

DIVERSIFYING TRADE IN AFRICA

NEW STRATEGY APPROACHES FOR THE
AFRICAN CONTINENTAL FREE TRADE AREA



Diversifying Trade in Africa

New strategy approaches for the African
Continental Free Trade Area

About the paper

Africa's Continental Free Trade Area agreement, one of the most ambitious regional integration efforts of the 21st century, is requiring policymakers to align a wide range of complex and divergent trade strategies across the continent.

If the agreement is to foster economic transformation, its strategic focus may have to deviate from previous efforts. Existing trade strategies focus on trade promotion, finance and small businesses but very little on innovation. While many strategies focus on agriculture and services, few of them focus on manufacturing. To achieve robust regional integration, an increased emphasis on innovation and on higher-value added sectors may be necessary.

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Foreword

With Africa's Continental Free Trade Area (AfCFTA) agreement, the continent is embarking on an ambitious initiative focused on integration, cooperation and partnerships. The regional integration effort addresses competitiveness on a continental scale. The free movement of people, capital, goods and services will bring greater trade and investments among African countries and a single African market will generate opportunities for the continent's wealth of young and female entrepreneurs.

The AfCFTA takes place at a complex time for multilateralism and global cooperation. Three on-going revolutions – digital, environmental and social – are generating anxiety and protectionist tendencies, which affect the world economy. In addition, a growing geo-political rivalry between the United States and China is putting to the test multilateral cooperation frameworks. Against this backdrop, it is positive that African governments and businesses see closer regional cooperation as essential to create more jobs, greater value addition and to reduce poverty.

Negotiating any trade agreement requires intensive analysis and consultations. Without a shared vision around a common destination, shared rules and priority sectors, a trade agreement can easily become a theoretical exercise. If not designed properly and used by the private sector, the agreement will foster little economic benefits. This is why investing in the 'design phase' will be essential for African policymakers to align often complex and even divergent national trade strategies across the continent.

Using the International Trade Centre's Trade Strategy Map dataset, this report is a tool for policymakers that provides an analysis of existing African trade strategies at national and sub-regional levels. It will allow policymakers to have a common understanding of the status quo when embarking on AfCFTA negotiations. The analysis also allows policymakers to identify where national strategic objectives are aligned and where they are not, signalling to negotiators areas that may require specific attention.

This report demonstrates that the current strategic focus of the continent is on a narrow range of agricultural and primary products. This focus may need to be better aligned with the continent's ambitions to add value in the agricultural sector, expand its manufacturing base sustainably, and develop a thriving services sector.

The AfCFTA is the opportunity to change the strategic direction of the continent and to focus more on innovation and the development of higher value-added sectors. The International Trade Centre stands ready to continue in contributing to this process.

Aranca González

Executive Director
International Trade Centre

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Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

AfCFTA	African Continental Free Trade Agreement
DTIS	Diagnostic trade integration studies
ICT	Information and communications technology
GDP	Gross domestic product
ITC	International Trade Centre
NES	National export strategy
PRSP	Poverty reduction strategy papers
SES	Sector export strategy
SITC	Standard International Trade Classification
SME	Small and medium-sized enterprise
TVET	Technical, vocational education and training
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
WTO	World Trade Organization

Executive summary

African policymakers are embarking on what may be the most ambitious regional integration effort of the 21st century. The African Continental Free Trade Area (AfCFTA) Agreement aims to design a first-of-its-kind common strategy for Africa's trade competitiveness and development. As policymakers advance AfCFTA negotiations, they will have to assess how trade strategies in Africa fit with AfCFTA's vision for the continent. In some areas, straightforward win-win situations are expected to arise. In others, trade-offs may have to be made.

The AfCFTA is part of an emerging trend in Africa over the past 15 years to develop more national and regional strategies for export competitiveness and development. Against this backdrop, this paper assesses Africa's existing national and sub-regional strategies to identify common thematic and sectoral trends as well as potential sources of tension in the ongoing AfCFTA negotiations.

The report examines 181 strategic African trade and development documents that are included in the International Trade Centre (ITC) Trade Strategy Map database. The analysis presented in the report aims to help African policymakers navigate the complexity of existing strategic arrangements in Africa by providing insights for new regional trade strategy initiatives such as the AfCFTA.

The report suggests that African trade policy considerations should take into account the following trends:

- While Africa's regional strategy discourse is on manufacturing and industrialization, its national trade strategies continue to focus on agriculture and primary products. Agriculture accounts for less than 20% of the continent's GDP but more than 60% of the priority sectors in African trade strategies. Manufacturing and high value-added sectors are rarely prioritized at both the country and regional level. This focus on a narrow range of agricultural and primary products only contributes to perpetuate, rather than evolve, existing trade relationships within Africa and between Africa and other regions.
- With almost half of the world's regional trade strategies, Africa is a champion of regionalism. Close to 80% of existing trade strategies in Africa identify trade integration and regionalism as crucial policy areas, but currently only 10% of African strategies have a regional scope, which indicates there is space for regionalism to grow.
- There are significant similarities in the sectors that African countries prioritize in their national trade strategies, with agricultural products being prioritized across all regions. Differences can nevertheless be appreciated in the sectoral focus across African regions.

North Africa focuses mostly on energy and bio-fuels while textiles and clothing predominate in sub-Saharan Africa. East Africa and West Africa focus on foodstuffs, animals and animal products. Services sector priorities are highly concentrated on tourism, transport and, to a lesser extent, on information and communications technology, and finance.

- Given the degree of overlap of sector priorities at the country and regional level, developing a common space for a regional strategy for Africa is not going to be simple. Overlapping sector priorities could become a potential source of tensions during AfCFTA negotiations.

Neighbouring countries find themselves very often prioritizing the same type of agricultural products. Examples include maize (Democratic Rep. of the Congo, Uganda, United Rep. of Tanzania), pulses (Ethiopia, Kenya), mango and onions (Burkina Faso, Mali), and cashew (Benin, Burkina Faso, Mali, Côte d'Ivoire, Gambia, United Rep. of Tanzania) among many other.

Moving forward, this paper suggests that:

- The AfCFTA can provide the opportunity to change the strategic direction of the continent, as the current strategic focus is on a very narrow range of agricultural and primary products.
- A larger focus on innovation may be needed. Innovation is seldom featured as a priority in African trade competitiveness strategies, yet it will be important for upgrading and diversification.
- African countries have tended to allocate fewer resources to the implementation of their strategies and also have a lower degree of country ownership. These aspects may have to be addressed for the AfCFTA to be a success.
- Smaller nations in Africa can play a key role in building the African common market. They tend to engage more in regional strategies; a phenomenon that has also been identified in the context of European integration. Policymakers from smaller nations should pursue a more aggressive stand towards production and export diversification. The AfCFTA offers the opportunity to discuss a new trade strategy for the African continent, focusing on sectors that can add value and contribute to African industrialization.

CHAPTER 1. CONNECTING TRADE STRATEGIES WITH REGIONAL AMBITIONS FOR AFRICAN INDUSTRIALIZATION

The ongoing negotiations of the African Continental Free Trade Agreement (AfCFTA) aim to design a common strategy for Africa's trade and development.¹ This chapter analyses the sector priorities of existing trade strategies in Africa and reveals that while Africa's official discourse is on manufacturing and industrialization, its trade strategies continue to focus on agriculture and primary products. If the AfCFTA is to foster competitiveness and economic transformation, its strategic focus may have to deviate from these previous efforts.

African countries have overlapping export priorities

Most African trade strategies prioritize a similar group of export products and services. Africa's sector priorities are concentrated on a very narrow range of agricultural products, and historical data shows little variation over time. From 2005 to 2018, services accounted for 25% of the sectors included in trade strategies. The remaining 75% consisted of product sectors, with agricultural products representing two-thirds of goods produced.

Agricultural sectors have traditionally been highly prioritized in Africa. This focus on agriculture began a decline from 60% in 2010 to 50% in 2016. It has stabilized at this level.

As illustrated in Figure 1 (left), fewer than 20% of the priority sectors in Africa's country-specific strategies have a link to manufacturing. The focus on industrial and manufacturing sectors has been in a constant and gradual decline since 2005. It is clear that African interest in services sectors far exceeds that of manufacturing.

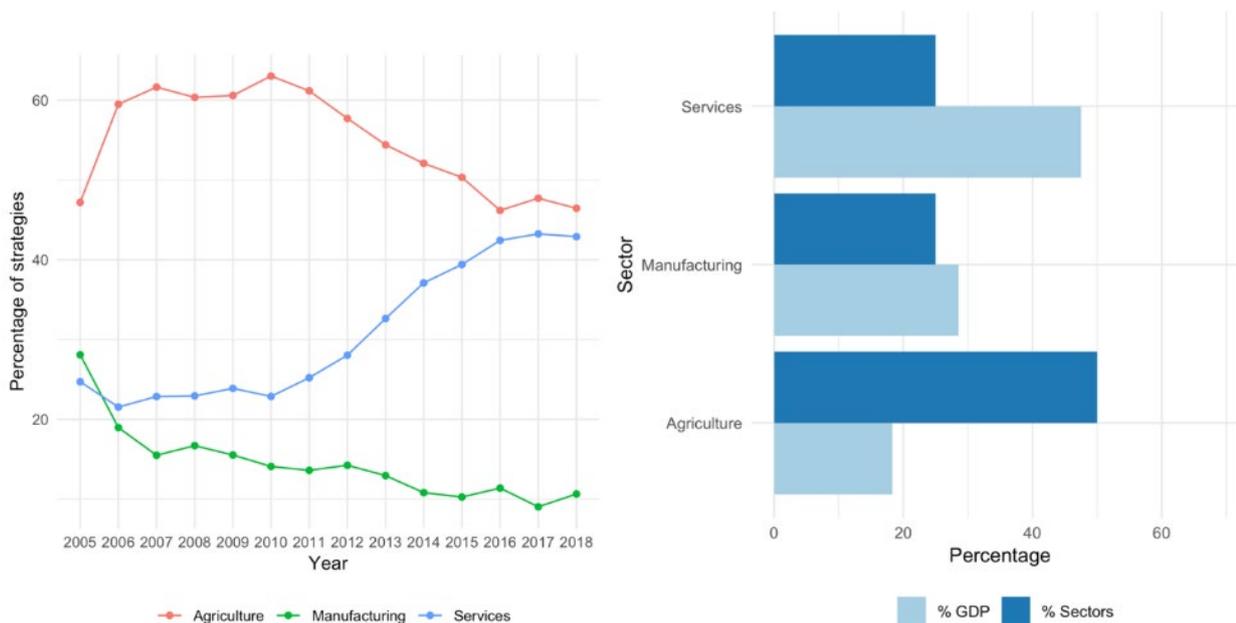
Comparing African sector priorities to their relative weight in economic activity (proxied by African share of GDP in those sectors) shows that services are under-prioritized and agriculture over-prioritized.² In 2018, in sub-Saharan Africa, agriculture accounted for less than 20% of the continent's GDP but more than 60% of the priority sectors in African strategies.

As shown in Figure 1 (right), the weight of manufacturing sectors on GDP was approximately the same as the sector priorities (28% and 25%). When only international strategies are considered though, the difference is very striking (9% and 25%) with international strategies under-prioritising manufacturing sectors.

¹ The decision to establish a Continental Free Trade Area (CFTA) was taken during the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union, held in Addis Ababa, Ethiopia in 2012. In 2019, CFTA was finally adopted. Source <https://au.int/en/ti/cfta/about>

² This comparison is made at the sub-Saharan level.

Figure 1: Sector priorities in African strategies over time (left) and compared to their share of GDP (right), 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map³ and World Bank's data <http://wdi.worldbank.org/table/4.2>.

ITC used a simple rule-of-thumb method to compare the share of GDP and sector priorities. Despite its simplicity, this method provides insights on the ambitions of policymakers. Domestic policymakers are not signalling a big push for industrialization, and are in fact slightly under-prioritising manufacturing. The message that they are sending is that they see their economic future in agriculture sectors.

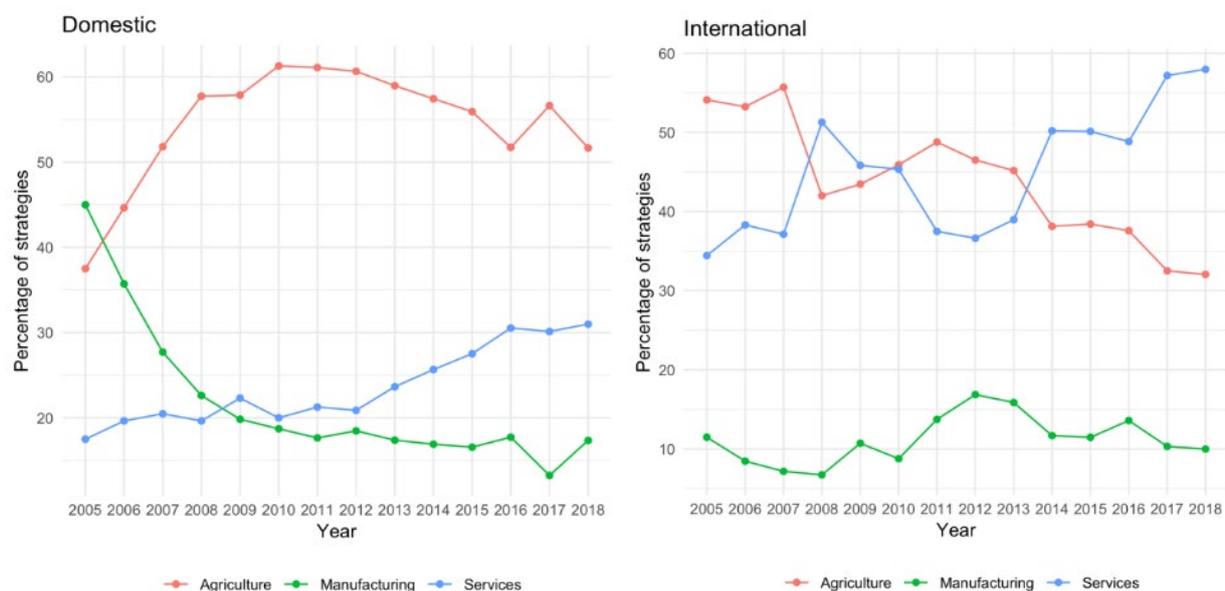
The differences between Africa's home-grown strategies and those driven by international organizations are relevant to explain the gradual process of prioritizing services sectors. Starting in 2011, and intensifying until 2016, this process has meant that two out of three sectors considered for strategic action have been services sectors (Figure 2).

However, modern services, which include some of the fastest growing sectors in the global economy (i.e. insurance, finance, information and communications technology (ICT)) are losing weight in policymakers' trade development efforts.⁴ Traditional sectors – mainly transport, travel, construction, as well as personal, cultural and recreational services – are gaining weight in the services strategy mix. Trade strategies developed by international organizations tend to have a higher focus on services sectors than those developed by national counterparts.

³ This trend emerges from analysis of documents in ITC's Trade Strategy Map database. This repository contains 1,370 documents from 169 countries that focus on trade and development, and are used as both tools for strategic policy planning as well as legitimate policy instruments. Access to ITC's Trade Strategy Map database is free at www.tradestrategymap.org

⁴ See IMF (2017) for more on this.

Figure 2: Sector priorities in African country-specific strategies, 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

Identifying the level of overlap among sectors is possible thanks to the sector description included in ITC's Trade Strategy Map for every strategy.⁵ ITC cleaned the data to facilitate its comparison across strategies and countries⁶, and its research reveals that the way in which a particular sector is defined across different strategies can differ significantly.⁷

The level of abstraction also varies significantly even within the same strategy document. Sometimes the definition of the sector is rather abstract (e.g. agri-industry), and other times it is relatively specific (e.g. coffee). In both cases, the information has been considered useful to assess the degree of overlap among African export development plans.

At the beginning of 2019, there were 79 trade-focused strategies under implementation across Africa.⁸ The 11 strategies that did not prioritize any sector and three other regional strategies have been left out of the discussion for simplicity. The remaining 65 strategies are used to shed light on the degree of overlap of sector priorities across countries. Four of the poorest nations in Africa, namely Burundi, Central African Republic, Eritrea and Somalia, did not have any trade strategy in place in 2019.

