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Policy Brief

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Will the African Free Trade Agreement Succeed?

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Summary

The recently signed African Continental Free Trade Agreement represents a countercurrent to protectionist tendencies across the Atlantic and the Pacific, and may well move the economic integration of the African continent forward. Translating the vision into action, however, will call upon signatories to undertake deeper domestic reforms and to confront specific challenges related to the agreement itself. This brief explains why the agreement is important for Africa and identifies policy implications for Africa and for third countries.

The announcement in Kigali on March 21, 2018 that African countries have agreed to proceed with negotiations of an African Continental Free Trade Area (ACFTA) helps counter the rising winds of protectionism. The ACFTA also marks a potentially important step in promoting the welfare of the world's poorest and least integrated continent. This agreement, which aims to liberalize goods and services trade, facilitate investment, and in a second phase, address issues such as intellectual property rights and dispute settlement, will potentially cover a market of 1.2 billion people and a Gross Domestic Product (GDP) of 2.2 trillion dollars.[2]

Translating the vision into action, however, will require that, in addition to addressing their domestic impediments to growth and competitiveness, signatories confront three highly specific challenges related to the negotiations. These are to include South Africa and Nigeria in the deal, limiting product exclusions, and defining liberal and workable rules of origin. All African nations also confront the imperative of improving the transport infrastructure to enable trade. The world's largest and wealthiest economies, namely China, the European Union, and the United States have an interest in the success of the ACFTA and there is much they can do to promote a favorable outcome.

From the outset, it is important not to have exaggerated expectations of what trade liberalization can achieve on its own. Numerous studies and experience have shown that peace and security, quality of governance, the observance of the rule of law, and the pursuit of sound fiscal, monetary and exchange rate policies, lie at the core of the development process. Without them, successful integration in the global economy is unlikely, whether or not the country has an open trade regime.[3]

1. We are grateful to Karim El Aynaoui and Marek Dabrowski for useful comments

2. Authors' calculation drawing the World Economic Outlook Database. Calculated at current exchange rates and prices.

3. United Nations. (2007). Pubic Administration and Democratic Governance: Governments Serving Citizens. Publication No.: ST/ESA/PAD/SER.E.
Johnston, M. (2016). Good Governance: Rule of Law, Transparency, and Accountability. Department of Political Science, Colgate University.
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This observation applies with special force to intra-regional trade in Africa in light of its domestic impediments to growth, small economic size, and the fact that Africa's exports to the rest of the world already enjoy largely duty- free treatment (see more on this in the next section). Africa accounts for just 3% of the world's GDP[4]. One third of the world's documented conflicts are in Africa. The median Doing Business Ranking of African countries is 150 out of 190 countries covered and that on the WEF Competitiveness Ranking is 117 out of 137 countries covered. Thus, the ACFTA should be viewed as a necessary step, but one unlikely to yield the hoped-for results without progress on the domestic reform front.

Why the ACFTA is needed

Africa is a vast continent, with an area almost 50% larger than that of North America – Canada, Mexico and the United States combined. It remains the world's poorest and most economically fragmented region: it is comprised of 54 countries with a total GDP which is about 10% smaller than that of France but a population that is 17 times larger. The median GDP of countries in Africa is 10.9 billion dollars (Namibia) about one eighth the size of the GDP of the city of Dublin[5], while the median area occupied by an African country is 318 thousand square kilometers, the size of Poland. The distance between Cape Town and Casablanca is almost 8000 kilometers[6], roughly the same as that between Brussels and Beijing. This, in a continent largely lacking in adequate cross-border and in-country transport infrastructure.

Gravity models point to economic size and distance as the main determinants of trade flows. In fact, impaired by small size, long distances, and high transport costs, intra-regional trade in the African continent represented just 20% of Africa's total trade in 2016. This compares with 62% in the European Union and 23% in the Association of Southeast Asian Nations.[7] Africa is not alone among developing regions in exhibiting low levels of integration, and the level of intra-regional trade in Latin America, among the Arab countries (which include several African countries), and within the Commonwealth of Independent States (Former Soviet Union) is not dissimilar to that of Africa. Intra-regional trade integration in South Asia is even lower than that of Africa.

