

The proposed Tripartite Free Trade Area: Challenges and expected benefits

Tsitsi Effie Mutambara

Nonceba Fikile Bhebhe

Dept. of Economics

Rhodes University, South Africa

t.e.mutambara@ru.ac.za, g15b6705@campus.ru.ac.za

Abstract

COMESA, EAC and SADC have an initiative to form a Tripartite Free Trade Area that will create a single market to facilitate free trade and boost trade. Intra-regional trade shares for each group were derived and used to examine the current levels of trade within each group. Trade intensity indexes were calculated and used to show the extent to which the regional groups currently consider each other as significant trading partners. Major exports between the regional groups were examined by skill and technology intensity to give insights into the types of products mainly traded. Intra-COMESA trade continues to be very low unlike intra-EAC and intra-SADC trade which have improved greatly. The EAC and COMESA rely a lot more on trade with the rest of Africa, while SADC relies more on non-African countries. Resource-intensive manufactured goods and Non-fuel primary commodities are the major products currently traded between the regional groups. This reflects current low levels of industrial base as well as product categories in which the groupings have a comparative advantage. This poses a challenge to the proposed FTA because as trade theory suggests, countries with similar comparative advantage profiles are unlikely to have high bilateral trade intensities unless intra-industry trade is involved. Therefore, there is a need for the countries to develop and expand industrial linkages, develop capital-intensive and skill-intensive technology driven industries that will harness and build on the limited existing capacities in high value added manufacturing activities to develop dynamic comparative advantages in high value added products. The trade intensity indexes show that the regional groups regard each other as important trading partners. This is beneficial because as per trade theory, if countries already have an intensive trading relationship, an FTA would simply reinforce the existing underlying trade patterns and provide less scope for welfare reducing trade diversion.

Keywords: Common Market for East and Southern Africa (COMESA); East African Community (EAC); Southern Africa Development Community (SADC); Tripartite Free Trade Area (TFTA); Intra-regional trade; Trade intensity indexes.

JEL Classification: F13, F14

INTRODUCTION

The Tripartite Free Trade Area (TFTA) is an economic integration arrangement initiated in October 2008 by the Common Market for Eastern and Southern Africa (COMESA), the Eastern African Community (EAC) and the Southern African Development Community (SADC) as noted by COMESA, EAC, and SADC (2011). The TFTA Agreement was launched on 10 June 2015 in Egypt, and to date, 22 out of the 27 countries have signed the Agreement (Mangeni, 2017; Tralac, 2019; Department of Trade and Industry, 2018; Erasmus, 2019). Although the TFTA Agreement

was launched on 10 June 2015, it was without country-specific tariff schedules and rules of origin having been agreed (Jovanovic, 2016; Erasmus, 2015; Aniche, 2014). By building on the success and best practices achieved thus far in trade liberalisation within the three regional blocs, the TFTA seeks to create a bigger and more easily accessible market with reduced cost of doing business.

As stated in the Agreement, the objectives of the proposed TFTA are founded on three principles, i.e. market integration, industrial development and infrastructure development (COMESA, EAC, and SADC, 2015). Part I Article 4 of the Agreement shows that the proposed TFTA seeks to create a single market which promotes intra-regional trade by facilitating free trade of goods and services. This would enhance regional and continental integration and in turn promote economic and social development of the region. The specific measures to attain these objectives, as shown in Part I Article 5 of the Agreement, involve eliminating trade barriers on goods and services; cooperating in implementing trade facilitation measures and other trade-related issues; as well as having in place an effective institutional framework for the implementation and the administration of the Agreement (COMESA, EAC, and SADC, 2015).

The pace at which the member states in the proposed TFTA have been pushing TFTA agenda has been slow and behind schedule. After launching the TFTA Agreement in June 2015, Tralac (2019) and Luke and Mabuza (2015) noted that a period of 12 months from the launch of the Agreement had been set to conclude outstanding technical work, e.g. to negotiate, finalise, and conclude outstanding negotiations on rules of origin, trade remedies and tariff offers. However, due to challenges faced in these processes, the deadline of June 2016 was missed. Mangeni (2017) noted that since the deadline of June 2016 was not met, a new timeframe of April 2017 was set, which was also missed and then extended to October 2017. Luke and Mabuza (2015) noted that one of the major challenges in the negotiations were the contradictions between negotiating principles, e.g. variable geometry which, on one hand allowed countries that were ready to move ahead; while decision-making by consensus allowed countries that were not ready to hold others back. Furthermore, they stated that funding of the negotiations was also a great challenge, as negotiations were proving costly and held in four languages, i.e. English, French, Portuguese and Arabic. Siziba (2016) noted that there is still limited human capacity and financial resources for the research and analyses that go into preparing for the negotiations, and this has affected the negotiating capacity of member states. Marinov (2016) noted challenges due to the negotiating capacity gap between parties; diversified developmental priorities due to the countries' different levels of development; the more developed countries preferring a fast process to reach an agreement while others demand a longer period of time to prepare their domestic markets; and the WTO commitment of some member states that prevents them from certain settlements that non-WTO member states demand.

The African Continental Free Trade Area (AfCFTA) is a bigger integration initiative compared to the TFTA, and would arguably bring more benefits in tariff liberalisation, trade in goods and services, as well as investment. By 1 April 2019, one year after it was signed, 22 countries had ratified the Agreement as required for the Agreement's entry into force, and by July 2019, 27 countries had ratified the Agreement (United Nations Economic Commission for Africa, 2019). Due to the expected benefits of the AfCFTA, some have argued that some countries are reluctant to commit to the TFTA

Agreement as they regard the TFTA to be now redundant compared to the AfCFTA. Siziba (2016) argued that the commitment to trade liberalisation within the individual regional groups is very low, as member states tend to be unwilling to give up sovereignty to a regional entity. This is consistent with observations by Erasmus (2017) that most states and governments tend to be conservative on opening their markets to competitors. Therefore, given that the TFTA will be a much bigger trading bloc, it will prove more difficult given that the individual trading blocs are currently struggling with the implementation processes of their respective initiatives. Siziba (2016) and Zamfir (2015) noted future challenges which face the TFTA with regard to the financial demands relating to (i) providing infrastructure to facilitate trade, and (ii) compensatory and adjustment costs for those member states who would be adversely affected by the free trade area.

As per Part XII Article 39 of the Agreement, the TFTA Agreement will come into effect upon ratification by fourteen member states (COMESA, EAC and SADC, 2015). Domestic laws and tariff structures would therefore need to be changed to reflect the terms of the Agreement. The ratification of the Agreement has been a challenge as there have been delays in doing so. So far, Egypt, Kenya, Uganda and South Africa have ratified the Agreement (Tralac, 2019; Erasmus, 2019). South Africa is the biggest and strongest economy in the proposed TFTA and by ratifying the Agreement, the country is indicating its commitment to regional integration, and this would motivate other countries to do likewise.

EXISTING CHALLENGES WITHIN THE PROPOSED TFTA

Some of the challenges currently experienced by COMESA, the EAC, and SADC could negatively affect the proposed TFTA's ability to improve intra-regional trade. The challenges include overlapping memberships, low intra-regional trade, low levels of industrial development, continued protectionist trade policies, and political conflicts in some regions of the proposed TFTA.

Overlapping memberships

Table 1 below illustrates multiple memberships by countries that form the proposed TFTA. For example, Zambia is a member of both COMESA and SADC; Tanzania is a member of both EAC and SADC; while Zimbabwe is a member of both COMESA and SADC. Overlapping memberships cause technical difficulties in the TFTA. For example, (i) 14 of COMESA member states are trading at an FTA level, while some are still under the Preferential Trading Area; (ii) SADC launched its FTA in 2008, and 12 of its members are implementing the FTA while 3 are not yet doing so; (iii) the EAC is now a Customs Union and charges a common external tariff on external imports, while SADC and COMESA support free trade with countries outside their regions; and (iv) the problems associated with accessing markets through membership back doors.

Erasmus (2015) noted that overlapping memberships weaken implementation and the regional economic communities acquire unnecessary additional costs. Furthermore, he noted that there is an added cost to the trader because when a country belongs to more than one economic integration arrangement, the trader is expected to comply with a different set of rules for each trading bloc. As a result, trade liberalisation and regional integration is diluted, leading to a lack of deep integration. Folfas and Garlinska-Bielawska

(2018) confirm that multiple memberships often lead to economic losses caused by reduced internal trade, and the expected deep forms of integration often proved very ineffective. Marinov (2016) noted that multiple memberships pose implementation challenges to the business sector, customs administrations, and other agencies involved in facilitating trade, a view supported by United Nations Economic Commission for Africa (2019).