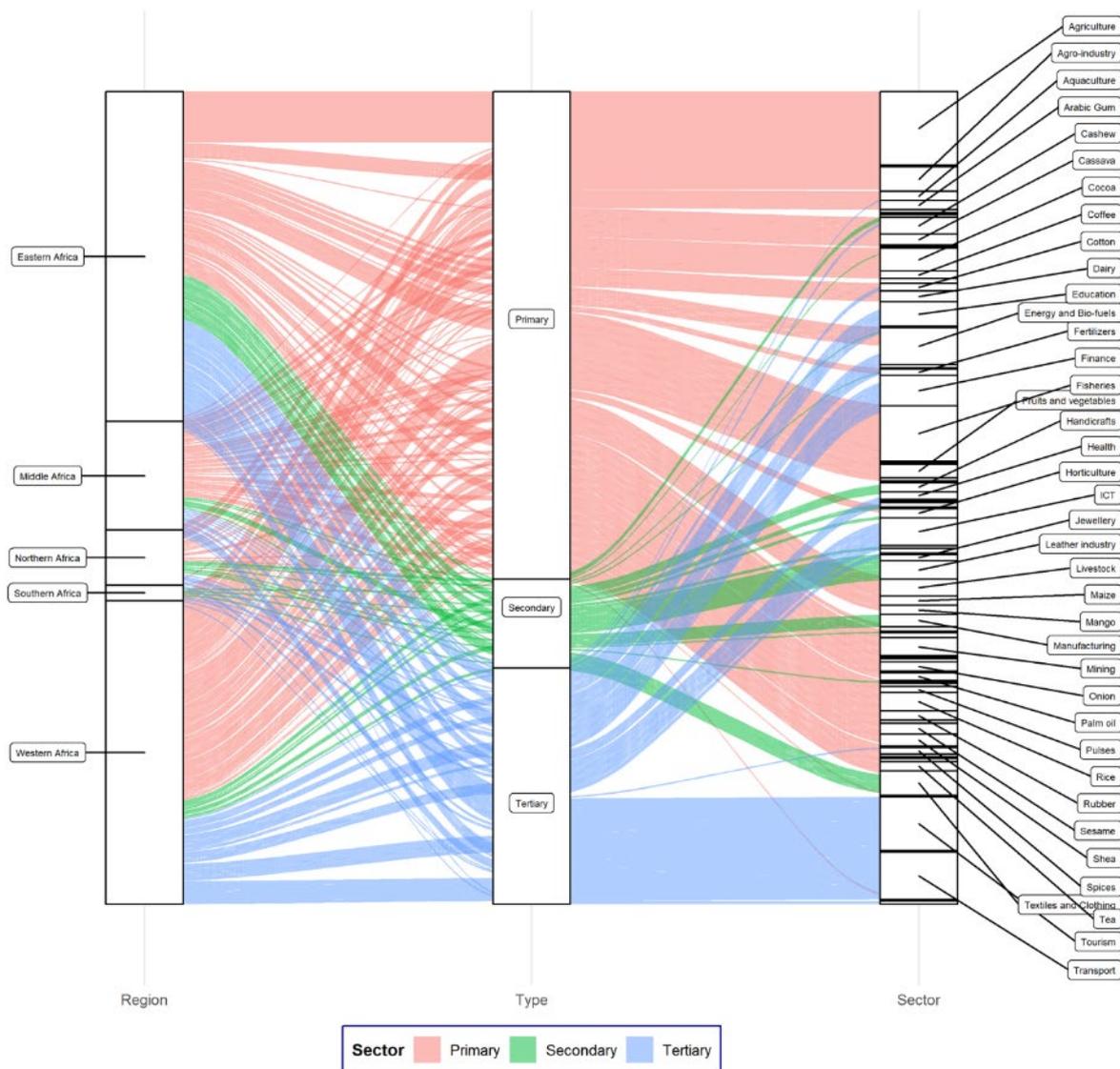
⁵ The dataset provides the exact wording of the description of the prioritized sectors.

⁶ A simple cosmetic process. For instance, phosphates and fertilizers have been re-named simply as fertilizers.

⁷ The dataset includes for each sector a matching correspondence to the closest harmonized system 2 category for products and WTO-120 classification for services.

⁸ These are the strategies that are identified as "trade focused" in the Trade Strategy Map dataset.

Figure 3: Sector focus in strategies, by African region, 2018



Note 1: The sectors as described in the strategy document are stratified by type of sector.

Note 2: Annex III includes a version of this chart displaying all African countries.

Source: Authors' calculations using ITC's Trade Strategy Map.

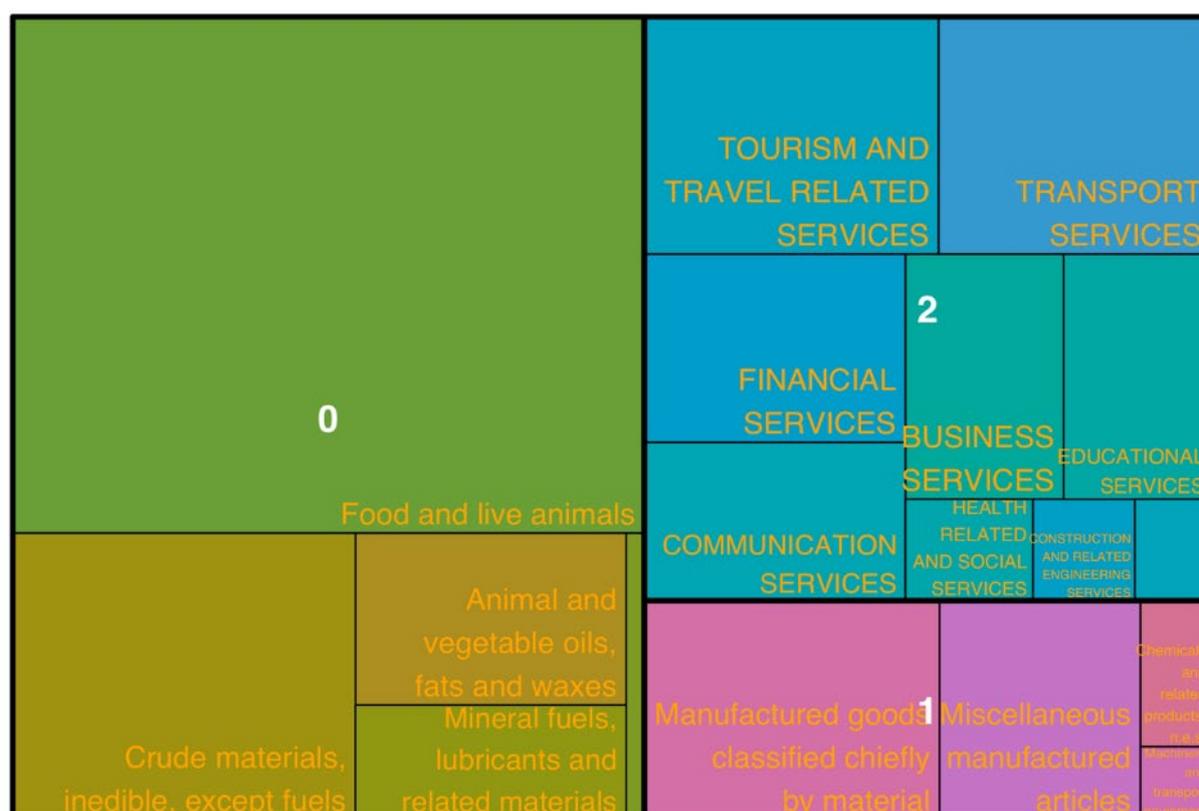
Africa's 65 trade strategies under implementation in 2018 specify 372 priority sectors that can be classified under 78 different types of sectors. This would give an average of about five different priority sectors per strategy. Several patterns can be observed in the visualisation presented in Figure 3. First, there is a large degree of coincidence on the actual sectors that countries prioritize. Although some differences can be appreciated in the sectoral focus across African regions, vegetable products are prioritized across all regions. North Africa focuses mostly on energy and biofuels, while textiles and clothing predominate in sub-Saharan Africa. East Africa and West Africa focus on foodstuffs, animals and animal products.

The focus of Africa on primary products is evident. Very few countries prioritize sectors with higher value added. What seems to be common is the interest in service strategies. There is little variation across regions on the share of priority sectors in services. The most prioritized categories of services sectors are tourism, transport, financial, educational and communication services. This indicates a widely shared perception on how these sectors can help to empower economic growth.

An analysis of priority sectors in strategies that are currently under implementation shows that most of them focus on agro-industry, fisheries, coffee, as well as energy and biofuels. Among the services sectors, ICT and tourism are the most important ones. Manufacturing is not very present (only a handful of green lines in Figure 3). These are, to a large extent, existing primary sectors for the most part with a limited potential for economic transformation.

Figure 4 uses the mapping of sector data against relevant sections contained in the harmonized system classification, and presents aggregated trends.⁹

Figure 4: Sector focus of African strategies, 2018



Note: 0 refers to agriculture; 1 refers to manufacturing; and 2 refers to services. n.e.s stands for not elsewhere specified.

Source: Authors' calculations using ITC's Trade Strategy Map.

The main category of agriculture products is food and live animals. Figure 5 shows that the main sectors under this category of harmonized system products are cocoa, rice, dairy cashew and fisheries. Crude materials are concentrated on sesame, arabic gum, rubber and cotton.¹⁰ Beverages are relatively low-priority sectors.

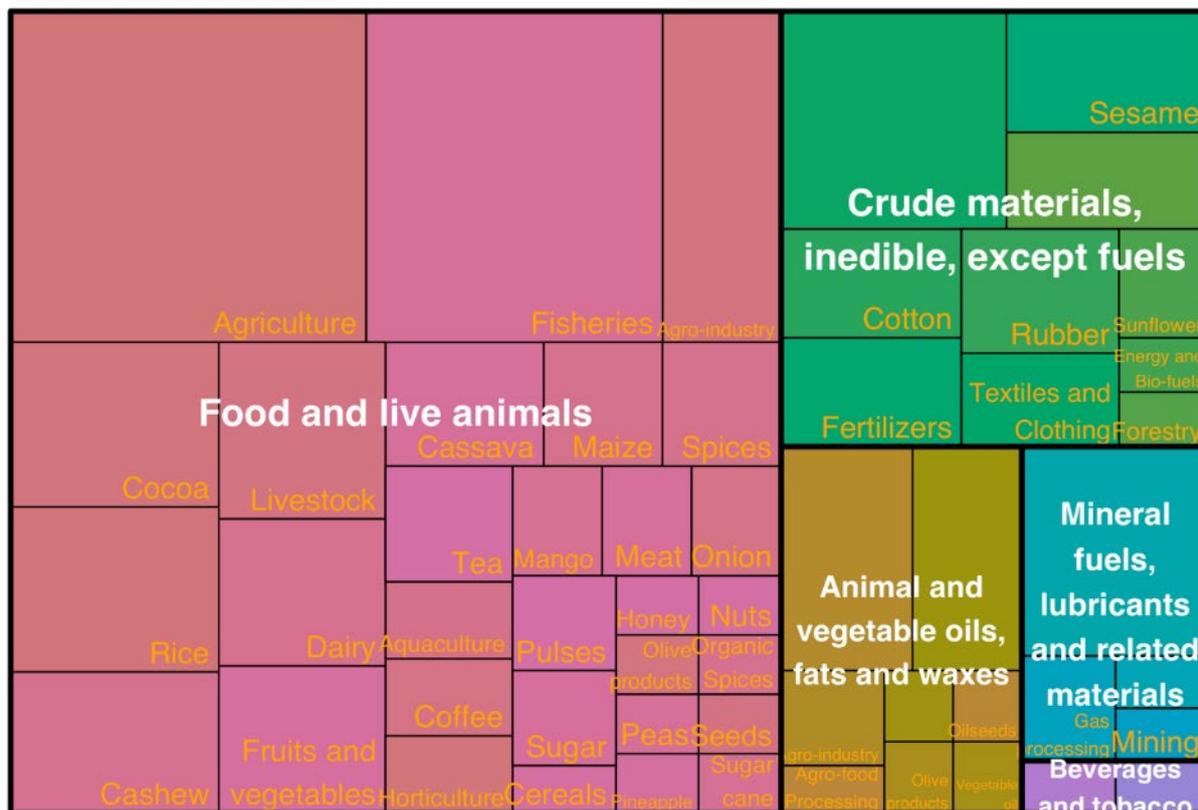
The pattern that emerges from the sector analysis at the regional level is that agriculture products are prioritized across all regions, but geographic location determines the type of products. As a result, neighbouring countries find themselves very often prioritizing the same type of agricultural products. Examples include maize (in the Democratic Republic of the Congo (DRC), Uganda, and the United Republic of Tanzania); pulses (in Ethiopia and Kenya); mangoes (in Burkina Faso and Mali); onions (Burkina Faso

⁹ Each of the sectors described in the strategies has been matched to the closest harmonized system category for products and WTO/120 for services.

¹⁰ The harmonised system is an international nomenclature for the classification of products.

and Mali); cashews (in Benin, Burkina Faso, Mali, Côte d'Ivoire, the Gambia and the United Republic of Tanzania). Palm oil is prioritized the most in the DRC, Ghana (around the Guinea gulf), Liberia and Sierra Leone. Most coastal nations have fisheries strategies. The Gambia and Liberia are the only two African nations with trade strategies prioritizing aquaculture.

Figure 5: Agriculture sector focus in African strategies, 2018



Source: Authors' calculations using ITC's Trade Strategy Map.

Figure 6 shows Africa's key manufacturing priorities. Concentration of strategic priorities around a handful of products is even larger in manufacturing. The leather industry, handicrafts and textiles are the most frequently prioritized sectors in Africa.

There are 25 strategies that mention manufacturing as a priority sector without clearly specifying the type of manufactured products that this entails. This also happens in the industry category. Generally, there is a trend to define manufacturing sectors much more loosely than other types. Textile and clothing receive much attention across all African regions, but particularly in the eastern and central parts of the continent.

Figure 6: Manufacturing sector focus in African strategies, 2018



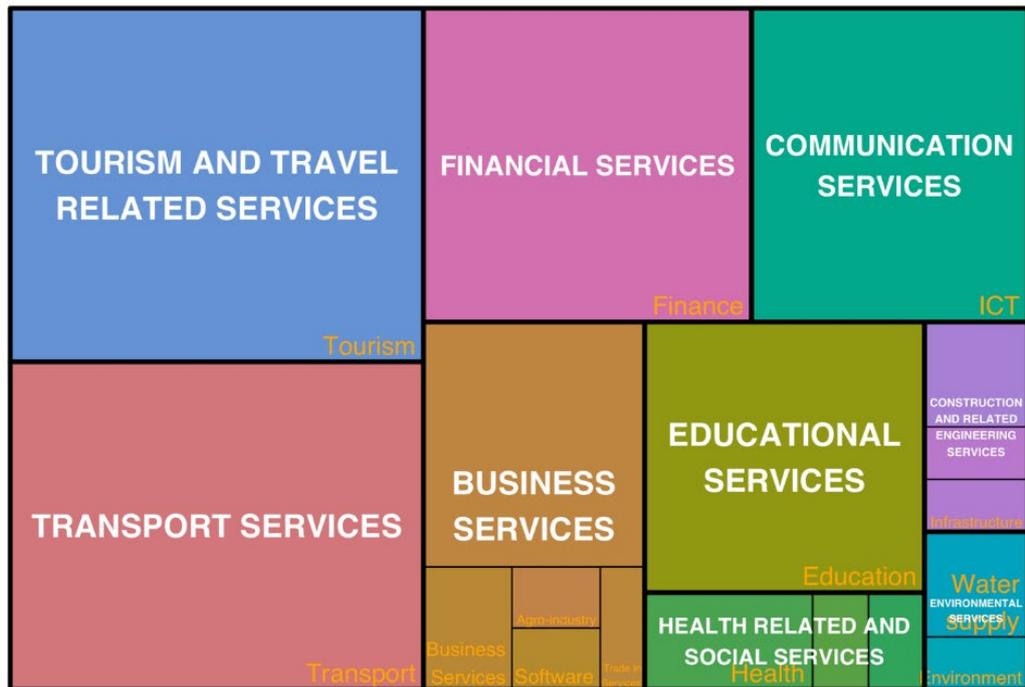
Source: Authors' calculations using ITC's Trade Strategy Map.

Services sector priorities are highly concentrated on tourism, transport, ICT and finance. Figure 7 presents Africa's trade priorities in services sectors. Generally, services strategies cut across most African countries regardless of their income level or geographic location. Tourism, Energy, ICT, Education are the most common.

These strategy choices reflect African attempts to enhance key competitiveness features of the business environment. Countries are focusing on upgrading transport-related facilities, access to finance and telecommunication infrastructure, which are fundamental services for regional integration and the growth potential of small and medium-sized enterprises (SMEs).