4. At market exchange rates and prices ; based on the IMF WEO database

5. Eurostat Database at market exchange rates and prices.

6. By aircraft.

7. World Integrated Trade Solution and United Nations Conference on Trade and Development.

It is true that the small economic size of African economies and the vast distances that separate them limit trade. It is also true that their vast natural resources (Africa boasts 98% of the world's estimated copper reserves, 57% of the world's gold, and 14% of the world's oil reserves, for example[8]) have induced many African countries to specialize in commodities that they can buy from each other in only limited quantities. In addition, with much of world trade now occurring in differentiated products within the same manufacturing sector (e.g. Peugeot cars in exchange for Volkswagen cars), and within value chains (e.g. trade in engines, axles, and gearboxes as well as in fully assembled vehicles), it is evident that the structural causes of Africa's "under-trading" are profound. In most instances, African countries simply do not complement each other well and cannot afford to buy much from each other.

But it is also a fact that some small African countries (for example Mali, Burkina Faso and Rwanda) export mainly to Africa, and that intra-African trade is far more weighted towards manufactures and agriculture than Africa's trade with the rest of the world, which instead consists mainly of petroleum, metals and minerals ("extractables") whose prices are highly volatile and which offer limited space for product differentiation and for moving up the value chain. The Economic Commission for Africa has calculated that extractables account for 66% of extra-African trade but only for 31% of intra-African trade (ECA, 2018). For the most part, intra-African trade consists of manufactured and agricultural products, which - in the language of business - are sectors that are widely considered as "scalable," in terms of volume and value.

While any realistic prospect for developing a vibrant agricultural and manufacturing export sector in Africa must envisage the sustained penetration of world markets, not just of African markets, selling within Africa represents an important first step for firms that want to break out of minuscule national markets.

As already mentioned, trade liberalization does not, on its own, assure faster growth. However, the evidence also shows that no country has grown sustainably without growing exports.[9] While some of the largest regions of the world enjoy free trade internally (trade is essentially free within North America, Europe, and, increasingly

8. Bassou, A. (2017). Africa's natural resources and geopolitical realities. PB-17/19. OCP Policy Center.

9. Irwin, D. (2003). Free trade under fire. Chapter 2. Princeton, N.J.: Princeton University Press.

within East Asia), intra-African trade is impeded by very high tariffs as well as numerous non-tariff barriers. The average tariff on intra-regional trade in Africa is 6%[10], an apparently moderate but seriously misleading number, considering the tariff peaks in many of the sectors that could enable African countries' diversification (See below).[11][12]Furthermore, several non-tariff barriers like technical barriers to trade, sanitary and phytosanitary measures and certification exacerbate the protective measures, while limitation to free movement of people limit trade opportunities in both goods and services.[13]

African trade policies today mostly resemble those in South-Asia, which is, with the Middle East and North Africa, the world's next least integrated region and the most evidently protected. Moreover, African trade is – it would appear – at times more hampered than facilitated by a complex patchwork composed of eight sub regional bodies known as Africa's Regional Economic Communities (RECs), each with their own (often loosely implemented) rules, disciplines, and complex rules of origin. Trade within these regional economic communities has actually grown much slower than intra-African trade overall (ECA, 2012), and, within these communities, intra-regional trade remains limited. Thus, trade among the East African Community countries, represent only 12% of their total in 2016, yet the EAC is ranked highest by the United Nations Economic Commission for Africa (UNECA) on trade integration among Africa's Regional Economic Communities.