Table 1: Overlapping memberships in the proposed TFTA

Countries	Regional economic integration arrangements that form the proposed TFTA		
	COMESA	SADC	EAC
Arab Maghreb Libya; Arab Republic of Egypt; Federal Democratic Republic of Ethiopia; Republic of Djibouti; Republic of Sudan; State of Eritrea; Union of the Comoros	√		
Dem. Rep. of Congo; Kingdom of Eswatini; Republics of Madagascar; Malawi; Mauritius; Seychelles; Zambia; and Zimbabwe	√	√	
Republics of Burundi; Kenya; Rwanda; South Sudan; and Uganda	√		√
Kingdom of Lesotho; Republics of Angola; Botswana; Namibia; Mozambique; and South Africa		√	
Republic of Tanzania		√	√

Source: Own Table using various sources.

To solve the issue of multiple memberships, the three blocs will have to consolidate in favour of a single new expanded bloc. However, given the current different legal and institutional regimes in each regional bloc, this may be a big challenge, as it would require for extensive institutional harmonisation, as well as rationalising and harmonising the existing trading arrangements. Furthermore, each regional group still wants to pursue its integration agenda as per the current strategy on trade liberalisation. Since the individual regional groups will not dissolve, Erasmus (2017) observed that the success of the TFTA would depend on the member states having domestic measures that are consistent with the TFTA Agreement to achieve the objectives of liberalising trade.

Part II Article 7 of the TFTA Agreement refers to the issue of multi memberships, noting that while member states will not be hindered from upholding or entering into preferential trade agreements; such preferential trade agreements must also be extended to the other TFTA members without any discrimination and should be reciprocal. If this condition is observed, then overlapping memberships *per se* would not be a problem as trade will be non-discriminatory.

Low intra-regional trade

Intra-regional trade in each of the three regions that form the proposed TFTA is mainly low as this trade is mostly below 20%, as shown in Tables A-1 to A-3 (Appendices). In the period 2001-2018, intra-regional trade is lowest in COMESA, with intra-COMESA export trade mainly below 10% and intra-COMESA import trade below 7% throughout the period. Intra-EAC export trade was between 17% and 21%, while intra-EAC import trade was between 6% and 11%. Intra-regional trade is highest within the SADC region, with intra-SADC export trade between 11% and 20%, while intra-SADC import trade was between 17% and 21%.

With regard to trade with the African Continent, the Continent serves as an export destination for 35%-46% of COMESA's exports and as an import source for 51%-60% of its imports. For the EAC, the Continent serves as an export destination for 41%-50% of its exports and as an import source for 47%-50% of its imports. SADC is the least reliant on the African Continent for trade, as evidenced by the continuous decline in its exports to the Continent, declining from 21% in 2001 to 11% by 2018. The African Continent has been an import source for a mere 8%-15% of SADC's imports.

The empirical evidence of intra-trade and extra-trade of each of the three blocs shows that the share of intra-regional trade in each bloc has been growing very slowly over the years. Their respective trade with the rest of the world (outside Africa) has not changed much, e.g. an average of 40-45% for COMESA, 31-38% for the EAC and 63-70% for SADC. Trade theory argues that an economic integration arrangement "will bring more benefits in terms of welfare if the share of intra-regional trade is growing while trade with the rest of the world is decreasing", as noted by Lipsey (1960). Therefore, given that intra-regional trade in each regional bloc has been small and not growing much while their respective trade with the rest of the world has been higher and not necessarily falling significantly, the expected welfare benefits from the formation of the TFTA may just be marginal (smaller) and not as significant as expected. Therefore, reducing the current constraints¹ which are currently restricting trade between the member states could likely increase intra-regional trade.

Low levels of industrial development

Tables A-4 to A-6 (Appendices) show the nature of the major products traded between the regional groups, and these products are predominantly non-fuel primary commodities and resource-intensive manufactured goods. The skill and technology intensities show that currently, the regions tend to continue to have comparative advantages in mainly low value added products and the types of products that can be competitively exported is static. Marinov (2016) also observed the predominance of the low value added products as major exports. Folfas and Garlinska-Bielawska (2018) also noted the tendency by the member states to specialise in low value added products pointing out that this is risky due to frequent and significant fluctuations in prices of such products. Trade theory argues that countries with similar comparative advantage profiles are unlikely to have high bilateral trade intensities unless intra-industry trade is involved, as noted by Chandran (2011). This therefore has implications for intra-TFTA trade as continued trade in predominantly low value added products would not deepen economic integration in the TFTA.

There are very few low-skill and technology-intensive manufactured goods traded between the regions. For example, products in product categories (i) HS81 (Other base metals, cements, articles thereof) and HS80 (Tin & articles thereof) in SADC-COMESA trade; (ii) HS81 (Other base metals, cements, articles thereof) and HS75 (Nickel & articles thereof) in EAC-COMESA trade; and (iii) HS81 (Other base

¹ Such factors would include the low level of economic development, inadequate transport infrastructure and facilities, foreign currency controls and other restrictions on imports, inadequate marketing, and the lack of standardisation.

metals, cements, articles thereof) in SADC-EAC trade. There are even fewer high-skills and technology-intensive manufactured goods traded between the regional groups; e.g. products in product categories (i) HS37 (Photographic/ cinematographic goods) in SADC-COMESA trade; and (ii) HS91 (Clocks & watches and parts thereof) in EAC-COMESA trade.

The skill and technology intensities depicted in the major products traded between the three regions reflect generally low levels of industrial development in the regional groups. Continued low levels of industrial development would limit opportunities for trade complementarity between member states, which in turn would further limit intra-TFTA trade, as well as intra-industry trade. Therefore, there is a need for the TFTA countries to develop and expand industrial linkages, develop capital-intensive and skill-intensive technology driven industries that will harness and build on the currently limited capacities in high value added manufacturing activities in order to develop dynamic comparative advantages in high value added products. Low levels of economic development has been cited as one of the constraints to trade among developing countries as noted by Marinov (2015). Therefore as noted by Zamfir (2015), diversification of production and industrial production realignment between countries as aggregate demand in the region rises, become a prerequisite for a significant increase in intra-TFTA trade.

Continued trade barriers /or protectionist trade policies

Another challenge faced by each group is continued protectionist trade policies, which is against the trade liberalisation agenda. According to Siziba (2016), tariffs contribute 30% of the government revenue in Tanzania, Uganda and Zimbabwe and 40% in Comoros, Mauritius and Zambia. Makochekeka (2014) concurred noting that contributions of customs duties towards government revenues are around 50% for DRC, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Uganda, Tanzania and Zambia. Therefore, for such countries reductions in import duties, as per the TFTA Agreement, could be a cause of concern, as this would significantly reduce their government revenue. To protect this significant tariff revenue source, the countries may be reluctant to reduce tariffs significantly as expected by the Agreement.

Zimbabwe is the most economically troubled member states that would find it very difficult to comply with tariff reductions as per the TFTA Agreement. In 2016, the country introduced Statutory Instrument 64 of 2016, a protectionist trade policy, which, like the preceding instruments, required an import license when importing into Zimbabwe (Zimbabwe Ministry of Industry and Commerce, 2016). This Instrument removed over 42 products from the General Import License that permits importing and exporting these products freely. In 2017, this Instrument was revised to Statutory Instrument 122 of 2017 and expanded the list of items requiring import licence, including those in short supply in Zimbabwe. Tralac (2017) noted that, just like the preceding Instruments, this instrument is not time bound and as such has no specific life span, thus indicating that Zimbabwe intends to continue with a protectionist trade policy despite signing various free trade agreements. Ngwenya (2016) noted that this protectionist policy was put in place because local manufactures were experiencing losses, the country was experiencing de-industrialisation and industry was experiencing limited growth due to cheap imports into the country. Since Zimbabwe continues to experience on-going economic problems, it may be difficult for the country to open up trade in the specific goods that it has recently protected.

Makochekanwa (2014) estimated that with complete tariff liberalisation in the TFTA, member states would jointly experience a loss of US\$1billion in import duty revenue. COMESA would experience the largest loss of US\$731.7million (i.e. 44% of total customs revenue loss in the TFTA), followed by SADC experiencing a loss of about US\$663.5million (39% of customs revenue) and EAC experiencing a loss of US\$321.6million (19%). Those countries which are most reliant on import tariff revenue would experience the highest revenue losses, e.g. DRC (US\$214million which is 21.4% of total TFTA revenue loss), Kenya (US\$211million which is 21%), Angola (US\$160.6million, which is 16%), Tanzania (US\$72.5million, which is 7.2%), and Zimbabwe (US\$71.2million which is 7.1%). Willenbockel (2013) also observed similar patterns and trends in loss of tariff revenue by the TFTA as a whole and by the specific countries. While Mold and Mukwaya (2016) acknowledge that an estimated US\$1.45billion of existing tariff revenue would be sacrificed, they also noted that where a lot of intra-regional trade is already facing low average tariffs due to gradual implementation of regional liberalisation in the regional blocs, the cost of removing tariffs in terms of government revenue lost would be modest. Therefore, as Siziba (2016) noted, for those countries that still rely heavily on import tariff revenue, they would need to expand their effective tax bases as well as to find other means to acquire more revenue. Makochekanwa (2014) concurred noting that unless alternative sources of revenue to replace losses in tariff revenue are found; a government's ability to provide essential public services will be affected significantly.

