

Over the long term, the average ranking for Africa could rise even further. This could happen if the continental free trade area begets a more dynamic trade and economic environment that expands manufacturing bases, sustains the growth of agro-processing industries fit for value chain integration, and accelerates the development and integration of financial markets. Such financial progress could, for instance, enable cross-listing of firms in different stock markets and promote the development of nonbank financing and the establishment of credit reference bureaus to reduce information asymmetry and credit risk. Ultimately, these measures could ease access to credit in a region where more shallow financial intermediation and fragmented financial markets have put the kibosh on competitiveness and private sector growth.

Establishing one of the largest free trade areas in the world could boost competitiveness through other channels as well: technology transfer, industrial development, diversification of sources of growth, and expansion of intra-African trade. A recent review of the African competitiveness landscape blames limited progress in these areas for stalled productivity growth and competitiveness and singles out relatively low regional trade and integration as a major bottleneck (WEF 2017). The same review also highlights overlapping regional economic communities as a major constraint to the kind of business-friendly environment entrepreneurs need to take advantage of growth opportunities.

Preliminary estimates of the expected benefits of the AfCFTA, in terms of trade performance and regional integration, are positive and significant. The United Nations Economic Commission for Africa estimates that intra-African trade, largely dominated by industrial products and manufactured goods, could increase by more than 50 percent and even double about a decade into the implementation of the AfCFTA, if the envisioned reforms are fully carried out and complemented by robust trade facilitation measures.

The requirement that participating countries remove tariffs on at least 90 percent of goods would drive this increase. Economies of scale as a result of a larger continental market could lower overall production costs, which remain very high; stimulate cross-border trade and investment within Africa; and attract additional foreign direct investment to the region while also shifting it toward the production of industrial and manufactured goods. This would boost intraregional trade in intermediate and

capital goods. Attendant benefits include technology transfer and development of regional value chains in which African businesses add value as they turn raw materials into finished goods.

“Factory Africa”

These regional value chains could help integrate African economies into the global economy, whose manufacturing processes are driven increasingly by the globalization of supply and value chains. Despite the rise in outsourcing production to several countries, much of the value-added distribution in global value chains remains within regional blocs. Hence the increasing references to “Factory Europe,” “Factory North America,” and “Factory Asia”—the continents where these value chains are concentrated (Stöllinger and others 2018). The rise of value chains in regional blocs and their continued relevance in the face of entrenched globalization reflect their many inherent benefits, most notably lower transit costs and shorter supply chains associated with either sourcing or manufacturing closer to target export markets.

The AfCFTA could eventually give birth to “Factory Africa.” In time, the emergence of “Factory Africa”—and ultimately, the connection of Africa-based factories and production chains to global value chains—would link production networks from all continents.

For decades, Africa has been labeled as a continent full of potential—yet year after year, realizing this potential has been one of its main challenges. If the AfCFTA succeeds in inspiring these reforms, the new free trade area could unleash forces for African dynamism and position the continent as a global competitor. **FD**

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ON THE MOVE

Migration, with its upsides and downsides, is increasing globally.

MODERN TRANSPORTATION and digital technologies make it easier for people to move across borders. Around the world, 258 million people, or 3.4 percent of the global population, live outside their country of birth. The international migrant population is now triple its 1970 level. International migration takes different forms: economic migrants voluntarily leave in search of work, while refugees are forced to flee due to conflict and violence. Migration can be an economic boon, but it can also be a critical policy and political challenge.

Work is the main motivator. Migrant workers comprise two-thirds of all international migrants, and most move to high-income countries. For these individuals and their families, migration can bring considerable gains in income, education, and health. For their home countries, emigration can reduce unemployment and foster knowledge transfer. The remittances migrants send home—\$613 billion in 2017—provide financial flows and a stable source of income. For destination countries, immigration can increase labor supply, enhance productivity, and ease pressures on pension systems.

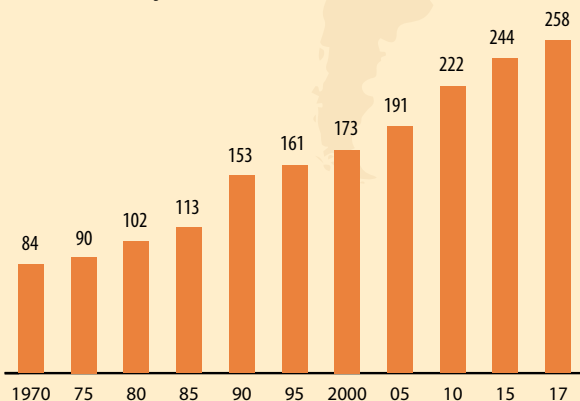
Not all migration occurs in positive circumstances. Conflict and persecution uprooted 68.5 million people by 2017—including 25.4 million refugees, 3.1 million asylum seekers, and 40 million people displaced within their countries—a level not seen in decades. More than half the refugees were children, many unaccompanied or separated from their parents. A third of all refugees fled to the least developed economies, where the capacity to accommodate and integrate them often falls short.

Migration matters to economic prosperity, human development, and security, and ensuring safer and better-regulated migration has become a global priority. The United Nations, for example, is set to adopt two global compacts to improve the governance of migration. One thing is clear: no country can manage migration issues on its own. Cross-border challenges require cross-border solutions. **FD**

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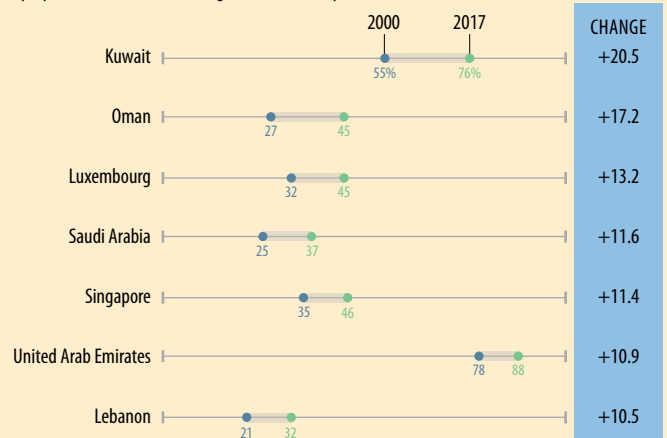
International migration on the rise

A steady increase worldwide
(number of international migrants, millions)



Source: World Migration Report Update 2018.

Dramatic changes, particularly in the Gulf
(proportion of international migrants, 2000–17, percent)



Source: United Nations.