Another way of assessing the effect of trade agreements on African countries is to compare their trade-weighted WTO Most-Favored-Nation (MFN) applied tariffs with their trade-weighted effectively applied tariffs. The latter take into account the preferences countries accord to each other under bilateral or regional trade agreements.[14]The MFN and effectively applied measures of tariffs are high and essentially the same in most African countries, a reflection of limited preferences and the small amount of trade that occurs under regional partnerships. By contrast, Morocco's trade-weighted effectively tariff, 3.8%, is far lower than its MFN applied tariff, 10.8%, reflecting its trade agreements with the EU, other Arab countries, and the United States, which together account for over 70% of its trade. Another notable exception are countries that trade heavily with South Africa under the South African Customs Union, such as Botswana and Namibia, and whose effectively applied tariffs are under 1% while their MFN applied tariffs are 5.8% and 7.5% respectively.

There are two other notable features of African trade that contribute to the continent's fragmented economic structure. First, is the effective separation between North Africa, which includes three of the five largest economies of the continent, namely Algeria, Egypt, and Morocco, and sub-Saharan Africa. Trade between these economies and sub-Saharan Africa accounted for just 0.5%, 3.5%, and 2.9% of their total trade respectively in 2016. Second, is the existence of unilateral preferences granted by the world's largest economies to Africa. These preferences, granted by the European Union and the United States, and, to a lesser degree by China, have been eagerly sought out by Africans and certainly benefit them, but they also divert trade from within Africa to outside Africa. Thus, nearly all African manufactured exports and the lion's share of agricultural exports reach European and American markets duty-free, and that is also the case for the African Least Developed Countries that export to China, whereas they often face stiff tariffs within Africa. The main trade diversion effect operates on Africa's exporters, for whom it is often more profitable and less cumbersome to export outside Africa. Since the preferences accorded by China, the European Union and the United States are typically unilateral, not reciprocal, the incentives facing Africa's importers, by contrast, tend to be more neutral.

A more detailed examination of African trade and tariff policies is best carried out at the country level. We have selected a sample of four of the largest African countries that are signatories of the ACFTA, namely Morocco in North-Africa, Ethiopia and Kenya in East Africa, and Cote d'Ivoire in West Africa[15]. We believe this sample is sufficiently large and diverse to give a good sense of trade policies and relations in the region.

All four countries have high average MFN applied tariffs in the 11% to 17% range, and, while Morocco has bound 100% of its tariffs in the WTO, it has only done so at very high levels (40% plus). Cote d'Ivoire, Ethiopia and Kenya

10. Economic Commission for Africa. (2018). African Continental Free Trade Area: Questions and Answers. African Union.

11. World Bank. (2011). Harnessing Regional Integration for Trade and Growth in Southern Africa. Document of the World Bank, Africa Region.

12. UNCTAD. (2016). Key Statistics and Trends in International Trade 2016 - A Bad Year for World Trade? (UNCTAD/DITC/TAB/2016/3), 22 Dec 2016, 30 page(s), 5657.8 KB.

13. Dabrowski, M, Myachenkova, Y. (2018). Free Trade in Africa – An Important Goal But Not Easy to Achieve. Bruegel.

14. Effectively applied tariffs also reflect unilateral preferences, but these are small and affect little trade.

15. Draws mainly from the latest WTO Tariff Profiles and Trade Profiles reports (2017)

have bound less than 1/3 of their tariff lines. Moreover, in all four countries tariff peaks (tariffs in excess of 15%, which are often in practice prohibitive) are applied to over half of agricultural imports and between one quarter and one half of non-agricultural imports.

- All four countries apply high rates of tariffs in products most likely to lie within the comparative advantage of other African countries. Thus, applied MFN tariff rates in dairy, fruit and vegetables are in the 25-50% range (except in Cote d'Ivoire where they are 17%) and tariffs on textiles, clothing, and footwear are in the 15-35% range.

- The structure of exports across the four countries varies considerably. Whereas 69% of Morocco's merchandise exports are manufactured products, they represent 31% of Kenya's exports and only around 12% of the exports of Ethiopia and Cote d'Ivoire. Morocco is the only one among the four countries whose world rank in the export of commercial services is far higher than in merchandise exports.

- All four countries count the European Union and/or the United States among their five top export markets and receive duty-free treatment, either under GSP preferences or bilateral trade agreements.

