

Sharing UNECA's experience of using the TRADE-DSM for Cameroon's Industrialisation Plan in the AfCFTA



19 October 2021

Dr Jean-Marc Kilolo, Economist, SRO-CA, ECA

Dr Martin Cameron - Managing Director: Trade Research Advisory



Discussion points

- UNECA & project context (JM)
- Approach & key outcomes (MC)

• Who is UNECA? •

- United Nations Economic Commission for Africa (ECA)
- Headquarters was established in Addis Ababa, Ethiopia (in 1958) by the UN's Economic and Social Council
- Subregional Office for Central Africa (SRO-CA) main objective is to contribute to achieving economic diversification and structural transformation for inclusive and sustainable development in an integrated Central Africa subregion with focus on economic diversification policy and reforms.
- Started in 1962 – focus on 7 core countries – today covers 11 ECCAS member states (Angola, Burundi, Cameroon*, Central African Republic*, Chad*, Democratic Republic of Congo, Equatorial Guinea*, Gabon*, Republic of the Congo*, São Tomé and Príncipe*)
- ECA helps countries and regional economic communities (RECs) in the sub-region formulate and implement relevant policies and strategies with the view to sustainably expanding the contribution of the manufacturing and high-value service sectors to GDP and increasing the share of tradeable and manufactured goods in total exports; deepening regional value chains; and improving the competitiveness and productivity of local economies
- Through cutting-edge ideas and prompting action for an empowered and transformed Africa aligned with 2030 Agenda and African Union's Agenda 2063



• UNECA Context •

- With the advent of the AfCFTA, several African countries have requested the support of the ECA and its partners to develop their AfCFTA strategies.
- In Central Africa, Cameroon was the first country in the region to finalize its strategy in 2020.
- Considering ECA's expertise in economic diversification and structural transformation, the Government of Cameroon requested for ECA's support to assess Cameroon's export opportunities in the context of the AfCFTA.
- In response to this, ECA has teamed with Trade Advisory's researchers in the North-West University (NWU) to develop a Decision Support Model (DSM) for Cameroon and identify the trade potential of Cameroonian products (identified in the PDI as well as Cameroon's AfCFTA strategy) in the AfCFTA market

Cameroon Project Context

Project objective

Providing ‘**realistic**’ export opportunity analysis as input to Cameroon in their reviewing the Plan Directeur d’Industrialisation” (PDI, 2015) in the context of the AfCFTA

... to become the “factory of the new industrial Africa”

➤ **How?**

Become...

- a logistics hub
- manufacturer, and
- food supplier of the African continent;

➤ **What?**

Identified industrial pillars, namely:

- 1) Forest-Wood and Derivatives,
- 2) Mining, Metallurgy - Steel,
- 3) Hydrocarbons and Petrochemicals,
- 4) Chemistry and Pharmacy and
- 5) Cotton - Textile - Manufacturing.

➤ **Where?**

Starting with

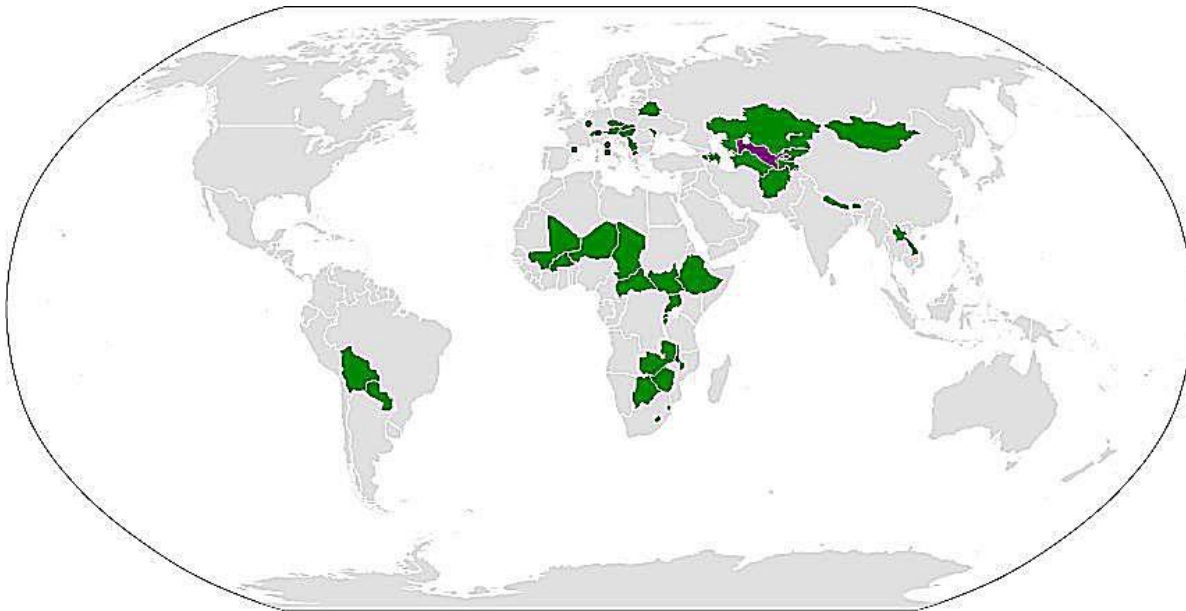
- ECCAS
- + Nigeria

Foundation = National strategy for implementation of African Continental Free Trade Area