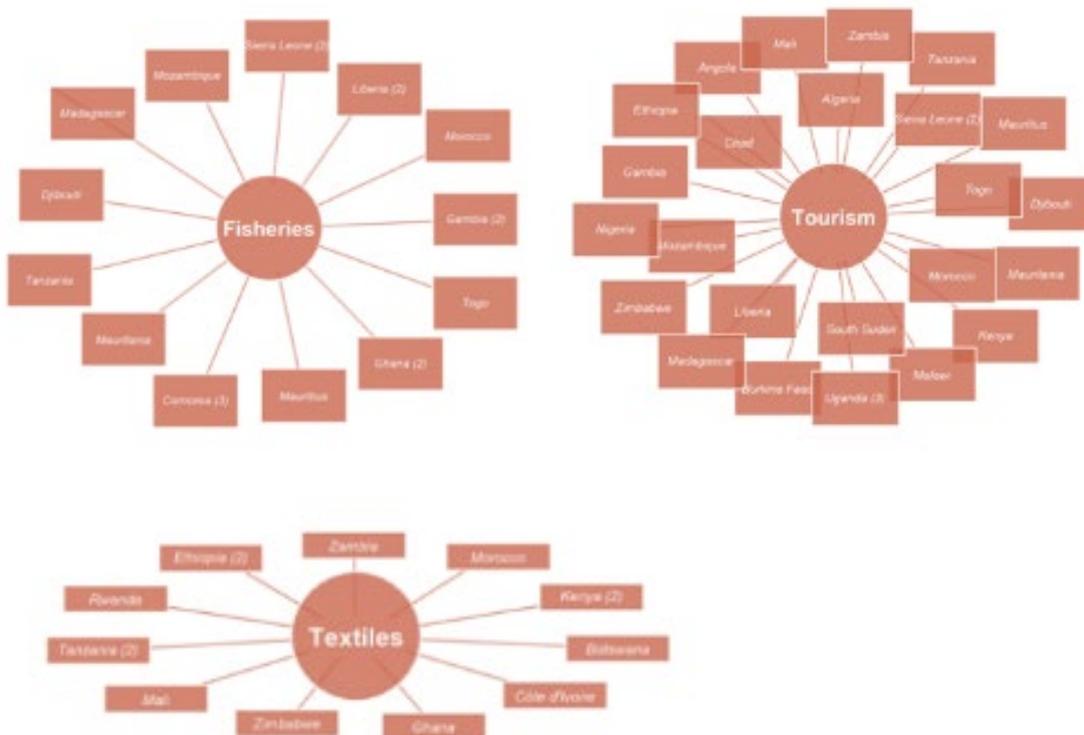
Educational services are also a central priority for African countries. Education is development's silver bullet, and a key ingredient for the competitiveness of all other sectors in the mid to long run. The vast interest in tourism services is due to spillover effects of this varied sector. African countries acknowledge the social and economic benefits that tourism can bring to infrastructure development, job creation, peace, inclusiveness, and environmental protection.

Figure 7: Services sector focus in African strategies, 2018



Source: Authors' calculations using ITC's Trade Strategy Map.

Figure 8: Hub and spoke analysis for selected sectors, 2018



Note: Numbers represent the amount of existing strategies.
 Source: Authors' calculations using ITC's Trade Strategy Map.

Figure 8 illustrates how country priorities overlap on some of the most common sectors. As stated above, coastal nations tend to prioritize the fisheries sector, while strategies on textiles are more widely found across the continent. The large cluster of countries that prioritize the tourism sector indicates that it is perceived as a safe bet to enhance growth and obtain export revenue.

World tourism continues to grow and given the nature of the industry, this is an area where overlapping priorities could lead to collaboration (i.e. combined destination offerings) and consensus rather than tensions. Research will have to identify which effect prevails from overlapping sector priorities: the source of tensions or the cooperative one. In most cases, it is difficult to anticipate the precise channels through which the choices of sectors described could lead to widespread export diversification or industrialization across the continent.

Africa takes the initiative on its diversification strategy

There is a dichotomy between Africa's ambitions and its sector development priorities. While Africa's official discourse is on manufacturing and industrialization, its trade strategies continue to focus on agriculture and primary products. If the AfCFTA is to foster competitiveness and economic transformation, its strategic focus may have to deviate from these previous efforts. For example, the Action Plan on Boosting Intra-African Trade (BIAT), which accompanies the AfCFTA, aims to provide a comprehensive framework to pursue a developmental regional strategy.¹¹ To achieve this, diversification of the productive capacity will need to become a central element of the BIAT.

Even if political discourse supports diversification, Africa is currently missing a clear strategy for it. Based on ITC's experience developing trade strategies in partnership with developing nations, diversification is one of the primary considerations for policymakers to engage in an export strategy. Diversifying exports and broadening the productive structure are two of the most quoted reasons that policymakers give to engage in trade strategy. One would expect the choice of sectors being prioritized to widely reflect this diversification rationale. Instead, as shown in the previous section, the range of sectors is quite homogeneous across Africa, and policy efforts are concentrated on a small group of primary sectors.¹²

African policymakers are concerned about diversification but their worries are not reflected in their choice of sector strategies. When it comes down to defining priorities for their strategies, it appears that policymakers are quite conservative. Traditional sectors are preferred over adventurous sectors. While many strategies focus on agriculture and services, few of them focus on manufacturing. The strong focus of trade strategies on agricultural and primary products can only contribute to perpetuate existing trade patterns in Africa and between Africa and other regions of the world.

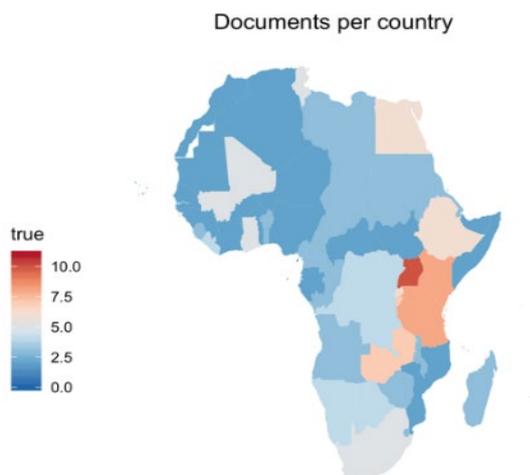
This trend is reinforced by the choice of priority policy areas. Current strategies focus mostly on trade promotion, finance and SME-related issues but very little on innovation and economic transformation. As Figure 9 shows, interest in innovation is not very widespread across all regions in Africa. Most of the focus is around the great lakes. Coincidentally, this is the region where countries show more heterogeneous choices in terms of sector focus.¹³

¹¹ The Action Plan on Boosting Intra-Africa Trade (BIAT) has been endorsed by AfCFTA's participating countries. It identifies seven clusters: trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information, and factor market integration. The BIAT project aims to double intra-African trade flows between January 2012 and January 2022.

¹² A heterogeneous choice of sectors would reflect in the treemap charts as loads of small boxes.

¹³ This can be observed in the thickness of the country cells in the left-hand side column in Figure 3.

Figure 9: African strategies focusing on innovation, 2018



Source: Authors' calculations using ITC's Trade Strategy Map.

Africa should place innovation and diversification at the centre of every trade strategy. Policymakers involved in trade strategy should adopt a more decisive stand towards diversification. A stronger emphasis on modern services would be a positive development that should have an impact on diversification over the coming years.

More and better efforts to diversify the range of prioritized goods are needed. Manufacturing sectors such as machinery, pharmaceuticals and transportation equipment are seldom prioritized, despite their potential to contribute towards diversification. Despite the emphasis on the ICT sector, the fastest growing segments related to artificial intelligence software, cyber security and the interconnectivity of devices are not prioritized in African trade strategies.

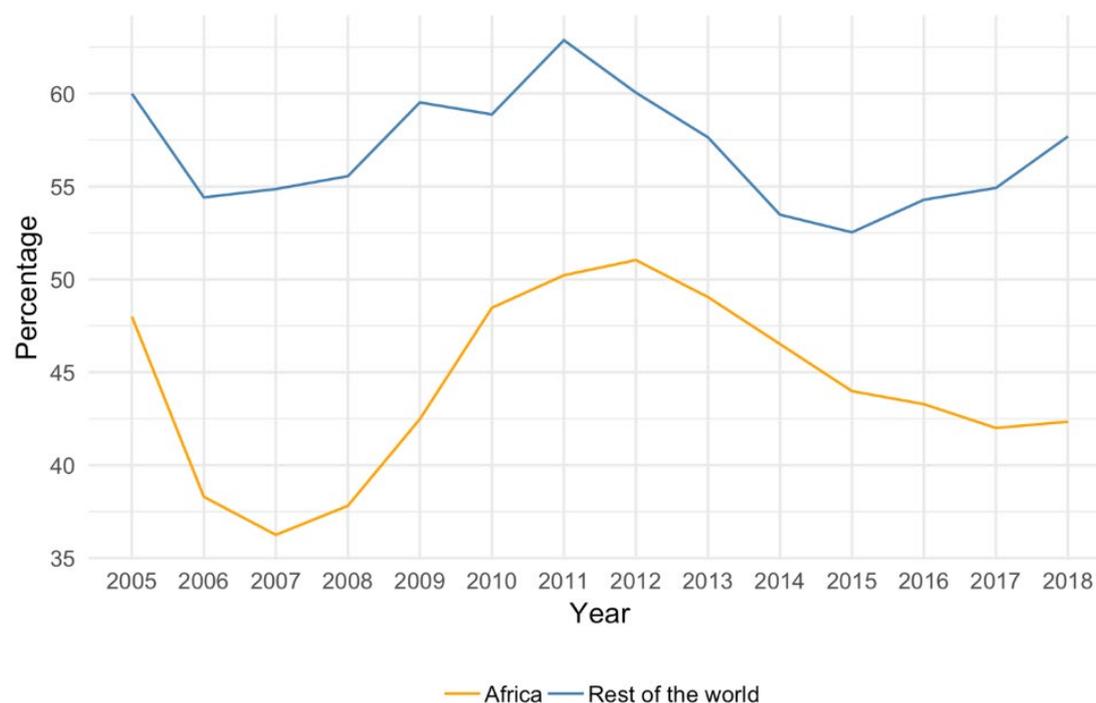
With the ultimate objective to create a single continental market for goods and services, with free movement of business, people and investments, the AfCFTA provides an opportunity to accelerate the development of new trade priorities across Africa. Enhancing competitiveness at the industry and enterprise level by exploiting opportunities for scale production, continental market access and better reallocation of resources has already been identified as a key goal.¹⁴ It is now up to African policymakers to agree on how trade priorities are going to be defined regionally

African ownership is crucial. Some African countries rely almost exclusively on international organizations for their strategies.¹⁵ As Figure 10 illustrates, the importance of domestic strategies – measured as the share of domestic over the total number of strategies – has historically been below 50%, with the exception of a short period between 2011 and 2012. In the rest of the world, national authorities take it upon themselves to design their own export development strategies. In recent years, the trend has intensified and the percentage of domestic strategies has declined, below 45% in 2018.

¹⁴ Additional objectives include expanding intra-African trade through better harmonisation and coordination of trade liberalization and facilitation regimes and instruments across Africa in general; resolving the challenges of multiple and overlapping memberships; and expedite the regional and continental integration processes.

¹⁵ Some examples include the Democratic Republic of the Congo, Djibouti, Guinea, Madagascar, Mauritania, Mauritius, Seychelles, Sao Tome and Principe, and Somalia.

Figure 10: Share of domestic strategies in Africa compared to the world, 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

This suggests that national authorities in Africa increasingly rely on external expertise to develop their strategies. It would be in Africa's interest to reverse this trend.¹⁶ Comparing the sector and thematic focus between domestic and international strategies provides good reasons for this.

Both kinds of strategies are relatively similar in terms of their focus on vegetable products, animal and animal products, textiles and even mineral products. However, when it comes to sectors with an arguably higher value added, like chemicals, machinery, transportation, furniture and pharmaceuticals, the focus is higher in home-grown strategies. International initiatives on trade strategy in Africa should re-focus on core trade issues to follow this trend in Africa.¹⁷

One way in which African countries can increase their ownership is by working together regionally. In fact, African countries have started to make some progress in this direction. There seems to be a strong foundation upon which to build regional cooperation. African countries place more emphasis on regional integration than others. Most documents refer to a single country, but some apply to regional groupings or regions of the world. Africa is a champion on regional strategies.

¹⁶ As discussed, the sector and topic focus of the home-grown and international initiatives differs significantly.

¹⁷ Domestic African initiatives are much more likely to focus on core trade issues than international ones.

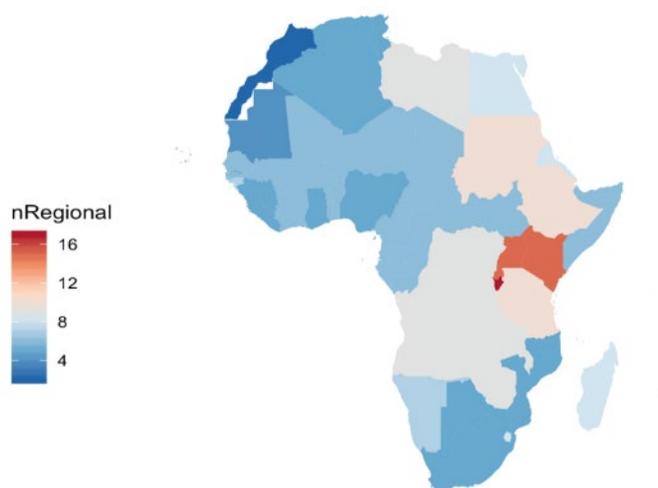
CHAPTER 2. CHALLENGES FACING REGIONAL TRADE STRATEGIES

The vast majority of strategies around the world focus on one specific country. Globally, there are only a handful of trade strategies with a regional focus. Out of the 1,370 documented strategies in the ITC Trade Strategy Map dataset, only 40 have a regional rather than a country-specific focus, and more than half of these are in Africa.

Africa accounts for 55% of the total number of regional initiatives in the world.¹⁸ This means that most African countries participate in at least one regional strategy. The distribution of regional strategies across the continent is not homogenous. As illustrated in Figure 11, between 2005 and 2018 most of the strategic activity at the regional level took place around the great lakes area. Not surprisingly, this part of Africa includes several relatively small economies with shared incentives for integration.

Ongoing AfCFTA negotiations aim to design a common, growth-oriented strategy for Africa's trade and development. Given Africa's strategic focus on primary products with less value added than other sectors, the question arises as to whether Africa's existing country and sub-regional strategies provide the right foundation for AfCFTA negotiations. Are Africa's existing trade strategies out of step with the aims of the AfCFTA? This chapter analyses three key dimensions in which country-specific and regional strategies differ. It also maps and discusses some of the difficulties that lie ahead of the AfCFTA negotiations.

Figure 11: Regional trade strategies in Africa, 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

¹⁸ Asia accounts for 17%, and Oceania and the Americas account for 15% each.

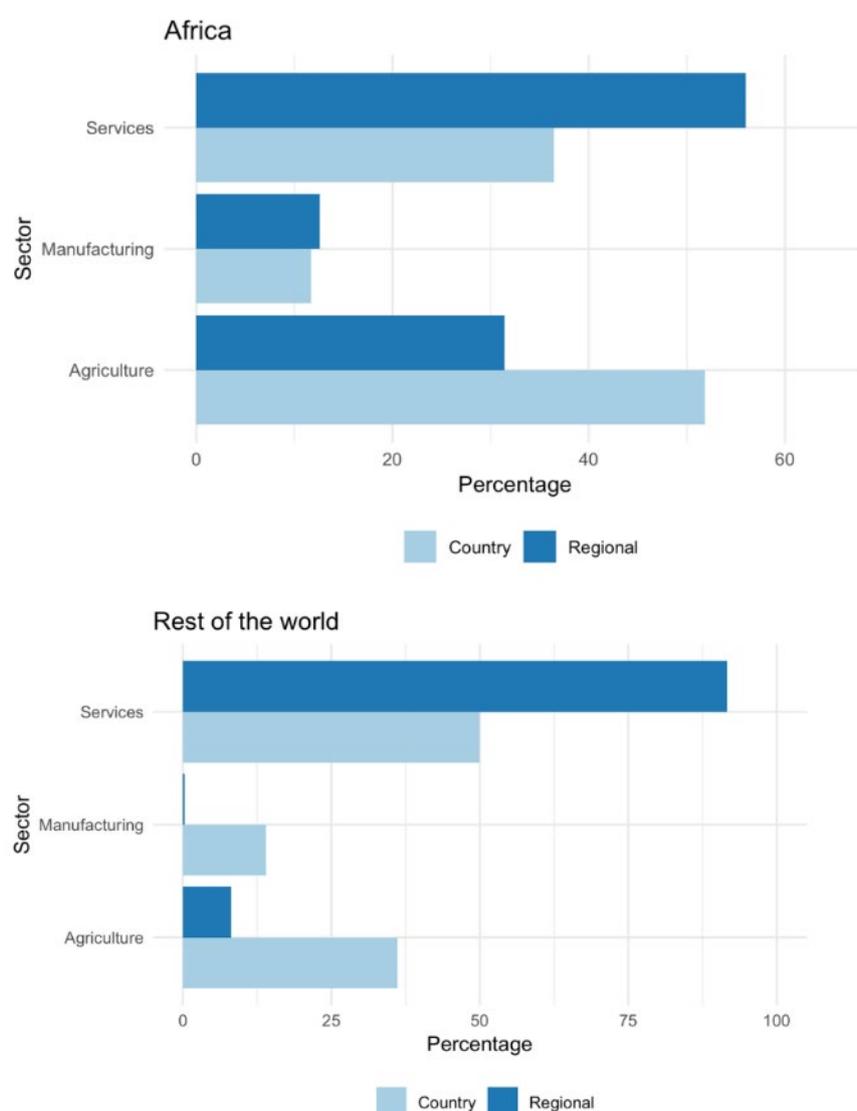
African regional strategies prioritize services sectors

There are important differences between regional and country-specific strategies in Africa and the rest of the world. Based on the sectors that countries prioritize, there seems to be a strong preference to tackle services at the regional level and agriculture nationally. As Figure 12 (left) shows, both regional and country-specific strategies in Africa place a relatively small emphasis on manufacturing and industrial sectors.

