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DIVERSIFYING AFRICAN TRADE
THE ROAD TO PROGRESS

Aubrey Hruby

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Cover photo credit: Make It Kenya Photo/Stuart Price. Overview of the port of Mombasa in Kenya.

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LIST OF ACRONYMS

AfDB: African Development Bank

AGOA: African Growth and Opportunity Act

AMU: Arab Maghreb Union

AU: African Union

BRIC: Brazil, Russia, India, and China

COMESA: Common Market for Eastern and Southern Africa

DRC: Democratic Republic of the Congo

EAC: East African Community

EBA: Everything But Arms

ECOWAS: Economic Community of West African States

EPA: Economic Partnership Agreement

EPZ: Export Processing Zone

EU: European Union

Exim: Export-Import

FDI: Foreign Direct Investment

FTA: Free Trade Agreement

GDP: Gross Domestic Product

GSP: Generalized System of Preferences

IMF: International Monetary Fund

LDC: Least Developed Countries

NCIP: Northern Corridor Integration Projects

OECD: Organization for Economic Cooperation and Development

REC: Regional Economic Community

SADC: Southern African Development Community

TFA: Trade Facilitation Agreement

TFAF: Trade Facilitation Agreement Facility

TFTA: Tripartite Free Trade Agreement

TIFA: Trade and Investment Framework Agreements

UNCTAD: United Nations Conference on Trade and Development

USAID: United States Agency for International Development

USTR: United States Trade Representative

WTO: World Trade Organization

EXECUTIVE SUMMARY

Although African trade flows are accelerating at a healthy rate, most African governments have struggled to diversify their economies and to achieve inclusive, sustainable growth. "As Africans, we should be proud of our recent economic growth performance," noted African Union (AU) Commissioner for Trade and Industry Fatima Haram Acyl in 2014, "but there should be no room for complacency."[1]

Increased trade could transform the African continent, which is home to thirty-three of the world's least developed countries (LDCs) and accounted for only 3 percent of global trade in 2014.[2] African nations that have implemented reforms supporting the free movement of goods, capital, and people have reaped a substantial development dividend and are ranked among the fastest growing economies in the world.

AFRICAN NATIONS THAT HAVE IMPLEMENTED REFORMS SUPPORTING THE FREE MOVEMENT OF GOODS, CAPITAL, AND PEOPLE HAVE REAPED A SUBSTANTIAL DEVELOPMENT DIVIDEND.

This report examines the current state of trade in Africa, identifies obstacles hindering economic diversification and growth, and offers policy recommendations based on these findings. It addresses the economic and geopolitical implications of the global collapse of commodity demand and China's recent slowdown, as well as how regional trade agreements and regional economic communities (RECs) offer better opportunities for African economies to unlock growth.

This study will focus on current bilateral trade policies, including the United States' recently renewed African Growth and Opportunity Act (AGOA), as well as multilateral initiatives making their way through the World Trade Organization (WTO). The WTO Trade Facilitation Agreement (TFA), which seeks to expedite the movement of goods and better align customs policies among its members, is expected to boost the world economy by more than $1 trillion if fully ratified.[3]

This report identifies key recommendations for policymakers in Africa and across the world:

- **Speed up regional integration.** Africa is home to sixteen landlocked countries; high transport costs and longer transit times will always disadvantage these countries in the struggle to attract trade and investment. Small or landlocked countries should look to carve out nontraditional market niches that are less dependent on large-scale exports, and should pressure larger neighbors and donor nations to provide better support for regional integration, including enhanced financial and technical support of RECs.
- **Maximize product diversity.** Due to shared topography and climate, many neighboring African countries have similar export profiles. This makes exporting between particular countries difficult, and often results in national exports that directly compete with those of neighbors. African countries should improve the effectiveness of Export Processing Zones (EPZs) to create competitive export-oriented clusters and further diversify their export products, especially in the manufacturing sector.
- **Invest in infrastructure.** Both landlocked and coastal African countries lack adequate infrastructure to minimize export transport costs and transit times. African governments and international partners—both public and private—should continue to invest in African infrastructure, with a particular focus on the power sector.
- **Eliminate trade inefficiencies.** Tariffs have steadily decreased as regional integration has increased, but nontariff barriers, such as transit fees, customs inconsistencies, and policy restrictions, remain systemic challenges to free trade, affecting transport times and costs even in economically well-integrated regions. Institutional partners should continue to support and promote initiatives such as the Borderless Alliance, a partnership that uses technology to target nontariff barriers in West Africa. Additionally, African countries

1 African Union, press release, "African Union Ministers of Trade Consider Global Trade and Investments Trends as the Continent Prepares to Launch the Continental Free Trade Area (CFTA)," December 9, 2014, http://agenda2063.au.int/en/news/african-union-ministers-trade-consider-global-trade-and-investments-trends-continent-prepares-l.

2 United Nations Conference on Trade and Development, *The Least Developed Countries Report 2014* (Geneva, Switzerland: UNCTD, 2014), http://unctad.org/en/PublicationsLibrary/ldc2014_en.pdf; United Nations, *World Economic Situation and Prospects 2015* (New York: United Nations, 2015), http://www.un.org/en/development/desa/policy/wesp/wesp_archive/2015wesp-ch2-en.pdf.

3 Pascal Lamy, "A Trade Facilitation Deal Could Give a $1 Trillion Boost to World Economy," speech to the Chittagong Chamber of Commerce, February 1, 2013, https://www.wto.org/english/news_e/sppl_e/sppl265_e.htm.

should streamline immigration policies and eliminate onerous visa requirements for Africans traveling inside the continent for business or tourism.

China's economic slowdown has helped to precipitate a global collapse in commodity demand. In 2015, Chinese investment in and imports from Africa have fallen more than 40 percent year over year,[4] and this, in combination with falling commodity prices, will slow progress toward African nations' development milestones. Instead of shying away from these obstacles, African countries should view these challenges as a chance to "drill down" and focus attention on increasing trade diversification, eliminating economic inefficiencies, and engaging both regional neighbors and external partners in well-crafted and mutually beneficial trade agreements. African countries and their international partners should also recognize that the most innovative progress tends to be made at the local, rather than national, level. This report suggests that in parallel to broad trade initiatives involving large groups of countries or the entire continent, African governments and their partners should focus attention and resources on smaller and more manageable integration projects.

4 "China's investment in Africa down 40% on year," *Daily Monitor,* November 18, 2015, http://www.monitor.co.ug/News/World/China-investment-Africa-year/-/688340/2960964/-/15j4k52z/-/index.html?utm_source=November+19%2C+2015+EN&utm_campaign=11%2F19%2F2015&utm_medium=email.

INTRODUCTION

The last fifteen years have seen attention turn toward efforts to alleviate poverty in Africa through increased trade and investment. The wisdom of this approach seems proven by the surprising ability of even conflict-ridden nations in Africa, including Nigeria and Democratic Republic of the Congo (DRC), to join the ranks of the world's fastest-growing economies by promoting investment and trade.

Unfortunately, these success stories are incomplete and not universal. Many African nations still struggle with inefficient regulations, inadequate infrastructure, and other severe impediments to trade. Africa appears to be sorting itself into a collection of winners and losers, as nations that practice reform surge ahead, while those that remain mired in conflict, corruption, and bureaucratic inefficiency fall ever further behind.

This study examines current trade and investment patterns and offers recommendations based on the best practices of Africa's rising nations.[5]

SNAPSHOT OF AFRICAN TRADE

Africa's average gross domestic product (GDP) growth increased from 3.5 percent in 2013 to 3.9 percent in 2014, with a diversity of individual performance ranging from negative growth rates in Equatorial Guinea, the Gambia, and Libya to an impressive 10.3 percent GDP growth in Ethiopia.[6] Despite significant progress in terms of diversification, African trade remains highly dependent on commodities. Minerals and ores make up more than two-thirds of Africa's total exports,[7] and oil still represents up to 90 percent of exports from Angola, Chad, and Equatorial Guinea.[8] In 2014, sub-Saharan Africa's top exported products by dollar value were crude oil, diamonds, gold, copper, and agricultural products (most notably, specialty products like cocoa beans; Africa produces nearly 70 percent of the global cocoa supply[9]). The region's top imported products by value were refined petroleum, pharmaceuticals, machinery, and automotive products.[10] According to the United Nations Conference on Trade and Development (UNCTAD), only fourteen of the fifty-four African countries had a trade surplus in 2014, while forty had a trade deficit.[11] This is due mainly to the underdeveloped manufacturing base across the region—African countries are not yet producing significant volumes of the final products demanded in external markets.

AFRICA APPEARS TO BE SORTING ITSELF INTO A COLLECTION OF WINNERS AND LOSERS, AS NATIONS THAT PRACTICE REFORM SURGE AHEAD.

While the European Union (EU) and the United States remain major partners in African trade, Chinese trade with the continent has surged.[12] Chinese trade with the region increased by 83 percent from 2009 to 2011, hitting nearly $200 billion in 2012.[13] But other emerging economies,

5 In this report, Africa refers to all fifty-four states in both sub-Saharan Africa and North Africa.

6 African Economic Outlook, *African Economic Outlook 2015: Regional Development and Spatial Inclusion* (Issy-les-Moulineaux, France: African Economic Outlook, 2015), http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/PDF_Chapters/Overview_AEO2015_EN-web.pdf; African Development Bank Group, African Union Commission, and Economic Commission for Africa, *African Statistical Yearbook*, 2015, p. 90, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Statistical_Yearbook_2015.pdf. Inside Africa, growth varied regionally, with Central (5.6 percent), Eastern (7.1 percent), and Western Africa (6 percent) vastly outperforming Northern (1.7 percent) and Southern Africa (2.7 percent). In comparison to global regions, the BRICs in 2014 experienced 6 percent GDP growth, while South Asia's combined GDP grew by 6.9 percent in the same year. Overall world GDP growth was 2.6 percent in 2014. GDP growth was measured by real GDP percentage, or the output of goods and services produced by the region. For more, see World Bank, *Global Economic Prospects,* http://www.worldbank.org/en/publication/global-economic-prospects/data.

7 Ibid.

8 World Bank, *Africa's Pulse*, April 2015, http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/Africas-Pulse-brochure_Vol11.pdf.

9 World Cocoa Foundation, *Cocoa Market Update,* April 1, 2014, http://worldcocoafoundation.org/wp-content/uploads/Cocoa-Market-Update-as-of-4-1-2014.pdf.

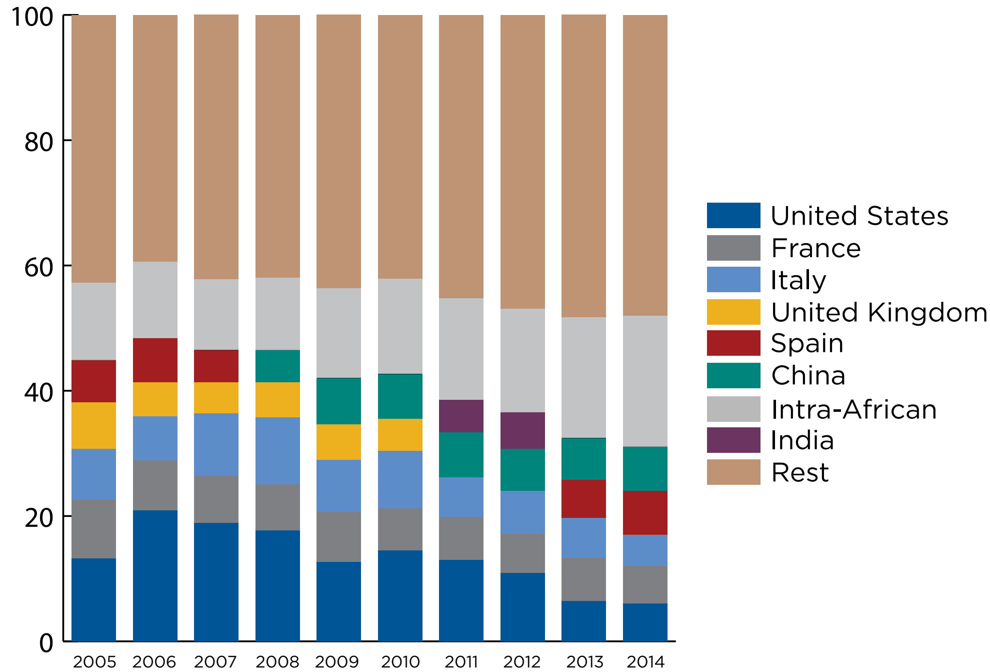
10 World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org (author calculation).