Non-tariff barriers (NTBs) continue to be a big challenge to intra-regional trade, with some continuing to be unresolved several years after they have been reported. For example, by mid-2019 there were 51 active complaints some of which went as far back as 2009. Efforts to resolve such complaints are ongoing and as such these complaints still have an "in progress" status. In 2009, there were 7 non-actionable complaints while in 2015 there was only one. These are complaints which cannot be resolved and as such would continue as NTBs. However, despite the challenges the blocs currently face in eliminating NTBs, there is evidence that efforts are being made in eliminating some of these trade barriers. For example, in the period 2015-2017, there were about 57 resolved complaints and 102 resolved complaints from 2018 to mid-2019 (<http://www.tradebarriers.org>). Part I Article 5 of the TFTA Agreement encourages the countries to reduce trade barriers in order to improve market access and thus, enhance intra-regional trade. Therefore, member states as well as each regional group should intensify current efforts to reduce trade barriers.

In preparing for the TFTA, each regional bloc put in place a NTB Monitoring Mechanism to enable the private sector to register any NTB experiences online and have these sent to the respective member states to be resolved (Schoeman, 2015). In addition, as per Part III Article 10 of the TFTA Agreement, the mechanisms put in place by each regional bloc to reduce NTBs had to be harmonised into a single mechanism and process, as provided for in Annex 3 regarding simplifying and harmonising trade documentations and procedures. UNCTAD (2015) noted that, a harmonised regional approach to eliminate NTBs in the TFTA, called the Tripartite NTB online Reporting, Monitoring and Eliminating Mechanism was launched and forms part of the Tripartite Comprehensive Trade and Transport Facilitation Programme. However, as noted by UNCTAD (2015) and Schoeman (2015), the system still needs improvements to sustain effective dialogue

between the private sector and the respective member states; and there is a need for adequate budgets, human capital and training to facilitate the public-private sector initiatives to remove NTBs.

Political conflicts

The Great Lakes Region is part of the EAC and is prone to political conflicts and political instability has negative effects on trade, as security risks are a form of a non-tariff barrier. When markets are opened and there is political instability and security risks; trading becomes more costly, unstable, and some of the benefits of trade are lost due to criminal activities. The viability of the TFTA initiative would be at risk while some members may become less confident in the initiative. Therefore, the goal of the TFTA in promoting free movement of goods and services to improve intra-regional trade, as per Part I Article 4 of the TFTA Agreement, would be compromised.

EXPECTED BENEFITS FROM THE PROPOSED TRIPARTITE FREE TRADE AREA

Economic integration leads to shifts in the pattern of trade between member states and non-members. By facilitating free trade between members, intra-regional trade would increase due to either trade creation or trade diversion. Trade creation and trade diversion are static effects of economic integration.

Static effects

Trade creation occurs when there is a shift in product origin from a domestic producer whose resource costs are higher to a member state producer whose resource costs are lower. Therefore, trade creation facilitates a movement in the direction of free trade allocation of resources, and is presumably beneficial for welfare as resources would be allocated more efficiently (Pasara and Dunga, 2019; Appleyard and Field, 2017; Guei *et al.*, 2017).

Therefore, with the proposed TFTA in place, such shifts in products' origins would enable member states to focus more on their respective areas of comparative advantages, as well as to develop new areas of comparative advantage. This would lead to production of higher quality products and an overall reduction in production costs. The increase in imports now coming exclusively from the lower-cost member country and the increased domestic consumption at the new lower price would motivate trade expansion in the proposed TFTA. As member states focus more on their respective lower-cost products and supplying the bigger regional grouping, this would stimulate increased utilisation of industrial capacity as well as industrial expansion. The TFTA could therefore leverage on this as a basis for industrial development in the regional grouping. Makochekanwa (2014) estimated that with a total removal of import tariffs among the TFTA countries, the TFTA would gain close to US\$2billion in terms of trade creation. The highest trade creation will be experienced by SADC (US\$1.672billion), thus accounting for 50% of the total trade creation to be experienced in the TFTA. COMESA would rank second with trade creation of US\$1.403billion, which is 42% of total trade creation, and the EAC, which has the fewest members, will experience trade creation of US\$285million, which is 8% of total trade creation in the TFTA (Makochekanwa, 2014).

Trade diversion occurs when economic integration leads to a shift in product origin from a non-member producer whose resource costs are

lower (but continues to face tariffs) to a member country producer whose resource costs are higher (and no longer faces tariffs). This shift in trade is a movement away from free trade allocation of resources and could reduce welfare (Pasara and Dunga, 2019; Appleyard and Field, 2017; Guei *et al.*, 2017). Makochekanwa (2014) estimated that with a total removal of import tariffs among the TFTA countries, a total of US\$453.6 billion worth of trade would be diverted from low-cost non-TFTA countries replaced by less efficient TFTA countries. He noted that the countries that would experience highest trade diversion are Angola (US\$106 million), Kenya (US\$61.1 million), DRC (US\$56.9 million), Tanzania (US\$42.2 million) and Uganda (US\$41.8 million); thus jointly accounting for 68% of total TFTA trade diversion. Thus, COMESA would experience the largest loss of US\$286.8 million due to trade diversion, which is 40% of total trade diversion. SADC and EAC would suffer losses of US\$272.6 million (37%) and US\$150.3 million (21%), respectively.

However, while trade diversion is a cost, it would boost intra-regional trade in the proposed TFTA, as the respective member country producers (even though their resource costs are higher than the non-members) would now be supplying the regional market. Mold and Mukwaya (2016) showed that there would be an increase in intra-regional trade of US\$8.5 billion (i.e. boosting intra-regional trade by 29%), and US\$2.1 billion of that would be a result of a decline in external trade. Thus, about a quarter of the increase in intra-TFTA trade would be trade diversion.

Furthermore, increased trade through trade diversion would motivate local industries to utilise their current underutilised installed industrial capacities more as they strive to meet increased regional demand. The income gain obtained from sales to member states at prices in excess of world market prices could be used for further industrial expansion. Therefore, just as with trade creation, the TFTA could leverage on trade diversion for industrial development in the regional grouping. In addition, as Cooper and Massell (1965) noted, despite the shift to a higher-cost source due to trade diversion, the constraint in consumption is removed and so welfare may be raised. Therefore, if the effect of trade diversion in lowering real income in a country due to a shift to a higher cost source of supply is outweighed by the welfare effect due to increased consumption, there will be a net rise in welfare. Therefore, as Mold and Mukwaya (2016) observed, a dollar of imports from a member state may be valued in welfare and development terms more favourably than a dollar of imports from an external higher income or more industrialised trading partner.

The sum of trade creation and trade diversion gives the net trade effect, and this could be positive or negative depending on which of the two outweighs the other. Makochekanwa (2014) estimated that the net trade effect for the TFTA would be positive, as trade creation would outweigh trade diversion. The estimated net trade effect would be US\$1.5 billion and the countries that would experience the highest positive net trade effects are DRC (US\$728 million), Angola (US\$278 million), Malawi (US\$173 million), Kenya (US\$100 million) and Zimbabwe (US\$75 million). Jointly, these countries would have a combined share of 90% of the TFTA's net trade effect. Thus, SADC would experience the highest positive net trade effect of US\$1.4 billion (53% of total net trade effect in the TFTA). COMESA and the EAC would experience a net trade effect of US\$1.115 billion (42%) and US\$134 million (5%), respectively of total net trade effects in the TFTA. While specific values of welfare gains for specific

countries and the regional group as a whole may differ, Willenbockel (2013) also observed similar patterns and trends in welfare gains by the TFTA as a whole and by the specific countries. Mold and Mukwaya (2016) also noted a net welfare gain, estimating a net gain of US\$2.4 billion for the TFTA due to a reduction in tariffs. They also noted that while the majority of the TFTA countries would experience positive welfare gains, the distribution of the welfare gains would be skewed with 72.5% of the welfare gains going to consumers in South Africa.

Trade intensity indexes², were used to measure the trading relations between SADC, EAC and COMESA without the bias resulting from the comparative size of the trading partners. The indexes were used as indicators of the relative strength or resistance to bilateral trade flows. Thus, one would be able to infer that trade between two countries/or regions is high not because these countries are economically large (or small) but because the trade resistances between them are relatively low (Bano, 2014). Therefore, a country tends to benefit more from trade with those countries it trades more intensively, as trade resistance are lower. Tables A-7(a)-(c) (Appendices) show the extent to which SADC, the EAC, and COMESA trade intensively with each other and thus regard each other as significant trading partners. The results, as given by the indexes in these tables, show that although SADC and COMESA do not trade intensively; (i) SADC and the EAC; and (ii) the EAC and COMESA; trade intensively (trade is more intense) showing that (or because) the trade resistances between them are relatively low, and thus regard each other as significant trading partners.