- Stakeholders (government, private sector and civil society)
- Measures aimed at strengthening institutional mechanisms identified
- Focus to enable the private sector to benefit from a larger African market
- Ultimately to lift economic well being of all citizens

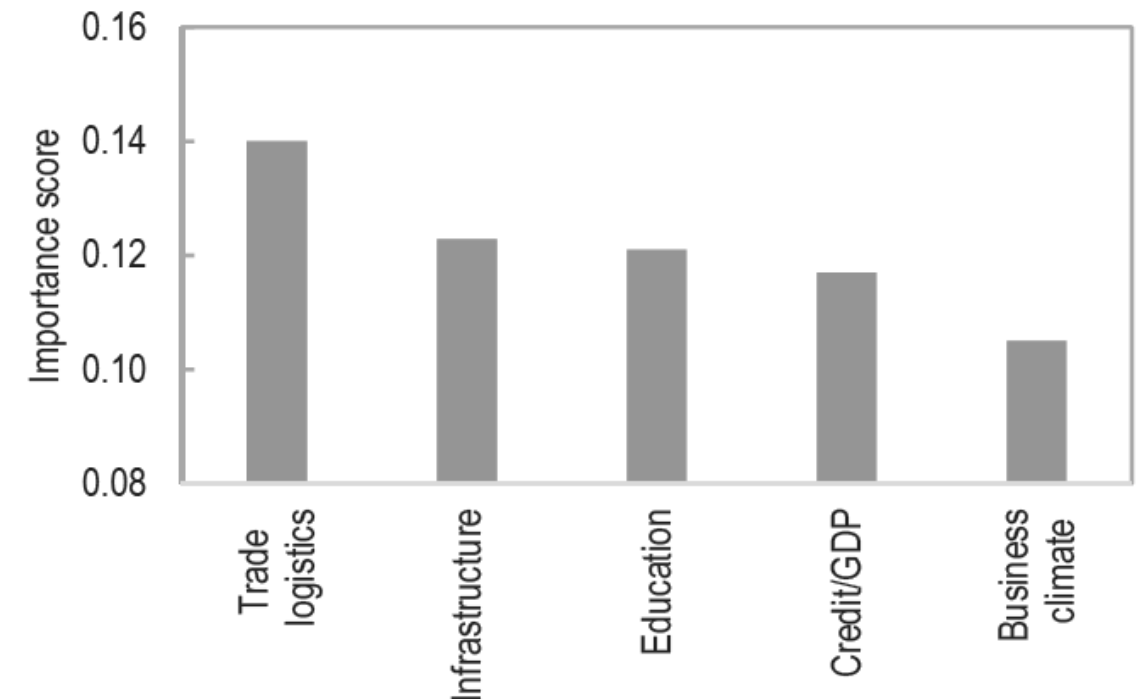
Africa Context

- 44 landlocked countries and 5 partially recognized landlocked states in the world
- Africa have the most (with Europe*), at 16 landlocked countries
- Trade logistics and infrastructure therefore key to unlock trade potential



* If Azerbaijan, Kazakhstan, and South Ossetia are included in Western Asia and not Europe

Importance of different non-tariff barriers in international trade



Source: IMF (2019)

• Project Context •

*Key requirement – need to consider **SUPPLY and DEMAND***

Most analysis and strategy developments only focus on SUPPLY side

ECA requested that approach needs to cater for both...