11 United Nations Conference on Trade and Development, *Country Profiles*, September 9, 2015, http://unctadstat.unctad.org/CountryProfile/024/en024GeneralProfile.html.

12 Christopher Alessi and Beina Xu, "China in Africa," *Council on Foreign Relations,* April 27, 2015, http://www.cfr.org/china/china-africa/p9557. Although Chinese trade with the continent has increased, Chinese foreign direct investment (FDI) remains low. Chinese levels of FDI on the continent are lower than those of France, the United Kingdom, the United States, and even South Africa. For more, see Wenjie Chen, David Dollar, and Heiwei Tang, "China's Direct Investment in Africa: Reality Versus Myth," *Brookings*, September 3, 2015, http://www.brookings.edu/blogs/africa-in-focus/posts/2015/09/03-china-africa-investment-trade-myth-chen-dollar-tang.

13 Yun Sun and Michael Rettig, "American and Chinese Trade with Africa: Rhetoric vs. Reality," *Hill*, August 5, 2014, http://thehill.com/blogs/pundits-blog/international/214270-american-and-chinese-trade-with-africa-rhetoric-vs-reality; Fred Dews, "8 Facts about China's Investments in Africa," *Brookings,* May 20, 2014, http://www.brookings.edu/blogs/brookings-now/posts/2014/05/8-facts-about-china-investment-in-africa.

Figure 1. Total Exports by Partner (all of Africa, in percentage)



Source: World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org. Author calculations.

including India[14] and Turkey, are also increasing their trade with Africa.[15] India is expected to overtake China as the world's fastest-growing economy by 2017,[16] and the India-Africa Forum Summit in October 2015, the third of its kind, centered on deepening trade and investment ties in expectation of a Chinese economic slowdown. Trade between Africa and Turkey increased tenfold between 2000 and 2014, to $23.4 billion.[17]

The emergence of robust new trading partnerships is a step forward for Africa's economies, as diversification helps to protect national economies from fluctuations in global markets and reduces dependency on traditional bilateral trade initiatives.

Diversifying Exports and Trade Partners

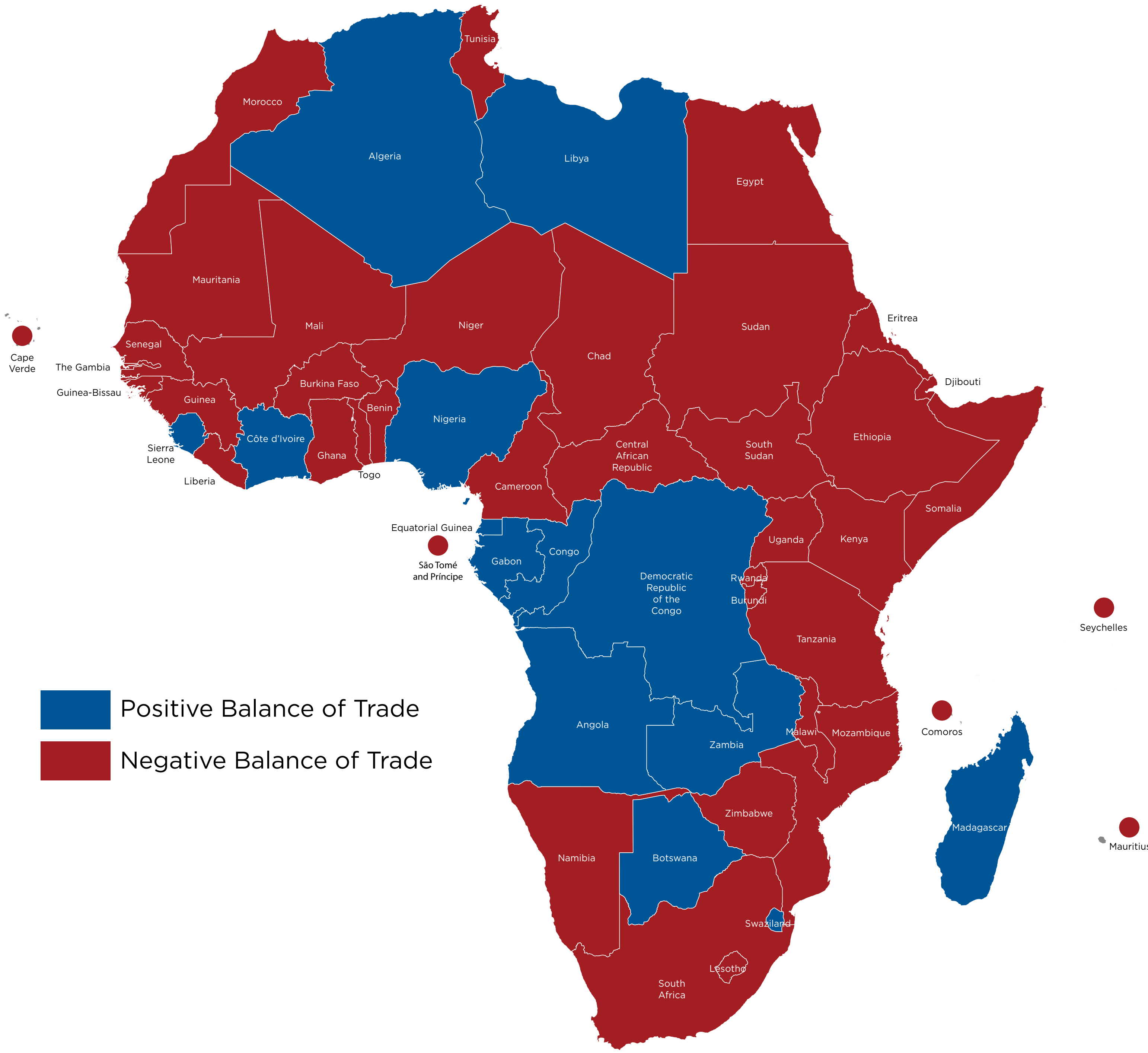
In 2005, sub-Saharan Africa's top five export partners were the United Kingdom, the United States, Japan, China, and the Netherlands, accounting for 40 percent of total exports. By 2014, China and Switzerland had overtaken the United States, followed by India and the Netherlands, and the top five export partners collectively consumed only 29 percent of total exports. Furthermore, no single export partner represented more than 10 percent of total exports, demonstrating the success of African efforts to diversify export partners (see figure 1 for this analysis across the continent).

Intra-African trade is also increasing rapidly. According to the International Monetary Fund (IMF), intra-African exports grew from $41 billion in 2010 to $61 billion in 2013.[18] This growth is clearly visible on a national scale—by 2014, three of Kenya's top five export partners were regional neighbors (Uganda, Tanzania, and Zambia).[19]

The increase in regional trade reflects the progress many African countries have made in addressing logistical inefficiencies and challenges. For example, East African countries, through political cooperation and coordinated elimination of border inefficiencies, were able to cut cargo travel time from Mombasa, Kenya, to Kampala, Uganda, from eighteen days to four days, and between Mombasa and Kigali, Rwanda, from twenty-one days to only five days.[20]

14 J. Peter Pham, "India's New African Horizons: An American Perspective," *Africa Review* vol. 5, no. 2, 2013, pp. 93-103.
15 World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org (author calculation).
16 Kathleen Caulderwood, "India Will Overtake China As World's Fastest-Growing Major Economy By 2017, World Bank Says," *International Business Times,* January 14, 2015, http://www.ibtimes.com/india-will-overtake-china-worlds-fastest-growing-major-economy-2017-world-bank-says-1783446.
17 Republic of Turkey Ministry of Foreign Affairs, "Turkey-Africa Relations," 2015, http://www.mfa.gov.tr/turkey-africa-relations.en.mfa.
18 *African Economic Outlook 2015.*
19 World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org (author calculation).
20 Aubrey Hruby, "China's Slowdown: an Opportunity for Africa to Address Longstanding Economic Inefficiencies," *Financial Times*, October 26, 2015, http://blogs.ft.com/beyond-brics/2015/10/26/chinas-slowdown-an-opportunity-for-africa-to-address-longstanding-economic-inefficiencies/.

Map 1. Balance of Trade



Source: United Nations, UNCTAD Data Center, http://unctadstat.unctad.org/EN/. Author calculations. *Map Credit*: Free Vector Maps.com.

Case Study: Nigeria

In 2005, more than half of Nigeria's exports were sent to one partner, the United States, and were dominated by a single product: petroleum. Over the past decade, however, US demand for Nigeria's oil has plummeted as US domestic oil production has surged, forcing Nigeria to seek new markets for oil and other goods.[1] By 2014, the United States imported only negligible amounts of Nigerian oil, but the impact was offset by Nigeria's successful export-diversification efforts. No single partner received more than 16 percent of its total exports in 2014[2]—India and Brazil edged out the United States and the EU as Nigeria's top two export partners (at 15.4 percent and 10.2 percent of total exports in 2014, respectively).

Because oil exports continually account for such a large percentage of its total exports, Nigeria is often used as an example of Africa's dependence on commodities in the global trade theater. While oil exports continue to play a large role in Nigeria's economy, the country's reliance on oil exports alone has steadily decreased over the last decade, spurred by the Nigerian government's prioritization of diversification. Speaking about the government response to drops in global commodity prices, former Nigerian Finance Minister Ngozi Okonjo-Iweala noted bluntly, "We no longer want to be known as this oil economy."[3] Although oil exports still made up 88 percent of total Nigerian goods exported in 2013, that percentage is considerably lower than in 2005, when oil exports represented 98 percent of the country's total exports.[4]

Figure 2A. Nigeria 2005 Top 5 Export Partners

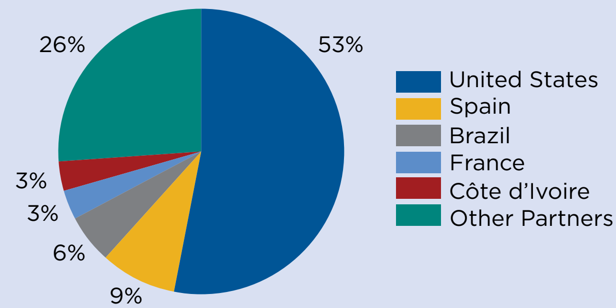
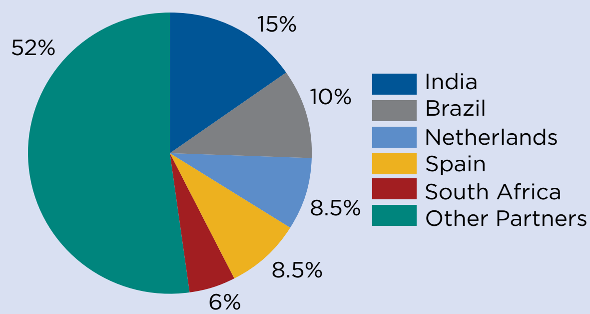


Figure 2B. Nigeria 2014 Top 5 Export Partners



Source: World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org. Author calculations.