For products, there is a mismatch between the interest in industrial development in country-level strategies, versus the scope of priority sectors in regional strategies that largely focus on mango, textiles and cotton. In the coming years, African policymakers should reconsider their choices of priority sectors and select sectors that can be more conducive to industrialization and export diversification.

The main focus of regional strategies in the rest of the world is on services sectors. As Figure 12 shows, regional strategies outside Africa focus almost exclusively on services sectors (see right chart). Beyond Africa, countries exhibit a very weak preference for dealing with agriculture sectors regionally, and almost no interest in doing so for manufacturing sectors. In Africa, country-specific strategies focus first on agriculture sectors, while in the rest of the world, agriculture sectors come in second place after services.

Figure 12: Priority sectors in regional and country-specific strategies, 2005-2018



Note: The figure includes all strategies that have been active at some point between 2005 and 2018.

Source: Based on data from the ITC Trade Strategy Map.

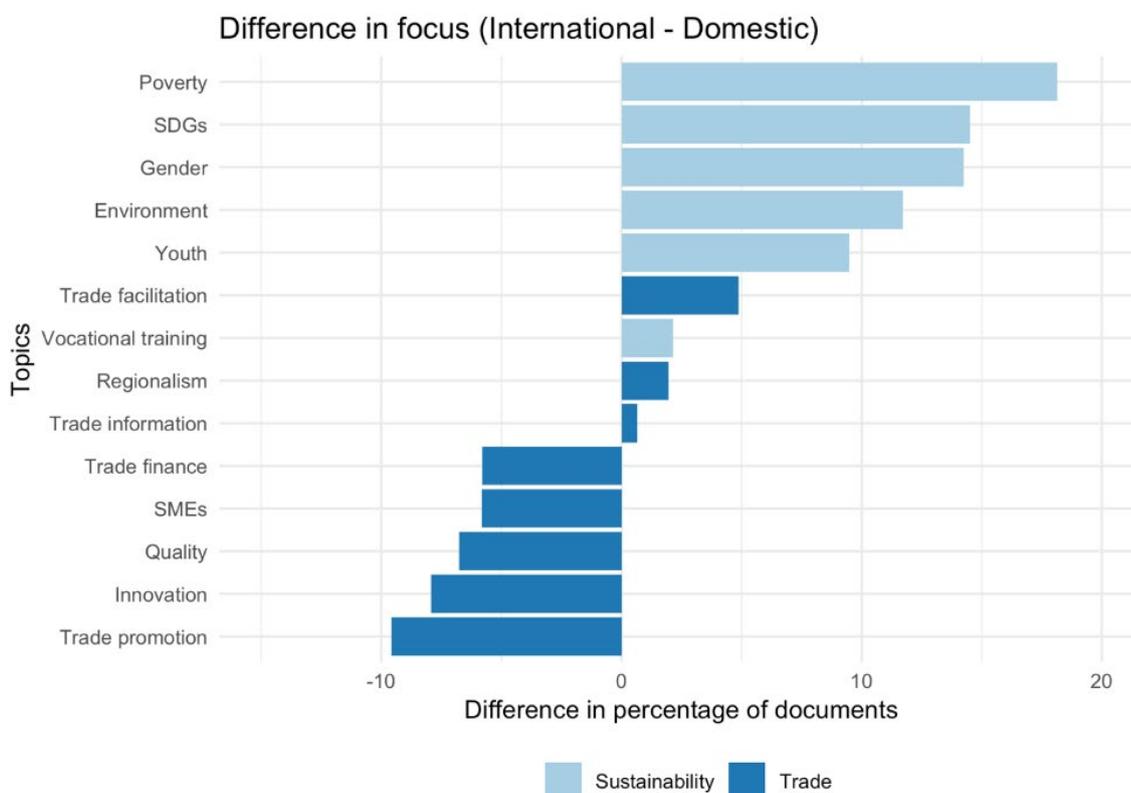
Vis-à-vis the negotiations of the AfCFTA, these patterns indicate that there could be a strong disposition to conclude liberalization agreements on services and manufacturing sectors. In line with the rest of the world, African regional strategies already take some level of interest in manufacturing sector development. Given this, a basis exists for at least exploring the possibility to develop a pan-African industrial policy.

The fact that the interest is similar at the country level could indicate low internal opposition compared to other sectors. Agriculture is largely perceived as a national issue and will probably be more problematic to bring to regional discussions.¹⁹

African regional development strategies focus on trade-related topics

There are substantial differences between Africa and the rest of the world as shown in Figure 14. In Africa, regional strategies place significantly more emphasis on trade-related topics while country-specific strategies tend to focus on broad sustainable development issues (see Figure 13). The United Nations' Sustainable Development Goals (SDGs) and environmental issues are two policy areas that countries prefer to focus on nationally.

Figure 13: Policy focus in African regional and country-specific strategies, 2005-2018



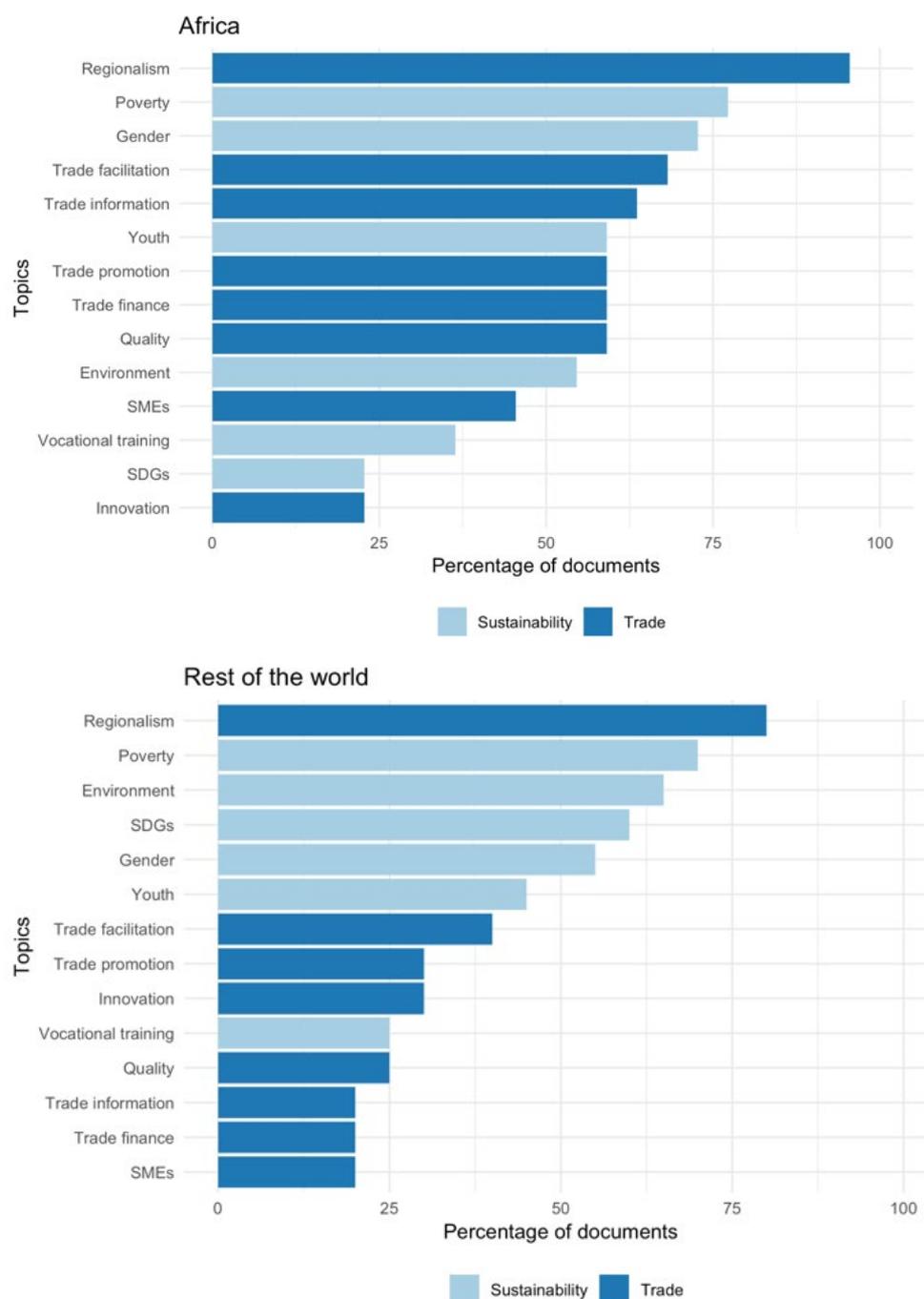
Source: Based on data from the ITC Trade Strategy Map.

¹⁹ This is quite similar to what happened in the European experience where even nowadays, after more than half a century of European integration, agriculture remains a particularly sensitive area among EU members.

Attention to trade topics is larger in Africa than in the rest of the world. Only seven out of the 22 African regional strategies in the dataset are under implementation in 2019, and these strategies mainly focus on trade-related issues.

Almost 70% of regional strategies deal with issues related to trade facilitation, for example (Figure 14). This topic includes improving transport and logistic services, enhancing efficiency and transparency of customs procedures, or removing any other barrier to the circulation of goods across borders. African regional strategies stress the importance of trade promotion, which involves participating in fairs and other exhibition events abroad to promote domestic products, organising visiting delegations of buyers and setting up marketing and branding activities.

Figure 14: Policy focus in regional strategies in Africa and the rest of the world, 2005-2018



African regional trade strategies are different than ones in the rest of the world. In Africa, almost all regional strategies identify trade integration and regionalism as a crucial area, against 75% in the rest of the world. The difference in focus is particularly significant for innovation; it is the last topic of interest in African regional strategies but the third most prioritized in the rest of the world. Figure 9 in the earlier chapter shows the uneven manner in which different African countries prioritize innovation.

In 2018, 40 African countries had included innovation in their trade development strategies. Close to 60% of regional strategies in Africa, but only 20% elsewhere, focus on trade information and market intelligence. This topic includes information about potential export markets and products, customs procedures, import requirements, tariffs and other barriers to imports, international certifications and requirements, foreign buyers, business and investment opportunities, as well as statistical evidence and information.

The above findings suggest that policymakers prefer dealing with core trade topics regionally. While more than 40% of existing trade strategies identify trade integration and regionalism as crucial policy areas, less than 10% of the strategies are regional. This indicates an appetite for more regional strategy work.

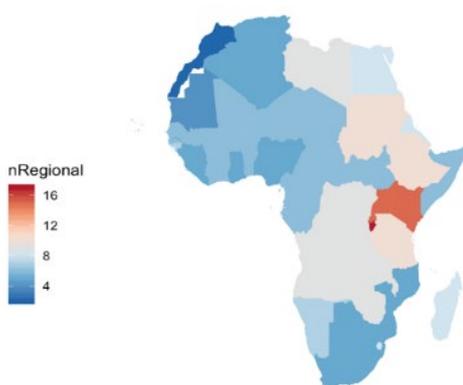
AfCFTA negotiators should take good note of this trend and build on it. The AfCFTA provides the right opportunity, maybe the most important one since decolonisation, to act on a regional scale in a coordinated manner. In the years to come, negotiators will be focusing on developing regional strategies that can pave the road for further trade integration. Progress in poverty reduction, trade facilitation, and trade promotion will be stepping stones for further integration. Focusing on innovation, vocational training and SMEs will probably be a harder sell in the short run but constitute cost-effective building blocks for trade integration in the long run.

Size, income and institutional quality in regional trade strategies

In Europe, small countries are very supportive of the European integration process. Small countries are systematically more open because they lack a large internal market they can rely on.²⁰ This logic could also apply to and resonate with small-sized countries in Africa. Small-sized African countries can create big alliances and the basis for a truly regional strategy.

The AfCFTA offers important business opportunities across all participating countries, particularly for small ones. Not all African countries share the same level of interest on trade liberalization and regional integration (Figure 15). The liberalization that the AfCFTA should bring about is crucial for small countries. AfCFTA negotiators should begin to sharpen their policy tools by developing trade strategies for trade liberalization.

Figure 15: African country-specific strategies focusing on regional integration, 2005-2018



Source: Based on data from the ITC Trade Strategy Map.

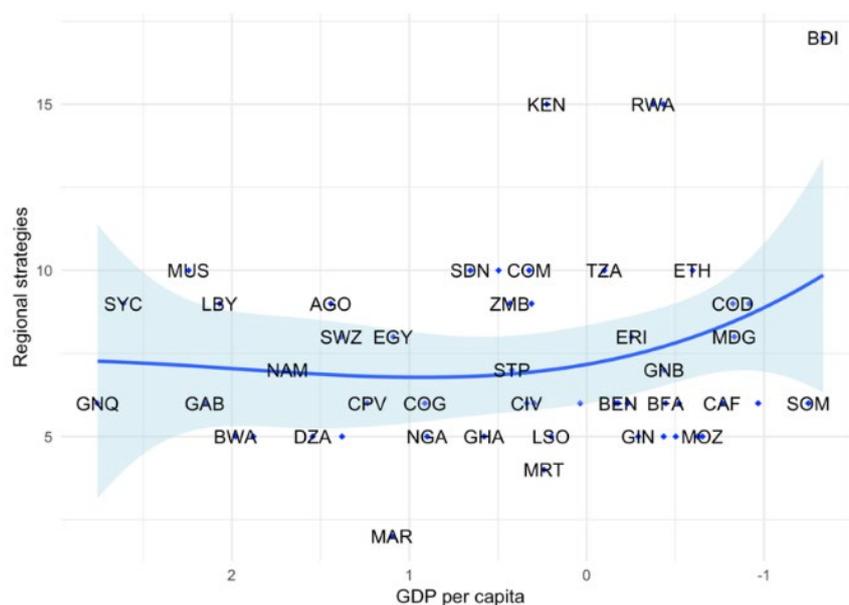
²⁰ See Alesina (2003) <https://mitpress.mit.edu/books/size-nations>

Figure 16 plots the average number of documents per country against its level of gross domestic product (GDP) per capita. Similarly, Figure 17 shows the relationship between the average number of documents and the size of the country, as measured by the size of its economy and population.

Generally, the average number of strategies in a country and its relative size tend to be positively correlated. However, in the case of regional strategies, this relationship is inverted; small countries tend to have more documents than larger ones.

Larger country size does not necessarily imply their participation in fewer regional strategies. Beyond certain GDP and population thresholds, the distribution of strategies seems to reach a lower level below which no country goes. This could indicate that there is a minimum level of regional cooperation that these countries are ready to have.