- Neither Cote d'Ivoire, Ethiopia nor Morocco count other African countries among their five largest export markets in either agricultural or non-agricultural exports, except for Cote d'Ivoire's export of around $500 million of non-agricultural products to Burkina Faso and a small amount of agricultural exports from Morocco to Algeria. These intra-regional exports occur despite the levying of high tariffs. By contrast, Kenya counts Zambia, Tanzania and Uganda as its top three export markets in non-agricultural products and enters all three markets duty-free under the EAC agreement. Among the four countries in the sample, Kenya is most reliant on merchandise exports to the rest of Africa, which accounted for 48% of the total over 1995-2008, followed by Cote d'Ivoire, 27%, Ethiopia, 16%, and Morocco 4.8% (ECA, 2012).

Three Specific Challenges Related to the Negotiation of the ACFTA

As mentioned, in addition to the -arguably more fundamental – domestic reform challenges faced by African countries to boost their diversification and competitiveness, making ACFTA work requires addressing three specific issues.[16]

Challenge 1: Inclusion

Of the 54 countries in Africa, 11 did not sign the ACFTA: Benin, Botswana, Burundi, Eritrea, Guinea Bissau, Lesotho, Namibia, Nigeria, Sierra Leone, South Africa and Zambia. These countries represent 33% of Africa's GDP[17], and, among them South Africa and Nigeria stand out. Inclusion of Nigeria and South Africa, respectively the largest (17% of Africa's GDP) and third largest (13% of Africa's GDP) economy in Africa, is crucial for the success of the ACFTA. Both countries have claimed they need more time for internal consultation before signing on to the ACFTA. The political economy of trade reforms in Nigeria is complicated, since it has a large and heavily protected home market (ranking 183 in "Trading Across Borders" in the World Bank's Doing Business Report), exports little to Africa (just 9% of its merchandise exports were directed to Africa over 1995-2008 according to ECA (2012)) and its merchandise exports are composed of 76% of fuels and mining products, commodities whose revenue stream depends on trends in world markets and bears little relation to trade reforms at home or in the rest of Africa. But Nigeria is not Saudi Arabia, whose vast oil resources allow it time to embark on a course of diversification. Nigeria's rapidly growing population of 186 million cannot hope to develop in the long run based only on its fuel and mining exports. While Saudi Arabia's trade per capita was $7379 in 2016, Nigeria's trade per capita was just $351, about 1/3 that of Morocco and nearly 40% lower than that of Cote d'Ivoire. Moreover, as Africa's largest economy, it cannot hope to play its natural geopolitical leadership role

16. This list is not comprehensive. It does not, for example, address the issue of replacing revenue from tariffs. A recent study indicates that Low and Middle Income countries rely on trade taxes to the extent of between 2% and 4% of GDP on average (Cage and Gadenne, 2016). In the case of Africa, the average could be even higher, and trade liberalization within Africa could imply a loss of tariff revenue of somewhere between 0.25% to 0.75% of GDP depending on the products liberalized, the pre-existence of preferences, etc. However, this loss of revenue would occur over a span of years, depending on the speed of liberalization, and would be partially offset by increased trade. In one study, the UNECA estimates that free trade within Africa could boost trade by about 50%.

17. Data from the African Economic Outlook Statistics, 2016.

if it stands aside from the continental free trade zone. For reasons of diversification and politics, Nigeria should be expected to become part of the ACFTA, sooner or later.

The case for South Africa joining ACFTA is, we would argue, even more clear cut. South Africa is a protected economy (ranking 147 in "trading across borders"), but is a less protected economy than Nigeria, and is far more diversified in both its export mix and its market reach within Africa. Manufactured products account for 41% of South Africa's merchandise exports, and its main agricultural exports, consisting of fruits, vegetables and other products of its relatively temperate climate can find a ready market in Africa. South Africa is also a significant exporter of commercial services, one of the few African economies whose world ranking in the export of services is higher than that of merchandise. In 2013, it was the source of over 46000 patents, trademarks and industrial design applications, over twice as many as Nigeria and three times as many as Morocco. Whereas Nigeria counts only South Africa within Africa among its five largest export markets worldwide, South Africa counts Botswana and Namibia. Still, South Africa directs only 13% of its merchandise exports to Africa (ECA, 2012).