Cocoa beans now represent one of Nigeria's largest export commodities after petroleum products. Rising global cocoa prices, and increased domestic investment in the agricultural sector have led to a boom in cocoa production, 96 percent of which is exported.[5] Gross cocoa production is estimated to have doubled between 2012 and 2015, and the industry's rapid growth continues to attract international attention and investment. Between 2006 and 2013, cocoa as a percentage of total exports increased from 0.03 percent to 2.2 percent.[6]

Nigerian export diversification in service sectors, notably communications, is also increasing. Nigerian communication exports (including the construction, maintenance, and use of Internet and mobile networks and postal services) increased from $20 million in 2005 to $52 million in 2013, and now make up 2.3 percent of total services exported.[7] Both agricultural products and nonfuel crude materials became relatively more important export sectors during this period.

1 Knoema, *World Development Indicators,* September 2015, http://knoema.com/WBWDIGDF2015Aug/world-development-indicators-wdi-august-2015.
2 US Energy Information Administration, "US Imports from Nigeria of Crude Oil and Petroleum Products," September 30, 2015, http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MTTIMUSNI1&f=M.
3 Atlantic Council, "Transcript: Conversation with Nigerian Finance Minister Ngozi Okonjo-Iweala," December 22, 2014, http://www.atlanticcouncil.org/news/transcripts/transcript-conversation-with-nigerian-finance-minister-ngozi-okonjo-iweala.
4 Knoema, *World Development Indicators*, op. cit. Overall, between 2006 and 2013, while oil exports decreased from 98 percent to 88 percent of total exports, Nigeria's total export value increased from $59 billion to $98 billion. McKinsey's "Nigeria's Renewal" report details how Nigeria's rebased data from 2014 show a much more diversified economy than previously perceived, and the report projects Nigeria to become a global leading economy by 2030. For more, see McKinsey Global Institute, "Nigeria's Renewal: Delivering Inclusive Growth," July 2014, http://www.mckinsey.com/insights/africa/nigerias_renewal_delivering_inclusive_growth.
5 Chijioke Ohuocha, "Nigeria Nurtures Its Once-Unloved Cocoa Industry as Prices Flourish," *Reuters*, September 5, 2014, http://www.reuters.com/article/2014/09/05/us-nigeria-cocoa-idUSKBN0H00BU20140905; Corporate Nigeria, "Cocoa Growing," http://www.corporate-nigeria.com/index/agriculture/cocoa-growing.html.
6 World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org (author calculation).
7 Knoema, *Trade in Services by Category, Annual, 1980-2013*, http://knoema.com/UNCTADTRDINSERVCAT2014May/trade-in-services-by-category-annual-1980-2013.

Improving transit times for these landlocked countries will not only improve regional trade, but also create a larger and more attractive market for external trading partners.

Africa's oil producers have begun to diversify their exports, but they have done so at a much slower rate than their oil-producing Asian peers.[21] It is helpful to assess how resource-rich countries have made progress in diversifying their exports away from natural resources to include manufacturing exports and other services. Other examples of successful diversification can be found closer to home. Morocco, in particular, provides valuable lessons for the rest of the continent.

21 McKinsey Global Institute, *Lions on the Move: The Progress and Potential of African Economies,* June 2010, p. 30, http://www.mckinsey.com/insights/africa/lions_on_the_move.

PARTNERSHIPS WITH EMERGING ECONOMIES

In recent years, emerging economies have begun to trump the old colonial powers as trading partners. This shift was accelerated by the 2008 financial crisis, as developing markets filled the growth void left by the United States and Europe. As of 2014, trade with the BRIC countries (Brazil, Russia, India, and China), plus Turkey, made up about 20 percent of total African trade volume.[22] The volume of Chinese trade with Africa continues to dwarf that of other emerging economies, but the rate of bilateral trade is increasing dramatically across the board (see figure 4).

22 World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org (author calculation).

Case Study: Morocco[1]

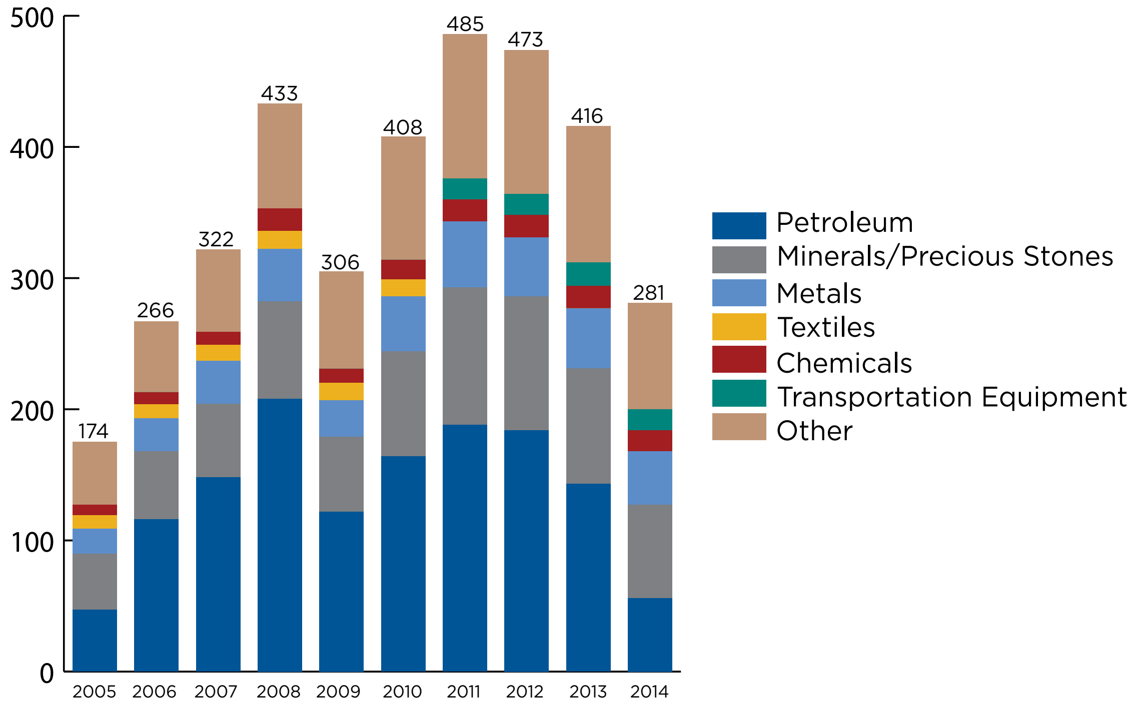
Morocco has made tremendous strides toward economic diversification, prompting the World Economic Forum to recently declare Morocco the most competitive economy in North Africa.[2] No product exported from Morocco represents more than 10 percent of the country's total exports.[3] Although Morocco is the world's largest phosphate producer (and is thought to contain as much as 85 percent of the world's phosphate reserves), it has avoided reliance on natural-resource exports. Instead, manufacturing, which is particularly strong in the clothing and automotive sectors, represents Morocco's single largest source of exports, accounting for around 66 percent of the total.[4] Additionally, food represents 20 percent of total exports,[5] and ore and precious metals represent about 10 percent of total exports.[6]

Morocco has also established a profitable finance and banking sector, and exports financial services widely across the continent—led by the country's most profitable banks, BMCE Bank of Africa, Attijariwafa Bank, and Banque Centrale Populaire. Moroccan banks now extend into sub-Saharan Africa through branches in two dozen countries.[7] In fact, Morocco announced in October 2015 that it was the largest African investor in West Africa, and the second largest African investor on the continent as a whole.[8]

Morocco's tourism industry has also contributed to economic diversification; the number of international tourist arrivals in Morocco steadily increased from six million arrivals in 2005 to ten million arrivals in 2013.[9]

1 For more, see J. Peter Pham and Ricardo René Larémont, *Morocco as a Gateway to Business in Africa*, (Washington, DC: Atlantic Council, August 2014), http://www.atlanticcouncil.org/publications/issue-briefs/moroccos-emergence.
2 "Morocco Most Competitive Country in North Africa: WEF Report," *Morocco World News*, June 6, 2015, http://www.moroccoworldnews.com/2015/06/160311/morocco-most-competitive-country-in-north-africa-wef-report.
3 Observatory of Economic Complexity, "What Does Morocco Export? (2012)," http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/mar/all/show/2012. In 2008, the Moroccan government launched a six-year National Pact for Industrial Emergence, which prioritized focus on Moroccan industry, particularly in sectors in which "Morocco has clear competitive advantages." The pact's focus on job creation and GDP growth laid the groundwork for an increasingly diversified economy. See National Pact for Industrial Reemergence, http://www.emergence.gov.ma/en/Pacte/Pages/LePacte.aspx.
4 Oxford Business Group, "Manufacturing Sector Boosts Moroccan Export Revenue," May 19, 2014, http://www.oxfordbusinessgroup.com/news/maroc-le-secteur-manufacturier-fer-de-lance-des-recettes-%C3%A0-l%E2%80%99exportation#english; MIT Sloan School of Management, "World largest exporter of phosphate undergoes major transformation," MIT Sloan School of Management, February 14, 2014, http://mitsloan.mit.edu/newsroom/articles/worlds-largest-exporter-of-phosphate-undergoes-major-transformation.
5 World Bank, *World Development Indicators,* http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators.
6 Ibid.
7 J. Peter Pham, "Moroccan 'Exceptionalism' Deserves Support," *American Interest*, August 5, 2015, http://www.the-american-interest.com/2015/08/05/moroccan-exceptionalism-deserves-support.
8 King Mohammed VI, "Full Text of the Speech Delivered by HM King Mohammed VI at the Third India-Africa Summit Forum in New Delhi," October 29, 2015, http://www.maroc.ma/en/royal-speeches/full-text-speech-delivered-hm-king-mohammed-vi-3rd-india-africa-summit-forum-new.
9 World Bank, *World Development Indicators*.

Figure 3. Export Product Diversity (all of Africa, in millions of US dollars)



Source: World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org. Author calculations.

