Boosting Regional Trade

IN BRIEF

The ITC Boosting Regional Trade Programme supports political and economic entities to reduce costs related to trading regionally and helps businesses take advantage of the potential offered by regional markets.

THE PROBLEM AND ITC SOLUTION

Regional economic integration ranks high on the agenda of governments because it offers larger markets, greater economies of scale and increased competition for small and medium-sized enterprises (SMEs), giving them the opportunity to expand beyond small-scale domestic markets. A growing middle class in developing countries creates new business opportunities, and the rise in supply chains creates new avenues for developing countries to integrate into regional production systems.

Still, the level of trade integration remains below its potential in most regions. The share of intra-African trade accounted for just 14% of total African exports in 2013. Intra-Arab regional trade remains very low with an estimated maximum share of 10%. Asia and the Americas are economically more integrated, with intra-regional trade reaching 20% and 55%, respectively, in 2013.

While regional integration offers a way for the private sector to tap into regional value chains, there are numerous challenges. A cycle of uncertainty, compounded by weak institutions and poor infrastructure for intra-regional connectivity and endemic non-tariff barriers can often prevent the private sector from fully seeing the benefits of deeper integration. For many small developing countries, the consolidation of parallel trading blocs with overlapping membership adds complexity and additional costs for business. On the supply side, the production capacities and exports are often similar in nature and include low-level processing and value addition, limiting the possibility of countries complementing each other economically. Institutions are often weak at national level and can provide limited impetus for boosting cross-border integration.

The strength of ITC's strategy is to synchronize interventions in three areas with a view to stimulating private sector leadership in regional integration. These areas are:

- Promoting business advocacy of a regional integration policy agenda and regional trade facilitation;
- Strengthening the secretariats of regional economic communities and developing support institutions and business networks; and
- Fostering market-led strengthening of business capacities and regional value chains, with special attention given to the economic empowerment of women and youth.

The programme enables developing and transition economy countries to activate regional trade agreements, reduce trade-related barriers and provide SMEs with opportunities to compete and expand into new regional markets. The programme supports market diversification and value-added production and investment. It will ultimately contribute to achieving the United Nations Global Goals for Sustainable Development, in particular Goal 8 on decent work and economic growth, Goal 10 on reduced inequalities and Goal 17 on partnerships.

IMPACT

Examples of ITC's interventions in this area are explained below.

ITC has been a strong supporter of regional economic integration efforts. An ITC flagship programme, Programme for Building African Capacity for Trade (PACT II), has contributed to building region-wide trade support institutions and business capacities in the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS) and the Economic Community of West African States (ECOWAS). It helped support the 'software' component of regional integration to complement the 'hardware' investments in infrastructure and connectivity.

Similarly, ITC works in close collaboration with the League of Arab States and other sub-regional groupings to reduce non-tariff measures (NTM) and strengthen harmonization and transparency of trade rules and regulations to promote intra-regional trade within the Arab region, create more job opportunities and inclusive economic growth.

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