Figure 16: GDP per capita and number of regional strategies, 2005-2018

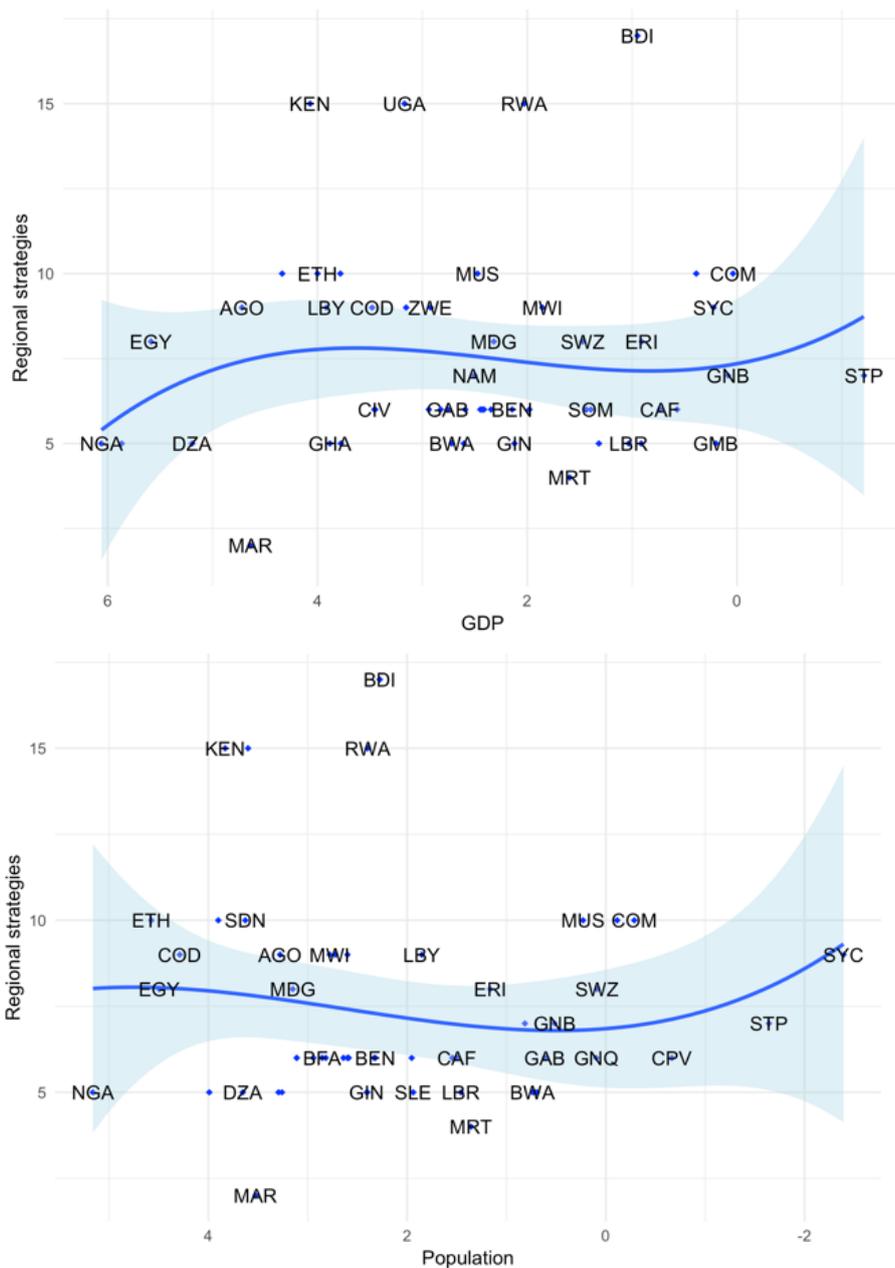


Note: Country names provided in Annex IV.

Source: Authors' calculations using ITC's Trade Strategy Map and World Bank's World Development Indicators.

Small African nations are more engaged in trade strategy. This is probably because they also stand to benefit more. While small countries might enjoy fewer resources from regional strategies such as the AfCFTA, it is still a great opportunity for them and they should get ready for it.

Figure 17: Country size and number of regional strategies in Africa, 2005-2018



Note: GDP and population axes are in logs. Country names provided in Annex IV.
Source: Authors' calculations using ITC's Trade Strategy Map and World Bank's World Development Indicators.

On average, countries with a stronger institutional setting are more likely to participate in more regional strategies. Figure 25 in the last chapter shows how the higher the country's score in doing business indicators, the more regional strategies they tend to have. Weak institutions and a limited pool of professionals in the strategy field mean that less-developed economies face constraints to engage in regional initiatives.

Table 1 summarizes the signs of some of the patterns identified in the analysis. The size of the country, measured in terms of both economic activity and population, is positively associated with the number of country-specific strategies but negatively with the number of regional ones. Wealthier countries are more

likely to develop their own national plans and strategies, and regional ones in particular. The level of institutional development is associated with higher engagement on regional trade strategies.

Table 1: Number of strategies, country size and wealth

		Regional	Country
SIZE	GDP	-	+
	Population	-	+
WEALTH		-	-
DOING BUSINESS		+	+

Africa's challenging negotiating agenda ahead

African countries have similar sectoral trade priorities. As noted, trade strategies prioritize a relatively similar and narrow set of sectors, which can put them at odds with regional strategies.²¹ The implication for the AfCFTA is that it is likely hard to negotiate trade dynamics in sectors that most countries have prioritized.

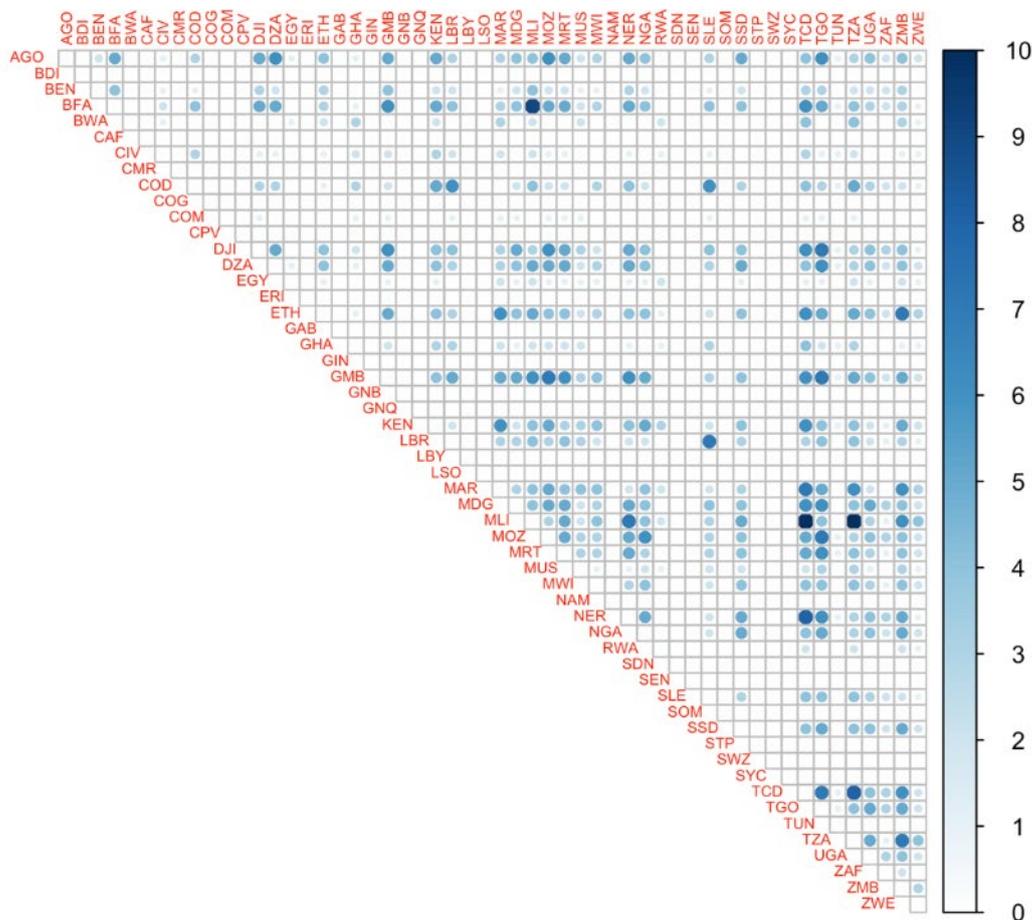
Issues on rules of origin will likely play a role as discussed in the United Nations Conference on Trade and Development (UNCTAD, 2019). These sectors include cotton and textiles, minerals, and fuels and energy, among many other. Sector disputes can translate into frictions between countries because, ultimately, countries carry the negotiations.

Figure 18 is based on the idea that the mapping of sectors prioritized in strategies against the countries reveals information on the forces that will be at play during AfCFTA negotiations. It provides a visualisation of the extent of overlapping trade priorities among African country bilateral negotiations. This measure helps to anticipate where the difficulties might be in the negotiations between specific countries, based on the sectors that are likely to be contentious. For example, Figure 19 shows that Tanzania and Mali overlap on 10 priority sectors.

In Figure 18, two countries that prioritize the same product are represented using a softer tone of colour than two countries prioritising the same three sectors. The larger the overlap in any trade relationship, the higher the chances these countries could find themselves on opposite sides of the negotiating table.

²¹ For example, in the early stages of the European integration process, Germany and France saw how their export priorities coincided in several industries. Automobile was one of them. Both countries successfully produced and exported cars and had ambitions to take over the European car market. Over the years, negotiating standards, regulations and further liberalization was tricky. Countries eventually learned to work out their differences under a common institutional umbrella. As a result, European consumers face a wider variety of choices, and the process of European integration became stronger.

Figure 18: Overlapping trade priorities among African country bilateral negotiations, 2018



Note: Country names provided in Annex IV. Darker tone of blue indicates stronger overlap.
Source: Authors' calculations using ITC's Trade Strategy Map.

One can outline some preliminary implications for trade negotiators based on Figure 18. There are many blank cells, which means that sector priorities among bilateral trade between countries are not in colliding course. These countries are less likely to disagree in regional trade negotiations. Liberalization among these countries has the potential to advance faster and negotiating teams should take advantage of this fact.

There is a significant number of relationships with some, or a high, degree of overlap. Progress among these countries will end up determining the success of the AfCFTA. Negotiators will do well to remember that trade is not a zero-sum game, and that countries can pursue similar diversification strategies in coordination. Some ideas include developing complementary products and services, product differentiation, and different quality positioning.

CHAPTER 3. AFRICAN TRADE STRATEGIES OVER TIME

African policymakers use trade strategies to define a concrete development path for their countries and the region as a whole. This chapter outlines the key thematic, sectoral and design features characterising African trade strategies.

Africa mainstreams trade issues into its development plans

The use of trade strategy instruments is on the rise in Africa. The analysis of the 564 documents from African countries included in ITC's Trade Strategy Map (Box 1) shows that, over the past 15 years, there has been a significant increase in the number of policy documents dealing with trade and development issues throughout the continent.

Out of the 564 African documents included in the Trade Strategy Map, 181 are highly specialized on trade-related issues and can be considered trade strategies.²² Figure 19 (right axis) shows the positive evolution of the number of trade strategies in Africa since 2008. Every year, countries adopt new strategies and some of the existing ones become outdated and cease to be active.²³ In 2008, there were 32 active trade strategies in Africa. By 2015, the number of active documents reached 92. The latest available figures for 2018 are 81 country-specific strategies.²⁴

Policy focus on purely commercial issues is increasing in parallel. Since 2005, African development policies have become increasingly centred on trade issues.²⁵ Trade mainstreaming, measured as the share of documents that focus on trade over the total number of trade and development documents in the Trade Strategy Map, increased.²⁶ As Figure 19 (left axis) shows, the percentage of trade and development

The ITC Trade Strategy Map

The ITC Trade Strategy Map is a database of documents dealing with strategic trade and development policy issues.

It currently includes 1,370 original documents from 169 countries covering the period 2005-18. The documents included in the database have been selected to conform to the following three criteria: (1) topic: a focus on trade and economic development; (2) purpose: a strong policy-planning component that identifies the parties in charge of implementation, and clear goals and objectives; and (3) legitimacy: a legitimate policy tool with some potential practical use.

See for further details on the Trade Strategy Map methodology, Annex I.

²² A trade strategy includes at least the following features: a defined vision for the future; an assessment of the current state of affairs; and a clearly mapped way forward in the form of a detailed plan of action.

²³ The average lifetime of the documents included in the Trade Strategy Map is 6.5 years.

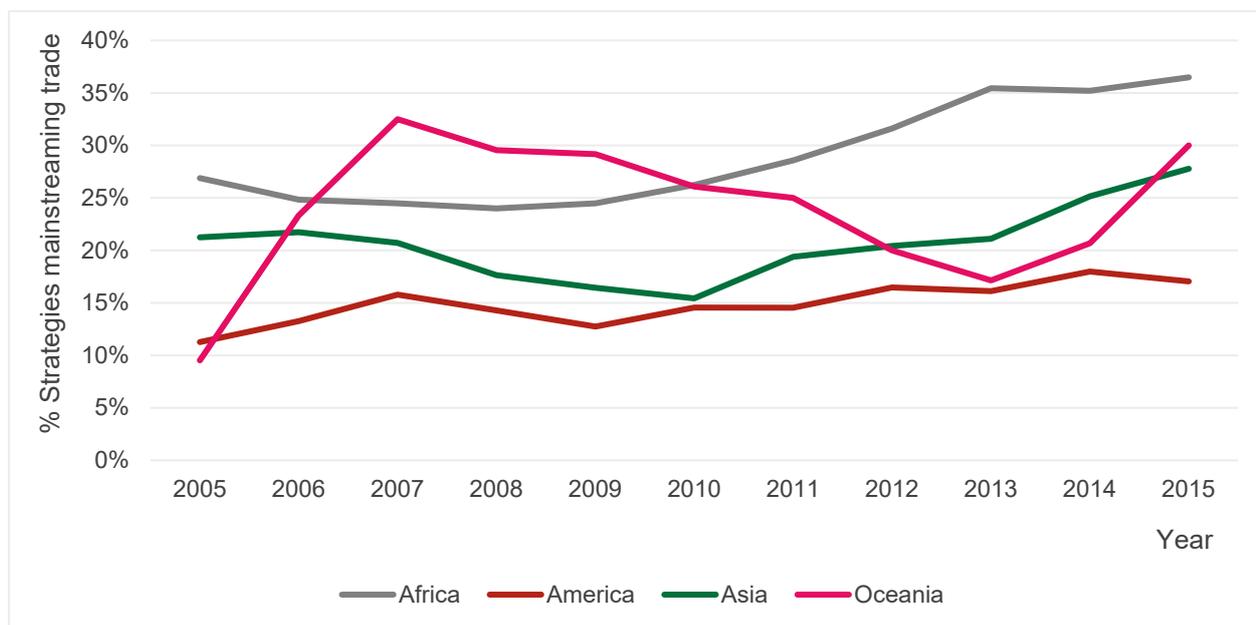
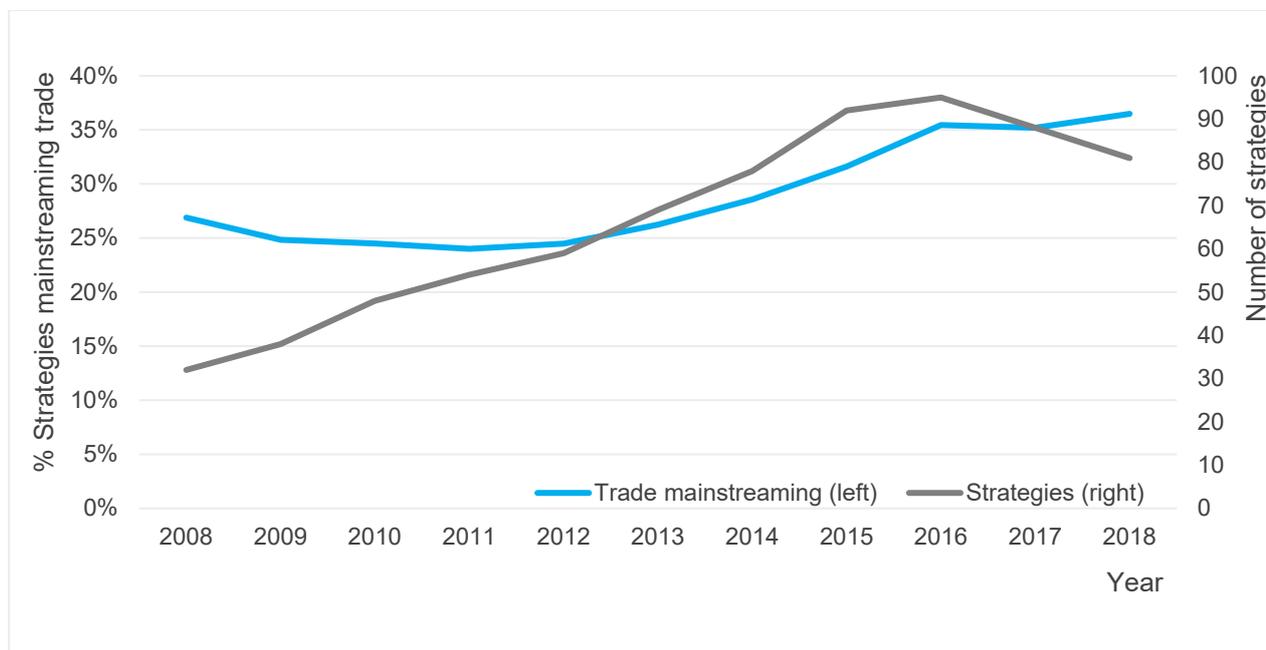
²⁴ Strategies are not evenly distributed around the world. Between 2005 and 2018, Africa accounts for almost 40%. Approximately one quarter of the strategies are in Asia and 22% in the Americas. Oceania and Europe follow behind with a relatively low number of documents from Europe and Oceania.

²⁵ While all documents included in the Trade Strategy Map deal at least to some extent with trade, some documents do so in a much deeper manner.