- **Turkey** hosted the inaugural Turkey-Africa Cooperation Summit in Istanbul in 2008, prompting the African Union (AU) to declare Turkey a strategic partner.[23] A second summit followed in 2014. Turkish investors have been particularly attracted to Ethiopia's low labor costs and access to the port of Djibouti. Turkey has targeted Ethiopia's fast-growing and export-oriented textile industry, which has been enhanced by Ethiopia's participation in several tariff preference programs. Turkish textile giant Ayka Textile began production in Ethiopia in 2010 with its Ayka Addis Group.[24]

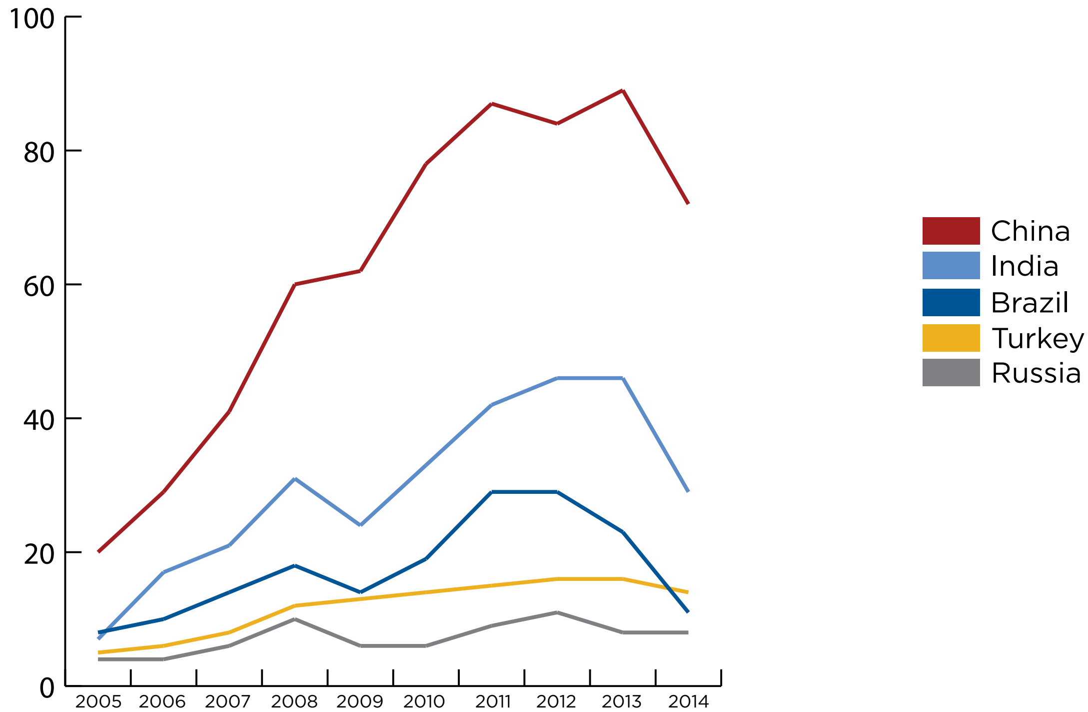
- **India** has capitalized on its strong cultural ties and geographic proximity to Eastern and Southern Africa to become one of the continent's largest trade partners, with bilateral trade projected to reach $100 billion this year.[25] Large Indian diaspora communities and their descendants live in Eastern and Southern Africa, and many are involved in business. Two of East Africa's largest companies were founded by Africans of Indian descent, including the Ugandan Madhvani Group, which employs more than ten thousand people in its manufacturing and industry operations in East Africa, and Kenya's Chandaria Group, which manufactures nearly all of its tissue and hygiene products in country.[26]

  India's Tata Group, estimated to have a combined market capitalization of more than $130 billion, first expanded into Africa in 1994.[27] As Tata Africa Managing Director-designate Thamsanqa Mbele noted, "[Tata International] has built itself a reputation as a credible partner by its willingness to invest in building long-term relationships."[28] The dividends received from doing so are clear—Tata Africa now has a manufacturing presence in twelve countries.[29]

- **Brazil** has historically traded with the Portuguese-speaking African countries, but is branching out to anglophone nations. Brazilian firm Odebrecht began

23 Alpaslan Özerdem, "How Turkey Is Emerging as a Key Development Partner in Africa," *Guardian*, April 10, 2013, http://www.theguardian.com/global-development-professionals-network/2013/apr/10/turkey-development-partner-africa.
24 Ayka Textile, http://www.aykatextile.com/index.htm.
25 "One Among Many," *Economist*, January 17, 2015, http://www.economist.com/news/middle-east-and-africa/21639554-china-has-become-big-africa-now-backlash-one-among-many.
26 Kakira Sugar, "Madhvani Group," http://www.kakirasugar.com/content/madhvani-group; Chandaria Industries Limited, "Company Profile," http://www.chandaria.com/about-chandaria-industries/company-profile.
27 Tata, "Tata Group Profile," http://www.tata.com/aboutus/sub_index/Leadership-with-trust.
28 Tata, "African Safari," July 2013, http://www.tataafrica.com/Mediaroom/articles_and_interview_african_safari.htm.
29 Tata, "Tata in Africa," July 2013, http://www.tata.com/tataworldwide/index/Tata-in-Africa.

Figure 4. BRIC plus Turkey Total Trade with Africa (in billions of US dollars)



Source: World Bank, World Integrated Trade Solution Database, http://wits.worldbank.org. Author calculations.

work in Angola in 1984. It has since expanded to Ghana and Mozambique, primarily in infrastructure and construction, and posted gross revenues of nearly $1.7 billion from African operations alone in 2013.[30] In Angola, the firm is completing what will become Africa's largest hydroelectric facility.[31] Former Brazilian President Luiz Inácio Lula da Silva was instrumental in improving Africa-Brazil trade during his tenure, and set the stage for increased trade and investment between Brazil and Portuguese-speaking Africa.

- **Russia**'s trade with Africa is relatively modest, but nevertheless increased more than tenfold between 2000 and 2012.[32] Rostec, a large, state-owned Russian conglomerate, and one of the major contributors to Russia and Africa's total trade volume, recently began to fund two massive projects on the continent—a $4 billion oil refinery in Uganda, and a $3 billion platinum-mining project in Zimbabwe.[33] Russian energy company Gazprom has been particularly active in North Africa, exemplified by its agreement to supply Egypt with liquefied natural gas[34] and its signed memorandum of understanding with both Algerian and Libyan state-owned energy companies, designed to pave the way for further cooperation on geological exploration, production, and distribution of natural gas and petroleum products.[35]

Given the deepening trade relationship between African nations and BRIC countries plus Turkey, it is not surprising that business cycles are aligning between emerging and frontier markets. After the 2008 financial crisis,

30 Odebrecht, "About the Group," http://odebrecht.com/en/odebrecht-group/about-group; Odebrecht, "Odebrecht 2014," http://odebrecht.com/relatorio2013/en/indicators/financial-indicators.
31 Odebrecht, "Global Presence," http://odebrecht.com/en/odebrecht-group/odebrecht-world.
32 J. Peter Pham, "Russia's Return to Africa," *AfricaSource* (blog), Atlantic Council, March 13, 2014, http://www.atlanticcouncil.org/publications/articles/russia-s-return-to-africa; J. Peter Pham, "Russia's Return to Africa: An Update," *AfricaSource* (blog), Atlantic Council, March 23, 2015, http://www.atlanticcouncil.org/blogs/africasource/russia-s-return-to-africa-an-update.
33 Kathleen Caulderwood, "Russian Industrial Giant Rostec Makes Forays into Africa Amid Increasing US and European Sanctions," *International Business Times*, April 7, 2015, http://www.ibtimes.com/russian-industrial-giant-rostec-makes-forays-africa-amid-increasing-us-european-1872445.
34 The Africa Report, "Oil and Gas: Egypt and Russia to Finalize Gazprom LNG Deal," January 12, 2015, http://www.theafricareport.com/North-Africa/oil-and-gas-egypt-and-russia-to-finalise-gazprom-lng-deal.html; "Egypt Signs Gas Import Deal with Russia's Gazprom - Petroleum Ministry," *Aswat Masriya*, March 17, 2015, http://allafrica.com/stories/201503171748.html.
35 African Development Bank, *North Africa Quarterly Analytical*, 2011, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/the%20BRICs%20in%20North%20Africa%20First%20annual%20ok_Mise%20en%20page%201.pdf; Gazprom, "Libya," http://www.gazprom.com/about/production/projects/deposits/libya/.

At the opening of the December 2015 Forum on China-Africa Cooperation, South African President Jacob Zuma stands with Chinese President Xi Jinping and Zimbabwean President Robert Mugabe. Chinese involvement in Africa has surged in recent years, and, at the 2015 Forum, China pledged $60 billion in development funding to Africa over the next three years. *Photo credit*: Government Communication and Information System, Republic of South Africa/Flickr.

international capital flows into Africa increased, as international investors took advantage of the region's relative isolation from global markets. Five years later, South-South economic convergence has defined a new reality. According to the IMF, the region's new orientation has closely tied Africa's future growth and economic diversification to the BRICs' economic development and shocks.[36] African trade patterns now reflect a broader trend that will see the region's development trajectory impacted by events in large emerging markets. The 2015 slowdown in Chinese consumption, and the subsequent impact on African economies, is a case in point.

THE SPECIAL CASE OF CHINA-AFRICA TRADE

China's involvement in trade on the African continent has surged in recent years, and the country is now the continent's largest individual trading partner.[37] China's rapid economic growth has fueled its appetite for natural resources, and it accounts for 11 percent of global demand for crude oil, 57 percent of the world's copper demand, and more than 65 percent of the world demand for iron ore.[38] Africa's extensive energy, mineral, and raw material reserves thus make it a particularly attractive trading partner for China. Sierra Leone, Mauritania, and Zambia are most dependent on trade with China, with exports to the country accounting for an average of 62 percent, 47 percent, and 46 percent of total exports, respectively.[39]

The "Angola Model"

Since the introduction of China's "Going Out" strategy—a government-directed policy effort designed to encourage Chinese investment abroad—in the mid-1990s, China has strategically prioritized its economic relationship with African nations, transforming a foundation of historical political engagement into a significant two-way commercial relationship. China values Africa's emerging consumption potential, particularly its growing demand for Chinese-manufactured inexpensive goods.[40] Africa's important role

36 Oumar Diallo and Sampawende J.-A. Tapsoba, "Rising BRICs and Changes in Sub-Saharan Africa's Business Cycle Patterns," International Monetary Fund, February 2014, https://www.imf.org/external/pubs/ft/wp/2014/wp1435.pdf.

37 "One Among Many," *Economist*, op. cit.

38 World Bank, *Africa's Pulse,* October 2015.

39 Ibid.

40 Yun Sun, *Africa in China's Foreign Policy* (Washington, DC: Brookings, April 2014), http://www.brookings.edu/~/media/research/files/papers/2014/04/africa-china-policy-sun/africa-in-china-web_cmg7.pdf.

in the broader Chinese international economic strategy has resulted in the development of institutions aimed at fostering the China-Africa relationship, including the China-Africa Development Fund, the Forum on China-Africa Cooperation, and the joint African Development Bank (AfDB)-China Africa Growing Together Fund.

Chinese capital flows to Africa have increasingly been earmarked for infrastructure that supports natural resource extraction, and infrastructure-specific loan arrangements have increased dramatically from about $500 million in 2001 to $14 billion in 2011.[41] A common Chinese government approach involves the Export-Import (Exim) Bank of China providing an African partner government with a marginally concessional line of credit, which is guaranteed with an agreement on national commodity rights. Chinese firms then compete to implement these projects, and are paid directly by the Exim Bank or the African government. This approach has become known as the "Angola Model."[42] Estimates suggest that between 2003 and 2011, around 56 percent of the $52.8 billion of Chinese loans in Africa were commodity-backed.[43] In addition to securing Chinese access to natural commodities, Exim Bank-funded infrastructure projects also often include country-of-origin procurement clauses, which boost African imports of Chinese capital products.[44] It should be noted, however, that this infrastructure is often badly needed, and not many other countries are willing to finance or build necessary African infrastructure, especially when African countries have scarce foreign exchange to pay international contractors.

As the model's name suggests, commodity-backed Chinese loans are most apparent in Angola, which has used its oil reserves to back about $10 billion in loans and loan commitments since 2004.[45] While Chinese loans are often guaranteed with oil, other commodities can also be employed. For example, between 2008 and 2009, DRC guaranteed and repaid about $5 billion of Chinese loans with the profits from copper exports, and in 2007, Ghana repaid a $200 million loan, which was used to construct the Bui Dam, with the sale of cocoa.[46]

41 Larry Hanauer and Lyle J. Morris, *Chinese Engagement in Africa* (Santa Monica, Calif: RAND Corporation, 2014), http://www.rand.org/content/dam/rand/pubs/research_reports/RR500/RR521/RAND_RR521.pdf.
42 Miria Pigato and Wenxia Tang, "China and Africa: Expanding Economic Ties in an Evolving Global Context," World Bank, March 2015, http://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing%20in%20Africa%20Forum/2015/investing-in-africa-forum-china-and-africa-expanding-economic-ties-in-an-evolving-global-context.pdf.
43 Deborah Brautigam and Kevin Gallagher, "Bartering Globalization: China's Commodity-backed Finance in Africa and Latin America," *Global Policy* vol. 5, no. 3, 2014.
44 Miria Pigato and Wenxia Tang, "China and Africa: Expanding Economic Ties in an Evolving Global Context," op. cit.
45 Deborah Brautigam and Kevin Gallagher, "Bartering Globalization: China's Commodity-backed Finance in Africa and Latin America," op. cit.
46 Ibid.