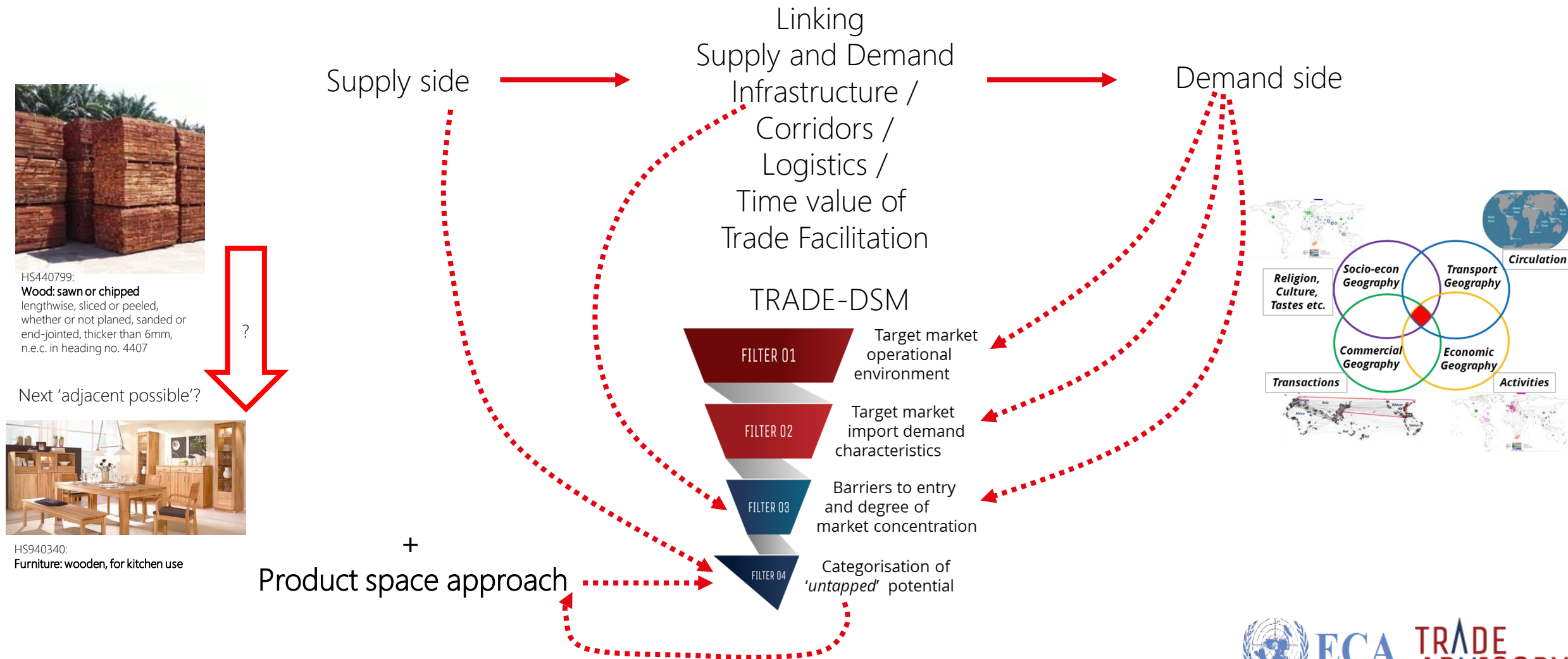
• Critical assumptions •

*Not only is **DEMAND** important, but also*

- Market access considerations (AfCFTA zero rate assumption) ...
- Import demand **patterns** – based on recent history not the future ...
- Real world trade facilitation infrastructure and logistics (AfDB corridor developments)...
- Reported data
 - remains a challenge but addressed by using CEPII BACI global reconciled data set
- COVID implications not considered ...
- Weapons & ammunition excluded ...

Approach applied

Combining Product Space & TRADE-DSM approach

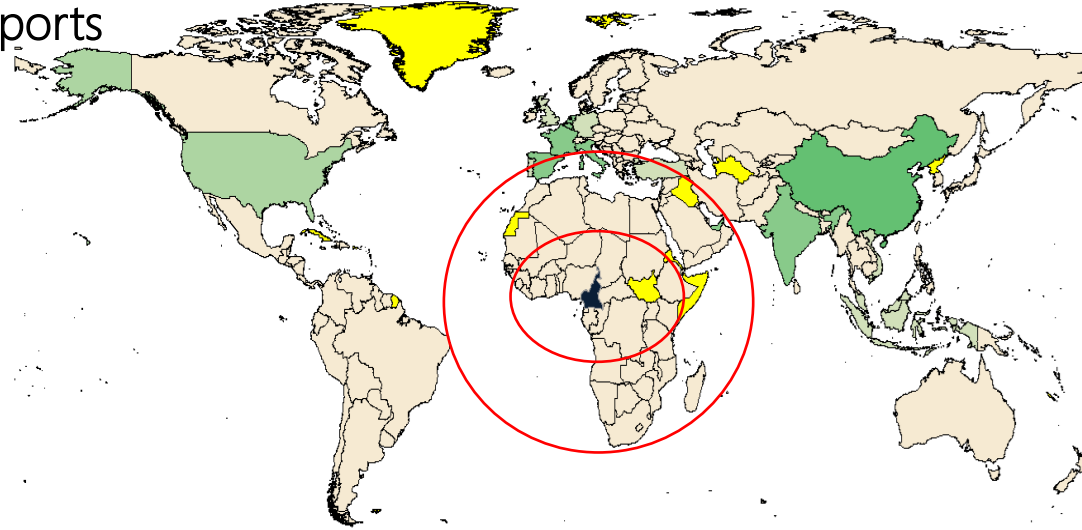


The real world of international trade

Distance, time and market access matters

Example

Cameroon exports



The real world of international trade

Distance, time and market access matters

Example

Assumptions based on reported cross border road corridor developments

Source: *CROSS-BORDER ROAD CORRIDORS - The Quest to Integrate Africa*. African Development Bank, June, 2019

AfDB interventions between 2004 and 2018 to facilitate regional integration and trade.