²⁶ The United Nations Development Programme (UNDP) has defined trade mainstreaming as the process of integrating trade into national and sectoral development planning in a coherent and strategic manner. See UNDP (2011) and ITC (2017) for a full discussion on trade mainstreaming in the context of development plans and further details.

strategies with a primary focus on trade issues has climbed from 27% in 2008 to 36% a decade later.²⁷ This is the highest percentage in any region in the world.²⁸

Figure 19: Trade strategy and mainstreaming in Africa and other regions, 2008-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

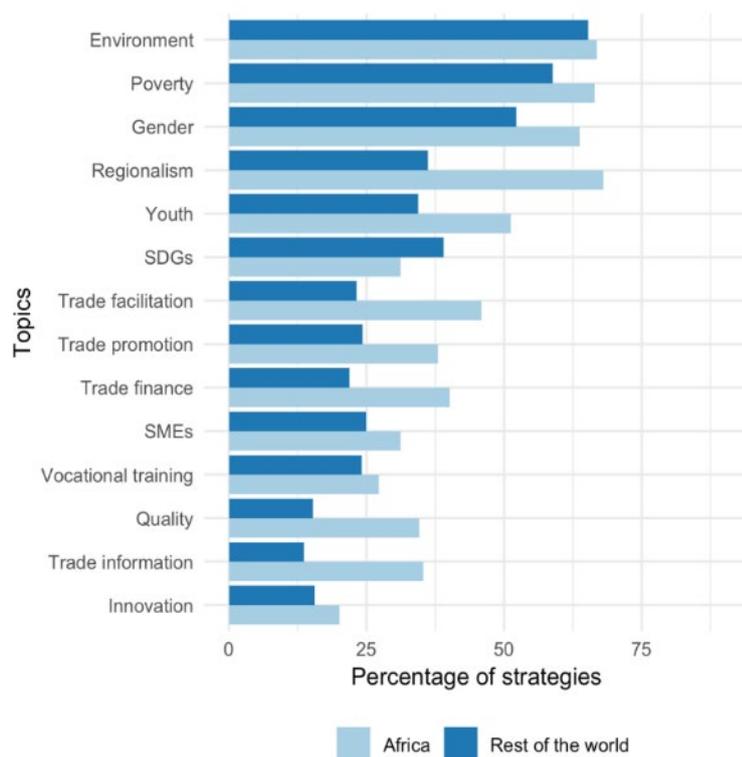
²⁷ While all documents included in the Trade Strategy Map deal to some extent with trade, some documents do so in a much deeper way by, for example, identifying specific trade-related priorities that need to be addressed, or setting trade-specific plans of action for policy reform. It has been the judgement of the authors to determine when a particular document qualifies as a trade mainstreaming document, variable 15 can be considered a proxy for the trade mainstreaming potential of a policy document.

²⁸ The growth of strategic planning over the past decade has been widely shared across all regions, but it has been most notable in Africa. Oceania is 30%, Asia 28% and the Americas 17%.

African trade mainstreaming strategies can be analysed through the lens of the topics on which they typically focus.²⁹ The topics can be broadly classified in two main categories: core trade topics; and more peripheral, sustainability topics.

To understand the thematic coverage of Africa's trade strategies, Figure 20 presents a summary of the metrics obtained after analysing ITC's Trade Strategy Map documents. The large majority of the topics cited in the domestic documents have to do with trade-related subjects. The main sustainability issue is poverty reduction, and it is considered less central than regional integration but more than any other topic.

Figure 20: Trade strategy priorities in Africa compared to the rest of the world, 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

There are significant differences between African strategies and those in the rest of the world. As shown in Figure 20, African trade strategies focus far more on regional integration. This is the topic with the largest difference in focus between Africa and the rest of the world.

Trade facilitation, trade promotion and poverty reduction are roughly prioritized at the same level in Africa and elsewhere. Youth and gender topics also attract large interest in Africa. Much more than innovation or vocational training. African strategies are less likely to deal with the United Nations' SDGs.

At the continental level, it is noteworthy to look at the thematic differences between purely home-grown, or domestic initiatives and those developed with the participation of international organizations.³⁰ African

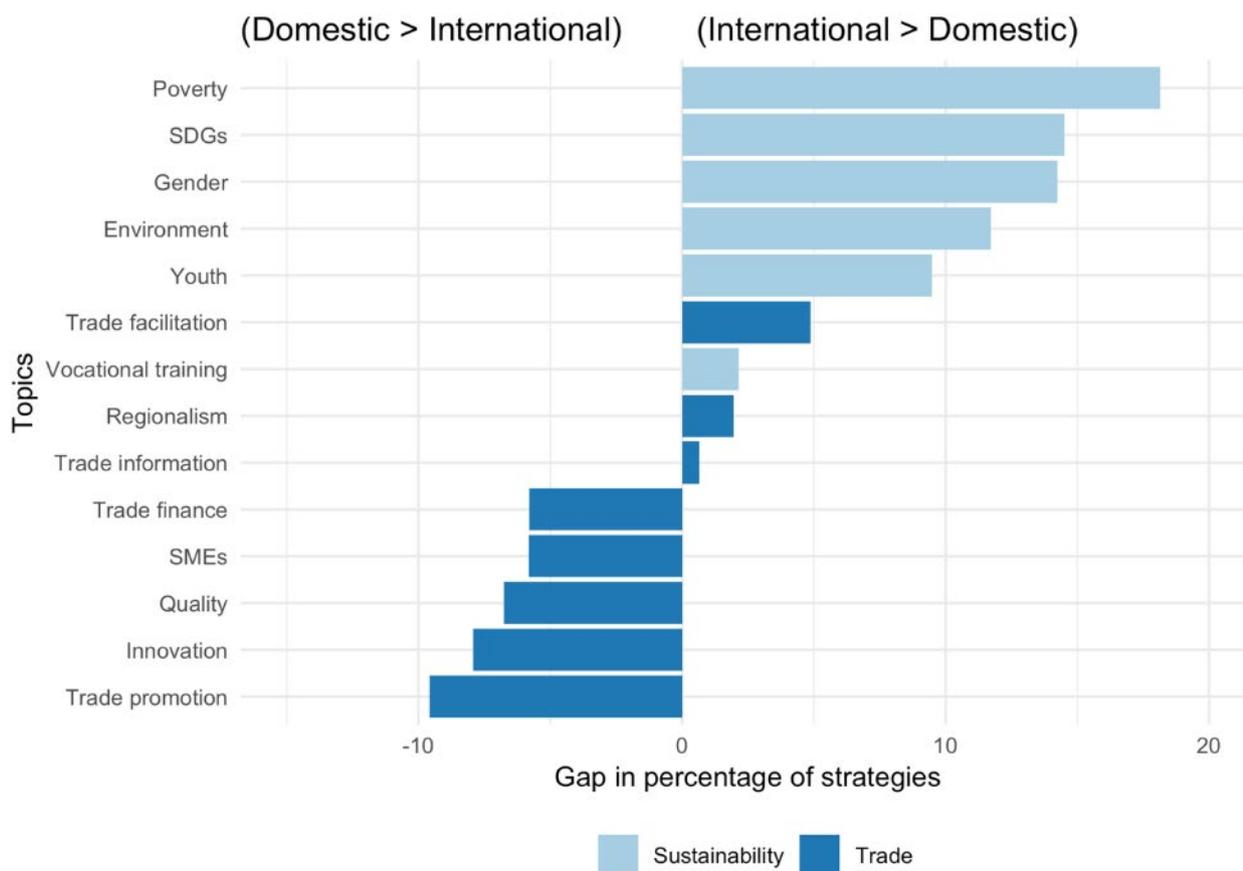
²⁹ Meta data on the 564 African strategies is used to analyse the topic coverage between 2005 and 2018.

³⁰ The documents included in ITC's Trade Strategy Map database can be bundled in two broad categories: domestic documents and international ones. Domestic documents are those directly developed or commissioned by the national authorities of a country. They include national and sector development plans, visions and agendas, as well as other initiatives designed and usually endorsed by national authorities. International documents, such as ITC's National Export Strategy (NES), Diagnostic Trade Integration Studies

domestic strategies seem more geared up to address business needs, whereas international ones pay considerable attention to other more peripheral social or developmental considerations. African domestic initiatives are naturally more likely to deal with core trade topics, which could indicate that trade issues are best addressed domestically (Figure 21).

African policymakers are, on average, more inclined to deal with trade topics (in particular innovation), quality management, trade finance and trade information, while also addressing key problems affecting sustainable development issues in their countries.

Figure 21: Trade mainstreaming in African domestic compared to international strategies, 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

With the exceptions of regional integration and trade facilitation, there is a trend in international initiatives towards focusing on sustainability issues, rather than core trade issues. A plausible explanation has to do with the fact that sustainability topics are of interest to traditional funder countries. It could also indicate that following the launch of the Aid for Trade initiative in 2005, trade mainstreaming is finally getting traction at the African domestic level and hence international organizations do not need to continue to draw attention to the topic.³¹

(DTIS), and the Poverty Reduction Strategy Papers (PRSP), among others, are fully developed by international organizations, or with their support.

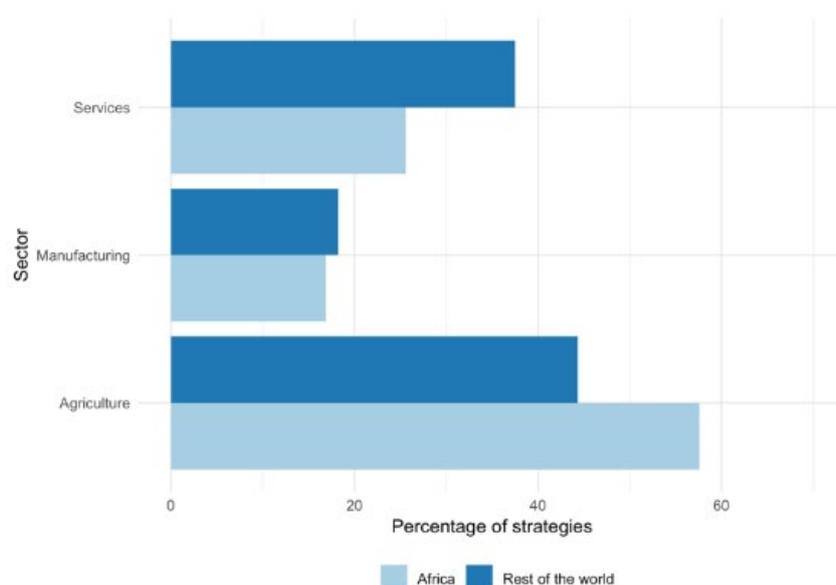
³¹ See ITC (2017) for a discussion.

Home-grown trade strategies prioritize agricultural sectors

African policymakers use trade strategy instruments for sector development to select a narrow set of priority sectors and define supporting policies. Almost two-thirds of African trade strategies prioritize at least one economic sector.³² In 2018, only 11 strategies did not prioritize any sector. On average, strategies prioritize around eight sectors each.

What type of sectors are being prioritized? Trade mainstreaming initiatives are much more likely to focus on goods (61%) than services (39%). Policies in which manufacturing sectors have a pivotal role account for 18% of the total. African domestic-grown trade strategies largely focus on agricultural sectors. The emphasis on agriculture sectors in Africa is much higher than in other continents. Figure 22 shows the different sector focus in Africa and the rest of the world. Close to two-thirds of the priority sectors in Africa are related to agriculture.

Figure 22: Sector priorities in Africa compared to the rest of the world, 2005-2018



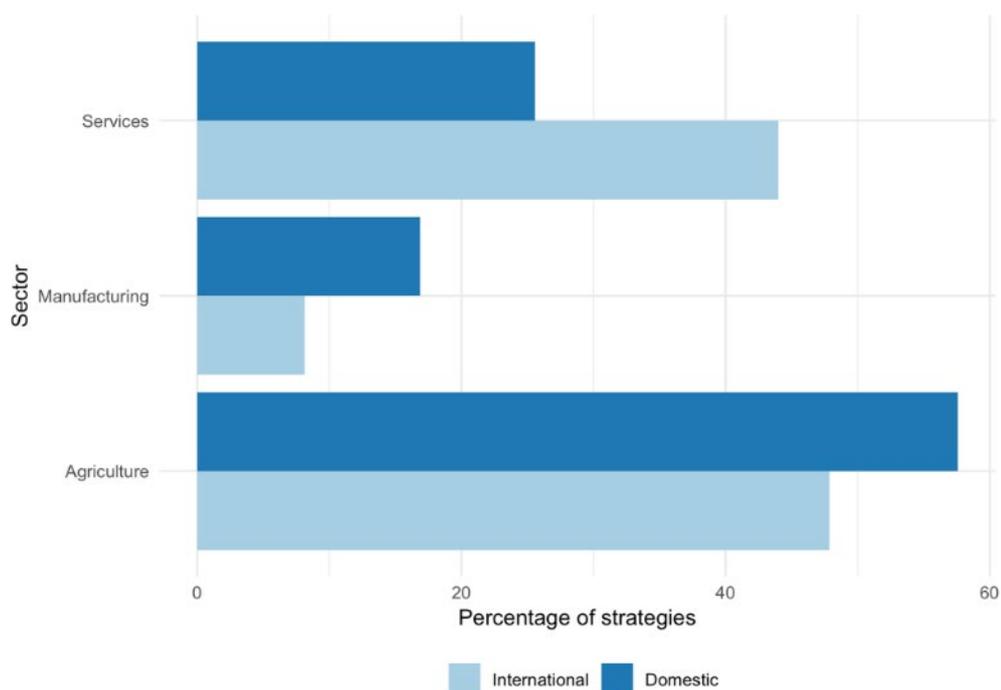
Source: Authors' calculations using ITC's Trade Strategy Map.

Between 2005 and 2018, Africa's strategic focus was on agriculture sectors, while the rest of the world has been increasingly paying attention to services. Fewer than 20% of the priority sectors in African strategies have any relation with manufacturing or industry (a similar percentage to the rest of the world) (Figure 22). Africa's interest in services sectors exceeds that on manufacturing, but is much lower than in the rest of the world.

Again, there are important differences between Africa's homegrown strategies and those developed in partnership with international donors and partners. Interest in manufacturing almost doubles when strategies are developed domestically. International strategies are primarily about agriculture and services. Figure 23 illustrates these trends.

³² 183 documents do not prioritize sectors, and 381 do.

Figure 23: Sector priorities in African domestic strategies compared to international ones, 2005-2018



Source: Authors' calculations using ITC's Trade Strategy Map.

Africa's trade strategies are well designed, but lack resources

There is no straight-forward methodology to measure the quality of trade strategies. Assessing the soundness and policy relevance of recommendations included across the entire range of African strategies would require an in-depth analysis that is beyond the scope of this paper. However, some of the data included in ITC's Trade Strategy Map offers the possibility to analyse key quality-related features associated with the strategy design process.

Over the years, ITC has accumulated knowledge and experience in the field of national export strategy design. It has identified six crucial best practice features that are commonly linked to the quality of a trade strategies:

- 1) Strategy design has followed a participatory and inclusive process;
- 2) The strategy includes a detailed and measurable plan of action;
- 3) The strategy has a well-defined governance structure;
- 4) The strategy is country-owned;
- 5) The focus of the strategy is primarily on trade issues; and
- 6) The strategy is allocated concrete resources for its implementation.³³

All of these features provide valuable information on the quality of African trade strategies and should be thought of as necessary but not sufficient conditions.

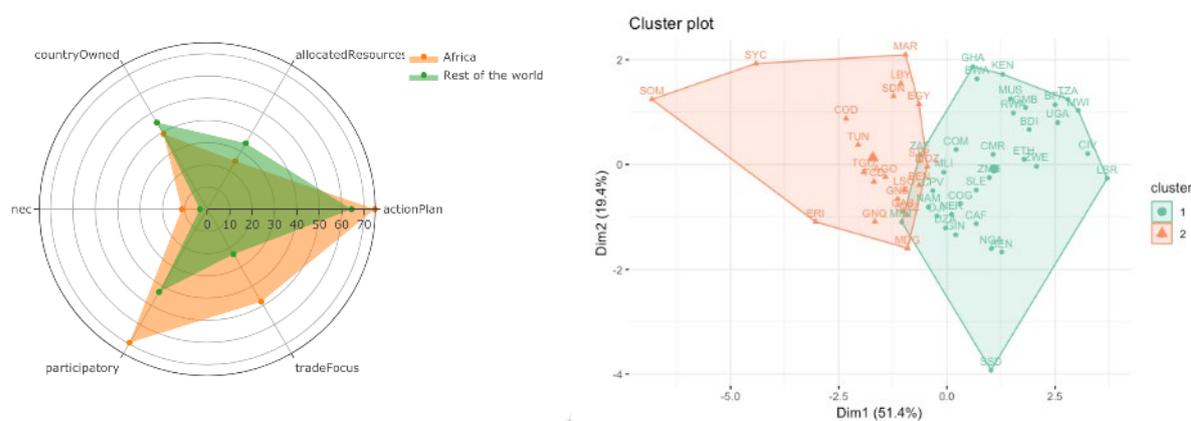
³³ Building on 15 years of experience, ITC has developed more than 100 demand-driven and market-led strategy solutions in over 50 countries. See ITC (2013) for further information.