The apparent deepening of Sino-African economic relations has worried US and European governments and industries, which are critical of China's policy of noninterference in the domestic political affairs of abusive or repressive regimes, its disregard for social and environmental standards in Chinese-funded projects in Africa, and seemingly unfair Chinese government support for private industry in China. While these are often well-founded concerns, they also reflect a broader and more general Western unease with China's increasing importance on the international economic stage.

The Impact of China's Slowdown on Africa

The robust economic growth that China enjoyed throughout the first decade of the 2000s is slowing. Between 2012 and 2014, Chinese GDP growth dipped to around 7 percent,[47] and the Organization for Economic Cooperation and Development (OECD) forecasts that growth will continue to fall to around 6.7 percent by 2016, largely as a result of slowing investment in real estate and business.[48] Concerns about China's economic prospects have been compounded by the Chinese stock market's recent plunge, and a surprise announcement of further currency devaluation by the Chinese government.

CHINESE CAPITAL FLOWS TO AFRICA HAVE INCREASINGLY BEEN EARMARKED FOR INFRASTRUCTURE THAT SUPPORTS NATURAL RESOURCE EXTRACTION.

The slowdown in Chinese growth has been coupled with a plunge in global oil and commodity prices. Falling commodity prices have already led to substantial drops in revenue for Africa's major oil exporters, such as Nigeria and Angola, as well as those dependent on exporting other commodities, such as DRC and Mauritania.[49]

The impact of China's slowdown on Africa has been substantial. In the first half of 2015, Chinese investment in and imports from Africa both fell by more than 40 percent

47 World Bank, "GDP growth (annual percentage)," *World Development Indicators*, http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG.
48 Organization for Economic Cooperation and Development, "China-Economic Forecast Summary," November 2015, http://www.oecd.org/economy/china-economic-forecast-summary.htm.
49 World Bank, *Africa's Pulse*, April 2015; David Sheppard and Neil Hume, "Commodity Prices Slide on China Weakness," *Financial Times*, October 19, 2015, http://www.ft.com/intl/cms/s/0/c783877a-765a-11e5-933d-efcd-c3c11c89.html#axzz3pyOxi300.

year-on-year.[50] More worryingly, slowed Chinese growth has reduced infrastructural investment in Africa, as tightened financial conditions in China have led to higher costs for Chinese banks.[51] The good news is that these negative consequences are expected to be only temporary, and economic projections predict sub-Saharan Africa growth will dip only slightly before picking up again in 2016.[52] Expected increases in domestic demand will drive this rebound, as will infrastructural investment in net oil-importer economies, such as Kenya and Senegal, coupled with an increase in demand from other regional and international trading partners.[53] Moreover, African governments can take proactive steps to speed diversification and eliminate economic efficiencies. (These steps will be outlined in detail in the recommendations beginning on page 19.)

REGIONAL TRADE

The development trajectories of other regions of the world have shown regional trade as critical to sustained economic growth. However, despite recent progress, Africa continues to lag behind the rest of the world in the amount of trade that occurs within the continent. From 2002 to 2010, intraregional trade in Africa fluctuated between 8 and 11 percent, staying consistently low;[54] by 2014, intraregional trade in Africa rose to a mere 12 percent.[55] For comparison, intraregional trade in the developing economies of Asia was 17 percent as of 2012,[56] and in Latin America, it has remained stagnant at around 20 percent for more than thirty years.[57]

The creation of regional economic communities (RECs) in Africa has started—slowly—to boost trade through increased economic integration between neighboring states. Close regional ties are especially important for the 30 percent of Africans who live in landlocked countries or those with scarce resources.[58] Over the past decade, the combined regional trade of three of Africa's strongest RECs—East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), and Southern African Development Community (SADC)—grew more than 300 percent, from $30 billion in 2004 to $102.6 billion in 2014.[59]

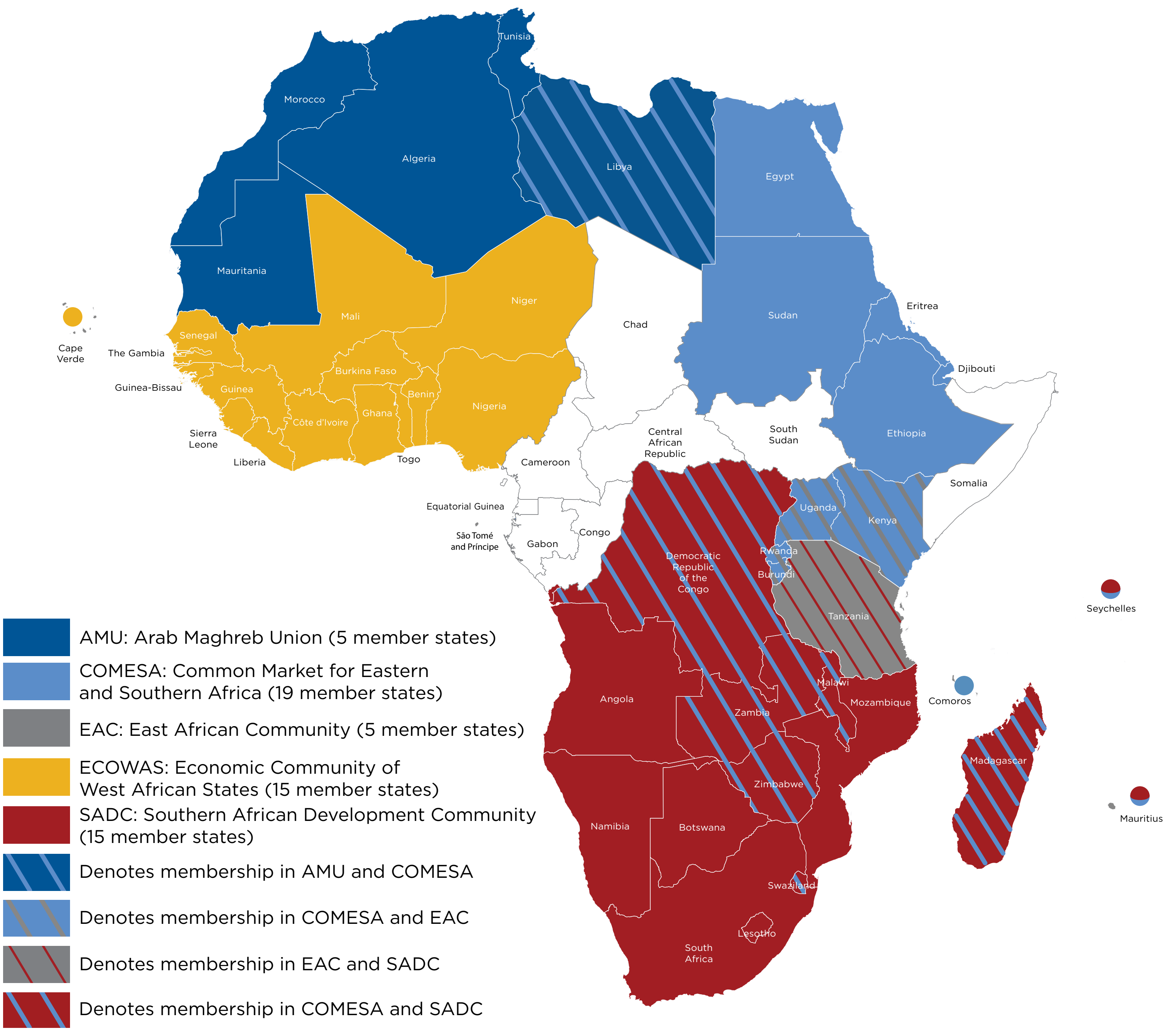
The African continent has five major economic communities: COMESA, SADC, Economic Community of West African States (ECOWAS), EAC, and Arab Maghreb Union (AMU).[60] Despite the prevalence of African RECs, some have been more successful than others in promoting economic integration and growth.

- AMU has had little success in economic integration, particularly due to political deadlock and disagreements over the union's structure.[61]
- SADC has not yet established a customs union, which would allow free trade among member countries and a common external tariff for the rest of the world. Five SADC countries are, however, part of the South African Customs Union, which happens to be the oldest in the world, and the South African rand is already the *de facto* common currency in the region.[62]
- COMESA established a customs union in 2009, and member states are slowly implementing the required policy reforms. COMESA has focused on improving free movement of people by eliminating cumbersome visa requirements. In March 2015, Mauritius, Rwanda,

50 *Daily Monitor,* "China's investment in Africa down 40% on year."
51 World Bank, *Sub-Saharan Africa*, June 2015, http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015b/Global-Economic-Prospects-June-2015-Sub-Saharan-Africa-analysis.pdf.
52 Ibid.
53 World Bank, *Africa's Pulse*, April 2015.
54 Mwangi S. Kimenyi, Zenia A. Lewis, and Brandon Routman, *Accelerating Growth through Improved Intra-African Trade* (Washington, DC: Brookings, January 2012), http://www.brookings.edu/~/media/research/files/reports/2012/1/intra%20african%20trade/01_intra_african_trade_full_report.pdf.
55 Amadou Sy, "Four Instruments to Strengthen Financial Integration in Sub-Saharan Africa," *FERDI,* May 27, 2014, http://www.ferdi.fr/sites/www.ferdi.fr/files/evenements/presentations/2014_05_27_conference_ferdi_banque_de_france_amadou_sy.pdf; Amadou Sy, "Hearing on 'Will there be an African Economic Community?'" Brookings, January 9, 2014, http://www.brookings.edu/research/testimony/2014/01/09-african-economic-community-sy; Alex Manson, "How Africa Can Make the Next Quantum Leap in Trade," *Standard Chartered Trade Flows*, November 17, 2014, https://www.sc.com/BeyondBorders/africa-can-make-next-quantum-leap-trade. Even reports written as recently as last year cite figures for intraregional trade from 2012.
56 Mwangi S. Kimenyi, Zenia A. Lewis, and Brandon Routman, *Accelerating Growth through Improved Intra-African Trade*.
57 Augusto de la Torre, Daniel Lederman, and Samuel Pienknagura, "Doing It Right," International Monetary Fund, September 2015, http://www.imf.org/external/pubs/ft/fandd/2015/09/delatorre.htm.

58 Paul Collier, *The Bottom Billion* (New York: Oxford University Press, 2007), p. 57, http://www.sfu.ca/content/sfu/dean-gradstudies/events/dreamcolloquium/SpringColloquium/Readings/Readings/_jcr_content/main_content/download_47/file.res/Paul%20Collier.
59 Dorothy Nakaweesi, "Africa Regional Trade Increases," *Daily Monitor*, March 5, 2015, http://www.monitor.co.ug/Business/Markets/Africa-regional-trade-increases/-/688606/2642562/-/11emhkmz/-/index.htm.
60 COMESA includes the nineteen member states of Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe; SADC members include Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe; ECOWAS members include Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal, and Togo; EAC includes Burundi, Kenya, Rwanda, Tanzania, and Uganda; AMU includes Algeria, Libya, Mauritania, Morocco, and Tunisia. Some states are members of more than one community.
61 Wafa Ben Hassine, "Arab Maghreb Union: Overcoming Competition in Favor of Cooperation (Part I)," *Jadaliyya*, September 14, 2015, http://profiles.jadaliyya.com/pages/index/22640/arab-maghreb-union_overcoming-competition-in-favor#_ftn6.
62 Lambertus van Zyl, "South Africa's Experience of Regional Currency Areas and the Use of Foreign Currencies," *BIS Papers,* no. 17, 2003, pp. 134–39, http://www.bis.org/publ/bppdf/bispap17o.pdf. The rand is used "extensively" in South Africa, Lesotho, Namibia, and Swaziland.