East & Southern Africa

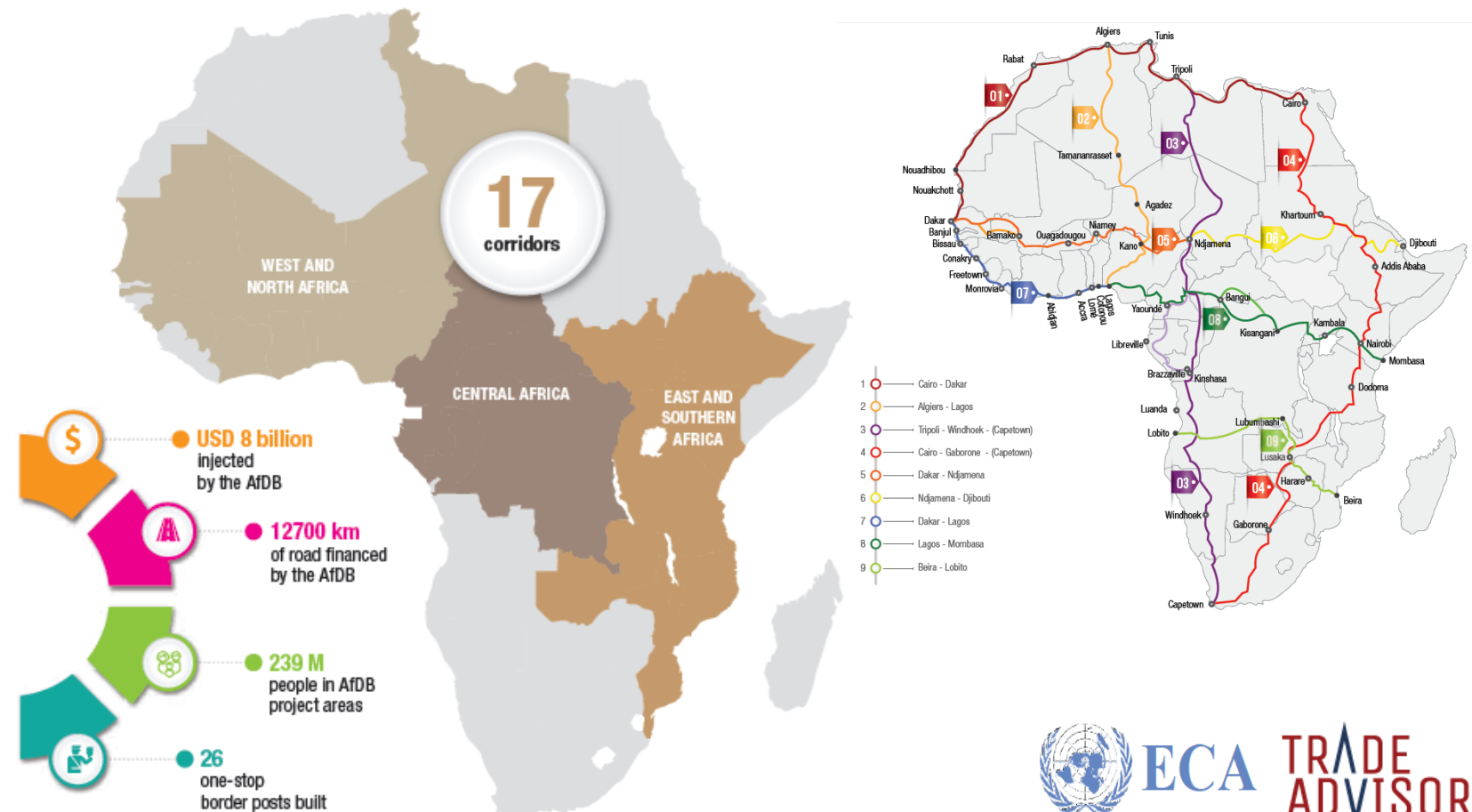
- 1) Nacala Corridor
- 2) Mtwara Corridor
- 3) North-South Corridor (North section)
- 4) North-South Corridor (South section)
- 5) Northern Corridor
- 6) Mombasa – Addis Ababa Corridor
- 7) Nairobi – Lusaka Corridor

Central Africa

- 1) Brazzaville – Libreville Corridor
- 2) Brazzaville – Yaounde Corridor
- 3) Douala – N'djamena and Douala – Bangui Corridor
- 4) Cameroon – Nigeria Corridor

West & North Africa

- 1) Central Corridor of the TSH
- 2) Bamako – San Pedro Corridor
- 3) Dakar – Bamako – Ouagadougou – Niamey Corridor
- 4) Dakar – Abidjan
- 5) Abidjan – Lagos Corridor
- 6) Lome – Ouagadougou Corridor
- 7) Tema – Ouagadougou Corridor
- 8) Trans-Tunisia Corridor



The real world of international trade

Distance, time and market access matters

Example

Cameroon – logistics assumptions into regional neighbours and East Africa markets ?

Previous:

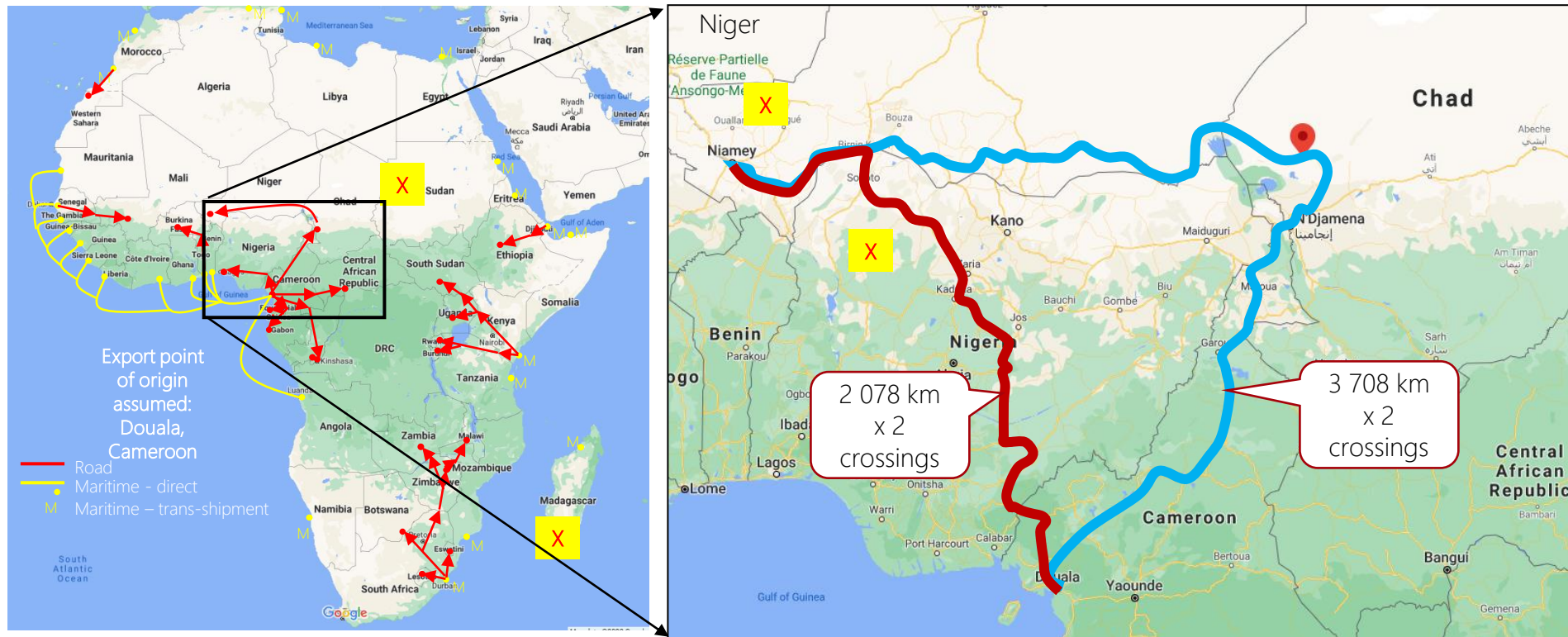
- 1) Douala – Ekok [Border], Nigeria (340 km)
- 2) Ekok - Brinin Konni [Border], Niger (1320 km)
- 3) Brinin Konni - Naimey, Niger 417 km

Total distance – 2078 km x 2 border crossings

Revised:

- 1) Douala – Kousseri [Border] (1799 km)
- 2) Kousseri - N'Djamena, Chad (23 km)
- 3) N'Djamena – Daboua [Border] (via Ngouri) 331 km
- 4) Daboua - Naimey, Niger 1556 km

Total distance – 3708 km x 2 border crossings



The real world of international trade

Distance, time and market access matters

Example

Example = due to commercial service provision routing:
Cameroon – Logistics distance
Mozambique: 21, 499.84 km
Australia : 22,647.81 km

10 LARGEST CONTAINER SHIPPING COMPANIES IN THE WORLD

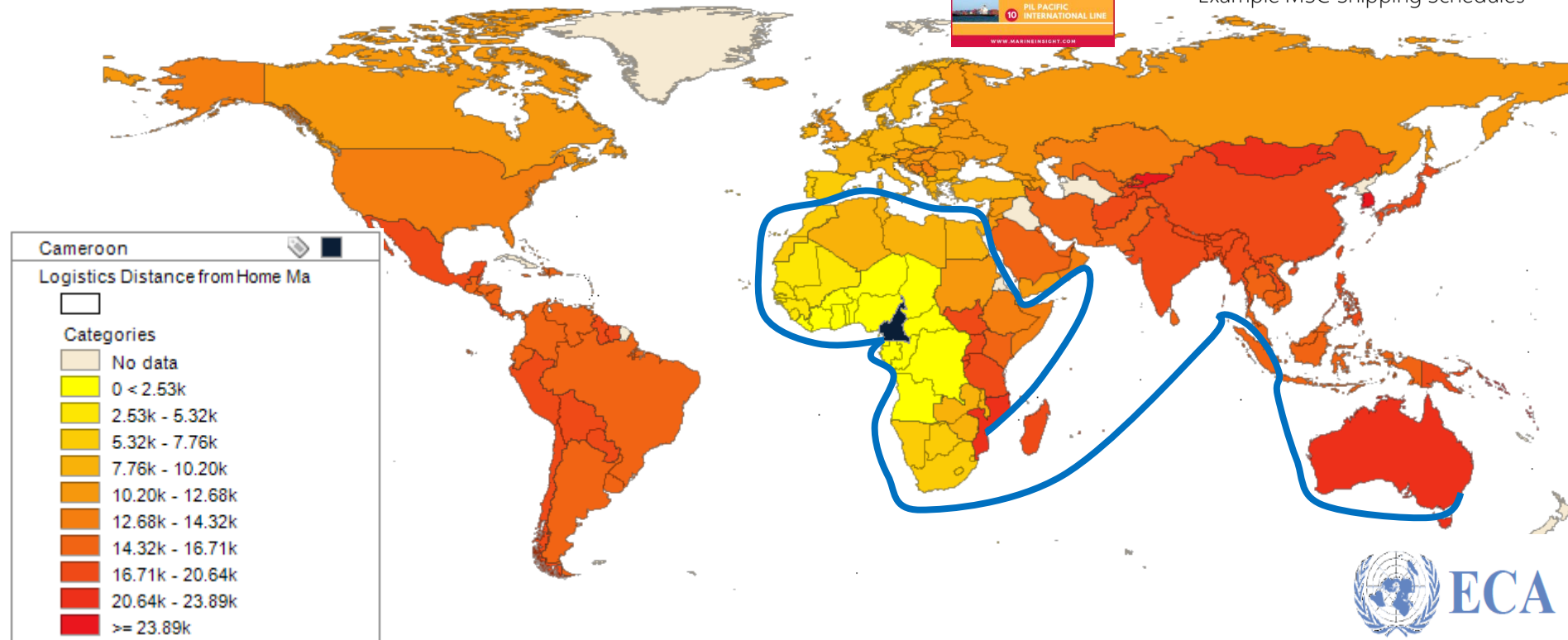
- 1 APM-MAERSK
- 2 MSC – MEDITERRANEAN SHIPPING COMPANY
- 3 COSCO – CHINA OCEAN SHIPPING COMPANY
- 4 CMA-CGM
- 5 HAPAG-LLOYD
- 6 ONE – OCEAN NETWORK EXPRESS
- 7 EVERGREEN LINE
- 8 YANG MING MARINE TRANSPORT
- 9 HYUNDAI MERCHANT MARINE
- 10 PIL PACIFIC INTERNATIONAL LINE