African policymakers also increasingly pay attention to the quality of the process through which their trade strategies are crafted. This reflects on the quality of their final strategies. A comparison between the different quality features of African strategies and the rest of the world shows that, on average, Africa's trade strategies are of better quality in four out of the six dimensions. Figure 24 (left) shows the results of this analysis.

Africa is doing particularly well on participatory and trade focus dimensions. Africa's strategies tend to include well-defined plans of action. Most countries could do much better on the governance structures that should complement their strategies. Africa performs worse than the rest of the world on the resources that it allocates to trade strategies and on country ownership.

Given this, how do relatively under-resourced strategies with little country ownership cope with African trade competitiveness challenges. Even the best strategy will have little or no impact without proper implementation.

Figure 24: Quality of Africa's trade strategies compared to the rest of the world, 2018



Note: Cluster plot computed using K-means algorithm package in R. Cluster 1 = High-quality, Cluster 2 = Low-quality.

Source: Authors' calculations using ITC's Trade Strategy Map.

Using the principal components analysis (PCA) unsupervised learning technique algorithm, African countries can be classified into two clearly differentiated groups according to the quality features of their trade strategies.³⁴ The dimensionality reduction techniques ITC used for this analysis explain almost 83% of the variability across countries.³⁵

As shown in Figure 24 (right) in light green colour, there is a cluster of countries that excels by the quality of its strategies. This group includes Rwanda, Uganda, Kenya, Ghana, Ethiopia, Tanzania and Egypt among others. All other countries fall naturally into a second category with trade strategy design processes exhibiting lower quality features. To a large extent, these are also countries with a relatively lower production of trade strategies. Worldwide, 51 African countries are in the leading pack. This indicates that there is an important number of African countries that can be considered world-class players according to the production and quality of their trade strategies.

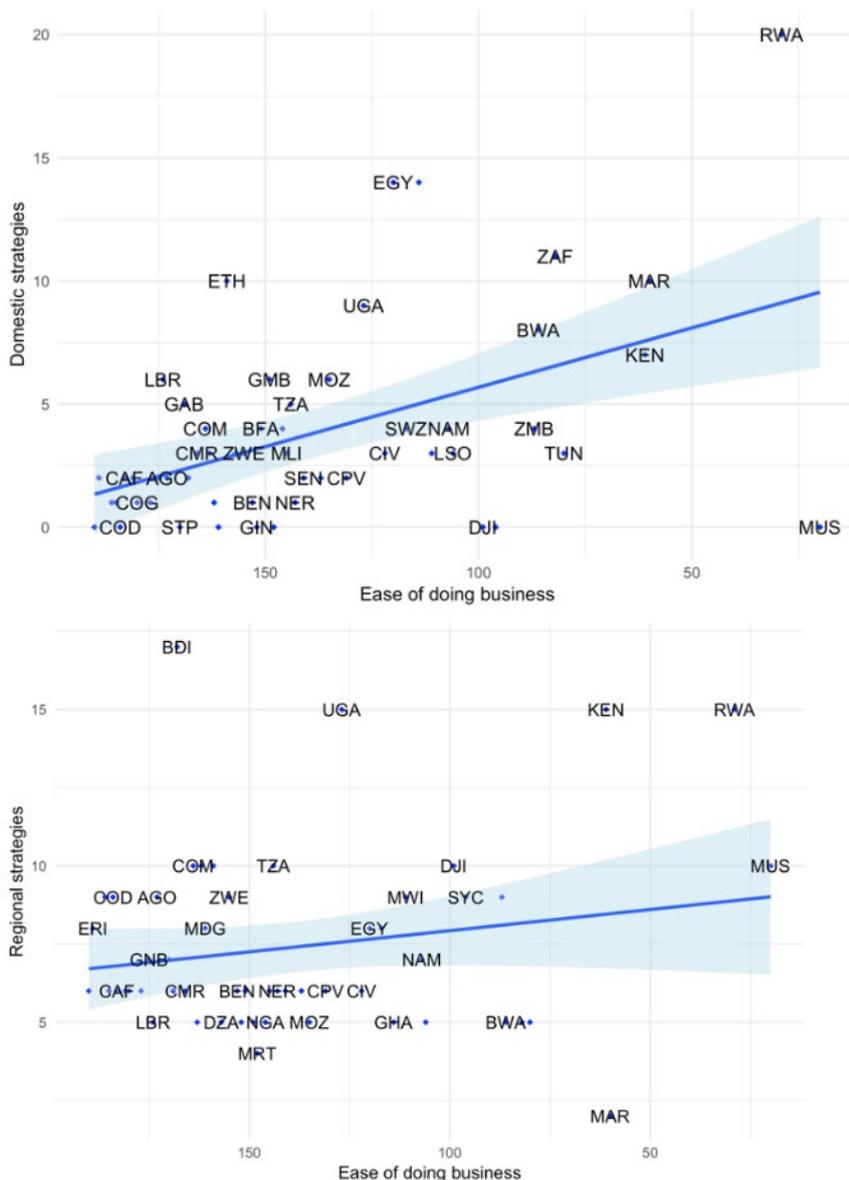
On average, larger, wealthier countries with relatively stronger institutional environments tend to have better quality trade strategies. Figure 25 shows the positive correlation between the quality of the business

³⁴ The K-means data mining algorithm with up to 10 clusters has been used to cluster the countries. The choice of two clusters provides an optimal level within cluster homogeneity and across cluster separability. For additional information on K-means clustering see: https://en.wikipedia.org/wiki/K-means_clustering

³⁵ The Principal Components Analysis (PCA) unsupervised learning technique was used in the clustering analysis. The PCA is a frequently-used algorithm in data analysis with many different applications. In simple terms, it can be defined as the technique that tries to get a representation of a set of data in a space of smaller dimension, minimising the square error committed.

environment on the ease of doing business in the country as a proxy (using the World Bank's Doing Business Indicator). Better institutions produced better policies as expected and documented on the institutional literature.³⁶

Figure 25: Strategy engagement and the quality of the business environment, 2018



Note: Country names provided in Annex IV.
Source: Authors' calculations using ITC's Trade Strategy Map.

Africa has relatively solid trade strategies and in some cases better than other regions in the world. But its trade performance is still lagging behind. Intra-African trade only accounts for 13% of total trade in Africa. According to recent figures, African exports of commercial services are just 1.9% of the world's total. This is approximately the same as Africa's share of world trade.³⁷ Given this, African trade strategies might not be focusing on the right priorities.

³⁶ See Robinson et al. (2005).

³⁷ See <http://www.intracen.org/news/African-Union-European-Commission-International-Trade-Centre-launch-online-Trade-Observatory-of-up-to-date-trade-data/> and https://www.wto.org/english/res_e/statis_e/wts2019_e/wts2019_e.pdf

CHAPTER 4. CONCLUSIONS

The paper has reviewed Africa's existing national and sub-regional strategies to identify common thematic and sectoral trends as well as potential sources of tension for the ongoing negotiations of the AfCFTA. The following are some preliminary considerations for designing a common strategy for Africa's trade competitiveness and development, based on the trends identified in this report.

Africa has made much progress in mainstreaming trade issues into its development strategies.

These strategies exhibit high-quality features such as the use of participatory processes, governance structures, and detailed plans of action, and are also more likely to focus on core trade issues than those in other parts of the world. Their primary focus is on regional integration, but they also devote plenty of attention to areas such as trade facilitation, export promotion, trade finance, as well as trade information.

Despite all this, trade performance is not taking off. Africa continues to export mainly minerals, fuels and cocoa and import manufactured products. This pattern could be partially linked to the fact that, compared to other regions of the world, African countries tend to allocate fewer resources to their strategies and also have a lower degree of country ownership.

Country ownership and increased focus on core trade topics are related.

Africa's domestic initiatives seem to be more naturally inclined to deal with core trade topics such as quality management or innovation than those developed with the participation of international organizations. With the notable exceptions of regional integration and trade facilitation, there is a trend in initiatives developed by international organizations towards focusing more on sustainability issues, rather than core trade topics. International initiatives should consider a re-focus on core trade issues.

While the benefits of dealing with peripheral sustainability and inclusiveness issues in the context of trade strategies are widely recognized, the analysis indicates that African policymakers have an appetite for more core trade issues in trade strategies.

Africa is more focused on core trade issues than other regions.

Comparing African trade strategies to those in the rest of the world reveals that Africa is more focused on core trade issues than other regions. Regional integration is Africa's top trade-related priority, while poverty reduction and the protection of the environment are also very highly featured topics in African strategies. Striking the right balance between core trade issues and other more peripheral topics is a major policy challenge.

Sustainability issues, especially poverty reduction, ultimately have a bearing on long-term trade performance. The risk is that too much focus on some of these topics could easily distract from the objective of boosting trade competitiveness, or scatter the limited resources often available for diversification, and increased export performance. Developing high quality strategies is a step in the right direction to help mitigate these risks.

Larger, wealthier countries with relatively stronger institutional environments tend to have higher quality trade strategies.

On average, larger, wealthier countries with relatively stronger institutional environments tend to have higher quality trade strategies. Smaller African countries tend to engage more on regional strategies. This makes perfect sense from a political economy standpoint. This phenomenon has also been identified in the context of European integration, for example.

Relatively small economies such as Luxemburg and Belgium with large incentives to benefit from the single market have been at the forefront of the European integration process. The role of smaller nations in Africa will presumably also be crucial to build the African common market. Some of these economies are already leading the group of countries with the best strategies. Policymakers from these countries should pursue a more aggressive stand towards production and export diversification. The AfCFTA offers the opportunity to discuss a new trade strategy for the African continent, focusing on sectors that can add value and contribute to African industrialization.

While Africa's regional discourse is on manufacturing and industrialization, its trade strategies continue to focus on agriculture and primary products.

Agriculture accounts for less than 20% of the continent's GDP but more than 60% of the priority sectors in African trade strategies. Manufacturing and high value-added sectors are rarely prioritized both at the country and regional level. Opportunities for diversification exist, but the focus of trade strategies on a very narrow range of agricultural and primary products only contributes to perpetuate existing trade relationships within Africa and between Africa and other regions.

Across African countries, innovation is seldom featured as a priority in trade strategies.

African policymakers should take more ownership on this issue and identify ways to boost innovation, and to transform innovation into new sources of competitiveness for the continent. Innovation should lead to diversification opportunities, particularly on high value-added sectors with the potential to bring about economic transformation on a regional scale. One way in which African policymakers can increase their ownership is by working together towards a shared regional competitiveness strategy.

With almost half of the world's regional trade strategies, **Africa is a champion of regionalism**. Close to 80% of existing trade strategies in Africa identify trade integration and regionalism as crucial policy areas, but just 10% of African strategies currently have a regional scope, which indicates there is space for regionalism to continue to grow.

There are key differences between regional initiatives and country-specific ones.

Regional initiatives are more likely to deal with trade topics. Country-specific initiatives focus relatively more on sustainable development, and these differences have important policy implications. Regional strategies tend to focus more on services and core trade topics, such as trade facilitation, quality issues and international standards, or trade information. This reveals a preference of African policymakers for dealing with these topics regionally.

Regional strategies are also relatively more likely to focus on a wider range of services and manufacturing sectors, but to a large extent, they still focus on mango, cocoa, textiles and cotton. If the AfCFTA is to foster economic transformation, its strategic focus may have to deviate from this focus. Future regional trade strategy initiatives should incorporate new sectors that can further contribute to industrialization and export diversification.

Regional strategies in Africa face some apparent bottlenecks.

Given the degree of overlap of sector development priorities at the country level, developing a common space for a regional strategy for Africa is not going to be simple. Overlapping sector priorities could become a potential source of tensions during AfCFTA negotiations. Economic diversification should be part of the discussions around Africa's regional trade strategy.

A regional solution to address the financial constraints around current country-level strategies could help to overcome the tensions. This paper has presented some metrics on the level of overlap among country priorities, which could indicate where the tensions are likely to raise.

APPENDICES

Appendix I. Constructing the Trade Strategy Map

The number of strategic trade-related development projects has grown worldwide at a considerable rate over the past two decades. In an ongoing effort to help policymakers, businesses and researchers to navigate through the complexity of these initiatives, ITC has developed the Trade Strategy Map, which is a repository of almost 1,500 documents from 169 countries that focus on trade and development and are tools for strategic policy planning and legitimate policy instruments.

Why does the world need a repository of trade strategies? National trade strategies are increasingly perceived as key instruments to boost export performance. Over recent decades, this realisation has triggered a proliferation of initiatives that, under different names and following different methodologies, aim to provide countries with a roadmap to export development. A confusing scenario of often-overlapping plans, roadmaps, initiatives and strategies has arisen in many countries. Policymakers in developing countries need further clarity and a better understanding of the relative value of the different initiatives and their methodological underpinnings.

ITC's Trade Strategy Map is the first systematic effort of such scale to identify, classify and make easily available to the public a large amount of strategic policy documents dealing with trade and development issues. The dataset aims to advance the policy dialogue on trade strategy. It is intended to appeal to three main audiences in particular: (1) policymakers; (2) funders, technical assistance agencies, and international organizations dealing with trade-related technical assistance; and (3) academics.

- Policymakers have a tool to better understand the different policies that developing countries have adopted for trade-related strategic planning. The map also provides them with an overview of alternative export strategy services and methodologies. It ultimately helps policymakers to learn from other policies, and to develop new trade-related policies that better suit their concrete needs.
- Funders, cooperation agencies and international organizations engaged in trade-related technical assistance can obtain in a one-stop repository the full picture of existing trade and development plans and strategic priorities of any developing country. The database increases transparency and provides a useful platform to increase the visibility of existing planning initiatives.
- Academics can use the map to conduct policy-oriented research. It provides insights into the policies tried by different countries in their specific contexts over a long period, as well as a set of variables for ease of comparative policy analysis. The information can be particularly useful for quantitative policy impact studies. While the dataset greatly facilitates comparisons among different export strategies, it is in principle not intended for benchmarking or ranking purposes.

The Trade Strategy Map dataset was constructed as follows:

Three filtering criteria

Identifying what documents to include has been the most crucial step in developing the dataset. After examining thousands of potentially relevant policy documents dealing with trade and development issues, a three-criteria filter has been used to determine whether a document should be included.³⁸

The documents included in the Trade Strategy Map satisfy the following criteria:

- **Topic: Focus on trade and economic development.** This criterion ensures that selected documents deal primarily with trade issues from a development perspective. Some documents tackle these topics

³⁸ The three-layer filter was inspired by ITC's best practice in the area. ITC's best practice on export strategy calls for a high degree of country ownership and inclusiveness in the formulation of strategies. An export strategy is considered to be inclusive and country-owned when it is approved by national authorities, when its design has involved a large group of public and private stakeholders, and when it is aligned with existing national plans.

explicitly, for instance by providing a thorough analysis of the main difficulties that exporters face in a given country and discussing the alternative ways to address them.³⁹ Other documents are included because they have a more indirect significance for trade and economic development in a country. This is the case, for example, of *L'étude Prospective du Secteur Forestier en Côte d'Ivoire*.⁴⁰ The inclusion of this type of document – largely a matter of judgement – has increased the heterogeneity of the Trade Strategy Map.⁴¹

- **Purpose: Aim to serve as tools for strategic policy planning.** This criterion ensures that the documents included are results-orientated. In other words, only documents that aim to have an impact on policy are included.⁴² Documents satisfying this second criterion have some type of strategic component, plan of action or roadmap towards implementation with a specific timeframe. They identify parties in charge of the implementation and their allocated resources and/or specify clear priorities, goals and objectives.⁴³ Documents containing some or all of the above elements have been included, but purely analytical studies which, even when rigorous, are missing the policy dimension, have not been included.⁴⁴
- **Legitimacy: Become a legitimate policy instrument.** This criterion ensures that the documents are lawfully intended for policymaking purposes. As a general rule, the documents included have a sufficient degree of legitimacy to guide or influence policy.⁴⁵ The initiatives designed, approved and/or endorsed by national authorities are considered to be sufficiently legitimated by default. Those developed by private actors and international institutions are included when they have had or are likely to have a strong influence on national policies.⁴⁶

Applying the above criteria ensures that the map contains documents that are relevant to policymakers, funders, technical assistance agencies and academics dealing with trade-related technical issues.

Documents included in ITC's Trade Strategy Map

The map includes a total of 1,454 documents covering 169 countries from 2001 to 2017.⁴⁷ The vast majority of documents refer to individual countries.⁴⁸ However, the database contains 32 documents referring to groupings of countries, such as the Economic Community of West African States or the Common Market for Eastern and Southern Africa. All 54 African countries, as well as the 36 countries in South America and the Caribbean, have been included. There are 52 Asian countries, 16 from Oceania and 11 European ones. Figure 26 shows the country coverage of the strategic map.