With the proposed TFTA, the trade resistances between member states are expected to be even lower. In a regional economic integration where member states already regard each other as significant trading partners, intra-regional trade is bound to increase upon the formation of a free trade area. The volume of trade criteria, as argued in the Natural Trading Partners hypothesis, notes that, where countries have an intensive trading relationship (i.e. the prospective members of a free trade area are initially important trading partners and already trade disproportionately³), a free trade area between such countries would simply reinforce the existing underlying trade patterns and provide less scope for welfare reducing trade diversion (Shakur and Nees, 2011; Schiff and Wang, 2007; Kandogan, 2008; Marinov, 2014). Makochekanwa (2014) confirmed this noting that with the TFTA in place, Botswana, Lesotho, Namibia and Swaziland would experience insignificant trade diversion because these countries already import the bulk of their imports from TFTA countries, especially South Africa. Thus, for these countries, no significant levels of trade would be diverted from low cost producers in non-TFTA countries towards less efficient producers in the TFTA.

With regard to static gains due to a reduction of tariffs, trade theory notes that, whether members of an economic integration arrangement gain or lose depends on the level of the initial Most

² The index showing home country *i*'s exports to a foreign country *j* as a proportion of total home country exports divided by foreign countries imports as a proportion of world imports (net of home country imports). The formula is as follows: $TII_{ij} = (X_{ij}/X_i) / [M_j / (M_w - M_i)]$. Where: TII_{ij} = trade intensity index for home country *i*'s exports to a foreign country *j*; (X_{ij}/X_i) = value of country *i*'s exports to country *j* as a proportion of country *i*'s total exports; $M_j / (M_w - M_i)$ = country *j*'s total imports divided by world imports net of country *i*'s imports (Khadan and Hosein 2013; Shakur & Nees 2011; Mutambara 2013).

³ Already have significant trade with each other, or disproportionate share of their trade is already with their prospective members.

Favoured Nation tariff and on the elasticities of demand and supply (Appleyard and Field, 2017). When the initial level of tariffs between member states is very high, economic integration will more likely have beneficial effects because the removal of tariffs will have a greater impact in terms of welfare. This is because with higher tariffs, inefficiencies are greater, and the welfare effects from the removal of tariffs will be greater (Appleyard and Field, 2017; Marinov, 2015; Hosny, 2013). Makochekanwa (2014) confirmed this, estimating that Angola and the DRC would experience more gain in the TFTA, with trade created in the DRC amounting to US\$783million and US\$384million trade created in Angola, thus jointly accounting for 60% of trade created across the countries in the TFTA. Both countries do not participate in SADC FTA in which they are members, and the DRC does not participate in the COMESA FTA. Thus, tariff liberalisation brought by the TFTA would mean that the proportion of the tariff duties they will have to reduce would be higher compared to most of the TFTA countries.

With regard to elasticities of demand and supply, Appleyard and Field (2017) noted that economic integration is more likely to have beneficial effects the more elastic supply and demand in the member countries are. This is because the greater the quantity response by consumers and producers are to changes in price⁴, there will be a significant increase in consumption as a result of the removal of tariffs and the subsequent fall in price, as well as a significant increase in production as a result of increased demand. Therefore as noted by Zamfir (2015), industrial production realignment between countries as aggregate demand in the region rises, and diversification of production, become a prerequisite in the TFTA.

Dynamic effects

Economic integration often enables the economic structure and performance of participating countries to evolve differently and more positively than if they had not entered into an economic integration arrangement. This is caused by the dynamic effects of economic integration, and as such, it is often argued that it is dynamic effects that present the biggest potential effect of trade on development.

A more competitive environment, which reduces the degree of monopoly power in various spheres, is a dynamic effect that Part I Article 5, Part III and Part IV of the TFTA Agreement seek to bring about. This is because these sections of the Agreement focus on reducing and eventually eliminating trade barriers in order to liberalise trade as well as to ensure that countries cooperate on customs matters and implementing of trade facilitation measures. This would benefit members as a more competitive environment would ensure more efficient allocation of resources. There are production similarities between the member states in the proposed TFTA, as evidenced by the types of major products in which they trade with each other. This leads to a wide range of overlapping products produced by firms in the member states; while the different levels of industrial development between the countries lead to wide differences in unit costs for specific overlaps. Therefore, this would create a more competitive environment with greater possibilities for substituting products of one member for those of the other, thus eroding any monopoly profits. Furthermore, improved efficient allocation and utilisation of resources would lead to improved utilisation of currently

⁴ i.e. higher price elasticity of demand and higher price elasticity of supply.

underutilised installed industrial capacity as firms strive to satisfy consumption demand in the wider regional market.

Creating possibilities and opportunities for realising economies of scale in certain export goods is a dynamic effect which Part I Article 4(b) of the TFTA Agreement seeks to achieve as it focuses on creating a large single market with free movement of goods and services. Such economies of scale may result internally as exporting firms in member states become larger or they could result from a reduction of input costs due to economic changes external to the firms. Furthermore, realising economies of scale would motivate firms in member states to specialise in particular types of goods, which would increase intra-regional trade further. By taking advantage of economies of scale, the least-cost producers in the respective product categories would be motivated to expand and grow their industries. As the region continues to liberalise and create more opportunities for economies of scale, industry performance would improve leading to new areas of comparative advantages and dynamic comparative advantages while infant industries would mature and grow into competitive firms. Therefore, by leveraging on economies of scale opportunities that arise from economic integration, the TFTA would be able to facilitate industrial development in the grouping.

Another dynamic effect of economic integration is stimulating greater investment in member states from both domestic and foreign sources as economic integration arguably reduces risk and uncertainty due to the large market now open to producers. Increased investment in an economic integration arrangement can arise due to investment creation and investment diversion. Investment creation is an increase in the volume of foreign direct investment inflows from non-member countries because of trade diversion effects which are brought about by economic integration agreements (Marszk, 2014; Jovanovic, 2014; United Nations Transnational Corporations and Management Division, 1993). Foreign investment by non-members into the regional group will be motivated by expected improvements and increases in income and regional demand, the expected reduction in production costs, the increased market size of the regional bloc, as well as, the need to avoid being frozen out of the region by trade restrictions. Investment creation in the proposed TFTA is therefore favourable to welfare because it moves production and resource allocation in the direction of increased efficiency. Investment diversion as noted by Marszk (2014), Jovanovic (2014) and United Nations Transnational Corporations and Management Division (1993), is the movement of foreign investment flows within the bloc in response to trade creation effects. Foreign investments that member states would have invested in non-member states (i.e. more efficient non-member) are now invested within the bloc because of tariff discrimination. While investment diversion shifts investment from a relatively efficient location (non-member) to an inefficient one (member states), it enables availability of more resources in the proposed TFTA. Therefore, with increased investment (through investment creation and investment diversion), the TFTA would benefit due to adopting new technologies and more rapid innovation, improved managerial and production techniques, all of which would lead to more efficiency as factor productivity increases.

By having a larger market, the TFTA creates possibilities and potentials for large-scale and cost-effective manufacturing. Increase in industrial production, as aggregate demand in the region rises and industrial production realigns between countries, creates opportunities for large-scale investments, as production targets a

larger market. The financial sector would be liberalised more, resulting in greater access to finance as financial institutions seek to lend to larger investors. More investment in the TFTA would lead to industrial development, which is one of the three pillars of the TFTA.

Contrary to neo-classical trade theory which predicts gains to all trading countries that enter into a free trade arrangement, economists like Krugman (1991), Krugman and Venables (1995), and Venables (2019) who emphasise the existence of increasing returns to scale, external economies and imperfect competition argue that the gains from regional integration are not necessarily evenly distributed. Locational advantages could lead to polarised development, as the countries in the geographic periphery of the regional bloc may experience deindustrialisation, and the concentration of benefits accruing to the core parts of the integrated area, as noted by Mold and Mukwaya (2016). Therefore, in a regional group where countries are at different levels of economic development, those countries that are already highly industrialised, have a skilled and entrepreneurial labour force, as well as already developed capital markets would be in a better position to exploit gains from the economic integration arrangement. These countries would tend to attract more investment away from the least developed countries. Given this scenario, industries in less developed countries in the TFTA may relocate into the more developed in the region, for example some firms in the relatively less developed regional member countries relocating to South Africa to benefit from the more developed financial institutions, well skilled labour and lower costs of doing business. Mold and Mukwaya (2016) note that South Africa and Egypt account for two-thirds of manufacturing value added produced in the TFTA. This could raise concerns that free trade could result in a polarisation of the benefits and manufacturing to these two countries at the expense of the rest of the TFTA. However, the results of the simulation by these authors show that shifts in production are of relatively small magnitudes, and neither South Africa nor Egypt appear to be the principal beneficiaries of industrial concentration. Thus, industries do not appear to shift significantly from the smaller countries to South Africa and Egypt. In addition, is the observation by McCarthy (1999) that increased factor mobility due to economic integration may lead to the creation of productive capacity and growth in the smaller and less developed countries. A large wage gap between the more developed countries and the less developed would drive industries to the low-wage country. This would, in the long run, lead to a convergence of incomes between member states. Table A-8(a)-(c) (Appendices) show that South Africa, Kenya and Egypt experience trade surpluses with the three regional groups, and thus, led by South Africa, dominate trade in the proposed TFTA. However, it should be noted that while these countries currently dominant trade in the proposed TFTA, polarisation might not be inevitable as these countries are likely to experience more severe competition in their traditional regions of dominance when trade opens up more with the TFTA in place.