www.marineinsight.com

DATE: Tue, 10 Dec 2019
Brisbane, Australia (AUBNE) to New York, United States (USNYC)

Vessel	Voyage	Service	Terminal	Service Type	Departure Date	Transit	Arrival Date	
MAUD	KE948A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 13 Dec 2019	55 days	Thu, 06 Feb 2020	BOOK
NORTHERN DIAMOND	KE948A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Thu, 19 Dec 2019	55 days	Wed, 12 Feb 2020	BOOK
MSC ADITI	KE950A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 27 Dec 2019	50 days	Sat, 15 Feb 2020	BOOK
BOKAR ROSSI	KE951A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 03 Jan 2020	48 days	Thu, 20 Feb 2020	BOOK
MSC BANU	KE952A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 10 Jan 2020	48 days	Thu, 27 Feb 2020	BOOK
SARDIA	KE953A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 17 Jan 2020	48 days	Thu, 05 Mar 2020	BOOK
SPHENE	KE954A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 24 Jan 2020	48 days	Thu, 12 Mar 2020	BOOK
NORTHERN DIAMOND	KE955A	NEW KWI EXPRESS	PATRICK BRISBANE AUTOSTRAD TERMINAL	TRAIN-SHIPMENT	Fri, 31 Jan 2020	48 days	Thu, 19 Mar 2020	BOOK