Although it is clearly in the long-run interest for both South Africa and Nigeria to join the ACFTA, getting to that point will require diplomacy, patience, and the willingness of other members to compromise in recognition of the two economies' important role. Once South Africa and Nigeria join the gravitational pull on the other nine countries that did not sign in Kigali, most of whom lie in their geographic proximity, is bound to increase.

Challenge 2: Limiting Product Exceptions

The stated objective is to liberalize 90% of products traded under the ACFTA. This is a share of trade much lower than the accepted norm in regional agreements. Indeed, according to WTO Article 24 regulating FTAs among members, these should include "substantially all trade," and that is, for example, what the EU and NAFTA do. The Euro-Med agreements between the EU and Morocco, Egypt, etc., aim to liberalize all trade in manufacturing but allow for exceptions in agriculture. For example, under the EU-Morocco FTA, 100% of manufactured products enter the EU duty free, whereas some 80% of agricultural exports do so.

Allowing protection to continue on 10% of products can, in practice, negate a large part of the benefits of the agreement by strategically selecting products that will retain protection. The impact of these exceptions can be reduced by placing the limitation on 10% of the value of trade, not on 10% of tariff lines, and then include provisions for liberalizing the remaining 10% over longer implementation periods. It is important that included in the products that are to be liberalized early on are those that can provide a natural ladder of diversification in Africa, including labor intensive manufactures, and agricultural products in which Africans have or could develop a comparative advantage. Given ongoing worry about food security, Africa's large potential to supply its own food (despite the availability of large amount of fertile land Africa is a net food importer), and the especially high tariffs within Africa that are placed on food products, limiting exclusions on food products is crucial.

Challenge 3: Designing Liberal Rules of Origin

Inappropriately designed rules of origin can, to a large degree, negate the benefits of a trade agreement. Rules of origin that are restrictive and complex will not only prevent imports of intermediate inputs from third countries, potentially undermining specialization and competitiveness, but, if they are sufficiently cumbersome, they will induce the parties in the trade agreement to not claim preferences so as to avoid the administrative hassle, leaving the parties precisely where they started. Defining and granting origin will be a particular challenge in the ACFTA because of the number of countries involved in the agreement, the potential for multiple transshipments reflecting both the number of parties and the fact that 15 of these countries are land-locked, and weaknesses in administrative capacity and management of customs. For these reasons, a simple rule, such as 50% of value added should originate in Africa is desirable, which implies full accumulation of value added within Africa. More complex criteria, such as value-added requirements that are product specific, or those related to reclassification, or those that attribute origin according to the production process should be used sparingly or avoided altogether.

The Imperative of Improved Transportation infrastructure

Several studies have shown that infrastructure constraints in Africa are important in explaining low levels of trade. Paved roads especially are sparse compared to the size of the continent. In African low-income countries, there

are 318 meters of paved road per 1000 population, compared to 1000 meters per 1000 population on average in the developing world and 15000 meters per 1000 population in an advanced economy such as France. The city of Kinshasa, Africa's third largest and home to over 13 million people, has just 63 meters of paved road per 1000 inhabitants. Yet, roads are the main mode of transport, carrying at least 80% of goods and 90% of passengers. Furthermore, the unequal access and the degradation of already existing roads makes the flow of goods and services difficult and expensive.

