

Comparative Assessment of the Potential Impact of Joining the World Trade Organization and African Continental Free Trade Area on the Ethiopia Economy

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Abstract : Ethiopia signed the AfCFTA in 2018 and is in ongoing negotiations to join the WTO. To assess the potential impacts of joining these trade agreements on Ethiopia's trade, output, and welfare, we conducted a comprehensive analysis using a world trade computable general equilibrium (CGE) model. The results of our policy experiment, which include scenarios involving the reduction of tariff and non-tariff measures, indicate that AfCFTA and WTO accession would positively affect Ethiopia's welfare, with WTO membership expected to bring more significant benefits. On the one hand, AfCFTA membership would significantly increase Ethiopian imports from AfCFTA regions while decreasing imports from non-AfCFTA regions. Conversely, it would boost Ethiopian exports to Southern Africa while showing minimal change to other AfCFTA and non-AfCFTA regions. By contrast, WTO membership would significantly increase Ethiopia's imports from Asia and North Africa and decrease those from Europe, the rest of the world, and East Africa. It would increase exports to all regions, especially Europe, Asia, and the rest of the world. In terms of industrial output, while these two trade deals would largely favor agriculture and the meat and livestock sector and harm many manufacturing sectors (especially the light manufacturing sector), the impact of WTO accession on the Ethiopian economy would be overwhelmingly more significant than that of AfCFTA.

Keywords : trade liberalization, AfCFTA, WTO, computable general equilibrium model, tariff, non-tariff measures

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