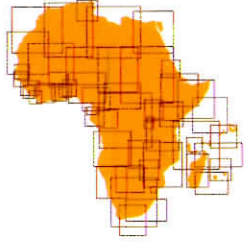


3rd Conference
Africa
54 Countries
One Union

Addis Ababa, May 3-4, 2012



Africa: 54 Countries, One Union
Addis Ababa, May 3-4, 2012

Trade & Markets

Concept Note

References

William KRIST and John SEWELL (2011) “Trade and Economic Development”, Paper presented at the 2nd Conference *Africa: 53 Countries, One Union*, Washington DC, 16 June 2011; available at <http://www.fondazionepopoli.org/wp-content/uploads/2011/06/Trade-Economic-Development-Discussion-Paper.pdf>

The topic of market integration in the African continent has been recently analyzed and discussed in “Boosting Intra-African Trade: Issues Affecting Intra-African Trade, Proposed Action Plan for Boosting Intra-African Trade and Framework for the Fast Tracking of a Continental Free Trade Area”.

Africa is currently trying to pursue economic integration as a development strategy with the final goal of creating a continental market.

Although in the future Africa will have to reduce its dependence upon development aid, it is important to remember that we need to embrace policies that do not harm African development. The key is to have open markets and to avoid market distortions that would impede development in the future.

Africa has a long history of integration and regional initiatives. Indeed, most countries in Africa are engaged in more than one regional initiative. There are also multiple initiatives. What is striking is that despite this long history, trade flows remain very low in comparison with other examples of intra-regional trade.

Although there is not a development model that fits all, as William Krist and John Sewell (2011) have recently argued, three key barriers must be overcome if African countries are to achieve their export potential:

- 1) Almost all African economies are small. Accordingly there is a need for deeper regional integration. Of the 54 African countries, 39 have fewer than 15 million people, and 21 have fewer than 5 million;
- 2) The African Union, working with member countries, should rationalize membership in the various RECs. A number of African Union countries are members of two or more RECs. Multiple memberships make trade liberalization more complex, since the different agreements all seek to liberalize trade on a different schedule and have made varying degrees of progress toward trade liberalization;

3) Developed countries should reduce the trade distorting impact of their agricultural subsidies. The U.S., EU, Japan, China and many other countries have far higher trade barriers on agricultural goods than on manufactured goods, and agriculture, of course, is Africa's relative strength. For the U.S. and China, import restrictions on agricultural goods are roughly twice as high as those on manufactured goods; Japanese restrictions on agricultural imports are roughly five times as high, and EU restrictions on agricultural imports are roughly 7.5 times higher than for manufactured goods. The African Union should continue to press for a successful conclusion to the negotiations on aid for trade (A4T) and then for implementation of the A4T agreement.