Map 2. Overview of African Membership in Regional Economic Communities



Source: Author calculations. *Map Credit*: Free Vector Maps.com.

Case Study: The East African Community Unlocks Trade Value by Eliminating Inefficiencies

It does not always take an influx of funding or resources to make an impact on trade at a regional level. Sometimes, focused and sustained political will can have the same effect. As a result of meetings of regional heads of state through the Northern Corridor Integration Projects (NCIP) every two months, for example, EAC members have dramatically reduced the travel time of cargo trucks from Mombasa, Kenya, to the region.

EAC members (Burundi, Kenya, Rwanda, Tanzania, and Uganda) have also focused efforts on harmonizing nontariff barriers to trade. By reducing burdensome roaming fees, telecom traffic among EAC members has exploded. Telecom traffic from Rwanda to Kenya, for example, increased 951 percent in the months following implementation of the "One Network Area," while Kenya's outgoing calls to the region increased by 254 percent.[1]

Improving transit times and decreasing communication costs for these countries will not only improve trade inside the EAC region, but will also make the region more attractive to external trading partners and investors. The EAC's ability to "unlock" trade value with few additional resources in a matter of months is a valuable lesson for other RECs with limited funding or technical capacity.

1 Lukas Musembi, "Regional Roaming within East Africa One-Network-Area," *Communications Authority of Kenya*, February 2015, https://www.itu.int/en/ITU-D/Regulatory-Market/Documents/Events/2015/Sao_Tome/Session5-1%20_Lukas%20regional%20roaming.pdf.

and Seychelles removed visa restrictions for nationals from COMESA member countries. Burundi, Kenya, Rwanda, Zambia, and Zimbabwe are in various stages doing the same.[63]

- ECOWAS, one of the few RECs that also has a strong peace-and-security component through its peacekeeping capabilities, implemented visa-free travel for members in 1980.[64] In January 2015, ECOWAS introduced a Common External Tariff that member states must implement.[65] Some progress has been made toward establishing a common currency: The francophone countries of ECOWAS use the Communauté Financière Africaine franc, which is tied to the Central Bank of France, and leaders hope to establish a common ECOWAS currency by 2020.[66] But linguistic divisions between the anglophone and francophone member countries continue to challenge integration efforts, especially because anglophone Nigeria is the dominant player in the ECOWAS community.
- Perhaps the most integrated of all African RECs is the EAC, which established a customs union in 2005 and a common market (eliminating barriers to the free movement of people and capital) in 2010. The EAC announced the creation of East African passports in 1999 and East African citizens and visitors no longer need a visa to travel between other EAC countries. The EAC's long-term goals include establishing a common monetary union and, ultimately, creating of a political federation.[67]
- The Tripartite Free Trade Area (TFTA) was officially launched in June 2015 with the ambitious goal of joining three of Africa's major economic blocs—the EAC, SADC, and COMESA—covering twenty-six countries with a combined population of some 625 million people and an overall GDP of more than $1 trillion. Egypt played a key role in forging the TFTA, and the pact highlights that country's pivot back to Africa. By lowering custom duties and nontariff barriers, the TFTA is projected to increase intraregional trade by $8.5 billion once put into effect. However, since each member's national parliament must first ratify the agreement over the next two years, the TFTA may not come into effect until 2017 or even later.[68]

Economic integration in the RECs is often held back by the difficulty of reconciling policies across countries and the underresourced secretariats, though some tools exist from external partners to support and speed integration. The EU's 10th European Development Fund includes support for the economic integration of least developed countries (LDCs) and REC leadership.[69]

63 COMESA, "Brief on the COMESA Customs Union," http://programmes.comesa.int/index.php?option=com_content&view=article&id=90&Itemid=142; Allan Odhiambo, "More Comesa Members Scrap Visa Requirement for Travelers," *Business Daily*, March 3, 2015, http://www.businessdailyafrica.com/More-Comesa-members-scrap-visa-requirement-for-travellers/-/1248928/2641492/-/2vlnooz/-/index.html.
64 John Agyei and Ezekiel Clottey, *Operationalizing ECOWAS Protocol on Free Movement of People among the Member States: Issues of Convergence, Divergence, and Prospects for Sub-Regional Integration*, International Migration Institute, http://www.imi.ox.ac.uk/events/ghana-african-migrations-workshop/papers/clottey.pdf.

65 ECOWAS Aid for Trade, *ECOWAS Common External Tariff (CET)*, http://www.aidfortrade.ecowas.int/programmes/ecowas-common-external-tariff-cet.
66 Gilles Dufrénot, "On the Way to a Single Currency for ECOWAS Countries?", *Revue Grain de Sel*, July-September 2010, http://www.inter-reseaux.org/publications/revue-grain-de-sel/51-special-issue-nigeria/article/on-the-way-to-a-single-currency?lang=fr.
67 JG Simoes and CA Hidalgo, *The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development*, Workshops at the Twenty-Fifth AAAI Conference on Artificial Intelligence, 2011.
68 J. Peter Pham, "Free Trade Pact Highlights Egypt's Pivot Back towards Africa," *AfricaSource* (blog), Atlantic Council, June 9, 2015, http://www.atlanticcouncil.org/blogs/africasource/free-trade-pact-highlights-egypts-pivot-back-towards-africa.
69 East African Community, "European Union–EAC Regional Cooperation," http://www.rmo.eac.int/index.php?option=com_content&view=article&id=181&Itemid=242.

Trucks on the border of Kenya and Uganda. Heads of state from the East African Community—which includes Burundi, Kenya, Rwanda, Tanzania, and Uganda—meet regularly to tackle trade inefficiencies in the region. One of their most successful efforts focused on decreasing transport time and costs for goods transiting through the region to Kenya's Mombasa port. *Photo credit*: Jeffrey Zabinski/Flickr.

EXTERNAL TRADE POLICIES —

A number of external trade programs—initiated both by the United States and the European Union—have been set up over the past fifteen years to allow preferential trade access to partner markets by African nations. These trade programs aim to spur economic growth and, eventually, to reduce the need for humanitarian and development aid from the West.

Historically, there have been two types of bilateral trade programs between African countries and either the United States or the EU: "blanket" one-way programs and reciprocal programs. On this spectrum of trading agreements, the United States' African Growth and Opportunity Act (AGOA) and the EU's "Everything But Arms" (EBA) fall in the one-way section, offering a duty-free, quota-free "gift" of market access to African countries that meet certain standards. US Free Trade Agreements (FTAs) and the EU's Economic Partnership Agreements (EPAs) offer reciprocal benefits to both the initiating party and the African partner.

US Trade Programs

Passed in 2000 and renewed for the fifth time for 2015-2025, AGOA is a preferential trade agreement that expands exports from and investment in thirty-nine eligible sub-Saharan African countries to the United States. African exports to the United States—many of which enjoy duty-free and quota-free access to the US market under AGOA—have more than quadrupled since 2000.[70] Despite its success, AGOA was never meant to be a permanent trade-preference system. Instead, it was enacted to allow African countries time-limited access to the US market, with the hope that they would eventually "graduate" from the program and move on to more advanced trade agreements.

FTAs are the most comprehensive trade agreements that the United States signs, offering reciprocal benefits to the United States and another country (or bloc of countries) for both imports and exports. The only US FTA in Africa is an agreement with Morocco, which became effective in 2006 and removes technical barriers to increased US-Morocco trade. As a result, both US imports from and exports to Morocco have increased. Successful FTAs are the result of years of detailed and technical negotiation, and often work best between economies with similar development levels. While the Morocco agreement is a step in the right direction, the failure of the US-SADC FTA negotiations ten years ago shows that there is still much ground to cover in adapting the US approach to

70 US Department of State, "African Growth and Opportunity Act (AGOA)," http://www.state.gov/p/af/rt/agoa.

Case Study: African Apparel Industry under AGOA

AGOA has been especially impactful on Africa's apparel industry because of its generous rules of origin.[1] Apparel tariffs are typically high, historically placed under quota, and excluded from duty-free treatment in Generalized System of Preferences (GSP); consequently, AGOA countries enjoy a competitive advantage over other apparel producers.[2] In the five years following AGOA's implementation, African apparel exports to the United States increased threefold.[3] Ethiopia's apparel industry in particular has recently flourished under AGOA, growing by 51 percent over the last six years, and attracting large international apparel firms such as Phillips-Van Heusen Corporation (owner of the Tommy Hilfiger and Calvin Klein labels) to explore sourcing opportunities for apparel in Ethiopia.[4]

1 Stephen Lande, Dennis Matanda, and Steve McDonald, "Going Beyond AGOA: Ideas for a Trans-Atlantic South Partnership with Africa," a Wilson Center Manchester Trade Paper, June 2013, https://www.wilsoncenter.org/sites/default/files/Going%20Beyond%20AGOA.pdf.
2 Brock R. Williams, "African Growth and Opportunity Act (AGOA): Background and Reauthorization," *Congressional Research Service*, April 22, 2015, https://www.fas.org/sgp/crs/row/R43173.pdf. AGOA-eligible countries save 16 percent duty on cotton products and 32 percent on poly-cotton products. (https://www.wewear.org/assets/1/7/030912agoabizcommunityltr.pdf).
3 Amir Stepak and Marianna B.A. Ofos, "From Opportunity to Growth: AGOA, Five Years Later," pp. 5-8 in "The African Growth and Opportunity Act: Lessons Learned, Challenges Ahead," Woodrow Wilson International Center for Scholars Africa Program, https://www.wilsoncenter.org/sites/default/files/AGOA.pdf.
4 Ethiopian Investment Commission, "Textile and Garments," http://www.investethiopia.gov.et/investment-opportunities/strategic-sectors/textiles-and-garments; Witney Schneidman, "Why AGOA Should Be Extended for Fifteen Years: An Ethiopian Case Study," *Africa in Focus*, March 19, 2015, http://www.brookings.edu/blogs/africa-in-focus/posts/2015/03/19-agoa-extension-ethiopia-schneidman.

FTA negotiations to developing-country realities that are limited by institutional capacity, high levels of poverty, and a narrow export base.[71]

Trade and Investment Framework Agreements (TIFAs) offer a middle road between AGOA and FTA.[72] These agreements help structure negotiations between the United States and its partners. Because of their ability to strengthen bilateral trade ties with the United States (and, ostensibly, to work through major obstacles that might hold up future, advanced trade negotiations), TIFAs are considered building blocks for FTAs. The United States currently has more than a dozen TIFAs with African countries and RECs.