Trade benefits from the more developed member states

South Africa in SADC, Kenya in the EAC, and Egypt in COMESA are the bigger economies in the proposed TFTA, with South Africa being the dominant economy in the proposed TFTA. As reflected in Tables A-9 to A-11 (Appendices), each of these economies are of benefit to the proposed TFTA in terms of exporting specific high value added manufactured goods to the EAC, SADC and COMESA. For example, among

their major exports to all the three regional groups, (i) South Africa, Kenya and Egypt export HS39 (Plastics and articles thereof) which are high-skill & technology intensive manufactures; (ii) South Africa and Egypt export HS85 (Electrical machinery and equipment and parts thereof) which comprises of medium skill- as well as high-skill and technology intensive manufactures; (iii) South Africa and Kenya export HS87 (Vehicles other than railway or tramway rolling stock, and parts and accessories thereof) which are mainly medium skill and technology intensive manufactures; (iv) South Africa exports HS84 (Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof) which comprises of mainly medium skill- as well as high-skill and technology intensive manufactures, and HS38 (Miscellaneous chemical products) which are high-skill and technology intensive manufactures; (v) Kenya exports HS30 (Pharmaceutical products) which are high-skill and technology intensive manufactures; and (vi) Kenya and Egypt export HS34 (Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial) which are high-skill and technology intensive manufactures. By implementing Part I Article 5 of the TFTA Agreement to facilitate easier market access in the proposed TFTA, these high value added products which are currently being exported by South Africa, Kenya and Egypt would be more easily available to the other countries that make up the free trade area.

Using trade intensity indexes, Tables 12(a)-(c) (Appendices) show the extent to which SADC, the EAC, and COMESA are significant trading partners to South Africa, Kenya and Egypt. For South Africa, all the three regional groups are its significant trading partners as evidenced by trade intensity indexes above 1. The SADC region is the most significant trading partner as evidenced by the very high trade intensity indexes. This is expected given that South Africa is a member of SADC and through the SADC Free Trade Area, trade between member states has been liberalised significantly. With regard to Kenya, all the three groups are significant trading partners, with the EAC (for which Kenya is a member) being the most significant as shown by the very high trade intensity indexes. Trade between EAC members is significantly liberalised. COMESA ranks second as a significant trading partner to Kenya, with the trade intensity indexes much higher than those for SADC. Kenya is a member of COMESA and four of the COMESA member states are also EAC members, thus making it inevitable that COMESA would be a significant trading partner for Kenya. For Egypt, the EAC and COMESA are significant trading partners, with SADC only becoming so after 2009. COMESA (for which Egypt is a member) is the most significant to Egypt as market access is much easier compared the other groups.

The empirical evidence in Tables A-12(a)-(c) (Appendices) show that the regional groups in which countries are a member are more significant trading partners for such countries compared to those regional groups in which they are not members. This shows that, with the TFTA in place and market access in the region becoming much easier, the TFTA would become a more significant trading partner to not only South Africa, Kenya and Egypt, but to all countries that form the TFTA. This would have a positive effect on intra-TFTA trade as trade between members will increase. Furthermore, as per the Natural Trading Partner Hypothesis, where the potential members have an intensive trading relationship, the free trade agreement would simply reinforce the existing underlying trade patterns and provide less scope for welfare reducing trade diversion. Thus, the TFTA would reinforce current trade relations between these three major countries and the rest of the region, thus enabling the member countries to

benefit more from the high value added manufactured goods that South Africa, Kenya and Egypt currently export to the regional groups that form the TFTA.

CONCLUSIONS

The study reviewed some of the challenges that are being faced since the inception of the of the TFTA agenda. The challenges include a slow pace in pushing the agenda and low levels of commitment. There are low levels of industrialisation, limited human and financial capital, and limited intra-regional trade as well as a problem with overlapping memberships. While there may seem to be a lot more negatives hoarding the TFTA, some of the challenges currently faced are likely to be reduced and eventually eliminated with more effective implementation of the TFTA Agreement. Empirical evidence show that intra-regional trade would rise with the TFTA in place. Net welfare effects would also be realised with the TFTA in place.

The EAC, SADC and COMESA currently regard each other as significant trading partners and the proposed TFTA would reinforce such a relationship and thus promote intra-regional trade. Dynamic effects of economic integration would also benefit members through improving the manufacturing sector, leading to an increase in the level of industrialisation. Benefits would also result from the presence of South Africa, Kenya and Egypt which have relatively more developed industrial bases. For benefits to be realised more fully, the region needs to continue to address non-tariff barriers in a more effective manner; to leverage more effectively on the current positives and success in the regional groups; as well as more commitment by the member states in implementing the TFTA initiative.

REFERENCES

- Aniche, E., 2014. "Problematising neofunctionalism in the search for a new theory of African integration: The case of the proposed Tripartite Free Trade Area (T-FTA) in Africa," *Developing Country Studies*, 4 (20), 128-142. [Online] Available: <https://www.bbc.com/news/world-africa-33076917> [Accessed 12 October 2018].
- Appleyard, D.R., and A.J. Field, 2017, *International economics* (9e), New York, McGraw-Hill.
- Bano, S., 2014, "An empirical examination of trade relations between New Zealand and China in the context of a Free Trade Area," Working Paper in Economics 04/14. Department of Economics, University of Waikato, New Zealand.
- Chandran, D., 2011, "Trade complementarity and similarity between India and ASEAN countries in the context of the RTA", MPRA Paper No. 29279. Munich Personal RePEc Archive. [Online]. Available: <http://mpa.ub.uni-muenchen.de/29279/> [Accessed 29 October 2019].
- COMESA, EAC, and SADC, 2015, *Agreement Establishing a Tripartite Free Trade Area among the Common Market for East and Southern Africa, the East African Community and the Southern African Development Community*. [Online] Available: <https://www.eac.int/documents/category/comesa-eac-sadc-tripartite> [Accessed 20 July 2018].
- COMESA, EAC, and SADC, 2011, *Declaration Launching the Negotiation for the Establishment of the Tripartite Free Trade Area*. [Online] Available: <https://www.eac.int/documents/category/comesa-eac-sadc-tripartite> [Accessed 20 July 2018].

- Cooper, C.A., and B.F. Massell, 1965, "A new look at customs union theory," *The Economic Journal*, 75(300), 742-747. <https://doi.org/10.2307/2229672>
- Department of Trade and Industry, 2018, "Ratification of the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA)," Department of Trade and Industry, South Africa.
- Erasmus, G., 2019, "Advancing the intra-African trade agenda by implementing the Tripartite FTA," Tralac Trade Brief No S19TB03/2019. Tralac.
- Erasmus, G., 2017, "When will FTAs justify optimistic expectations about African Integration?" Tralac Trade Brief No S17TB07/2017. Tralac.
- Erasmus, G., 2015, "Implication of the Tripartite FTA for SADC and its Member States," Tralac Trade Brief No US15TB05/2015. Tralac.
- Folfas, P.J., and J. Garlinska-Bielawska, 2018, "Can the Tripartite Free Trade Area (TFTA) Agreement become a breakthrough arrangement in regional integration on the African Continent?" *Folia Oeconomica*, 2(334), 135-145. DOI: <http://dx.doi.org/10.18778/0208-6018.334.09>
- Guei, K., G. Mugano, and P. le Roux, 2017, "Revenue, welfare and trade effects of European Union free trade agreement on South Africa," *South African Journal of Economic and Management Sciences*, 20(1), 1-11. [Online]. Available: http://www.scielo.org.za/scielo.php?pid=S2222-34362017000100045&script=sci_arttext&tlng=es [Accessed 19 June 2019].
- Hosny, A.S., 2013, "Theories of Economic Integration: A Survey of the Economic and Political Literature," *International Journal of Economy, Management and Social Sciences*, 2(5), 133-155. [Online]. Available: <http://waprogramming.com/papers/5157de7c463eb9.70128490.pdf> [Accessed 11 April 2018].
- Jovanovic, M.N., 2016, "Emerging mega-integration blocs: Limits and prospects," *International Economics*. 69 (4), 266-311. [Online]. Available https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2854161 [Accessed 28 July 2018]
- Jovanovic, M.N., 2014, *International economic integration: limits and prospects (2e)*. Abingdon: Routledge. [Online]. Available: <https://books.google.co.za/books?id=uItIAwAAQBAJ&printsec=frontcover#v=onepage&q=investment%20creation&f=false> [Accessed 11 April 2018].
- Kandogan, Y., 2008, "Regionalism versus multilateralism: Evidence for the Natural Trade Partner Theory from the Euro-Mediterranean region?" *Journal of Economic Integration*, 23(1), 138-160
- Khadan, J., and R. Hosein, 2013, "New empirical insights into the Natural Trading Partner Hypothesis for CARICOM countries," MPRA Paper No. 50493. Munich Personal RePEc Archive. [Online]. Available: <http://mpa.ub.uni-muenchen.de/50493/> [Accessed 18 February 2019].
- Krugman, P.R., 1991. *Geography and Trade*. MIT Press, Cambridge MA.
- Krugman, P., and A.J. Venables, 1995, "Globalisation and the inequality of nations," NBER Working paper Series, Working Paper No. 5098. National Bureau of Economic Research.
- Lipsey, R.G., 1960, "The theory of customs unions: A general survey," *The Economic Journal*, 70(279), 496-531.
- Luke, D., and Z. Mabuza, 2015, "The Tripartite Free Trade Area Agreement: A milestone for Africa's regional integration process," *Bridges Africa*, 4(6), 1-5. Geneva: International Centre for Trade and Sustainable Development. [Online] Available: <https://www.ictsd.org/bridges-news/bridges-africa/news/the->

