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This report has presented an examination of the recent trends, current status, and future outlook of African agricultural trade in global and regional markets. In this final chapter, the report's findings are briefly summarized, and general conclusions and policy recommendations are presented.

The findings presented in Chapter 2 indicate that, although African exports have grown over time, imports have increased more rapidly, leading to a growing trade deficit. The increase in imports was due to demographic changes, as well as the low competitiveness of domestic producers. Despite the increase in agricultural exports, their share of Africa's total exports fell by half during 1998–2013 based on more rapidly rising exports of minerals and oil. Africa's agricultural exports appear to have become moderately more diversified during this time-frame, whereas imports remained fairly stable. The European Union (EU) remains Africa's top trading partner, but both imports from and exports to the EU declined during 1998–2013. Trade with Asia increased, such that—if these trends continue—Asia is likely to replace the EU as Africa's top trading partner. Efforts to pursue increased economic integration led to significant increases in intra-regional trade during the period, although, as of 2013, the overall level of intra-regional trade remained low.

Chapter 3 focused on intra-regional trade patterns, both Africa-wide and among the four major regional economic communities (RECs): the Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). Findings indicate that intra-African trade expanded significantly during 1998–2013, increasing by about 12 percent per year on average. The largest increase occurred in the ECCAS region, whereas the lowest increase was in the SADC region. Regional trade integration—measured as the ratio of trade within each of the four RECs to the total trade of each REC across Africa—was highest in ECOWAS and lowest in ECCAS.

COMESA and SADC play larger roles as destinations for and origins of African trade than do the other two RECs.

Chapter 4 presented a review of changes in the competitiveness of exports of different countries and agricultural products during 1998–2013, and investigated the determinants of these changes through econometric analysis. Findings indicate that, in most RECs, member countries increased or maintained their competitiveness in global and regional markets; the exception was ECCAS, whose member countries tended to lose competitiveness. Improvements in the competitiveness of the member countries of COMESA, ECOWAS, and SADC primarily occurred in intra-regional markets. With some exceptions, the majority of African export commodities gained competitiveness in global markets. The most competitive commodities accounted for fairly small export shares, however, suggesting that potential exists to expand exports by leveraging gains in competitiveness. Determinants of competitiveness improvements were found to include the ease of doing business, institutional quality, the size of the domestic market, and the quality of customs.

Chapter 5 presented an examination of factors contributing to Africa's improved agricultural export performance, using a gravity model to assess the importance of different determinants of trade and of the constraints to further improving exports. Findings indicate that supply-side constraints (including production capacity and the cost of trade) affect trade performance to a greater extent than do demand-side constraints (including trade policies and agricultural supports in importing countries). This suggests a focus on removing domestic constraints to increased trade. Nontariff barriers to trade were also found to be increasing and to present larger obstacles to exports than do tariffs. Findings highlight the potential of RECs to promote the removal of barriers to trade at both the regional and global levels, as well as the continued importance of global cooperation to facilitate trade.

Chapter 6 presented a review of a broad range of domestic and global factors within and beyond the agricultural sector that affect African trade performance and outlook. Emerging issues, such as climate shocks and increasing nontariff barriers to trade, present threats to trade performance. The chapter also addressed a variety of developments with the potential to boost African trade, including the development of a modern agribusiness sector, increasing regional integration, changing perceptions of agriculture on the part of youth, investments in hard and soft infrastructure, and efforts to increase domestic capacities to engage in trade. Evidence indicates the need for action on a wide range of fronts, including increased smallholder productivity and commercialization, increased regional integration and harmonization of standards, and continued investments in infrastructure and financial services.

Chapter 7 presented an examination of the potential for increased intra-regional trade in West Africa, the feature region of this report, to stabilize domestic food markets in the region. Findings indicate that the distribution of production volatility among West African countries suggests significant potential to lessen the impacts of domestic shocks through increased regional trade, while patterns in agricultural production and trade show scope for increasing regional trade levels. Analysis of a simulation model shows that intra-regional trade is expected to increase under current trends. Intra-regional trade growth can be accelerated through small reductions in trading costs, small increases in crop yields, or a reduction in trade barriers. The increased intra-regional trade resulting from these changes would reduce food price volatility in regional markets.

The analyses presented in this report demonstrate undeniable improvements in Africa's trade performance since the late 1990s, in both global and regional markets, as is reflected by the overall increase in competitiveness for the majority of countries and commodities. Nevertheless, progress has been uneven, with some regions and countries consistently underperforming others. Challenges remain in further enhancing Africa's competitiveness in global markets and in increasing intra-regional trade, which remains below its potential despite significant recent improvements. The findings of Chapter 4 point to the importance of the institutional and business environment in improving a country's export competitiveness, while Chapter 5 also emphasizes the role of domestic factors in increasing exports, including production capacity and trading costs. Global trade policies and international cooperation also play a large role in facilitating trade, as is discussed in Chapter 6. Chapter 7 focuses on West Africa, demonstrating the role of potential domestic and regional policy actions to increase intra-regional trade and enhance the stability of regional markets.

The chapters suggest a series of recommendations for policymakers, including (1) efforts at country and regional levels to increase agricultural productivity along the value chain, improve market access, and improve the functioning of institutions; (2) regional actions to enhance economic integration and harmonize standards and procedures; and (3) Africa-wide efforts to promote trade facilitation in international negotiations. Policy actions such as these can influence the trends described in this report and accelerate improvements in Africa's trade performance, thereby increasing incomes and improving food security across the continent.