European Trade Programs

The EU created EBA in 2001 to give all LDCs duty-free and quota-free access to the EU for their exports. There are currently thirty-four African beneficiaries of the agreement, which is designed to encourage both domestic and international investment.[73] Unfortunately, evidence thus far does not suggest that EBA has had a significant impact on boosting either investment in LDCs or LDC exports.[74] Restrictive regulations on "rules of origin" stipulating the percentage of a final product's inputs that can come from outside the beneficiary country remain controversial.[75] Annual EU restrictions on the amount of certain products—including valuable African exports such as bananas, sugar, and rice—that can enter the EU market before taxation at an elevated rate are disincentives to investment in such products.[76]

Europe has increasingly moved away from blanket "one-way" development-oriented trade initiatives, and toward reciprocal agreements such as EPAs. EPAs are crafted to fit individual circumstances, have a broader scope than US FTAs, and are focused mainly on regions of the world that are already engaged in some degree of regional economic integration (such as African, Caribbean, and Pacific countries).[77] Unlike many other bilateral trade agreements, which are criticized for incentivizing African countries to export raw materials rather than invest in industry or the manufacturing sector, EPAs encourage developing countries to export value-added processed products.[78] But EPA negotiations take time; the agreement with SADC, for example, was completed in January 2014 after ten years of negotiations.[79] The agreements are also criticized for disrupting regional integration efforts, as they change the terms of trade for individual countries, without regard for neighboring countries.[80]

71 Office of the United States Trade Representative, "Morocco Free Trade Agreement," https://ustr.gov/trade-agreements/free-trade-agreements/morocco-fta; Export.gov, "The US—Morocco Free Trade Agreement (FTA)," http://export.gov/FTA/morocco/index.asp.
72 TIFAs set forth US principles on trade, affirming the importance of foreign and domestic investment, intellectual-property protection, eliminating nontariff barriers, sustainable development and environmental protection, and trade liberalization. The United States currently has TIFAs with Angola, COMESA, EAC, ECOWAS, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, and the West African Economic and Monetary Union (WAEMU).

73 European Commission, "Everything But Arms (EBA)–Who Benefits?", http://trade.ec.europa.eu/doclib/docs/2014/october/tradoc_152839.pdf.
74 Dekuwmini Mornah and George Akpandjar, "Preferential Trade Agreements, Corruption and Foreign Direct Investment: The 'Everything But Arms (EBA) Initiative'," *International Journal of Economics & Social Science*, vol. 5, 2015, pp. 82-95; O. Babarinde and G. Faber, "Exports by Least Developed Countries in Sub-Saharan Africa," *EU Trade Politics and Developing Countries: Everything But Arms Unravelled* (London and New York: Routledge, 2007).
75 Dekuwmini Mornah and George Akpandjar, "Preferential Trade Agreements, Corruption and Foreign Direct Investment: The 'Everything But Arms (EBA) Initiative'."
76 Ibid.
77 European Commission, "Economic Partnerships," http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships.
78 European Commission, *Using Trade to Promote Development in Countries in Sub-Saharan Africa, the Caribbean & the Pacific*, 2013, pp. 3-4.
79 European Commission, "Overview of EPA Negotiations," September 2015, http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf.
80 Stephen McDonald, Stephen Lande, and Dennis Matanda, *Why Economic Partnership Agreements Undermine Africa's Regional Integration*, April 2013, https://www.wilsoncenter.org/sites/default/files/EPA%20Article.pdf.

Multilateral Trade Programs

In addition to US and EU trade agreements with African countries, additional attempts by the international community to further integrate Africa into the global economy are ongoing, and experts have long argued that African countries have the most to gain from restructuring the international trading system. Moreover, African countries make up the World Trade Organization (WTO)'s largest regional bloc, including forty-three countries with voting rights.[81]

The WTO's Fourth Ministerial Conference began in Doha, Qatar, in 2001—and was dubbed the "development round" for its attempt to negotiate more favorable trade policies for LDCs. But the Doha round failed to reach an agreement. During the 2013 Bali round, WTO members finished negotiating a trade facilitation agreement, which will expedite the movement of goods and better align customs policies. The landmark agreement—the first successfully negotiated by the WTO—promises to cut trade costs and increase profits, for LDCs and developed economies alike. In order for a member to ratify the agreement, the country must first comply with customs and trade-efficiency requirements as spelled out in the Trade Facilitation Agreement (TFA); the agreement enters into force after two-thirds of the WTO's 160 members ratify it.[82]

The TFA represents a watershed moment for the WTO. Particularly after the failure of past WTO rounds to come to a consensus on similar agreements, many global powers have recently opted for "super" bilateral agreements, such as the Transatlantic Trade and Investment Partnership and Trans-Pacific Partnership, which exclude many developing countries from the conversation on global trade, and may push WTO efforts to the background of international trade policy.

By requiring each member to comply with efficiency measures, the agreement—once it is fully ratified and implemented—is projected to increase global trade by more than $1 trillion, and reduce trade costs for lower-income countries by 14 percent.[83] While there is no set deadline, it is widely hoped that this majority can be achieved in 2016. The TFA is unique in that it allows individual countries the flexibility to identify which provisions they can implement immediately, which they can enact in the near future without assistance, and which require assistance from the WTO. The challenge, however, is the complex political ratification process at the national level. As WTO Director-General Roberto Azevêdo explained, "[The WTO TFA] is global trade's equivalent of the shift from dial-up Internet access to broadband—and it will have a similar impact."[84] Thus far, fifty WTO members—including Botswana, Mauritius, Niger, and Togo from the African bloc—have ratified the agreement.[85]

EXPERTS HAVE LONG ARGUED THAT AFRICAN COUNTRIES HAVE THE MOST TO GAIN FROM RESTRUCTURING THE INTERNATIONAL TRADING SYSTEM.

OBSTACLES TO DEEPENING TRADE

African countries face a range of challenges that impede increased trade flows. These challenges include geographic, structural, and infrastructure barriers, as well as trade inefficiencies and a broader lack of institutional capacity.

- **Geographic challenges.** High transport costs and longer wait times will always be a disadvantage for Africa's landlocked countries, as their goods face longer, more expensive journeys to reach their destination markets. For example, it costs more for a cargo truck to move a container from Djibouti to Ethiopia than to send the same cargo from China to Djibouti.[86] Regional economic-integration efforts aim to mitigate some of these difficulties.
- **Structural challenges.** Many neighboring African countries have similar export profiles—a feature of similar topography and climate—which makes exporting

81 World Trade Organization, "Groups in the Negotiations," https://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm#grp002. Notably, the following African countries are not WTO members: Algeria, Comoros, Equatorial Guinea, Eritrea, Ethiopia, Liberia, Libya, São Tomé and Príncipe, Somalia, South Sudan, and Sudan.
82 World Trade Organization, "Encouraging Signs on Acceptance of WTO's Trade Facilitation Agreement," March 24, 2015, https://www.wto.org/english/news_e/news15_e/fac_24mar15_e.htm; World Trade Organization, "Azevêdo Welcomes European Union Ratification of Trade Facilitation Agreement," October 5, 2015, https://www.wto.org/english/news_e/news15_e/fac_05oct15_e.htm.
83 World Trade Organization, *Trade Facilitation Agreement: Easing the Flow of Goods across Borders*, May 18, 2015, http://allafrica.com/view/resource/main/main/id/00091886.html.
84 "WTO's TFA Can Have Positive Impact on Developing Countries," *World Grain*, October 27, 2015, http://www.world-grain.com/articles/news_home/World_Grain_News/2015/10/WTOs_TFA_can_have_positive_imp.aspx?ID=%7BD6532813-A0B1-4945-A484-3DDFEEC2512C%7D&cck=1.
85 Mike Godfrey, "50 Nations Have Ratified WTO's Trade Facilitation Pact," *Tax News*, October 20, 2015, http://www.tax-news.com/news/50_Nations_Have_Ratified_WTOs_Trade_Facilitation_Pact____69454.html. The United States and the EU have also ratified.
86 "Oceans Ahoy!", *Economist,* April 21, 2012, http://www.economist.com/node/21553050.

Case Study: The Borderless Alliance

The Borderless Alliance—a collaboration between the US Agency for International Development (USAID) and governmental organizations in Benin, Burkina Faso, Ghana, Mali, Nigeria, Senegal, and Togo—is working across West Africa to eliminate nontariff trade barriers.[1] In addition to identifying costly delays and assessing transit time and procedures, the Alliance monitors the number of checkpoints passed by a truck transporting goods for export, the number of bribes demanded, and time lost along the way. It also publishes maps of "road governance."

By identifying checkpoints—set up by police, customs enforcement, gendarmes, immigration officials, and others—as well as "naming and shaming" underperformers and praising the high performance of others, the initiative pushes relevant governments to make cost-effective, trade-oriented reforms. Similar progress is being made through a government initiative in East Africa through the NCIP.

1 Borderless Alliance, "What is Borderless?", http://www.borderless-wa.com/what-borderless.

between countries difficult. Particularly as most African countries lack industrial manufacturing or differentiated trade in services, a limited number of products are often competing with those of a country's neighbors. For example, it is unlikely that Uganda will sell tea to Kenya, because Kenya is trying to export tea itself; Côte d'Ivoire has no interest in Ghana's cocoa, as it is also one of the largest cocoa producers in the world.

- **Infrastructure challenges.** Even in African countries with access to the sea, it is expensive to produce and export goods. Generally speaking, African countries lack the adequate infrastructure to maintain low export-transport costs and transit times. According to the AfDB, the broader infrastructure-investment gap in Africa tops $50 billion annually in unmet needs—a gap that particularly affects the transportation, communications, and energy sectors.[87] The average cost ($2,200.70) to export a container from sub-Saharan Africa, for example, is the highest of all regions surveyed in the World Bank's *Doing Business* indicators.[88] The average number of days for exporting a container is the second-slowest in the group, at 30.5 days.[89] Comparatively, the OECD high-income country group exports a container for an average of $1,082.20 in 10.5 days.[90]

  The high cost and unreliable nature of access to energy also creates an obstacle to enhanced trade by making manufacturing cost-prohibitive. Light manufacturing has proven to be the gateway to exponential increases in exports globally, as seen in the experiences of Taiwan, South Korea, and China over the past five decades.

- **Trade inefficiencies.** While tariffs remain a barrier to trade, the global fall in average tariff rates, combined with deepening regional integration on the African continent, is slowly eliminating this obstacle to cross-border trade. But nontariff barriers—affecting transport times and costs, as well as investor interest—still remain formidable, systemic challenges to free trade, even in economically integrated regions.

  The requirement of visas for travel within Africa is a significant nontariff trade barrier. Africa's visa restrictions are expensive and time consuming. As a result, they discourage trade, mobility, and tourism. Most African countries require visitors from other African countries (especially visitors coming from outside the region) to apply for a visa; an African hoping to travel around the continent will find that he or she needs to apply for a visa in 60 percent of the countries.[91] In its recent report, the McKinsey Global Institute found that stricter South African visa regulations were impacting the number of visitors to the country.[92] The country's visa rules also sparked a diplomatic incident with Kenya, which claimed that South Africa's expensive and time-consuming visa process is impeding business.[93]

  Even Africa's richest man, Nigerian billionaire Aliko Dangote, has trouble traveling across the continent: "I need a visa in almost thirty-eight countries, which means an American has more access into Africa

87 African Development Bank Group, "Infrastructure Finance," http://www.afdb.org/en/topics-and-sectors/sectors/private-sector/areas-of-focus/infrastructure-finance/; Aubrey Hruby and Dawda Jawara III, "Closing the Infrastructure Investment Gap in Africa," *Financial Times*, March 6, 2015, http://blogs.ft.com/beyond-brics/2015/03/06/guest-post-closing-the-infrastructure-investment-gap-in-africa/.
88 World Bank, "Trading Across Borders," http://www.doingbusiness.org/data/exploretopics/trading-across-borders.
89 Ibid.
90 Ibid. The OECD's "high income country group" includes Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, and the United States.
91 African Development Bank Group, "Visa restrictions and economic consequences in Africa," June 10, 2013, http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/visa-restrictions-and-economic-consequences-in-africa-11987.
92 McKinsey Global Institute, *South Africa's Big Five: Bold Priorities for Inclusive Growth*, September 2015, p. 85.
93 Aggrey Mutambo, "Irregular Policies Hurting Kenya, South Africa Trade, Says CS," *Daily Nation*, September 4, 2015, http://www.nation.co.ke/business/Irregular-policies-hurting-Kenya-South-Africa-trade/-/996/2859000/-/d7h0kaz/-/index.html.