- [tripartite-free-trade-area-agreement-a-milestone-for-africa%E2%80%99s](#) [Accessed 7 December 2019].
- Makochekanwa, A., 2014, "Welfare implications of COMESA-EAC-SADC Tripartite Free Trade Area," *African Development Review*, 26(1), 186-202.
- Mangeni, F., 2017, "The Tripartite Free Trade Area - a breakthrough in July 2017 as South Africa signs the Tripartite Agreement," [Online] Available: <https://www.tralac.org/news/article/11860-the-tripartite-free-trade-area-a-breakthrough-in-july-2017-as-south-africa-signs-the-tripartite-agreement.html> [Accessed 6 December 2019].
- Marinov, E., 2016, "Current trends in the economic development of the participating in the tripartite free trade area regional economic communities," *Journal of Economic and Political Economy*, 3(1), 81-104.
- Marinov, E., 2015, "Economic determinants of regional integration in developing counties," *International Journal of Business and Management*, 3(3), 22-39. [Online]. Available: https://www.researchgate.net/publication/299353504_Economic_Determinants_of_Regional_Integration_in_Developing_Counties [Accessed 19 June 2019].
- Marinov, E., 2014, "Economic integration theories and developing countries," MPRA Paper No. 63310. Munich Personal RePEc Archive. [Online]. Available: <http://mpra.ub.uni-muenchen.de/63310/> [Accessed 18 February 2019].
- Marszk, A. 2014, "Economic integration and foreign direct investment: review of main theoretical concepts," *Entrepreneurial Business and Economics Review*, 3(2), 79-89. [Online]. Available: <https://www.ceeol.com/search/article-detail?id=8250> [Accessed 28 October 2018].
- McCarthy, C.L., 1999, "Polarised development in a SADC free trade area," *South African Journal of Economics*, 67(4), 375-399. [Online]. Available: <https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1813-6982.1999.tb01151.x> [Accessed 28 October 2019].
- Mold, A., and R. Mukwaya, 2016, "Modelling the economic impact of the tripartite free trade area: Its implications for the economic geography of Southern, Eastern and Northern Africa," *Journal of African Trade*, 3(2016), 57-84.
- Mutambara, T.E., 2013, "Examining India, Brazil and South Africa (IBSA) trade: Trade intensity, Comparative advantages and Intra-industry trade opportunities," *Journal of Business and Policy Research*, 8(3), 17-38.
- Ngwenya, B., 2016, "The Impact of protectionism on economic growth," *The Sunday News*, [Online]. Available: <http://www.sundaynews.co.zw/the-impact-of-protectionism-on-economic-growth/> [Accessed 12 September 2018].
- Pasara, M.T., and S.H Dunga, 2019, "The welfare effects of economic integration in the Tripartite Free Trade Area," *African Journal of Business and Economic Research*, 14(1), 49-67. [Online]. Available: <https://journals.co.za/content/journal/10520/EJC-149be6087f> Accessed 25 July 2019].
- Schiff, M., and Y. Wang, 2007, "North-South technology diffusion, regional integration, and the dynamics of the Natural Trading Partners Hypothesis," *Revue d'économie du développement*, 5(15), 69-84. [Online]. Available: <https://www.cairn.info/revue-d-economie-du-developpement-2007-5-page-69.htm>
- Schoeman, M., 2015, "What does the TFTA really mean for regional integration in Africa?" *South African Institute of International Affairs*. [Online]. Available:

- <http://www.saiia.org.za/research/what-does-the-tfta-really-mean-for-regional-integration-in-africa/> [Accessed 9 December 2019].
- Shakur, S., and C. Nees, 2011, "An application of the natural trading partner hypothesis to New Zealand-ASEAN trade," *Economics Bulletin*, 31(Issue 4), 3077-3088.
- Siziba, C., 2016, "Trade Dispute Settlement in the Tripartite Free Trade Area," World Trade Institute Working Paper Number 02/2016. [Online] Available at https://boris.unibe.ch/101644/1/wti_seco_wp_02_2016.pdf
- Tralac, 2017, "Zimbabwe re-brands Statutory Instrument (SI) 64," [Online] Available: <https://www.tralac.org/discussions/article/12411-zimbabwe-re-brands-statutory-instrument-si-64.html> [Accessed 7 December 2019].
- Tralac, 2019, "SADC-EAC-COMESA Tripartite Free Trade Area legal texts and documents," [Online] Available: <https://www.tralac.org/resources/by-region/comesa-eac-sadc-tripartite-fta.html> [Accessed 1 November 2019].
- United Nations Conference on Trade and Development (UNCTAD), 2015, Non-tariff measures and regional integration in the Southern African Development Community, UN Publication UNCTAD/DITC/TAB/2014/15. United Nations, Geneva. [Online] Available at https://unctad.org/en/PublicationsLibrary/ditctab2014d5_en.pdf [Accessed on 10 December 2019].
- United Nations Transnational Corporations and Management Division, 1993, "The effects of integration on the activities of Transnational Corporations in the European Community: Theory and empirical tests", 99-123. In P Robson (ed), *Transnational Corporations and regional economic integration*. Volume 9. London and New York, Routledge.
- United Nations Economic Commission for Africa, 2019, "Assessing regional integration in Africa IX: Next steps for the African Continental Free Trade Area," United Nation Economic Commission for Africa, African Union, African Development Bank, UNCTAD. [Online] Available at https://www.uneca.org/sites/default/files/PublicationFiles/aria9_report_en_4sept_fin.pdf. [Accessed on 10 December 2019].
- Venables, A.J, 2019, "Economic geography and trade," DOI: 10.1093/acrefore/9780190625979.013.332, Oxford Research Encyclopedias, Economics and Finance (oxfordre.com/economics), Oxford University Press USA.
- Willenbockel, D., 2013, "General equilibrium assessment of the COMESA-EAC-SADC Tripartite FTA," MPRA Paper No. 51501 [Online] Available at <https://mpra.ub.uni-muenchen.de/51501/> [Accessed on 10 December 2019].
- Zamfir, L., 2015, "The Tripartite Free Trade Area project: Integration in southern and eastern Africa," European Parliamentary Research Service Briefing [Online]. Available: [http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/551308/EPRS_BRI\(2015\)551308_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/551308/EPRS_BRI(2015)551308_EN.pdf) [Accessed 10 December 2019].
- Zimbabwe Ministry of Industry and Commerce, (2016), "Statutory Instrument 64 of 2016," *Supplement to the Zimbabwe Government Gazette Extraordinary*, 447-448. Government Printers, Harare. [Online]. Available: https://www.tralac.org/images/News/Documents/Zimbabwe_Statutory_Instrument_64_of_2016_Control_of_Goods_OGIL.pdf [Accessed 7 December 2019]