Example MSC Shipping Schedules

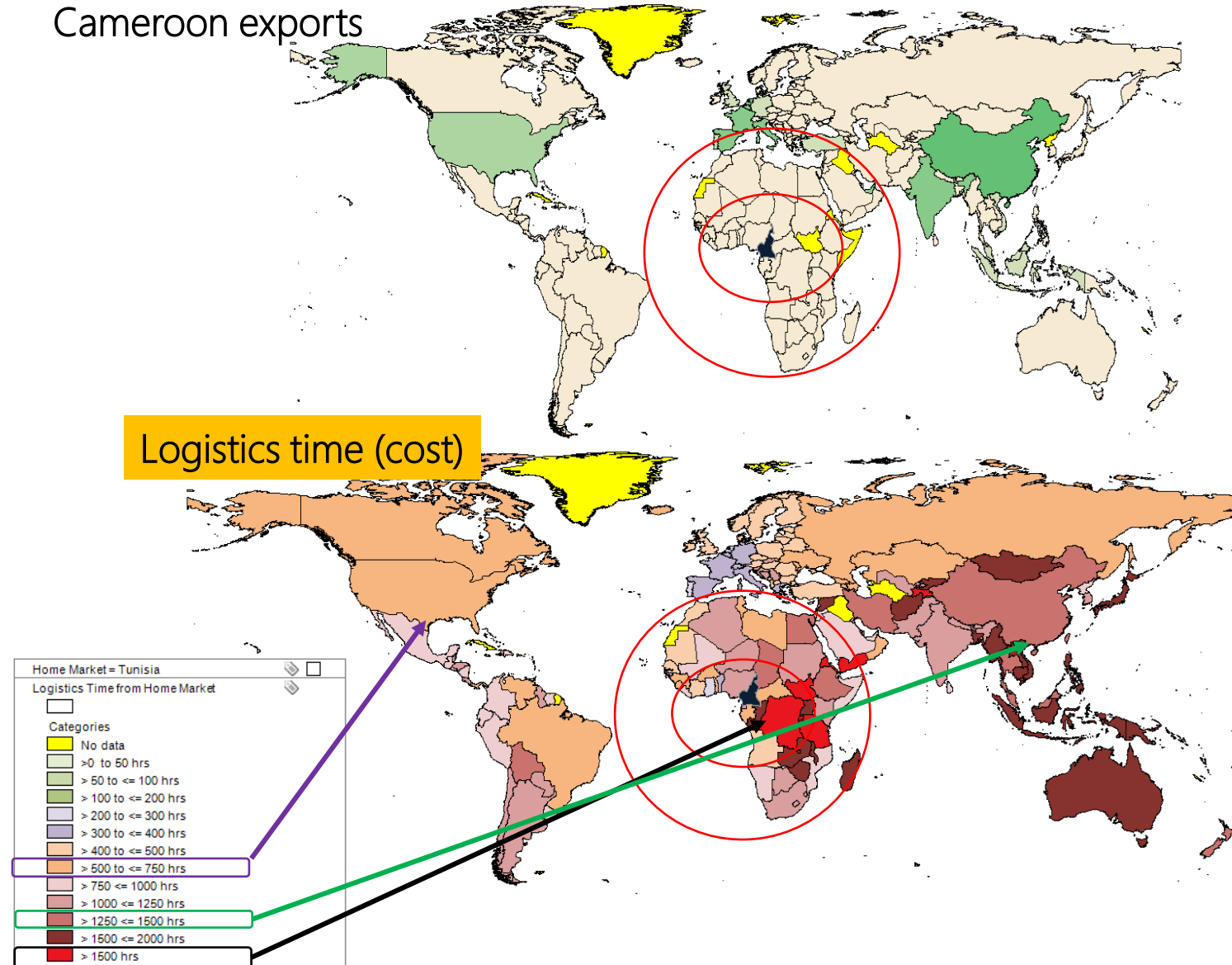


The real world of international trade

Distance, time and market access matters

Example

Cameroon exports

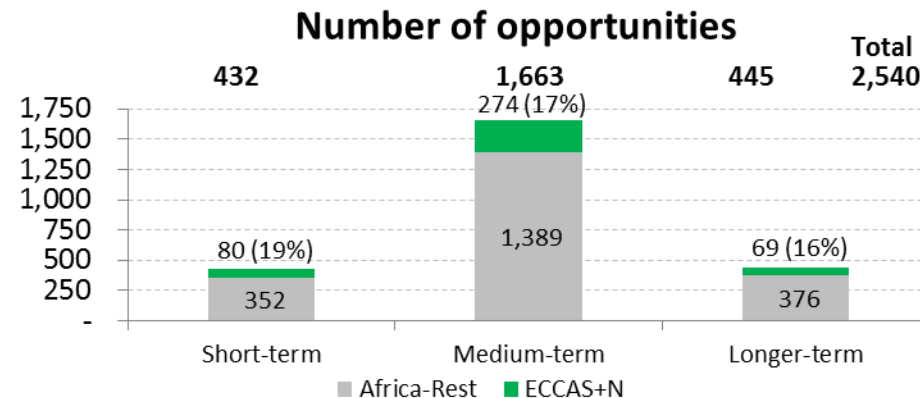
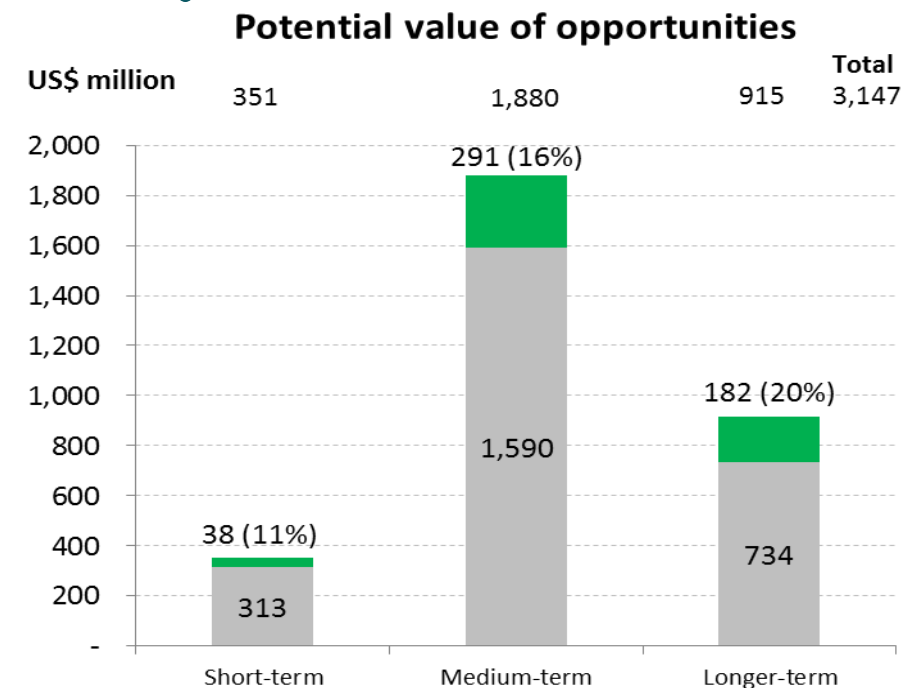


Key outcomes

Outcomes - arranged from realisation horizon perspective

- **Overall Africa (including ECCAS+N)**
 - **US\$ 3.2 billion per annum**
 - spread across 436 products x 49 markets**
 - equal to 60% increase on 2019 exports (of US\$ 5.3 billion)**
- **Short-term** (ECCAS+N = 11% of potential value)
 - **existing** relatively 'mature' export **products** and **existing** trading partners
- **Medium-term** (ECCAS+N = 16% of potential value)
 - **existing** but relatively 'immature / emerging' export **products** and **new** markets
- **Longer-term** (ECCAS+N = 20% of potential value)
 - 'new' but 'related' export **products** and **new** markets
- **So ECCAS+N* represent ~ US\$ 510 million 436 products** (equivalent of 10.0% of 2019 exports)

