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Professor Dadush, bienvenue. Can you please tell us more about this agreement? How is it going currently? We all know that the devil is, if not in the detail, at least in implementation. The political commitment is there, but the biggest difficulty before us is how to implement this agreement. What are the main obstacles? What are the conditions that need to be put in place to begin to implement it, and then to implement it successfully? Do you see this as a key tool and step for the development of this continent, which we have all been waiting for a long time?

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This initiative is important for the continent. It also provides a nice counterpoint to the protectionism arising in different parts of the world. It is definitely needed, because Africa is fragmented, and trade within Africa is a very small part of Africa's total trade. It is very difficult to imagine that Africa can break out into world manufacturing markets and become competitive in a lot of internationalised industries which are essential for its development unless it has a critical mass of a market that it addresses.

The trade within Africa at the moment, as the Economic Commission for Africa has pointed out, tends to be trade in manufactured or agricultural products, and trade outside Africa tends to be of what they call extractables, natural resources, and that is a promising sign – if you could get more integration within Africa, you could develop more agriculture and industry within Africa.

It was quite surprising, when as an economist I approached this issue for the first time about nine months ago, to see how many barriers there are within Africa. African countries have very high tariffs with each other in relative terms, but they actually trade quite freely with the EU and the US, so a kind of trade diversion is occurring which orients, in an artificial way, trade outside of Africa instead of inside it.

One other point I would make is that we must not make the error in Africa that we made when we created the Middle East and North Africa agreements with the EU, which was to assume that, because you make a free trade agreement, you automatically solve a lot of problems and get a lot of growth. Long experience and many studies have shown that, in the language of economists, there is no unconditional convergence. It is not just because you open trade that you converge to the higher income of your partners, whatever that might be. Convergence, international trade liberalisation, only works in conjunction with the strengthening of domestic policies. Frankly, you can do all the trade liberalisation you want, but if you do not have strengthening of domestic policies, if you do not have political stability, if you do not have peace – and in a lot of places in Africa there is no peace – and if you do not have reasonable predictability in the business climate, in terms of corruption, governance, etc., you are very unlikely to get investment in that kind of context, whether or not trade is open.

Sometimes, in fact, I have made the argument that if you do not have those kinds of domestic conditions, trade can actually hurt you, because all that happens is that you get a lot of imports, but you do not get the export response.

That is the general point. Regarding the agreement itself, what are the conditions for its success? The first, which I stress again, is improvement in domestic policies and governance. That is the first condition for the success of the African Continental Free Trade Area, and it is a very important thing that should happen irrespective of the African Continental Free Trade Area. That is a given. Regarding the technicalities of the agreement, three points need to be recognised. Firstly, the agreement has to be inclusive. Right now it is pretty inclusive – I do not remember the exact numbers, but something like 45 or 46 countries have now signed on to the agreement, except for the elephant in the room, Nigeria. A few months ago, the President made a statement that he was going to sign the agreement. The agreement has so far not been signed – I just checked this morning – and there is a lot of debate within Nigeria about signing it. It is very important that Nigeria signs it.

I want to say a word about Nigeria. It is, of course, the biggest economy in Africa, so without Nigeria, it is difficult to see how this thing functions as an African agreement. However, the political economy in Nigeria is extremely complicated – it is an oil exporter, but it has a domestic manufacturing and agricultural output, of course, which is uncompetitive, in part because of the oil exports and the Dutch disease effect. However, Nigeria is not Saudi Arabia. The oil resources, relative to the population, 200 million people, are tiny, so Nigeria cannot be like the Gulf States, thinking it can just take its time to develop using oil resources. It has to diversify its economy, and it has to do so now, so it is very important for Nigeria, not to mention all the geopolitical considerations, to be part of this agreement if it wants to be a leader in the continent.

That is the first condition, that Nigeria has to join. The second and third conditions are quite technical. Regarding the second condition, the agreement says that 90% of trade will be liberalised, but they do not specify what that means. It is not too bad if it means 90% of actual trade volumes, but if it is 90% of tariff lines, then countries can play a lot of games in choosing the appropriate tariff lines to liberalise, essentially negating the effects of the agreement.

The third technical point is that rules of origin are very important in free trade agreements. For those of you who have not had the pleasure of studying rules of origin, if a product comes from Ghana to Kenya, is it really a product from Ghana or a product from China? You need rules of origin in order to ensure that the free trade agreement is not abused, so to speak, but if these rules of origin are made very complicated, specific to particular products, depending on the production process or how many times it has been transformed, etc., it can become very difficult for people to comply with them. Therefore, it is important that the rules of origin are simple, especially in an African context, where you have a lot of governance issues. Something like a value-added criterion, where 50% of value-added has to be within Africa and there is accumulation wherever it is produced in Africa, is an important third condition.

Finally, the other big issue which is impossible to separate from trade policy is the infrastructure question. Anybody who is familiar with Africa knows that it is a gigantic continent – the distance between Casablanca and Johannesburg is 8 000 km, which is about the distance between Brussels and Beijing. However, this is a continent that is very poor in its entire transportation infrastructure; whether you are talking about roads, ports or airports, it is very weak in that regard. Therefore, the African Continental Free Trade Area, if it is to work, has to be accompanied by a stepped-up effort by all concerned – which includes the Chinese, not just the Europeans or Americans, because the Chinese are very good at infrastructure – to scale up the infrastructure, particularly in the area of transportation.

Nathalie DELAPALME

Thank you very much for this very comprehensive presentation. Listening to you, we get the impression that there are many obstacles yet to jump over before we can begin to implement this agreement, especially coming from Nigeria, if, as you say, Nigeria wishes to tidy up its domestic economy before even considering joining. This is slightly concerning.