The railroad infrastructure is insufficient, outdated and badly maintained. Africa counts merely 84000 kilometers of railroads for a surface of nearly 30 million square kilometers. By contrast, the European Union and China count each 211409 and 67092 kilometers of railroads for a surface of 4 and 9.3 million square kilometers respectively. Most of Africa's ports suffer from poor infrastructure, insufficient capacity, and inadequate connectivity between roads and rail lines with ports. This results in delays and high shipment handling rates. For instance, the average cargo wait time in sub-Saharan Africa is more than two weeks, which is significantly higher in comparison to large ports in Asia, Europe, and Latin America where the wait time is under a week.[18] The land and sea transport challenges are all the greater for the 15 African countries that are landlocked. These countries include some of the world's poorest. They accounted for 24% of the African population but only 10% of the continent's GDP in 2016.
As for air transport, which could be a savior for landlocked countries and is essential for the trade of perishable products like fruits, meats, vegetables and fish, it remains expensive and infrequent due to low passenger traffic, limited liberalization of air space, high passenger and airport taxes, safety issues, and inadequate airport and technical support infrastructure.[19] Air transport within Africa is hampered by very few internal connections, often requiring expensive and time-wasting routing through cities outside of Africa such as Paris, London or Dubai, or at the Southern tip of Africa such as Johannesburg.

Information and communication technology (ICT) is a relative bright spot since it requires relatively inexpensive infrastructure and equipment and does not have to rely as heavily on maintenance by public authorities. Unique mobile subscriber penetration in Africa has risen from 31% in 2010 to 50% in 2017 and does not compare too unfavorably with the global average of 68%[20]. Africa is already the second largest mobile phone market in the world and the fastest growing. Internet penetration rates in Africa averaged 21.5% in 2017 versus 47.9% worldwide[21]. However, internet access in Africa is also expanding rapidly, reflecting in part infrastructure investment (submarine data cables etc.).

Africa's logistics challenges go well beyond the inadequate transport infrastructure. Long and bureaucratic customs procedures, corruption at the border, and security issues are among factors that can further hamper the transportations of goods between countries.[22] High trade costs within Africa are the result.[23] According to a recent study, the cost of trading goods within the continent is up to five times higher than in the United States.[24] The Logistic Performance Index (LPI) of the World Bank is based on surveys of operators designed to evaluate the efficiency and timeliness of customs and the logistics infrastructure across 160 countries. Sub-Saharan Africa shows the lowest score among developing regions, over 2 standard deviations below East Asia and Pacific. As Table 1 shows, the LPI varies greatly across the sample of countries discussed above (Standard Deviation is 0.6), with South Africa, Kenya scoring far higher than Cote d'Ivoire and Ethiopia.

18. Raballand, G. (2015). Why expanding Africa's port infrastructure is just a small part of the solution. Brookings. https://www.brookings.edu/blog/future-development/2015/10/15/why-expanding-africas-port-infrastructure-is-just-a-small-part-of-the-solution/

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22. Dabrowski, M, Myachenkova, Y. (2018). Free Trade in Africa – An Important Goal But Not Easy to Achieve. Bruegel.

23. Berahab, R, El Aynaoui, K. (2018). Infrastructure investments in Africa: A need for a "big push". OCP Policy Center.

24. Donaldson, D., Jinhage, A., and Verhoogen, E. (2017): Beyond borders: Making transport work for African trade, The International Growth Center, The London School of Economics and Political Science, March, https://www.theigc.org/wp-content/uploads/2017/03/TransportGrowthBrief_FINAL_WEB.pdf

Table 1: Logistics Performance Index for selected African countries, 2016

Country	LPI Rank	LPI Score
South Africa	20	3.8
Kenya	42	3.3
Morocco	86	2.7
Nigeria	90	2.6
Cote d'Ivoire	95	2.6
Ethiopia	126	2.4

Source: World Bank's Logistics Performance Index.
Note: "The international score uses six key dimensions to benchmark countries' performance and also displays the derived overall LPI index. The dimensions show on a scale (lowest score to highest score) from 1 to 5 relevant to the possible comparison groups" (World Bank).