APPENDICES**Table A-1: Intra-trade and extra-trade of EAC**

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Intra-COMESA export trade																	
6.5	7.23	6.57	5.82	6.27	6.51	5.99	6.47	7.83	7.44	9.03	7.86	9.16	9.74	11.0	9.99	10.5	11.9
COMESA-AFRICA export trade																	
43.4	43.9	47.4	37.8	35.7	39.7	35.2	37.0	36.9	42.4	40.1	39.6	43.1	44.3	46.6	41.4	39.7	39.7
COMESA export trade with rest of world outside Africa																	
49.4	49.5	46.8	55.9	57.8	54.3	58.3	55.2	55.7	48.6	52.0	51.2	47.2	44.7	43.4	48.1	48.4	48.4
Intra-COMESA import trade																	
5.76	5.76	6.20	5.58	6.39	6.71	5.80	6.03	6.15	6.22	5.89	5.93	6.30	5.70	5.61	5.21	5.71	6.51
COMESA-AFRICA import trade																	
62.1	62.2	63.3	66.3	60.8	56.6	59.3	58.1	56.7	56.0	58.5	56.8	54.5	56.6	55.6	59.2	55.9	51.1
COMESA import trade with rest of world outside Africa																	
32.1	32	30.5	28.1	32.8	36.7	34.9	36.9	37.2	37.8	35.6	37.3	39.2	37.7	38.8	35.6	38.4	42.4

Table A-2: Intra-trade and extra-trade of EAC

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Intra-EAC export trade																	
17.3	18.4	18.9	19.4	19.0	16.8	17.9	18.9	18.9	18.6	19.4	21.0	19.7	21.2	22.4	19.8	18.6	18.7
EAC-AFRICA export trade																	
41.1	43.4	42.2	41.5	47.3	52.2	51.4	53.9	50.7	51.9	52.9	50.3	53.3	46.3	42.7	46.3	50.4	47.9
EAC export trade with rest of world outside Africa																	
41.6	38.2	38.9	39.1	33.7	31.0	30.7	27.2	30.4	29.5	27.7	28.7	27.0	32.5	34.9	33.9	31.0	33.4
Intra-EAC import trade																	
11.4	10.1	11.2	11.3	10.4	8.01	7.79	8.29	8.60	8.29	7.35	8.16	7.42	7.38	6.74	6.95	7.15	7.71
EAC-AFRICA import trade																	
47.0	52.9	52.1	53.0	53.2	59.0	55.7	54.4	51.2	54.9	56.8	51.2	49.7	47.8	49.7	52.1	51.4	50.2
EAC import trade with rest of world outside Africa																	
41.6	37.0	36.7	35.7	36.4	33.0	36.5	37.3	40.2	36.8	35.9	40.6	42.9	44.8	43.6	41.0	41.5	42.1

Table A-3: Intra-trade and extra-trade of SADC

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Intra-SADC export trade																	
11.6	12.5	12.1	11.9	10.9	10.4	11.2	11.8	13.4	18.0	16.5	18.3	18.7	19.3	21.9	20.9	19.6	17.9
SADC-AFRICA export trade																	
21.3	23.9	20.4	19.8	20.7	21.5	20.9	20.0	21.6	13.6	13.0	11.7	11.0	11.5	12.2	11.5	12.7	11.2
SADC export trade with rest of world outside Africa																	
67.1	63.6	67.5	68.3	68.4	68.1	67.9	68.2	65.0	68.4	70.5	70.0	70.3	69.2	65.9	67.6	67.7	70.9

Intra-SADC import trade																	
19.8	20.3	20.7	19.2	17.3	16.3	16.3	18.2	19.0	20.2	19.3	20.4	19.5	19.3	20.3	21.3	20.5	20.9
SADC-AFRICA import trade																	
8.04	9.07	8.40	10.0	11.1	16.4	13.7	13.1	15.8	15.1	14.2	15.1	16.2	18.8	13.4	12.0	11.2	23.2
SADC import trade with rest of world outside Africa																	
72.2	70.6	70.9	70.8	71.6	67.3	70.0	68.7	65.2	64.7	66.5	64.5	64.3	61.9	66.3	66.7	68.3	55.9

Source: Own tables using trade data from UNCATD available at <http://unctadstat.unctad.org/EN/>

Table A-4: Major products trade between SADC and COMESA (2001-2017)

HS Code	Product label	Harmonised System (HS) Product classification by skill and technology intensity [BASU 2011]
93	Arms and ammunition; parts and accessories thereof	Resource-intensive manufactures
43	Fur skins and artificial fur; manufactures thereof	Mainly resource intensive manufacturers; some Non-fuel primary commodities
75	Nickel and articles thereof	Mainly non-fuel primary commodities; very little low-skill and technology intensive
45	Cork and articles of cork	Composed of non-fuel primary commodities; resource-intensive manufacturers
46	Manufactures of straw, esparto or other plaiting materials;...	Resource-intensive manufacturers
50	Silk	Non-fuel primary commodities
80	Tin and articles thereof	Non-fuel primary commodities; little low-skill technology intensive
47	Pulp of wood or of other fibrous cellulosic material; waste paper	Non-fuel primary commodities
97	Works of art, collectors' pieces & antiques	Medium skill and technology intensive
53	Other vegetable textile fibres; paper yarn and woven fabrics...	Non-fuel primary commodities and resource intensive manufacturers
81	Other base metals; cements; articles thereof	Composed of non-fuel primary commodities; low skilled and technology intensive
37	Photographic or cinematographic goods	Composed of high-skilled and technology intensive manufacturers
05	Products of animal origin, not elsewhere specified or included	non-fuel primary commodities
65	Headgear and parts thereof	Resource-intensive manufacturers

Table A-5: Major products trade between EAC and COMESA (2001-2017)

HS Code	Product label	Harmonised System (HS) Product classification by skill and technology intensity [BASU 2011]
43	Fur skins and artificial fur; manufactures thereof	Non-fuel primary commodities and mainly resource intensive manufacturers
45	Cork and articles of cork	Composed of non-fuel primary commodities; resource-intensive manufacturers
46	Manufactures of straw, of esparto or other plaiting materials...	Resource-intensive manufacturers
75	Nickel and articles thereof	Mainly non-fuel primary commodities and very little low-skill and technology intensive
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	Resource-intensive manufactures
93	Arms and ammunition; parts and accessories thereof	Resource-intensive manufactures
91	Clocks and watches & parts...	High skill and technology intensive
81	Other base metals; cermet's; articles thereof	Composed of non-fuel primary commodities; low skilled and technology intensive
05	Products of animal origin, not elsewhere specified or included	Non-fuel primary commodities
57	Carpets & other floor coverings...	Resource-intensive manufactures
14	Vegetable plaiting materials; vegetable products not specified...	Non-fuel primary commodities
50	Silk	Non-fuel primary commodities
53	Other vegetable textile fibres; paper yarn & woven fabrics of...	Non-fuel primary commodities and resource intensive manufacturers

Table A-6: Major products trade between SADC and EAC (2001-2017)

HS Code	Product label	Harmonised System (HS) Product classification by skill and technology intensity [BASU 2011]
43	Fur skins and artificial fur; manufactures...	Non-fuel primary commodities and mainly resource intensive manuf.
45	Cork and articles of cork	Non-fuel primary commodities and mainly resource intensive manuf.
78	Lead and articles thereof	Non-fuel primary commodities
93	Arms and ammunition; parts and accessories...	Resource-intensive manufactures
81	Other base metals; cermet's; articles thereof	Composed of non-fuel primary commodities; low skilled and technology intensive
51	Wool, fine or coarse animal hair; horsehair yarn & woven.. fabric	Resource-intensive manufactures
60	Knitted or crocheted fabrics	Resource-intensive manufactures
46	Manufactures of straw, of esparto or other plaiting materials; basket ware; wickerwork	Resource-intensive manufactures
57	Carpets and other textile floor coverings	Resource-intensive manufactures
75	Nickel and articles thereof	Non-fuel primary commodities

Source: Own table using statistical data from the International Trade Centre trade database available at <http://www.trademap.org>
Notes: Product classification by skill and technology intensity is available at <http://www.unctad.info/en/Trade-Analysis-Branch/>

Table A-7: Trade intensity between the three regional groups (2001-2017)

(a) Trade intensity between SADC and the two regional groups (2001-2017)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proportion of exports that goes to EAC weighted by the share of imports by EAC																	
I_{ij}	1.9	2.2	1.9	1.8	1.5	1.4	1.2	1.1	1.5	1.2	1.0	0.9	0.9	0.9	1.2	1.3	1.3
Proportion of exports that goes to COMESA weighted by the share of imports by COMESA																	
I_{ij}	1.0	1.0	1.1	1.0	0.7	0.7	0.8	1.1	0.8	0.6	0.5	0.5	0.4	0.4	0.6	0.7	0.7

(b) Trade intensity between EAC and the two regional groups (2001-2017)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proportion of exports that goes to SADC weighted by the share of imports by SADC																	
I_{ij}	11.4	12.4	14.3	14.3	14.6	13.6	13.3	15.1	14.8	14.3	14.2	16.8	18.1	13.8	12.5	14.1	11.5
Proportion of exports that goes to COMESA weighted by the share of imports by COMESA																	
I_{ij}	14.7	13.6	13.4	9.9	9.7	11.6	10.7	11.8	9.1	8.4	11.0	8.0	8.0	8.4	6.0	6.8	6.0