³⁹ This is the case for many of the national development plans that developing countries produce.

⁴⁰ Although the document does not directly address issues related to trade, it outlines a plan of action for the sustainable development of the forestry sector of Côte d'Ivoire. It directly deals with issues related to biodiversity, demography, infrastructure, agriculture, fishery, mining and energy. The document was considered sufficiently relevant to be included in the dataset.

⁴¹ As a general rule, documents have been included when deemed sufficiently relevant for policymakers working on trade and development issues. The map includes a number of variables to allow for refined searches.

⁴² On results orientation, see the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Co-operation (2011).

⁴³ The presence of an action plan alone has not necessarily been considered sufficient evidence of meeting this condition.

⁴⁴ Not all diagnostic trade integration studies (DTISs) and poverty reduction strategy papers (PRSPs) strictly meet this condition; they have, however, been included as it has been considered that the initiatives to which they belong intend to meet this condition.

⁴⁵ Despite their heterogeneity, PRSPs, United Nations Development Assistance Frameworks (UNDAFs), DTISs, National export strategies (NESs), and sector export strategies (SESs) are considered to be sufficiently legitimated.

⁴⁶ This includes research centres, consultancy firms, chambers of commerce, firm associations.

⁴⁷ Some documents dating back to 1993 have also been included. Most of these are earlier versions of documents developed between 2001 and 2017.

⁴⁸ This includes all 153 ITC Programme Countries, plus the Cayman Islands, Croatia, and Romania. Note that no strategies have been found for Brunei, Cayman Islands, and Darussalam.

(5)	Document	(19)	Youth integration	(33)	Action plan
(6)	Sector type	(20)	Environmental sustainability	(34)	Trade facilitation
(7)	Sectors	(21)	Regional integration	(35)	Public
(8)	ITC codeLink	(22)	Trade finance/access to credit	(36)	Regional document
(9)	International code	(23)	Trade information/market intelligence	(37)	Link
(10)	Year	(24)	Quality management	(38)	Small and medium-sized enterprises
(11)	Counterpart	(25)	Technical vocational education and training	(39)	Innovation
(12)	Document type	(26)	Country ownership	(40)	Sustainable development goals
(13)	ITC facilitated	(27)	Trade promotion		
(14)	Start	(28)	Focus on trade		

Searches can be performed on any of the fields included using the online version of the dataset – www.tradestrategymap.org. The choice of variables aims to facilitate user analysis of the heterogeneous documents included in the dataset. The complete list of countries and regional groupings included in the strategic map and their respective ISO codes are available in the website.

Appendix II. Variables used in the Trade Strategy Map

The following variables have been included in ITC's Trade Strategy Map:

(1) Country name. This is the name of the country according to the official denomination of the United Nations Statistics Division.

(2) Country code. It identifies the country using the ISO-Alpha 3-letter code commonly used by the United Nations.

(3) Document name. It provides the official name of the document as in the original. When the document is available in more than one language, the original language in which the document was drafted has been used.

(4) Year. It is the year in which the strategy entered into force, as specified in the document. In most cases this year matches the year of approval, although it is often prior to the actual implementation timeframe of the strategy.⁵² Some documents do not clearly specify a date of entering into force or approval. In these cases, a date has been inferred from the content of the documents.

(5) Brief description. This is a brief description of the content, characteristics, guiding principles and objectives of the strategy outlined in the document.

(6) Counterpart. This refers to the institution or actor directly responsible for the design and approval of the strategy. Generally, it corresponds to the local national authority in charge of the initiative (even when assisted by external actors).

(7) Link. This specifies the link to an electronic copy of the strategy document.

(8) Type of document. It identifies the type of document out of the following alternatives: ITC facilitated-national export strategy and sector export strategy, DTIS, PRSP, UNDAF, national document, among others. All documents directly elaborated, endorsed or commissioned by an official national or subnational authority fall into the national document category. Finally, all initiatives driven by other institutions without an explicit endorsement by the local government have been identified with the term 'other'.

(9) Timeframe. This variable specifies the implementation timeframe when the document clearly states it (either in the title or within the text) or it corresponds to the timeframe suggested by the document itself. When a clear time bracket is not indicated, it has been inferred whenever possible from the dates set for the implementation of single actions or projects contained in the strategy. For example, the Diagnostic Trade Integration Study of the Central African Republic, although not stating an explicit timeframe of implementation, contains initiatives to be carried out between 2007 and 2015. Hence, it was assigned a timeframe of 2007-2015. When such an inference is not possible (as there are no clearly planned future actions), it has been assigned a five year after entering into force.⁵³ For example, a document endorsed in 2007 was assigned a 2007-2012 timeframe in the absence of information that could lead to infer its implementation period.

(10) Sector priorities. This entry is filled out when the document clearly specifies the economic sectors that are strategic for the achievement of the objectives of the initiative. The entry is left blank when the sector

⁵² Year follows the Gregorian calendar. When the documents referred to alternative calendars, the dates have been converted to the Gregorian calendar.

⁵³ Some strategies originally drafted according to non-Gregorian calendars (e.g. the Ethiopian calendar) required a two-step process to adjust the date. Firstly, the timeframe stated in the original document has been converted to the Gregorian calendar. The second step consisted in picking two unambiguous boundaries for the timeframe. For simplicity, the starting boundary of the timeframe contained in the database corresponds to the earlier year reported in the converted version of the document, while the ending boundary coincides with the later one. An example will help clarify the process adopted. The Growth and Transformation Plan of Ethiopia was elaborated according to the local Ethiopian Calendar. The implementation timeframe for the plan was 2003-2007, according to Ethiopian fiscal years. The year 2003 in the Ethiopian calendar corresponds to July 8th 2010-July 7th 2011 of the Gregorian Year; similarly, the year 2007 corresponds to July 8th 2014-July 7th 2015. A 2010-2015 timeframe has been reported in the database, corresponding to July 8th 2010-July 7th 2015.

priorities are not clearly described. The wording has been kept as close as possible to the original in the document, or the English translation when necessary.

(11) Standard International Trade Classification (SITC) division priorities. The entry uses SITC two-digit code corresponding to the sector priorities identified in the document (for sectors falling under the SITC Rev. 4 classification 2006). Where the sector prioritized was from the services sector, or the SITC two-digit codes were not applicable, this variable has been left blank.

(12) Last update. This corresponds to the last update of the information regarding the documents included for the country.⁵⁴

(13) Regional scope. It determines whether the document refers to a region (or a group of countries) or to a single country. This variable takes the value of 1 when the document has a regional scope and 0 otherwise.

(14) ITC-facilitated. This variable takes the value of 1 when the document has been designed and/or implemented with the assistance of ITC. It differs from the sum of the ITC NESs and SESs because not all strategies facilitated by ITC are National or Sector Export Strategies. There are also regional and gender strategies. Hence, this binary variable identifies a larger set of documents than the one filtered using the document type variable (i.e. setting the document type equal to NES-ITC and SES-ITC).

(15) Trade focus. This variable takes the value of 1 when trade is the main focus of the document and 0 otherwise. A distinction needs to be made between this variable and the first criteria for inclusion of a document in the dataset (i.e. a trade and economic development focus). While all documents included deal to some extent with trade, some documents do so in a much deeper manner. It has been largely a matter of judgement of the authors to decide whether a given document's focus on trade can be considered sufficient to qualify as a 1 in the 'trade focus' variable.⁵⁵ This variable ultimately aims to identify those documents that mostly focus on trade issues and as such can be considered as trade mainstreaming.

(16) Action plan. It determines whether an action plan is present in the document. For an action plan to be considered present, the document has to provide a chart identifying at least some of the following: 1) specific actions to be carried out along a pre-determined timeframe in order to implement the policy objectives; 2) institutional bodies responsible for ensuring the realisation of the mentioned actions; 3) resources allocated for each of these actions; 4) policy objectives which each policy action feeds into. This variable takes the value of 1 when the document contains a clear plan of action and 0 otherwise.

(17) Poverty reduction. It determines whether the document deals with issues related to poverty reduction. This can refer to analysing the characteristics and causes of poverty as well as outlining the contribution of the strategy to reducing poverty, creating income or generating employment.

(18) Gender equality. It determines whether the document deals with issues related to gender equality and is policy engendering. This can refer to integrating women into the national productive and trading networks, guaranteeing equal treatment to both genders in the labour market, ensuring equal access to social services or improving women's well-being, safety and security.

(19) Youth integration. It determines whether the document deals with issues related to the integration of youth into society and, in particular, into production processes and trading networks. It can refer to the providing of specific technical and vocational training to young people, ensuring access to general education and other social services or improving well-being, safety and security of children and youth.

(20) Environmental sustainability. It determines whether the document deals with issues related to environmental sustainability. This can refer to climate change mitigation and adaptation, reducing emissions of pollutants or minimising the impact of human activities on the environment.

⁵⁴ When a new document is added for Argentina, for example, the date for all the existing documents for Argentina will be updated.

⁵⁵ All export strategies and DTISs primarily focus on trade, while most PRSPs do not, although they have a trade and development component.

(21) Regional integration. It determines whether the document deals with issues related to regional integration. This can refer to increasing trade integration or broadening and deepening the scope of social and economic cooperation with neighbouring countries.

(22) Trade finance/access to credit. It determines whether the document deals with issues related to trade finance or general access to credit. This includes promoting microfinance initiatives, facilitating access to financial services, setting up specialized institutions for export credit and trade finance or strengthening existing ones.

(23) Trade information/market intelligence. It determines whether the document deals with issues related to trade information or market intelligence. This includes information about potential export markets and products, customs procedures, import requirements, tariffs and other barriers to imports, international certifications and requirements, foreign buyers, business and investment opportunities, statistical evidence and information.

(24) Quality management. It determines whether the document deals with issues related to quality management. This can refer to fostering product innovation and quality improvement, complying with standards and certifications or responding to customers' specific needs.

(25) Technical, vocational education and training (TVET). It determines whether the document deals with issues related to TVET. This includes promoting technical and vocational training courses at all levels, setting up new TVET centres or strengthening existing ones.

(26) Trade facilitation. It determines whether the document deals with issues related to trade facilitation. This includes improving transport and logistic services, enhancing efficiency and transparency of customs procedures or removing any other barrier to the circulation of goods across borders.

(27) Trade promotion. It determines whether the document deals with issues related to trade promotion. This includes participating in fairs and other exhibition events abroad to promote domestic products, organising inward delegations of buyers, setting up marketing and branding activities.

(28) National export council. It determines whether the document provides for a high-level committee to manage the implementation of the strategy and, more generally, promote national exports. In particular, this variable indicates documents which set up a completely new institution or specifically assign both these roles to an existing one. Please note that national export council is only one of the names which can be assigned to this institution, without prejudice to the outcome of this variable.

(29) Resource allocation. It determines whether the document contains a detailed allocation of resources among the different axes of intervention outlined in the strategy.

(30) Participatory process. It determines whether the elaboration and design of the strategy have been carried out through a participatory process, namely through the use of consultations and/or workshops with the public and stakeholders. This has been inferred exclusively from the content of the document itself, without resorting to additional research to verify the accuracy of the information therein contained.

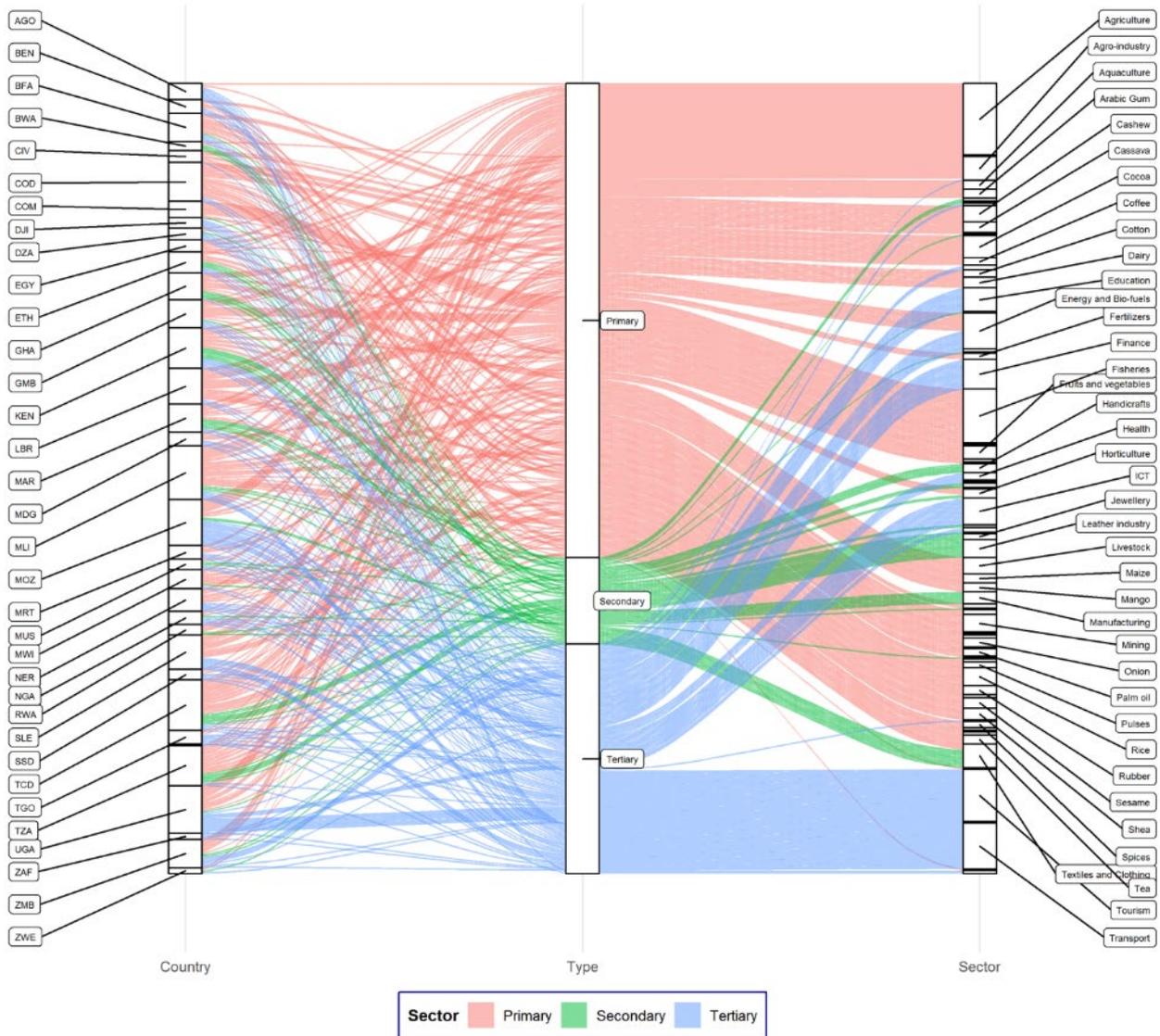
(31) Country ownership. It determines whether the strategy has been fully promoted, endorsed and approved by national authorities at all levels. This has been inferred exclusively from the content of the document itself, without resorting to additional research to verify the accuracy of the information therein contained.

(32) Least developed country. It determines whether the country implementing the strategy is a least developed country. The classification follows the list published by the UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

(33) Land-locked developing country. It determines whether the country implementing the strategy is a land-locked developed country. The classification follows the list published by the UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

Appendix III. Overlapping sectors in African trade strategies

Figure 27. Sector focus in strategies, by African country, 2018



Appendix IV. African countries included in the TSM

Table 3: Countries included in the TSM.

ISO Code	Country	ISO Code	Country	ISO Code	Country
DZA	Algeria	ERI	Eritrea	NER	Niger
AGO	Angola	ETH	Ethiopia	NGA	Nigeria
BEN	Benin	GAB	Gabon	RWA	Rwanda
BWA	Botswana	GMB	Gambia	STP	Sao Tome and Principe
BFA	Burkina Faso	GHA	Ghana	SEN	Senegal
BDI	Burundi	GIN	Guinea	SYC	Seychelles
CPV	Cabo Verde	GNB	Guinea-Bissau	SLE	Sierra Leone
CMR	Cameroon	KEN	Kenya	ZAF	South Africa
CAF	Central African Republic	LSO	Lesotho	SSD	South Sudan
TCD	Chad	LBR	Liberia	SDN	Sudan
COM	Comoros	LBY	Libya	SWZ	Swaziland
COG	Congo	MDG	Madagascar	TGO	Togo
CIV	Côte d'Ivoire	MWI	Malawi	TUN	Tunisia
COD	Democratic Republic of the Congo (the)	MLI	Mali	UGA	Uganda
DJI	Djibouti	MRT	Mauritania	TZA	The United Republic of Tanzania
EGY	Egypt	MUS	Mauritius	ZMB	Zambia
GNQ	Equatorial Guinea	MAR	Morocco	ZWE	Zimbabwe
		MOZ	Mozambique		
		NAM	Namibia		

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