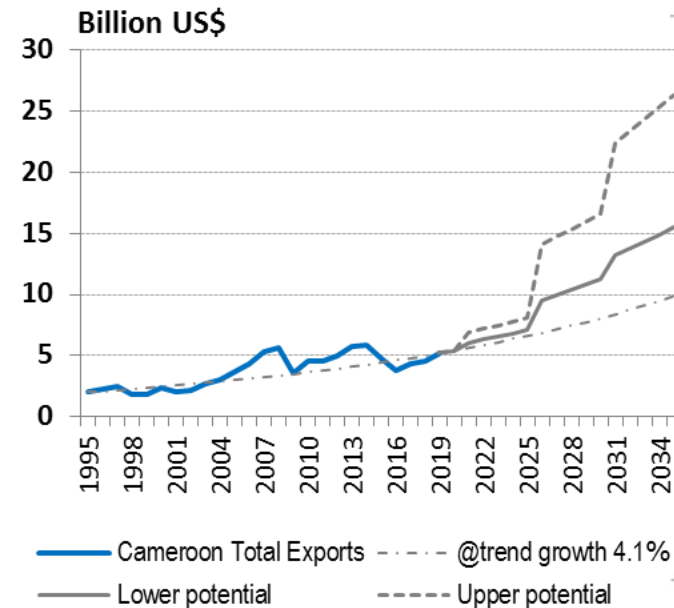
* Including DRC opportunities



Key observations

For policy makers - key observations

- Focused industrialisation and export promotion will assist Cameroon to significantly grow exports and the domestic economy (GDP), but
- Distance and market access matters
- Not all current logistical corridor developments necessarily helps Cameroon specifically
- Demand and specifically import demand patterns in target markets matter
- Market x product combinations matter



Home Market: Cameroon

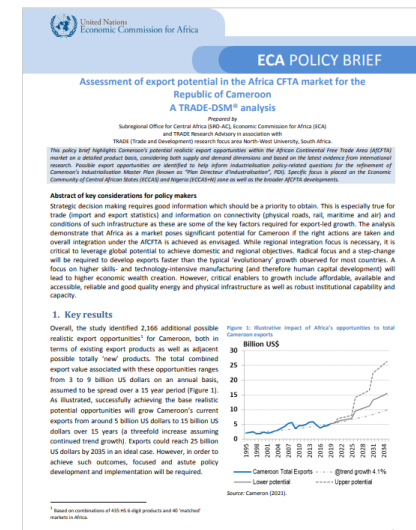


Home Market: Cameroon

Project outcomes

Team delivered

- Technical study report
- Policy maker's briefing note
- Various capacity building engagements and interactions
- In process constructing models for rest of ECCAS countries



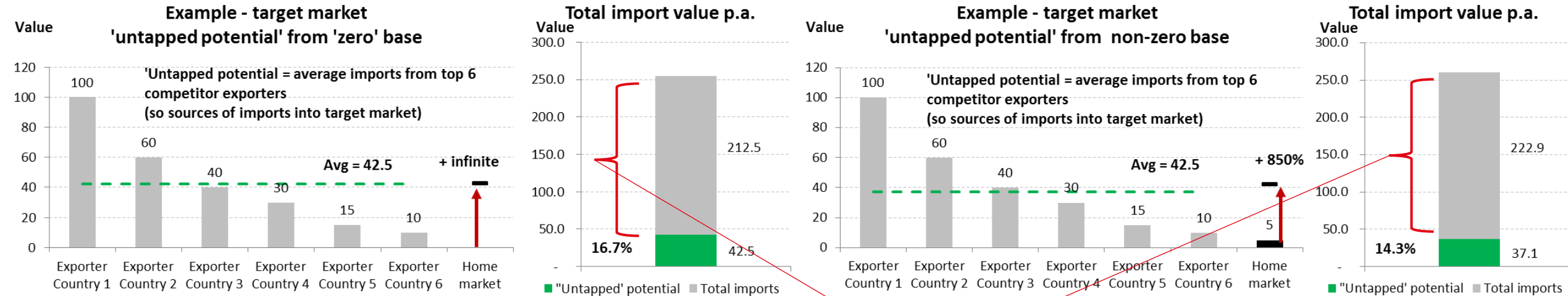
Thank you

Critical assumptions

Note on interpretation

Understanding 'untapped' potential - example

- time-weighted (5-years) annual average imports into *target market* from top 6 import partners (i.e. competitors for *home market* (in this case Cameroon) *excluding imports from home market* if it already forms part of the top 6 target market import partners)
- so is realistic 'additional' exports that home market can aspire to gain (but not a minimum or a maximum)



With 'aggressive & competitive' strategy - can aim for more market share than average from top 6

- but **emphasis in this analysis on 'realistic' value** based on international observation

- 80% of import value supplied by 6 trading partners (or less) for 94% of country x product cases