A South African woman shows off her vegetables. Agriculture remains vital to African economies, despite the growing importance of manufacturing. Large-scale commercial agriculture remains one of the biggest opportunities for African countries to diversify their product offerings. Credit: Australian Department of Foreign Affairs and Trade/Flickr.

than myself."[94] Before the end of his tenure as AfDB President, Donald Kaberuka launched the "Visa-Free Travel in Africa" initiative—in concert with Rwandan President Paul Kagame, Dangote, and Kenyan President Uhuru Kenyatta—challenging leaders to ease visa restrictions, thereby promoting trade and tourism. "True integration," Kaberuka noted, "will take place only if people are able to move freely across the continent."[95]

- **Lack of institutional capacity for policy implementation.** Even with policy reforms around visa issues and transport-corridor efficiency gains, eliminating stubborn trade barriers requires institutional will and strong capacity for coordination and implementation. Effective economic integration initiatives require a significant investment in people and processes. The secretariats of the EAC, ECOWAS, COMESA, and others are underresourced and understaffed for the magnitude of their missions and mandates. The EAC budget for 2015-2016, for example, is only $111 million,[96] and is tasked with integrating economies that have a combined worth of more than $110 billion in GDP.[97]

POLICY RECOMMENDATIONS –

To Address Geographic Challenges

- Small or landlocked countries should attempt to carve out market niches that are less dependent on large-scale exports. Rwanda, for example, has successfully built a "luxury tourism" industry, in which visitors spend thousands of dollars per person for a week of gorilla trekking. These countries can also develop other service exports (financial, educational, hospitality, etc.) that they can market to larger neighbors.

- These traditionally disadvantaged nations should also hone their diplomatic skills. The best hope for speeding regional-integration efforts is to pressure larger, better-resourced neighbors and donor nations to mobilize

94 Jaco Maritz, "What Africa's Richest Man Aliko Dangote Told the World Economic Forum in Davos," *How We Made It in Africa*, January 22, 2014, http://www.howwemadeitinafrica.com/what-africas-richest-man-aliko-dangote-told-the-world-economic-forum-in-davos/34394/.
95 African Development Bank Group, "AfDB President Donald Kaberuka Supports 'Visa Free Travel in Africa'," May 7, 2014, http://www.afdb.org/en/news-and-events/article/afdb-president-donald-kaberuka-supports-visa-free-travel-in-africa-13043.

96 Ernst & Young, "East African Community Presents 2015/16 Budget," June 4, 2015, http://www.ey.com/GL/en/Services/Tax/International-Tax/Alert--East-African-Community-presents-2015-16-Budget.
97 East African Community, "Your Complete Guide to EAC Statistics," http://www.eac.int/statistics/.

the political will and resources needed for integration, including enhanced financial and technical support of RECs.

To Address Structural Challenges

- Export Processing Zones (EPZs) are specialized industrial zones that offer incentives, such as tax breaks, to companies investing in manufacturing in the zone, and are a potential avenue for creating competitive export-oriented clusters. EPZs also offer a chance for countries to strengthen their diversification efforts, especially in the manufacturing sector. Particularly for countries in which the economy has traditionally been dependent on a small number of commodities, EPZs offer incentives for investment in alternate industries.

  In Asia, EPZs have been used extensively to attract investment and build a robust export base. But despite the creation of more than ninety African EPZs as of 2012,[98] African EPZs have yet to deliver meaningful development results. African governments should critically assess the performance of EPZs to date, and partner with and learn from Asian countries that have successfully utilized EPZs to spur growth. Potential partners might include the United Arab Emirates and China, both of which have been global leaders in creating profitable EPZs.

  Policy predictability and regulatory certainty is a particular challenge in most African countries. African governments should ensure and maintain policy consistency with partner companies on EPZs or other bilateral trade deals. Foreign investors need to have confidence, for example, that the terms of their agreement with a host government (including, for example, tax breaks or other financial incentives) will be upheld in the coming years, or in the case of a change of government. Moroccan success with specialized free zones, particularly around Tangier, or Ethiopian success with Chinese-built Special Economic Zones, may be models to replicate.[99]

- African governments should ratify and implement the WTO TFA, which will lower trade barriers for developed and developing economies alike. But in order to ratify the TFA, many African countries will have to push the TFA requirements through their legislative bodies, adding a layer of difficulty to the already complex process. In 2014, the WTO announced the formation of a TFA Facility (TFAF), designed to provide trade facilitation-related assistance, capacity-building, help finding sources of implementation assistance, and "ensur[ance] that no WTO member is left behind."[100] While the TFAF has just recently become operational, African countries should seek its support in preparation for implementation. The United States and its European partners have also backed international efforts to implement specific provisions of the TFA: USAID and United States Trade Representative (USTR)-led Global Alliance for Trade Facilitation, for example, focuses on improving developing countries' border management needed for TFA implementation.[101]

POLICY PREDICTABILITY AND REGULATORY CERTAINTY IS A PARTICULAR CHALLENGE IN MOST AFRICAN COUNTRIES.

  Within the WTO, African governments should also form a working group on rules of origin in trade agreements that seeks to capitalize on the success of trade programs with liberal rules of origin (for example, AGOA's success in promoting garment manufacturing in Africa) and harmonize the United States and EU programs for African benefit.

To Address a Lack of Infrastructure

- African governments and international partners—both public and private—should continue to invest in African infrastructure, with a focus on the power sector. According to a recent infrastructure report by the Brookings Institution, external financing commitments rose from $5 billion in 2003 to nearly $30 billion per year in 2012[102]—and this trend should continue. Improved roads, bridges, ports, and communications infrastructure will make African goods only more competitive in the global market. Similarly, investment in the power sector will make production and shipping more reliable and cost-effective.

98 African Center for Economic Transformation, "Africa's Export Processing Zones–It's Time to Lift the Game," August 17, 2012, http://acetforafrica.org/whats-new/post/africas-export-processing-zones-its-time-to-lift-the-game/.
99 Oxford Business Group, "Manufacturing Sector Boosts Moroccan Export Revenue."
100 World Trade Organization, *Trade Facilitation Agreement: Easing the Flow of Goods across Borders.*
101 Mission of the United States, Geneva, press release, "USAID Announces Global Public-Private Trade Alliance," July 1, 2015, https://geneva.usmission.gov/2015/07/01/usaid-announces-global-public-private-trade-alliance/.
102 Jeffrey Gutman, Amadou Sy, and Soumya Chattopadhyay, *Financing African Infrastructure: Can the World Deliver?* (Washington, DC: Brookings, March 2015), http://www.brookings.edu/~/media/Research/Files/Reports/2015/03/financing-african-infrastructure-gutman-sy-chattopadhyay/AGIFinancingAfricanInfrastructure_FinalWebv2.pdf?la=en.

To Address Other Trade Inefficiencies

- International partners should continue to support and promote initiatives, such as the Borderless Alliance, that offer countries the chance to participate in the process of addressing inefficiencies negatively affecting African trade. Because nations' progress (or backsliding) is catalogued in the project, these countries have an incentive to make progress, and to do so quickly.

- The strides African governments have made to address nontariff barriers should be replicated and deepened. For example, the NCIP—an organization that includes Kenya, Rwanda, Uganda, South Sudan, Burundi, and, most recently, Ethiopia and DRC—aims to speed up the shipment of goods from the Great Lakes to Kenya's Mombasa port, and vice versa. Beginning in 2013, the member countries began integration into a Single Customs Territory, which will streamline business in the region.[103] Unlike the Borderless Alliance, the NCIP was conceived by the region's governments, looking to improve on the statistics found after a 2013 trial run of transport in the Northern Corridor, in which the driver lost seventy-nine hours to waiting at checkpoints, stops at roadblocks, or delays due to poor road infrastructure—and paid more than $800 in bribes to move a truck of tea from Kigali to Mombasa.[104] Participating countries have also pledged to reduce communications costs in the region, upgrade rail infrastructure, and facilitate easier travel for regional citizens.[105] The political will shown by the Northern Corridor countries to improve trade efficiency with little to no extra external investment is proving to be an inspiring example of African policy innovation and implementation.

- While pursuing continent-wide integration efforts that strengthen policy coordination in global fora, African governments should also focus their resources on smaller—but more able and willing—groups of countries. Smaller, more integrated subregions are a strong starting point for incentivizing other African nations to improve their own integration efforts. The experience of integration success at a more local level is not only positive in itself, but will also make larger initiatives less daunting. The improved transportation efficiency achieved through the NCIP, for example, began when Kenya, Uganda, and Rwanda started working together, allowing their neighbors to join at their own pace.

- African political will should be mobilized to streamline immigration policies and eliminate the onerous visa requirements for Africans traveling inside the continent on business. Countries may be able to channel efforts into the AfDB's "Visa-Free Travel in Africa" initiative to pool resources and effort.

- To ensure accountability as African countries work to cut these trade-related inefficiencies, the World Bank should broaden its *Doing Business* "Trading Across Borders" indicators to assess visa regulations, the prevalence and cost of bribes, and other nontariff barriers. Tech platforms, such as the Indian site "I Paid a Bribe," may be able to help catalogue and publicize data.

- Similarly, RECs should better track their trade data, particularly focusing on the rate of intraregional trade. While much of African trade, and especially regional trade, remains informal, better data will help African countries and their partners assess what is working, and what is not.

- Regional communities have made progress lowering nontariff barriers to trade and generating greater trade efficiency. The largest economies, particularly Nigeria and South Africa, should establish bilateral trade-and-investment frameworks with each other to promote growth across the continent. These agreements plant seeds for increased cooperation over time. For example, Kenya and Ethiopia's Special Status Agreement, a 2012 bilateral agreement that seeks to improve ease of trade and investment between the two countries, has continued to develop, and is now allowing Kenyan banks to open representative offices in Ethiopia.[106]

To Address the Institutional Policy Implementation Capacity Gap

- Development partners should continue to provide RECs with technical and financial support. While there has been much interest in "hard" infrastructure (building and maintaining roads, bridges, and ports, for example), there has been less focus on "soft" infrastructure (information and communications technology used in customs and border enforcement, for example, and the data collection and analysis needed to maintain efficient operations). African countries will not be able to fulfill their economic potential with hard infrastructure

103 Northern Corridor Integration Projects (NCIP), "Single Customs Territory," http://www.nciprojects.org/project/single-customs-territory.
104 Susanna Pak, "Reducing Non-Tariff Barriers along East Africa's Northern Corridor," *International Trade Forum Magazine*, December 1, 2013, http://www.tradeforum.org/article/Reducing-non-tariff-barriers-along-East-Africas-Northern-Corridor/.
105 AllAfrica, "East Africa: Ninth Northern Corridor Integration Projects Summit Joint Communiqué," March 7, 2015, http://allafrica.com/stories/201503091536.html.

106 Steve Mbogo, "Ethiopia Opens Doors to Trade with Kenya," *East African*, April 12, 2014, http://www.theeastafrican.co.ke/news/Ethiopia-opens-doors-to-trade-with-Kenya--/-/2558/2277314/-/rlr3enz/-/index.html; Steve Mbogo, "Ethiopia Slowly Opens Up," *Financial Mail*, April 23, 2014, http://www.financialmail.co.za/features/2014/04/23/ethiopia-slowly-opens-up.

alone; adequate attention to and investment in soft infrastructure is also vital.

- Given the shifting global trade landscape toward "super" bilateral agreements such as the Trans-Pacific Partnership, the United States and the EU should grant African governments observer status at major trade negotiations involving other regions; likewise, African governments should grant the United States and EU observer status for continent-wide initiatives, such as the TFTA, to promote mutual understanding of regional priorities and policy harmonization over time.

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