(c) Trade intensity between COMESA and the two regional groups (2001-2017)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proportion of exports that goes to SADC weighted by the share of imports by SADC																	
I_{ij}	0.2	0.2	0.4	0.2	0.2	0.2	0.1	0.2	0.2	0.5	1.0	0.5	0.4	0.6	0.8	1.0	0.7
Proportion of exports that goes to EAC weighted by the share of imports by EAC																	
I_{ij}	2.5	2.0	2.6	1.7	1.8	1.6	1.5	1.3	1.5	2.1	2.9	2.1	2.3	3.5	4.8	5.2	4.2

Source: Own table using statistical data from the International Trade Centre trade database available at <http://www.trademap.org>

Table A-8: Trade balances between South Africa, Kenya, Egypt and the three blocs

(a) South Africa's trade balances with the three regional groupings (US\$ billion)

Regional groups	Period of time													
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
EAC	0.91	1.10	1.30	1.42	1.49	1.5	1.44	1.40	1.33	1.16	1.10	1.27	1.35	
COMESA	2.44	3.58	5.68	5.25	7.05	7.66	7.77	7.89	7.67	5.94	5.85	6.61	7.71	
SADC	2.92	2.71	3.81	4.73	14.2	16.2	15.6	16.2	17.1	13.5	13.1	14.0	15.1	

(b) Egypt's trade balances with the three regional groupings (US\$ billion)

Regional groups	Period of time													
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
EAC	0.05	0.06	-0.1	-0.1	0.01	0.01	0.07	0.07	0.02	0.07	0.09	0.14	0.20	
COMESA	0.20	0.17	0.44	1.18	1.31	0.77	1.14	1.20	1.01	0.60	0.71	0.63	0.73	
SADC	-	-0.1	-0.6	-0.2	0.04	0.67	0.23	0.18	0.12	0.03	0.11	-0.1	-0.3	

(c) Kenya's trade balances with the three regional groupings (US\$ billion)

Regional groups	Period of time													
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
EAC	0.65	0.76	1.04	1.01	1.02	1.24	1.23	1.12	1.02	0.88	0.87	0.52	0.47	
COMESA	0.80	0.86	1.21	1.14	1.20	1.43	1.07	0.97	0.97	0.90	0.78	0.29	0.26	
SADC	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4	-0.1	-0.2	-0.1	-0.2	-0.1	-0.5	-0.5	

Source: Own Tables using trade data from the International Trade Centre trade database available at <http://www.trademap.org>

Table A-9: South Africa's major exports to COMESA, EAC and SADC (2001-2017)

HS Code	Product label	Harmonised System (HS) Product classification by skill and technology intensity [BASU 2011]
27	Mineral fuels, mineral oils & products of...;	Mineral Fuels
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	Mainly medium skill & technology intensive manuf.; some high-skill & technology intensive manuf.; few low-skill technology intensive manuf
87	Vehicles other than railway or tramway rolling stock, and parts and accessories...	Mainly medium skill & technology intensive manuf.; some low-skill technology intensive manuf.; few resource intensive manufactures
85	Electrical machinery and equipment and parts thereof; sound recorders & reproducers, TV...	Mainly medium skill & technology intensive manufactures; some high-skill & technology intensive manufacturers; resource intensive manuf.
72	Iron and steel	Low-skill technology intensive manufactures
39	Plastics and articles thereof	High-skill & technology intensive manufacturers
73	Articles of iron or steel	Low-skill technology intensive manufactures
22	Beverages, spirits and vinegar	Non-fuel primary commodities
48	Paper & paperboard; articles...	Resource-intensive manufactures
38	Miscellaneous chemical products	High-skill & technology intensive manufacturers

Table A-10: Kenya's major exports to COMESA, EAC and SADC (2001-2017)

HS Code	Product label	Harmonised System (HS) Product classification by skill and technology intensity [BASU 2011]
39	Plastics and articles thereof	High-skill & technology intensive manufacturers
72	Iron and steel	Low-skill technology intensive manufactures
30	Pharmaceutical products	High-skill & technology intensive manufacturers
34	Soap, organic surface-active agents, washing...	High-skill & technology intensive manufacturers
24	Tobacco & manufactured tobacco...	Non-fuel primary commodities
15	Animal or vegetable fats & oils & cleavage...	Non-fuel primary commodities
27	Mineral fuels, mineral oils &...	Mineral Fuels
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof...	Mainly medium skill & technology intensive manuf.; some low-skill technology intensive manuf.; few resource intensive manufactures
25	Salt; sulphur; earths & stone; plastering lime	Non-fuel primary commodities; very few resource-intensive manuf.
48	Paper & paperboard; articles of	Resource-intensive manufactures

Table A-11: Egypt's major exports to COMESA, EAC and SADC (2001-2017)

HS Code	Product label	Harmonised System (HS) Product classification by skill and technology intensity [BASU 2011]
17	Sugars and sugar confectionery	Non-fuel primary commodities
48	Paper & paperboard; articles...	Resource-intensive manufactures
39	Plastics and articles thereof	High-skill & technology intensive manufacturers
34	Soap, organic surface-active...	High-skill & technology intensive manufacturers
72	Iron and steel	Low-skill technology intensive manufactures
85	Electrical machinery & equipment & parts thereof; sound recorders & reproducers...	Mainly medium skill & technology intensive manuf.; some high-skill & technology intensive manufacturers; few resource intensive manuf
27	Mineral fuels, mineral oils &...	Mineral Fuels
20	Preparations of vegetables,...	Non-fuel primary commodities
69	Ceramic products	Resource-intensive manufactures
25	Salt; sulphur; earths & stone; plastering...	Mainly Non-fuel primary commodities; some resource-intensive manuf.
30*	Pharmaceutical products	High-skill & technology intensive manufacturers

Source: Own table using statistical data from the International Trade Centre trade database available at <http://www.trademap.org>

Notes: Product classification by skill and technology intensity is available at <http://www.unctad.info/en/Trade-Analysis-Branch/>

* HS 30 is among Egypt's top 10 exports to the EAC only

Table A-12: Trade intensity between South Africa, Kenya, Egypt and the regions (2001-2017)

(a) Trade intensity between South Africa and the three regional groups (2001-2017)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proportion of exports that goes to SADC weighted by the share of imports by SADC																	
I_{ij}	48.8	48.2	45.6	33.6	35.4	31.6	29.1	42.2	25.6	53.8	43.1	44.2	44.5	45.8	47.1	59.5	56.9
Proportion of exports that goes to EAC weighted by the share of imports by EAC																	
I_{ij}	15.9	21.3	20.1	22.3	18.7	15.0	13.5	12.4	15.5	11.0	8.3	7.8	8.1	7.2	7.1	8.5	8.4
Proportion of exports that goes to COMESA weighted by the share of imports by COMESA																	
I_{ij}	17.9	21.4	20.9	18.4	15.5	14.8	15.2	12.3	12.4	11.7	11.0	11.2	11.8	11.5	10.6	12.2	11.6

(b) Trade intensity between Kenya and the three regional groups (2001-2017)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proportion of exports that goes to SADC weighted by the share of imports by SADC																	
I_{ij}	13.4	15.6	19.8	18.3	18.3	16.6	17.1	19.5	16.0	15.2	14.8	14.7	14.0	14.7	11.9	14.0	12.0
Proportion of exports that goes to EAC weighted by the share of imports by EAC																	
I_{ij}	169	338	293	302	257	168	169	159	147	143	143	131	125	111	93	115	107
Proportion of exports that goes to COMESA weighted by the share of imports by COMESA																	
I_{ij}	56.1	78.2	91.8	90.6	75.4	65.8	69.4	45.2	41.0	40.2	48.2	35.2	34.0	32.6	29.7	32.3	31.6

(c) Trade intensity between Egypt and the three regional groups (2001-2017)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proportion of exports that goes to SADC weighted by the share of imports by SADC																	
I_{ij}	0.7	0.5	1.1	0.6	0.5	0.3	0.3	0.7	0.7	2.0	3.6	2.2	1.5	1.2	1.2	1.7	1.4
Proportion of exports that goes to EAC weighted by the share of imports by EAC																	
I_{ij}	5.2	4.0	4.7	5.0	5.1	3.3	4.1	4.1	4.1	6.9	6.2	6.9	6.1	6.2	6.7	8.9	8.7
Proportion of exports that goes to COMESA weighted by the share of imports by COMESA																	
I_{ij}	9.8	10.3	14.6	10.3	12.3	9.3	10.1	13.2	14.9	15.5	11.1	12.8	11.5	10.9	9.7	10.1	9.1

Source: Own table using statistical data from the International Trade Centre trade database available at <http://www.trademap.org>