Policy Implications for Third Countries

The world's largest economies, the United States, the European Union and China have much to gain from the success of the ACFTA. According to the UN population division, in 2050 Africa's population is projected to reach 2.5 billion and represent 26% of the world's total. It will, moreover, be a young population, and Africa's share of the world's potential labor force (age 15-64) will be 25%. Yet, even assuming that Africa's GDP per capita grows at the rate of 2% a year (approximately the average of the last 25 years), most African countries will have per capita incomes lower than the average of lower middle-income countries today (6800 $, PPP). This is in the range where countries develop a large middle class and buy large ticket consumer durables, such as cars, and look for services such as financial services, insurance, and travel abroad, and where health expenditures increase sharply. With progress, the largest exporters and foreign investors will then be able to look to Africa as one of the world's most substantial consumer markets. It will also be the most abundant source of accessible minerals and raw materials, a consideration especially critical for China, home to the world's most sizeable population. In fact, it is widely believed that much of Africa's natural resource wealth remains unexplored.[25] Insofar as Africa's economies become more integrated and diversified, Africa could become a large source of inexpensive labor-intensive manufactured products as well.

The benefits are especially evident for Europe, which has a vital security interest in a stable and increasingly prosperous Africa, an issue of great importance for the United States as well. By security we don't solely allude to the absence of armed conflict, but also to health and the control of infectious diseases. It is also likely that migration pressures will continue to escalate, as increasing numbers of Africans will be able to afford the cost of moving and to rely on the growing networks of Africans abroad. Stability in Africa is important for migration flows to be controlled and orderly.

The most important steps that the world's largest economies can take to support Africa's increased integration and diversification through ACFTA include:

- Increase support for infrastructure through private-public partnerships where appropriate;
- Maintain an open rules-based trading system that underpins support for all regional agreements and all trade flows including ACFTA;
- Maintain simple and liberal rules of origin in the preference programs and their bilateral agreements with African countries, and allow cumulation of value added across all Africa to facilitate the integration of the continent in global value chains.
- Increase their "Aid for Trade" so as to enhance the behind-the-border reforms needed to make African countries more competitive;
- Facilitate the contacts between the African diaspora located within their borders and their country of origin, including by lowering the cost of remittances; etc.

25. Ayee, J. (2014). The Status of Natural Resource Management in Africa: Capacity Development Challenges and Opportunities. Managing Africa's Natural Resources pp 15-38.

Conclusion

This brief has argued that the ACFTA represents a welcome countercurrent to the rising protectionist tide across the Atlantic and the Pacific. It also represents an important potential step forward in the quest for the economic integration of the enormous yet underperforming African continent. Increased integration is essential if Africa aspires to establish itself as a competitive actor in world trade. Expectations for the ACFTA must remain grounded and trade liberalization within Africa should be accompanied by deeper and wider-ranging domestic reforms to yield significant gains. In large swaths of the continent, little can be achieved without a return to peace and improved security.

In order for the ACFTA to work, negotiators must include Nigeria and South Africa among the signatories, limit product exceptions and establish simple and liberal rules of origin. Products that African countries could supply competitively, such as foodstuff and labor-intensive manufactures, must be liberalized to promote diversification within the continent. A simple 50% value added rule should confer origin and product-specific rules of origin should be avoided. Crucial is a concerted effort towards improving Africa's transport infrastructure, especially the roads, railroads, ports and air connections that link countries and that link potentially exporting regions within countries to their markets.

Transport infrastructure is an area where China, the European Union, and the United States can help. These world powers share a stake in Africa's development, even if each has specific and varied interests and capabilities. They need to review their trade, investment and migration policies as they affect Africa, and reposition them so that they facilitate links with Africa and the links within Africa. The African Continental Free Trade Agreement is an initiative of Africans, and its success lies in their hands, but China, the European Union and the United States can make a difference too.

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Rim Berahab is an economist at the OCP Policy Center, a think tank based in Rabat. She is currently working on issues related to international trade and regional integration in Africa. Her areas of research focus also on energy issues, economic growth and gender inequalities. Rim published several articles related to trade and FDI between Morocco and Sub-Saharan Africa. Recently, she co-authored a book -supervised by Pr. Pierre-Richard Agénor- on gender inequalities, public policies and economic growth, and published various articles on the climate change-economic development nexus. She was also a visitor at the International Monetary Fund (IMF) within the Commodity Unit of the Research Department for three months. She holds an engineering degree from the National Institute for Statistics and Applied Economics (INSEA).

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The views expressed in this publication are the views of the author.

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